

ZACATECAS SILVER CORP.
Suite 488 - 1090 West Georgia Street
Vancouver, BC V6E 3V7

INFORMATION CIRCULAR

July 7, 2023

INTRODUCTION

Zacatecas Silver Corp. (the “Company”) is providing this Information Circular and a form of proxy in connection with management’s solicitation of proxies for use at the annual general meeting (the “Meeting”) of the Company to be held at 11:00 am (Vancouver Time), on Tuesday, August 8, 2023 at Suite 704, Howe Street, Vancouver, British Columbia, or at any adjournment or postponement thereof.

Date and Currency

The date of this Information Circular is July 7, 2023. Unless otherwise stated, all amounts herein are in Canadian dollars.

MANAGEMENT SOLICITATION OF PROXIES

The solicitation of proxies by management of the Company will be conducted by mail and may be supplemented by telephone or other personal contact to be made, without special compensation, by the directors, officers and employees of the Company. The Company does not reimburse shareholders, nominees or agents for costs incurred in obtaining from their principals authorization to execute forms of proxy, except that the Company has requested brokers and nominees who hold stock in their respective names to furnish this proxy material to their customers, and the Company may reimburse such brokers and nominees for their related out of pocket expenses. No solicitation will be made by specifically engaged employees or soliciting agents. The Company will bear the cost of the solicitation.

No person has been authorized to give any information or to make any representation other than as contained in this Information Circular in connection with the solicitation of proxies. If given or made, such information or representations must not be relied upon as having been authorized by the Company. The delivery of this Information Circular shall not create, under any circumstances, any implication that there has been no change in the information set forth herein since the date of this Information Circular. This Information Circular does not constitute the solicitation of a proxy by anyone in any jurisdiction in which such solicitation is not authorized, or in which the person making such solicitation is not qualified to do so, or to anyone to whom it is unlawful to make such an offer of solicitation.

APPOINTMENT AND REVOCATION OF PROXY

Appointment of Proxy

Registered shareholders are entitled to vote. A shareholder is entitled to one vote for each common share that such shareholder holds on the record date of July 4, 2023 on the resolutions to be voted upon at the Meeting, and any other matter to come before the Meeting. The persons named as proxyholders (the “Designated Persons”) in the enclosed form of proxy are directors and/or officers of the Company.

A shareholder has the right to appoint a person or company (who need not be a shareholder) to attend and act for or on behalf of that shareholder at the meeting, other than the designated persons named in the enclosed form of proxy.

To exercise the right, the shareholder may do so by striking out the printed names and inserting the name of such other person and, if desired, an alternate to such person, in the blank space provided in the form of proxy. Such shareholder should notify the nominee of the appointment, obtain the nominee’s consent to act as proxy and should provide instruction to the nominee on how the shareholder’s shares should be voted. The nominee should bring personal identification to the meeting.

A proxy may not be valid unless it is dated and signed by the shareholder who is giving it or by that shareholder's attorney-in-fact duly authorized by that shareholder in writing or, in the case of a corporation, dated and executed by a duly authorized officer or attorney-in-fact for the corporation. If a form of proxy is executed by an attorney-in-fact for an individual shareholder or joint shareholders, or by an officer or attorney-in-fact for a corporate shareholder, the instrument so empowering the officer or attorney-in-fact, as the case may be, or a notarial certified copy thereof, must accompany the form of proxy.

Revocation of Proxies

A shareholder who has given a proxy may revoke it at any time before it is exercised by an instrument in writing: (a) executed by that shareholder or by that shareholder's attorney-in-fact authorized in writing or, where the shareholder is a corporation, by a duly authorized officer of, or attorney-in-fact for, the corporation; and (b) delivered either: (i) to the Company at the address set forth above, at any time up to and including the last business day preceding the day of the Meeting or, if adjourned or postponed, any reconvening thereof, or (ii) to the Chairman of the Meeting prior to the vote on matters covered by the proxy on the day of the Meeting or, if adjourned or postponed, any reconvening thereof, or (iii) in any other manner provided by law.

Also, a proxy will automatically be revoked by either: (i) attendance at the Meeting and participation in a poll (ballot) by a shareholder, or (ii) submission of a subsequent proxy in accordance with the foregoing procedures. A revocation of a proxy does not affect any matter on which a vote has been taken prior to any such revocation.

VOTING BY PROXY

Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Shares represented by a properly executed proxy will be voted or be withheld from voting on each matter referred to in the Notice of Meeting in accordance with the instructions of the shareholder on any ballot that may be called for and if the shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly.

If a shareholder does not specify a choice and the shareholder has appointed one of the Management Proxyholders as proxyholder, the Management Proxyholder will vote in favour of the matters specified in the Notice of Meeting and in favour of all other matters proposed by management at the Meeting.

The enclosed form of proxy also gives discretionary authority to the person named therein as proxyholder with respect to amendments or variations to matters identified in the Notice of the Meeting and with respect to other matters which may properly come before the Meeting. At the date of this Information Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting.

COMPLETION AND RETURN OF PROXY

In order to be voted, the completed form of proxy must be received by the Company's transfer agent Odyssey Trust Company, (the "Transfer Agent") at their offices located at 350 – 409 Granville St, Vancouver, BC V6C 1T2 by mail or fax not later than forty-eight (48) hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting, unless the chairman of the Meeting elects to exercise his discretion to accept proxies received subsequently.

NON-REGISTERED HOLDERS

The information set out in this section is of significant importance to those shareholders who do not hold shares in their own name. Shareholders who do not hold their shares in their own name (referred to in this Information Circular as "Beneficial Shareholders") should note that only proxies deposited by shareholders whose names appear on the records of the Company as the registered holders of common shares can be recognized and acted upon at the Meeting. If common shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those common shares will not be registered in the shareholder's name on the records of the Company. Such common shares will more likely be registered under the names of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such common shares are registered under the name of CDS & Co., being the registration name for The Canadian Depository for Securities Limited (which acts as nominee for many Canadian brokerage firms), and in the United States, under the name Cede & Co., as nominee for the Depository Trust Company (which acts as a brokerage depository for many U.S. firms and custodial banks). **Beneficial Shareholders should**

ensure that instructions respecting the voting of their common shares are communicated to the appropriate person well in advance of the Meeting.

Regulatory polices require Intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholder meetings. Pursuant to National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with clearing agencies, brokerage houses and other financial intermediaries to forward proxy solicitation material to the beneficial owners of the Shares. Additionally, the Company intends to pay for the costs of an intermediary to deliver to objecting beneficial shareholders, the proxy-related materials.

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of the Meeting. Every Intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders to ensure that their common shares are voted at the Meeting.

Beneficial Shareholders will receive from an intermediary either voting instruction forms ("VIF") or, less frequently, forms of proxy. The purpose of these forms is to permit Beneficial Shareholders to direct the voting of the Common Shares they beneficially own. Beneficial Shareholders should follow the procedures set out therein, depending on which type of form they receive.

In either case, the purpose of this procedure is to permit Beneficial Shareholders to direct the voting of the shares which they beneficially own.

A Beneficial Shareholder receiving these forms cannot use that form to vote common shares directly at the Meeting. Beneficial Shareholders should carefully follow the instructions set out in the applicable form including those regarding when and where the form is to be delivered. Should a Beneficial Shareholder wish to attend the Meeting or have someone else attend on their behalf, the Beneficial Shareholder will need to write their name (or their nominee's name) in the space provided in the VIF or form of proxy and return it in accordance with the instructions of the VIF or form of proxy.

Only registered shareholders have the right to revoke a proxy. A Beneficial Shareholder who wishes to change its vote must, arrange for its Intermediary to revoke its VIF or form of proxy on its behalf.

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

REVOCABILITY OF PROXY

In addition to revocation in any other manner permitted by law, a shareholder, his attorney authorized in writing or, if the shareholder is a corporation, a corporation under its corporate seal or by an officer or attorney thereof duly authorized, may revoke a proxy by instrument in writing, including a proxy bearing a later date. The instrument revoking the proxy must be deposited at the registered office of the Company, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, or with the chairman of the Meeting on the day of the Meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Company is authorized to issue an unlimited number of common shares without par value (the "Shares"). As of July 4, 2023, 90,410,991 common shares were issued and outstanding. Persons who are registered shareholders at the close of business on July 4, 2023 will be entitled to receive notice of and vote at the Meeting and will be entitled to one vote for each share held.

Other than as set forth below, to the knowledge of the directors and executive officers of the Company, no person beneficially owns, controls or directs, directly or indirectly, shares carrying 10% or more of the voting rights attached to all shares of the Company.

| Name of Shareholder | Number of Shares Held | Percentage |
|----------------------------|-------------------------------------|-------------------|
| Alamos Gold Inc. | 12,140,000 (Direct and Indirect) | 13.43% |

NUMBER OF DIRECTORS

At the Meeting, shareholders will be asked to pass an ordinary resolution to set the number of directors of the Company for the ensuing year at seven (7). The number of directors will be approved if the affirmative vote of the majority of common shares present or represented by proxy at the Meeting and entitled to vote are voted in favour to set the number of directors at seven (7).

Management recommends the approval of the resolution to set the number of directors of the Company at seven (7).

ELECTION OF DIRECTORS

The directors of the Company are elected at each annual general meeting and hold office until the next annual general meeting or until their successors are appointed. In the absence of instructions to the contrary, the enclosed proxy will be voted for the nominees herein listed.

Management of the Company proposes to nominate each of the following persons for election as a director. Information concerning such persons, as furnished by the individual nominees, is as follows:

| Name and Position | Director or Officer Since | Principal Occupation, Business or Employment for the Last 5 Years | Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly⁽¹⁾ |
|---|----------------------------------|--|---|
| Bryan Slusarchuk Chief Executive Officer and Director | July 22, 2020 | CEO and director of the Company; CEO and Director of Fosterville South Exploration Ltd.; CEO and director of the Company; and former President and Director of Turmalina Metals Corp. | 5,323,624 ⁽³⁾ (Directly & Indirectly) |
| Jonathan Richards Chief Financial Officer and Director | August 25, 2020 | Registered accountant in British Columbia, Australia and New Zealand, CFO and director of the Company, CFO of Fosterville South Exploration Ltd.; CFO of Turmalina Metals Corp., and CFO and a director of Leviathan Gold Ltd. | 300,000 ⁽⁴⁾ (Directly & Indirectly) |
| Christopher Wilson Chief Operating Officer and Director | August 17, 2020 | Chief Operating Officer of the Company; Chairman of Mantaro Precious Metals Corp. Corp., President of Exploration Alliance and Registered Geologist. | 500,000 (Directly) |
| John Lewins⁽²⁾ Director | August 17, 2020 | Chief Executive Officer of K92 Mining Inc. since August 2017; Managing Director of Mining, Processing and Project Consulting Pty. | 645,500 (Directly) |
| Nancy La Couvee⁽²⁾ Director | March 15, 2022 | Corporate Secretary of K92 Mining Inc. since January 2018; Corporate Secretary of Gold State Resources Inc. since March 2021. | Nil |
| Charles Hethey⁽²⁾ Director | August 17, 2020 | Senior Partner at O'Neill Law LLP; Director of the Company, Fosterville South Exploration Ltd. and Mantaro Precious Metals Corp. | 395,000 ⁽⁵⁾ (Directly & Indirectly) |
| Luis Chavez Director | July 15, 2022 | Senior Vice President, Mexico of Alamos Gold Inc. since July 2015. | Nil |

Notes:

- (1) Shares beneficially owned, directly or indirectly, or over which control or direction is exercised as of July 4, 2023.
- (2) A member of the audit committee.
- (3) Mr. Slusarchuk holds 4,777,124 Shares directly and 546,500 Shares indirectly through Sluzcap Enterprises Inc., a company controlled by Mr. Slusarchuk.
- (4) Mr. Richards holds 250,000 Shares directly and 50,000 Shares indirectly through Red Fern Consulting Ltd., a company controlled by Mr. Richards.
- (5) Mr. Hethey holds 275,000 Shares directly and 120,000 Shares indirectly through Charles C. Hethey Law Corp., a company controlled by Mr. Hethey.

No proposed director is being elected under any arrangement or understanding between the proposed director and any other person or company.

Management recommends the approval of each of the nominees listed above for election as directors of the Company until the next annual general meeting.

Management does not contemplate that any of its nominees will be unable to serve as directors. If any vacancies occur in the slate of nominees listed above before the Meeting, then the Designated Persons intend to exercise discretionary authority to vote the common shares represented by proxy for the election of any other persons as directors.

Cease Trade Orders

To the knowledge of management of the Company, no director or executive officer of the Company, is or has been, within the ten years preceding the date of this Information Circular, a director, chief executive officer, chief financial officer of any company that:

- (a) was subject to an order 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 an order 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.

For the purposes of this Information Circular, an “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to an exemption under securities legislation, and such order was in effect for a period of more than 30 consecutive days.

Bankruptcies

To the knowledge of management of the Company, no director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is or has been, with the ten years preceding the date of this Information Circular:

- (a) a director or an executive officer of any company that, while the person was acting in that capacity, or within a year of that person ceasing to act in the 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 made a proposal under any legislation relating to bankruptcies or insolvency; or
- (b) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual.

Penalties or Sanctions

To the knowledge of management of the Company, no director or officer of the Company, or any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has:

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

Personal Bankruptcies

To the knowledge of management of the Company, no director or officer of the Company, or any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company or a personal holding company of any such persons has, within the ten years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of a director or officer.

APPOINTMENT OF AUDITOR

Auditor

Davidson & Company LLP, Chartered Professional Accountants of Vancouver, British Columbia are the auditors of the Company. Unless instructed, the proxies given pursuant to this solicitation will be voted for the appointment of Davidson & Company LLP as auditors of the Company to hold office for the ensuing year at a remuneration to be fixed by the directors.

Management recommends shareholders to vote for ratification of the appointment of Davidson & Company LLP, Chartered Professional Accountants, as the Company's auditors until the next annual general meeting at a remuneration to be fixed by the Company's board of directors.

STATEMENT OF EXECUTIVE COMPENSATION

General

The following information, dated as of July 7, 2023, is provided as required under Form 51-102F6V for venture issuers (the "**Form**"), as such term is defined in National Instrument 51-102.

For the purposes of this Form:

"CEO" means an individual who acted as chief executive officer of the Company, or acted in a similar capacity, for any part of the most recently completed financial year;

"CFO" means an individual who acted as chief financial officer of the Company, or acted in a similar capacity, for any part of the most recently completed financial year;

"company" includes other types of business organizations such as partnerships, trusts and other unincorporated business entities;

"compensation securities" includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted stock units granted or issued by the company or one of its subsidiaries for services provided or to be provided, directly or indirectly, to the company or any of its subsidiaries;

“**external management company**” includes a subsidiary, affiliate or associate of the external management company;

“**named executive officer**” or “**NEO**” means each of the following individuals:

- (a) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief executive officer, including an individual performing functions similar to a chief executive officer;
- (b) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief financial officer, including an individual performing functions similar to a chief financial officer;
- (c) in respect of the company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000, as determined in accordance with subsection 1.3(5) of Form 51-102F6V, for that financial year;
- (d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the company, and was not acting in a similar capacity, at the end of that financial year;

“**plan**” includes any plan, contract, authorization, or arrangement, whether or not set out in any formal document, where cash, compensation securities or any other property may be received, whether for one or more persons;

“**underlying securities**” means any securities issuable on conversion, exchange or exercise of compensation securities.

During the financial year ended December 31, 2022, the Company had three NEOs, namely

- (i) Bryan Slusarchuk, the Chief Executive Officer;
- (ii) Jonathan Richards, the Chief Financial Officer; and
- (iii) Christopher Wilson, the Chief Operating Officer.

Director and NEO Compensation, Excluding Options and Compensation Securities

The following table (presented in accordance with National Instrument Form 51-102F6V Statement of Executive Compensation) excluding options and compensation securities, provides a summary of the compensation paid by the Company to each NEO and director of the Company for the completed financial year ended December 31, 2022. Options and compensation securities are disclosed under the heading “*Stock Options and Other Compensation Securities and Instruments*” below.

| Table of compensation excluding compensation securities | | | | | | | |
|--|-------------|--|-------------------|---------------------------------------|----------------------------------|---|--------------------------------|
| Name and position | Year | Salary, consulting fee, retainer or commission (\$) | Bonus (\$) | Committee or meeting fees (\$) | Value of perquisites (\$) | Value of all other compensation (\$) | Total compensation (\$) |
| Bryan Slusarchuk⁽¹⁾ CEO and Director | 2022 | 332,815 | - | - | - | - | 332,815 |
| | 2021 | 308,825 | - | - | - | - | 308,825 |
| Jonathan Richards⁽²⁾ CFO and Director | 2022 | 143,366 | - | - | - | - | 143,366 |
| | 2021 | 118,989 | - | - | - | - | 118,989 |

| | | | | | | | |
|--|------|---------|-----|-----|-----|---------|---------|
| Christopher Wilson ⁽³⁾ COO and Director | 2022 | 305,529 | - | - | - | - | 305,529 |
| | 2021 | 152,113 | - | - | - | - | 152,113 |
| Charles Hethey ⁽⁴⁾ Director | 2022 | - | - | - | - | 128,761 | 128,761 |
| | 2021 | - | - | - | - | 118,733 | 118,733 |
| John Lewins Director | 2022 | 36,000 | - | - | - | - | 36,000 |
| | 2021 | 30,000 | - | - | - | - | 30,000 |
| Nancy La Couvee Director | 2022 | 27,000 | - | - | - | - | 27,000 |
| | 2021 | - | - | - | - | - | - |
| Luis Chavez Director | 2022 | 16,500 | - | - | - | - | 16,500 |
| | 2021 | N/A | N/A | N/A | N/A | N/A | N/A |

Notes:

- (1) Mr. Slusarchuk is paid US \$20,000 per month.
- (2) Red Fern Consulting Ltd., a Company controlled by Mr. Richards is paid US\$7,500 per month for his services as Chief Financing Officer.
- (3) Penguin Resources Ltd., a Company controlled by Mr. Wilson is paid US\$10,000 per month.
- (4) O'Neill Law LLP, a firm in which Mr. Hethey is a senior partner, was paid \$128,761 for legal services during the financial year ended December 31, 2022, and \$118,733 for legal services, during the financial year ended December 31, 2021.

Stock Options and Other Compensation Securities and Instruments

The following table of compensation securities provides a summary of all compensation securities granted, or issued by the Company to each NEO and directors of the Company for the fiscal year ended December 31, 2022, for services provided, directly or indirectly, to the Company.

| <i>Compensation Securities</i> | | | | | | | |
|---|--------------------------------------|--|-------------------------------|---|---|--|--------------------|
| Name and position | Type of compensation security | Number of compensation securities, number of underlying securities, and percentage of class | Date of issue or grant | Issue, conversion or exercise price (\$) | Closing price of security or underlying security on date of grant (\$) | Closing price of security or underlying security at year end (\$) | Expiry date |
| Bryan Slusarchuk CEO and Director | Stock Options | - | N/A | N/A | N/A | N/A | N/A |
| Jonathan Richards CFO and Director | Stock Options | - | N/A | N/A | N/A | N/A | N/A |
| Christopher Wilson COO and Director | Stock Options | - | N/A | N/A | N/A | N/A | N/A |
| Charles Hethey Director | Stock Options | - | N/A | N/A | N/A | N/A | N/A |
| John Lewins Director | Stock Options | - | N/A | N/A | N/A | N/A | N/A |
| Nancy La Couvee Director | Stock Options | 400,000 | Mar 15, 2022 | \$1.20 | \$1.14 | \$0.75 | Mar 15, 2027 |
| Luis Chavez | Stock Options | 400,000 | Jul 15, 2022 | \$0.70 | \$0.56 | \$0.75 | Jul 15, 2027 |

| | | | | | | | |
|----------|--|--|--|--|--|--|--|
| Director | | | | | | | |
|----------|--|--|--|--|--|--|--|

Exercise of Compensation Securities by Directors and NEOs

During the fiscal year ended December 31, 2022, no NEO or director of the Company exercised their compensation securities.

Employment, Consulting and Management Agreements

The Company entered into a management consulting agreement dated September 1, 2020, as amended and restated, with Bryan Slusarchuk whereby Mr. Slusarchuk agreed to act as Chief Executive Officer of the Company and, in consideration of which, the Company agreed to pay him US \$20,000 per month for every month thereafter. In the event that there is a change of control of the Company, Mr. Slusarchuk will be entitled to receive a severance payment equal to twenty-four months of consulting fees.

The Company entered into a management consulting agreement dated September 1, 2020 with Penguin Resources Ltd. (“Penguin”) whereby Penguin agreed to provide the services of Dr. Wilson as Chief Operating Officer of the Company and, in consideration of which, the Company agreed to pay it US \$10,000 per month for every month thereafter. In the event that there is a change of control of the Company, Penguin will be entitled to receive a severance payment equal to twenty-four months of consulting fees.

The Company entered into a management consulting agreement dated September 1, 2020 with Redfern Consulting Ltd. (“Red Fern”) whereby Red Fern agreed to provide the services of Mr. Richards as Chief Financial Officer of the Company and, in consideration of which, the Company agreed to pay it US \$7,500 per month. In the event that there is a change of control of the Company, Red Fern will be entitled to receive a severance payment equal to twenty-four months of consulting fees.

Except for the severance payments set out in the management consulting agreements noted above, there are no management or consulting agreements with any directors or officers of the Company that provide for payments to an officer or director, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the company or a change in a director’s or officer’s responsibilities.

Oversight and Description of Director and NEO Compensation

The Company’s executive compensation program is administered by the Compensation Committee. The Compensation Committee consists of John Lewins, Charles Hethey and Nancy La Couvee. All of the members of the Compensation Committee are independent within the meaning of NI 52-110.

The Compensation Committee’s responsibilities include reviewing and making recommendations to the Board of Directors with respect to adequacy and the form of compensation to all executive officers and directors of the Company, making recommendations to the Board of Directors in respect of granting of stock options to management, directors, officers and other employees and consultants of the Company, and monitoring the performance of the Company’s executive officers.

Executive compensation awarded to the named executive officers consists of two components: (i) management fees and (ii) stock options. Other than the Stock Option Plan, the Company does not presently have a long-term incentive plan for its named executive officers. There is no policy or target regarding allocation between cash and non-cash elements of the Company’s compensation program.

In setting compensation rates for NEOs, the Company compares the amounts paid to them with the amounts paid to executives in comparable positions at other comparable companies. The Company’s compensation payable to the named executive officers is based upon, among other things, the responsibility, skills and experience required to carry out the functions of each position held by each named executive officer and varies with the amount of time spent by each named executive officer in carrying out his or her functions on behalf of the Company. The grant of stock options, as a key component of the executive compensation package, enables the Company to attract and retain qualified executives. Stock option grants are based on the total of stock options available under the Stock Option Plan. In granting stock options, the Board of Directors reviews the total of stock options available under the Stock Option Plan

and recommends grants to newly retained executive officers at the time of their appointment and considers recommending further grants to executive officers from time to time thereafter. The amount and terms of outstanding options held by an executive are considered when determining whether and how new option grants should be made to the executive. The exercise periods are to be set at the date of grant. The stock option grants may contain vesting provisions in accordance to the Stock Option Plan.

Due to the Company being a junior mining issuer and having limited financial resources, compensation is not tied to specific performance criteria or goals. The Company is unaware of any significant events that have significantly affected compensation of its management team and directors. The Company did not make any changes to its compensation policies during or after the fiscal year ended December 31, 2022.

Pension

The Company does not provide any pension benefits for directors or executive officers.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets out those securities of the Company which have been authorized for issuance under equity compensation plans, for the financial year ended December 31, 2022:

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|--|--|--|--|
| Equity compensation plans approved by the security holders | 5,817,500 | \$0.59 | 3,223,599 |
| Equity compensation plans not approved by the security holders | Nil | Nil | Nil |
| Total | 5,817,500 | - | 3,223,599 |

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

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

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

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

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

None of the persons who were directors or executive officers of the Company or a subsidiary at any time during the Company’s last completed financial year, the proposed nominees for election to the Board, any person or company who beneficially owns, directly or indirectly, or who exercises control or direction over (or a combination of both) more than 10% of the issued and outstanding common shares of the Company, nor the associates or affiliates of those persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction or proposed transaction which has materially affected or would materially affect the Company.

MANAGEMENT CONTRACTS

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

AUDIT COMMITTEE

The Company is required to have an audit committee (the “**Audit Committee**”) comprised of not less than three directors, a majority of whom are not officers, control persons or employees of the Company or an affiliate of the Company.

Audit Committee Charter

The text of the Audit Committee’s charter is attached as Schedule “A” to this Circular.

Composition of Audit Committee and Independence

The following persons are members of our audit committee:

| | | |
|-----------------|-------------|----------------------|
| John Lewins | Independent | Financially Literate |
| Nancy La Couvee | Independent | Financially Literate |
| Charles Hethey | Independent | Financially Literate |

Relevant Education and Experience

All members of the Audit Committee have the ability to read, analyze and understand the complexities surrounding the issuance 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 Company’s financial statements, and understand internal controls.

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/her responsibilities as an Audit Committee member is as follows:

John Lewins – Over the last 20 years, Mr. Lewins has held numerous senior corporate positions with ASX and TSX Venture Exchange listed resource companies. Currently, Mr. Lewins is Chief Executive Officer and a director of K92 Mining Inc. and is a director and member of the audit committee of Fosterville South Exploration Ltd., a company listed on the TSX Venture Exchange. Accordingly, Mr. Lewins has the ability to understand financial statements relating to junior resource companies.

Nancy La Couvee – Ms. La Couvee is currently Corporate Secretary of K92 Mining Inc., and is a governance professional with comprehensive senior level experience in the public and private resource sectors. Ms. La Couvee is strongly attuned to corporate governance and statutory compliance frameworks and has significant mining industry experience with a wide range of corporate and financial transactions. Accordingly, Ms. La Couvee has the ability to understand financial statements relating to junior resource companies.

Charles Hethey – Mr. Hethey has represented numerous mineral exploration companies and advised them on their securities compliance obligations over the last 10 years. Further, Mr. Hethey has previously been a director and member of the audit committee for other junior public companies and is a director and member of the audit committee of Fosterville South Exploration Ltd., a company listed on the TSX Venture Exchange, and a director of Mantaro Precious Metals Corp., a company listed on the TSX Venture Exchange. Accordingly, Mr. Hethey has the ability to understand financial statements relating to junior resource companies.

Audit Committee Oversight

Since the commencement of the Company’s most recently completed financial year, the Audit Committee of the Company has not made any recommendations to nominate or compensate an external auditor which were not adopted by the Board.

Reliance on Certain Exemptions

Since the commencement of the Company’s most recently completed financial year, the Company has not relied on:

- (a) the exemption in section 2.4 (De Minimis Non-audit Services) of NI 52-110; or
- (b) an exemption from NI 52-110, in whole or in part, granted under Part 8 (Exemptions).

Pre-Approval Policies and Procedures

The Audit Committee has not adopted any specific policies and procedures for the engagement of non-audit services.

Audit Fees

The aggregate fees billed by the Company’s external auditor in the fiscal year ended December 31, 2021 by category, are as follows:

| Financial Year Ended December 31 | Audit Fees (\$)⁽¹⁾ | Audit Related Fees (\$)⁽²⁾ | Tax Fees (\$)⁽³⁾ | All Other Fees (\$)⁽⁴⁾ |
|---|--|--|--|--|
| 2022 | 66,500 | - | - | - |
| 2021 | 15,000 | - | 2,500 | - |

Notes:

- (1) “Audit fees” include aggregate fees billed by the Company’s external auditor in each of the last two fiscal years for audit fees.
- (2) “Audited related fees” include the aggregate fees billed in each of the last two fiscal years for assurance and related services by the Company’s external auditor that are reasonably related to the performance of the audit or review of the Company’s financial statements and are not reported under “Audit fees” above.
- (3) “Tax fees” include the aggregate fees billed in each of the last two fiscal years for professional services rendered by the Company’s external auditor for tax compliance, tax advice and tax planning.
- (4) “All other fees” include the aggregate fees billed in each of the last two fiscal years for products and services provided by the Company’s external auditor, other than “Audit fees”, “Audit related fees” and “Tax fees” above.

Exemption in Section 6.1

The Company is a “venture issuer” as defined in NI 52-110 and is relying on the exemption in section 6.1 of NI 52-110 relating to Parts 3 (Composition of Audit Committee) and 5 (Reporting Obligations).

CORPORATE GOVERNANCE DISCLOSURE

National Instrument 58-101, Disclosure of Corporate Governance Practices, requires all reporting issuers to provide certain annual disclosure of their corporate governance practices with respect to the corporate governance guidelines (the “Guidelines”) adopted in National Policy 58-201. These Guidelines are not prescriptive but have been used by the Company in adopting its corporate governance practices. The Board and Management consider good corporate governance to be an integral part of the effective and efficient operation of Canadian corporations. The Company’s approach to corporate governance is set out below.

Board of Directors

Management is nominating seven individuals to the Board, all of whom are current directors of the Company.

The Guidelines suggest that the board of directors of every reporting issuer should be constituted with a majority of individuals who qualify as “independent” directors under NI 52-110, which provides that a director is independent if he or she has no direct or indirect “material relationship” with the Company. The “material relationship” is defined as a relationship which could, in the view of the Company’s Board, reasonably interfere with the exercise of a director’s independent judgement. All of the current members of the Board are considered “independent” within the meaning of NI 52-110, except Bryan Slusarchuk who is the Chief Executive Officer of the Company, Jonathan Richards who is the Chief Financial Officer and Secretary of the Company and Christopher Wilson who is Chief Operating Officer.

The Board has a stewardship responsibility to supervise the management of and oversee the conduct of the business of the Company, provide leadership and direction to Management, evaluate Management, set policies appropriate for the business of the Company and approve corporate strategies and goals. The day-to-day management of the business and affairs of the Company is delegated by the Board to the CEO. The Board will give direction and guidance through the CEO to Management and will keep Management informed of its evaluation of the senior officers in achieving and complying with goals and policies established by the Board.

The Board recommends nominees to the shareholders for election as directors, and immediately following each annual general meeting appoints an Audit Committee and the Audit Committee chairperson. The Board establishes and periodically reviews and updates the committee mandates, duties and responsibilities, elects a chairperson of the Board and establishes his or her duties and responsibilities, appoints the CEO and CFO of the Company and establishes the duties and responsibilities of those positions and on the recommendation of the CEO, appoints the senior officers of the Company and approves the senior management structure of the Company.

The Board exercises its independent supervision over management by its policies that (a) periodic meetings of the Board be held to obtain an update on significant corporate activities and plans; and (b) all material transactions of the Company are subject to prior approval of the Board. The Board shall meet not less than three times during each year and will endeavour to hold at least one meeting in each fiscal quarter. The Board will also meet at any other time at the call of the President, or subject to the Articles of the Company, of any director.

The mandate of the Board, as prescribed by the *Business Corporations Act* (British Columbia) (the “Act”), is to manage or supervise management of the business and affairs of the Company and to act with a view to the best interests of the Company. In doing so, the Board oversees the management of the Company’s affairs directly and through its audit committee.

Directorships

The following directors of the Company hold directorships in other reporting issuers as set out as below:

| Name of Director | Name of Reporting Issuer | Exchange |
|-------------------------|------------------------------------|----------------------|
| Bryan Slusarchuk | Fosterville South Exploration Ltd. | TSX Venture Exchange |
| Jonathan Richards | Fosterville South Exploration Ltd. | TSX Venture Exchange |
| | Turmalina Metals Corp. | TSX Venture Exchange |
| | Leviathan Gold Ltd. | TSX Venture Exchange |
| | ProStar Holdings Inc. | TSX Venture Exchange |
| | European Electric Metals Inc. | TSX Venture Exchange |
| John Lewins | K92 Mining Inc. | TSX |
| | Fosterville South Exploration Ltd. | TSX Venture Exchange |
| Charles Hethey | Mantaro Precious Metals Corp. | TSX Venture Exchange |
| | Fosterville South Exploration Ltd. | TSX Venture Exchange |

Orientation and Continuing Education

The Board’s practice is to recruit for the Board only persons with extensive experience in identifying and targeting junior businesses for transactions and in public company matters. Prospective new board members are provided a reasonably detailed level of background information, verbal and documentary, on the Company’s affairs and plans prior to obtaining their consent to act as a director.

The Board provides training courses to the directors as needed, to ensure that the Board is complying with current legislative and business requirements.

Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable 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.

Under the corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, and disclose to the board the nature and extent of any interest of the director in any material contract or material transaction, whether made or proposed, if the director is a party to the contract or transaction, is a director or officer (or an individual acting in a similar capacity) of a party to the contract or transaction or has a material interest in a party to the contract or transaction. The director must then abstain from voting on the contract or transaction unless the contract or transaction (i) relates primarily to their remuneration as a director, officer, employee or agent of the Company or an affiliate of the Company, (ii) is for indemnity or insurance for the benefit of the director in connection with the Company, or (iii) is with an affiliate of the Company. If the director abstains from voting after disclosure of their interest, the directors approve the contract or transaction and the contract or transaction was reasonable and fair to the Company at the time it was entered into, the contract or transaction is not invalid, and the director is not accountable to the Company for any profit realized from the contract or transaction. Otherwise, the director must have acted honestly and in good faith, the contract or transaction must have been reasonable and fair to the Company and the contract or transaction be approved by the shareholders by a special resolution after receiving full disclosure of its terms in order for the director to avoid such liability or the contract or transaction being invalid.

Nomination of Directors

The Board identifies new candidates for board nomination by an informal process of discussion and consensus-building on the need for additional directors, the specific attributes being sought, likely prospects, and timing. Prospective directors are not approached until consensus is reached. This process takes place among the Chairman and a majority of the non-executive directors.

Assessments

The Board annually reviews its own performance and effectiveness as well as the effectiveness and performance of its committees. Effectiveness is subjectively measured by comparing actual corporate results with stated objectives. The contributions of individual directors are informally monitored by other Board members, bearing to mind the business strengths of the individual and the purpose of originally nominating the individual to the Board.

The Board monitors the adequacy of information given to directors, communication between Board and Management and the strategic direction and processes of the Board and its committees.

The Board believes its corporate governance practices are appropriate and effective for the Company, given its size and operations. The Company's corporate governance practices allow the Company to operate efficiently, with checks and balances that control and monitor Management and corporate functions without excessive administration burden.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Confirming Stock Option Plan

Pursuant to Policy 4.4 of the TSX Venture Exchange ("TSX-V"), all TSX-V listed companies are required to adopt a stock option plan prior to granting incentive stock options. The purpose of the Stock Option Plan is to attract and motivate directors, senior officers, employees, consultants, and others providing services to the Company and its subsidiaries, and thereby advance the Company's interests, by affording such persons with an opportunity to acquire an equity interest in the Company through the issuance of stock options. The Company is currently listed on Tier 2 of the TSX-V and has adopted a "rolling" stock option plan reserving a maximum of 10% of the issued shares of the Company at the time of the

stock option grant. As of the date of this Information Circular, the Company was eligible to grant up to 8,260,148 options under the Stock Option Plan. There are presently 4,717,500 Options granted and 3,542,648 options available under the Stock Option Plan.

The disinterested shareholders are being asked to approve the Stock Option Plan at the Meeting. As a “rolling” stock option plan, the Stock Option Plan will be required to be re-approved by disinterested shareholders each year at the Company’s annual general meeting.

Summary of the Stock Option Plan

The following information is intended as a brief description of the Company’s Stock Option Plan and is qualified in its entirety by the full text of the Stock Option Plan, which will be available for review at the Meeting. Capitalized terms are as defined in the Stock Option Plan.

1. 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 Stock Option Plan.
2. The exercise price per Common Share for an Option shall be determined by the Directors or their delegates if any, but will in no event be less than the permitted discount to the Market Price for the Common Shares (as defined by the policies of the TSX-V at the date of grant. The Company must obtain disinterested shareholder approval of any decrease in the exercise price of, or an extension to stock options granted to individuals that are Insiders at the time of the proposed amendment.
3. If Options are granted within ninety days of a Distribution by the Company 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:
 - (a) on the date the final receipt is issued for the final prospectus in respect of such Distribution; or
 - (b) in the case of an initial public offering, on the date of listing.
4. The number of Common Shares reserved for issuance in any 12 month period under this Stock Option Plan and any other share compensation arrangement to (a) any one Person, shall not exceed 5% of the outstanding Common Shares at the time of the grant (unless the Company has obtained disinterested shareholder approval to exceed such limit); (b) any one Consultant or Person employed to provide Investor Relations Activities, shall not exceed 2% of the outstanding Common Shares at the time of the grant; and (c) to Insiders, shall not exceed 10% of the outstanding Common Shares at any point in time.
5. Unless the Company has received disinterested shareholder approval to do so, the number of Common Shares issued to any Person within a 12 month period pursuant to the exercise of Options granted under this Stock Option Plan and any other share compensation arrangement shall not exceed 5% of the outstanding Common Shares at the time of the grant.
6. Upon expiry of an option, or in the event an option is otherwise terminated for any reason, the number of shares in respect of the expired or terminated option shall again be available for the purposes of the Stock Option Plan. All options granted under the Stock Option Plan, unless sooner terminated, have a term not exceeding and shall therefore expire no later than 10 years after the date of the grant.
7. 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

If a Participant dies or suffers a disability 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 or disability.

Unless an option agreement specifies otherwise, if a Participant ceases to be an Eligible Person for any reason other than death or disability, 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 or for a "reasonable period" after the Participant ceases to serve in such capacity, as determined by the Board. For Participants involved in investor relations activities, Options shall cease to be exercisable 30 days after the Termination Date or for a "reasonable period" after the Participant ceases to serve in such capacity, as determined by the Board.

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.

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 TSX-V, 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.

The Board retains the discretion to impose vesting periods on any options granted. In accordance with the policies of the TSX-V, stock options granted to consultants performing investor relations services must vest in stages over a minimum of 12 months with no more than one-quarter of the stock options vesting in any three-month period.

Under Policy 4.4 of the TSX-V, all such rolling stock option plans which set the number of common shares issuable under the Stock Option Plan at a maximum of 10% of the issued and outstanding common shares must be approved and ratified by disinterested shareholders on an annual basis. Therefore, at the Meeting, disinterested shareholders will be asked to pass an ordinary resolution in the following form:

RESOLVED that:

- (1) the Company approve and ratify, subject to regulatory approval, the Stock Option Plan pursuant to which the directors may, from time to time, authorize the issuance of options to directors, officers, employees and consultants of the Company and its subsidiaries to a maximum of 10% of the issued and outstanding common shares of the Company at the time of grant, with a maximum of 5% of the Company's issued and outstanding common shares being reserved to any one person on a yearly basis; and
- (2) any one officer or director of the Company is hereby authorized to execute and deliver all such documents and do all such acts and things as may be deemed advisable in such individual's discretion for the purpose of giving effect to this resolution.

Management recommends the ratification and approval of the Company's Stock Option Plan.

2. Approval of Equity Incentive Compensation Plan

Shareholders are being asked to approve an equity incentive compensation plan of the Company pursuant to which security based compensation awards may be granted to eligible participants. The name of the plan is the Zacatecas Silver Corp. Equity Incentive Compensation Plan (the "Equity Plan"). The Equity Plan permits the grant of Restricted

Share Units (as defined in the Equity Plan) and Deferred Share Units (as defined in the Equity Plan) (Restricted Share Units and Deferred Share Units collectively referred to as “Awards”).

The purpose of the Equity Plan is to (i) provide the Company with a mechanism to attract, retain and motivate highly qualified directors, officers, employees and consultants; (ii) align the interests of Participants (as defined in the Equity Plan) with that of other shareholders of the Company generally; and (iii) enable and encourage Participants to participate in the long-term growth of the Company through the acquisition of Shares (as defined in the Equity Plan) as long-term investments.

Summary of the Equity Incentive Compensation Plan

The following information is intended as a brief description of the Equity Plan and is qualified in its entirety by the full text of the Equity Plan, which will be available for review at the Meeting and is attached hereto as Schedule “B”. Capitalized terms are as defined in the Equity Plan.

1. The maximum number of Shares issuable pursuant to Awards issued under the Equity Plan shall not exceed 10% of the issued and outstanding Common Shares, on a fixed basis, at the time the Equity Plan was approved by the Company’s shareholders at the Meeting. Provided that there is no change in the issued and outstanding Common Shares since the record date, the Company anticipates that the Equity Plan shall not exceed 9,041,099 Common Shares. Options granted under the Stock Option Plan shall not be included in the maximum number of Shares issuable pursuant to this Equity Plan. Awards that have been settled in cash, cancelled, terminated, surrendered, forfeited or expired without being exercised, and pursuant to which no Shares have been issued, shall continue to be issuable under the Equity Plan.
2. The maximum number of Common Shares for which Awards may be issued to any one Participant in any 12-month period shall not exceed 5% of the outstanding Common Shares, calculated on the date an Award is granted to the Participant, unless the Company obtains disinterested shareholder approval as required by the policies of the Exchange. The maximum number of Common Shares for which Awards may be issued to any Consultant shall not exceed 2% of the outstanding Common Shares, calculated on the date an Award is granted to the Consultant or any such person, as applicable.
3. Unless disinterested shareholder approval as required by the policies of the TSX Venture Exchange is obtained: (i) the maximum number of Common Shares for which Awards may be issued to Insiders (as a group) at any point in time shall not exceed 10% of the outstanding Common Shares; and (ii) the aggregate number of Awards granted to Insiders (as a group), within any 12-month period, shall not exceed 10% of the outstanding Common Shares, calculated at the date an Award is granted to any Insider.
4. Awards under the Equity Plan shall be granted only to *bona fide* Employees, Officers, Directors and Consultants, as per the policies of the Exchange. Pursuant to the policies of the TSX Venture Exchange, Consultants or persons providing Investor Relations Activities (as defined in the policies of the TSX Venture Exchange) are not eligible to receive Awards under the Equity Plan.
5. Each Award grant shall be evidenced by an Award Agreement that shall specify the number and type of Awards granted, the settlement date for the Awards, and any other provisions as the Committee shall determine.
6. The Awards granted herein may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated. All rights with respect to the Awards granted to a Participant under the Equity Plan shall be available during such Participant’s lifetime only to such Participant.
7. If the date on which an Award is scheduled to expire falls during or within 10 business days of a Blackout Period applicable to the relevant Participant, and neither the Company nor the Participant is subject to a cease trade order (or similar order under Canadian securities laws) in respect of the securities of the Company, then the expiry date for that Award shall be the date that is the tenth business day after the expiry of the Blackout Period.
8. Subject to section 10.2 of the Equity Plan and the terms and provisions of any Award Agreement, in the event of a Change of Control, any Awards held by a Participant shall, if determined by the Committee in its sole

discretion, automatically vest either during the term of the Award or within 90 days after the date of sale or change of control, whichever first occurs.

The Board has determined that the Equity Plan is in the best interests of the Company and its Shareholders in order for the Company to continue to secure and retain key personnel and to provide additional motivation to such persons to exert their best efforts on behalf of the Company.

At the Meeting, disinterested Shareholders will be asked to consider and approve an ordinary resolution, in substantially the following form, in order to approve the Equity Plan:

RESOLVED THAT:

1. the Equity Incentive Compensation Plan of the Company, subject to regulatory approval, as described in the management information circular of the Company dated July 7, 2023 and attached thereto as Schedule “B”, is hereby ratified, confirmed and approved;
2. any one director or officer of the Company be and is hereby authorized and directed, for and on behalf of the Company, to do all things and to execute and deliver all documents and instruments as may be necessary or advisable to give effect to the true intent of these resolutions; and
3. notwithstanding that these resolutions have been passed by the shareholders of the Company, the directors of the Company are hereby authorized and empowered to amend the form of the Equity Incentive Compensation Plan in order to satisfy the requirements or requests of any regulatory authority without requiring further approval of the shareholders of the Company or to revoke this resolution, without any further approval of the shareholders of the Company, at any time if such revocation is considered necessary or desirable by the directors of the Company.

Management recommends the approval of the Equity Plan.

GENERAL MATTERS

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

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Financial information about the Company is provided in the Company’s comparative annual financial statements to December 31, 2022, a copy of which, together with Management’s Discussion and Analysis thereon, can be found on the Company’s SEDAR profile at www.sedar.com.

BOARD APPROVAL

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

DATED at Vancouver, British Columbia, the 7th day of July, 2023.

ON BEHALF OF THE BOARD

“Bryan Slusarchuk”

Bryan Slusarchuk
Chief Executive Officer and Director

SCHEDULE “A”

ZACATECAS SILVER CORP.

AUDIT COMMITTEE CHARTER

(Implemented pursuant to National Instrument 52-110 – *Audit Committees*)

National Instrument 52-110 – *Audit Committees* (the “**Instrument**”) relating to the composition and function of audit committees was implemented for reporting issuers and, accordingly, applies to every TSX Venture Exchange listed company, including Zacatecas Silver Corp. (“Zacatecas” or the “Company”). The Instrument requires all affected issuers to have a written audit committee charter which must be disclosed, as stipulated by Form 52-110F2, in the management information circular of the Company wherein management solicits proxies from the security holders of the Company for the purpose of electing directors to the board of directors. The Company, as a TSX Venture Exchange-listed company is, however, exempt from certain requirements of the Instrument.

This Charter has been adopted by the board of directors in order to comply with the Instrument and to more properly define the role of the Committee in the oversight of the financial reporting process of Zacatecas. Nothing in this Charter is intended to restrict the ability of the board of directors or Committee to alter or vary procedures in order to comply more fully with the Instrument, as amended from time to time.

I. MANDATE

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Zacatecas shall assist the Board in fulfilling its financial oversight responsibilities. The Committee’s primary duties and responsibilities under this mandate are to serve as an independent and objective party to monitor:

1. The quality and integrity of Zacatecas’s financial statements and other financial information;
2. The compliance of such statements and information with legal and regulatory requirements;
3. The qualifications and independence of Zacatecas’s independent external auditor (the “Auditor”); and
4. The performance of Zacatecas’s internal accounting procedures and Auditor.

II. STRUCTURE AND OPERATIONS

A. Composition

The Committee shall be comprised of three or more members.

B. Qualifications

Each member of the Committee must be a member of the Board.

Each member of the Committee must be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement and cash flow statement.

C. Appointment and Removal

In accordance with the Articles of Zacatecas, the members of the Committee shall be appointed by the Board and shall serve until such member’s successor is duly elected and qualified or until such member’s earlier resignation or removal. Any member of the Committee may be removed, with or without cause, by a majority vote of the Board.

D. Chair

Unless the Board shall select a Chair, the members of the Committee shall designate a Chair by the majority vote of all of the members of the Committee. The Chair shall call, set the agendas for and chair all meetings of the Committee.

E. Meetings

1. The Committee shall meet as frequently as circumstances dictate. The Auditor shall be given reasonable notice of, and be entitled to attend and speak at, each meeting of the Committee concerning the Company's annual financial statements and, if the Committee feels it is necessary or appropriate, at every other meeting. On request by the Auditor, the Chair shall call a meeting of the Committee to consider any matter that the Auditor believes should be brought to the attention of the Committee, the Board or the shareholders of the Company.
2. At each meeting, a quorum shall consist of a majority of members that are not officers or employees of the Company or of an affiliate of the Company.

As part of its goal to foster open communication, the Committee may periodically meet separately with each of management and the Auditor to discuss any matters that the Committee or any of these groups believes would be appropriate to discuss privately. In addition, the Committee should meet with the Auditor and management annually to review the Company's financial statements in a manner consistent with Section III of this Charter.

The Committee may invite to its meetings any director, any manager of the Company, and any other person whom it deems appropriate to consult in order to carry out its responsibilities. The Committee may also exclude from its meetings any person it deems appropriate to exclude in order to carry out its responsibilities.

III. DUTIES

A. Introduction

The following functions shall be the common recurring duties of the Committee in carrying out its purposes outlined in Section I of this Charter. These duties should serve as a guide with the understanding that the Committee may fulfill additional duties and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of the Committee outlined in Section I of this Charter.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern which the Committee in its sole discretion deems appropriate for study or investigation by the Committee.

The Committee shall be given full access to Zacatecas's internal accounting staff, managers, other staff and Auditor as necessary to carry out these duties. While acting within the scope of its stated purpose, the Committee shall have all the authority of, but shall remain subject to, the Board.

B. Powers and Responsibilities

The Committee will have the following responsibilities and, in order to perform and discharge these responsibilities, will be vested with the powers and authorities set forth below, namely, the Committee shall:

Independence of Auditor

1. Review and discuss with the Auditor any disclosed relationships or services that may impact the objectivity and independence of the Auditor and, if necessary, obtain a formal written statement from the Auditor setting forth all relationships between the Auditor and Zacatecas.
2. Take, or recommend that the Board take, appropriate action to oversee the independence of the Auditor.

3. Require the Auditor to report directly to the Committee.
4. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the Auditor and former independent external auditor of the Company.

Performance & Completion by Auditor of its Work

1. Be directly responsible for the oversight of the work by the Auditor (including resolution of disagreements between management and the Auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, including resolution of disagreements between management and the Auditor regarding financial reporting.
2. Review annually the performance of the Auditor and recommend the appointment by the Board of a new, or re-election by the Company's shareholders of the existing, Auditor for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for Zacatecas.
3. Recommend to the Board the compensation of the Auditor.
4. Pre-approve all non-audit services, including the fees and terms thereof, to be performed for the Company by the Auditor.

Internal Financial Controls & Operations of the Company

1. Establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by Zacatecas regarding accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Preparation of Financial Statements

1. Discuss with management and the Auditor significant financial reporting issues and judgments made in connection with the preparation of Zacatecas's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.
2. Discuss with management and the Auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.
3. Discuss with management and the Auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
4. Discuss with management Zacatecas's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
5. Discuss with the Auditor the matters required to be discussed relating to the conduct of any audit, in particular:
 - (a) The adoption of, or changes to, Zacatecas's significant auditing and accounting principles and practices as suggested by the Auditor, internal auditor or management.
 - (b) The management inquiry letter provided by the Auditor and the Company's response to that letter.

- (c) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

Public Disclosure by the Company

1. Review Zacatecas's annual and interim financial statements, management discussion and analysis (MD&A) and earnings press releases before the Board approves and the Company publicly discloses this information.
2. Review Zacatecas's financial reporting procedures and internal controls to be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph, and periodically assessing the adequacy of those procedures.
3. Review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process of the Company's financial statements about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

Manner of Carrying Out its Mandate

1. Consult, to the extent it deems necessary or appropriate, with the Auditor, but without the presence of management, about the quality of Zacatecas's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.
2. Request any officer or employee of Zacatecas or the Company's outside counsel or Auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.
3. Meet, to the extent it deems necessary or appropriate, with management, any internal auditor and the Auditor in separate executive sessions.
4. Have the authority, to the extent it deems necessary or appropriate, to retain special independent legal, accounting or other consultants to advise the Committee advisors.
5. Make regular reports to the Board.
6. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
7. Annually review the Committee's own performance.
8. Provide an open avenue of communication among the Auditor, the Company's financial and senior management and the Board.
9. Not delegate these responsibilities.

C. Limitation of Audit Committee's Role

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that Zacatecas's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the Auditor.

SCHEDULE "B"

ZACATECAS SILVER CORP.

EQUITY COMPENSATION PLAN

(See attached)

ZACATECAS SILVER CORP.

EQUITY INCENTIVE COMPENSATION PLAN

Article I ESTABLISHMENT, PURPOSE AND DURATION

- 1.1 Establishment of the Plan. The following is the equity incentive compensation plan of Zacatecas Silver Corp. (the “**Corporation**”) pursuant to which security based compensation Awards (as defined below) may be granted to eligible Participants (as defined below). The name of the plan is the Zacatecas Silver Corp. Equity Incentive Compensation Plan (the “**Plan**”).

The Plan permits the grant of Restricted Share Units and Deferred Share Units (as such terms are defined below). The Plan was approved by the Board (as defined below) on July 7, 2023 and is being put forth before the shareholders of the Corporation for approval on August 8, 2023, and will be effective upon receipt of disinterested shareholder and Exchange approvals, until the date it is terminated by the Board in accordance with the Plan.

- 1.2 Purposes of the Plan. The purposes of the Plan are to: (i) provide the Corporation with a mechanism to attract, retain and motivate highly qualified directors, officers, employees and consultants; (ii) align the interests of Participants with that of other shareholders of the Corporation generally; and (iii) enable and encourage Participants to participate in the long-term growth of the Corporation through the acquisition of Shares (as defined below) as long-term investments.

Article II DEFINITIONS

- 2.1 Whenever used in the Plan, the following terms shall have the respective meanings set forth below, unless the context clearly requires otherwise, and when such meaning is intended, such term shall be capitalized.

“**Affiliate**” means any corporation, partnership or other entity (i) in which the Corporation, directly or indirectly, has majority ownership interest or (ii) which the Corporation controls. For the purposes of this definition, the Corporation is deemed to “control” such corporation, partnership or other entity if the Corporation possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such corporation, partnership or other entity, whether through the ownership of voting securities, by contract or otherwise, and includes a corporation which is considered to be a subsidiary for purposes of consolidation under International Financial Reporting Standards.

“**Award**” means, individually or collectively, a grant under the Deferred Share Units, and Restricted Share Units, in each case subject to the terms of the Plan.

“**Award Agreement**” means either (i) a written agreement entered into by the Corporation or an Affiliate of the Corporation and a Participant setting forth the terms

and provisions applicable to Awards granted under the Plan; or (ii) a written statement issued by the Corporation or an Affiliate of the Corporation to a Participant describing the terms and provisions of such Award. All Award Agreements shall be deemed to incorporate the provisions of the Plan, subject to such modifications or additions as the Committee may, in its sole discretion, determine appropriate. An Award Agreement need not be identical to other Award Agreements either in form or substance.

"Blackout Period" means a period of time during which the Participant cannot exercise an Award or sell Shares, due to applicable law or policies of the Corporation in respect of insider trading.

"Board" or **"Board of Directors"** means the Board of Directors of the Corporation as may be constituted from time to time.

"Cashless Exercise" shall have the meaning ascribed thereto in the policies of Exchange.

"Change of Control" means the occurrence of any one or more of the following events:

- (a) the acceptance by the holders of Shares of the Corporation, representing in the aggregate more than 50% of the number of Shares then issued and outstanding, of any offer, whether by way of a takeover bid or otherwise, for all or any of the Shares of the Corporation; or
- (b) the acquisition, by whatever means (including, without limitation, amalgamation, arrangement, consolidation or merger), by a person (or two or more persons who in such acquisition have acted jointly or in concert or intend to exercise jointly or in concert any voting rights attaching to the Shares acquired), directly or indirectly, of the beneficial ownership of such number of Shares or rights to Shares of the Corporation, which together with such person's then owned Shares and rights to Shares, if any, represent (assuming the full exercise of such rights to voting securities) more than 50% of the combined voting rights of the Corporation's then outstanding Shares, inclusive of the Shares that would be outstanding on the full exercise of all rights to Shares; or
- (c) the entering into of any agreement by the Corporation to merge, consolidate, amalgamate, initiate an arrangement or be absorbed by or into another corporation; or
- (d) the passing of a resolution by the Board or Shareholders of the Corporation to substantially liquidate the assets or wind-up the Corporation's business or significantly rearrange its affairs in one or more transactions or series of transactions or the commencement of proceedings for such a liquidation, winding-up or re-arrangement (except where such re-arrangement is part of a bona fide reorganization of the Corporation in circumstances where the business of the Corporation is continued and where the shareholdings remain substantially the same following the re-arrangement as that which existed prior to the re-arrangement); or
- (e) individuals who were members of the Board of the Corporation immediately prior to a meeting of the shareholders of the Corporation involving a contest, for or an item

of business relating to the election of directors shall not constitute a majority of the Board following such election.

“Committee” means the Board of Directors or if so delegated in whole or in part by the Board, any duly authorized committee of the Board appointed by the Board to administer the Plan.

“Consultant” has the meaning set out in the policies of the Exchange or such replacement definition for so long as the Shares are listed on the Exchange, and if the Shares are not so listed, shall have the meaning, if any, that applies to a listing of the Shares on such other exchange as the Shares are then listed on.

“Corporation” means Zacatecas Silver Corp. and its successors and Subsidiaries.

“Deferred Share Unit” or **“DSU”** means an Award denominated in units that provides the holder thereof with a right to receive Shares upon settlement of the Award, granted under Article VII herein and subject to the terms of the Plan.

“Director” means any individual who is a member of the Board of Directors of the Corporation.

“Disability” means the disability of the Participant which would entitle the Participant to receive disability benefits pursuant to the long-term disability plan of the Corporation (if one exists) then covering the Participant, provided that the Board may, in its sole discretion, determine that, notwithstanding the provisions of any such long-term disability plan, the Participant is permanently disabled for the purposes of the Plan.

“Dividend Equivalent” means a right with respect to an Award to receive cash, Shares or other property equal in value and form to dividends declared by the Board and paid with respect to outstanding Shares. Dividend Equivalents shall not apply to an Award unless specifically provided for in the Award Agreement, and if specifically provided for in the Award Agreement shall be subject to such terms and conditions set forth in the Award Agreement as the Committee shall determine.

“Employee” means any employee or officer of the Corporation or an Affiliate of the Corporation. Directors who are not otherwise employed by the Corporation or an Affiliate of the Corporation shall not be considered Employees under the Plan.

“Exchange” means the TSX Venture Exchange, or any other stock exchange on which the Common Shares of the Corporation are listed.

“Exchange Policies” mean the policies of the Exchange, including those set forth in the corporate finance manual of the Exchange, including Policy 4.4 of the Exchange entitled “Incentive Stock Options”, Policy 1.1 of the Exchange entitled “Interpretation” and any other policies of the Exchange applicable to security based compensation arrangements.

“FMV” means, unless otherwise required by any applicable provision of any regulations thereunder or by any applicable accounting standard for the Corporation's desired accounting for Awards or by the rules of the Exchange, a price that is determined by the Committee, provided that such price cannot be less than the last closing price of the

Shares on the Exchange less any discount permitted by the rules or policies of the Exchange.

"Insider" shall have the meaning ascribed thereto in Exchange Policies.

"Management Company Employee" means an individual 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.

"Net Exercise" shall have the meaning ascribed thereto in the policies of Exchange.

"Notice Period" means any period of contractual notice or reasonable notice that the Corporation or an Affiliate of the Corporation may be required at law, by contract or otherwise agrees to provide to a Participant upon termination of employment, whether or not the Corporation or Affiliate elects to pay severance in lieu of providing notice to the Participant, provided that where a Participant's employment contract provides for an increased severance or termination payment in the event of termination following a Change of Control, the Notice Period for the purposes of the Plan shall be the Notice Period under such contract applicable to a termination which does not follow a Change of Control.

"Officer" means an officer (as defined under applicable securities laws)

"Participant" means an Employee, Director, Officer or Consultant who has been selected to receive an Award, or who has an outstanding Award granted under the Plan or the Predecessor Plan.

"Period of Restriction" means the period when an Award of Restricted Share Units is subject to forfeiture based on the passage of time, the achievement of performance criteria, and/or upon the occurrence of other events as determined by the Committee, in its discretion.

"Person" shall have the meaning ascribed to such term in Exchange Policies.

"Restricted Share Unit" or **"RSU"** means an Award denominated in units subject to a Period of Restriction, with a right to receive Shares upon settlement of the Award, granted under Article VI herein and subject to the terms of the Plan.

"Retirement" or **"Retire"** means a Participant's permanent withdrawal from employment or office with the Corporation or an Affiliate of the Corporation on terms and conditions accepted and determined by the Board.

"Shares" means common shares of the Corporation.

"Stock Option Plan" means the 10% rolling stock option plan of the Corporation, as amended from time to time.

"Subsidiary" means a body corporate that is controlled by the Corporation and, for the purposes of this definition, a body corporate will be deemed to be controlled by the Corporation if the Corporation, directly or indirectly, has the power to direct the

management and policies of the body corporate by virtue of ownership of, or direction over, voting securities in the body corporate.

“Termination Date” means the date on which a Participant ceases to be eligible to participate under the Plan as a result of a termination of employment, officer position, board service or consulting arrangement with the Corporation or any Affiliate of the Corporation for any reason, including death, Retirement, resignation or termination with or without cause. For the purposes of the Plan, a Participant's employment, officer position, board service or consulting arrangement with the Corporation or an Affiliate of the Corporation shall be considered to have terminated effective on the last day of the Participant's actual and active employment, officer position or board or consulting service with the Corporation or the Affiliate whether such day is selected by agreement with the individual, unilaterally by the Corporation or the Affiliate and whether with or without advance notice to the Participant. For the avoidance of doubt, no period of notice or pay in lieu of notice that is given or that ought to have been given under applicable law in respect of such termination of employment that follows or is in respect of a period after the Participant's last day of actual and active employment shall be considered as extending the Participant's period of employment for the purposes of determining his or her entitlement under the Plan.

“Voting Securities” shall mean any securities of the Corporation ordinarily carrying the right to vote at elections of directors and any securities immediately convertible into or exchangeable for such securities.

Article III ADMINISTRATION

- 3.1 General. The Committee shall be responsible for administering the Plan. The Committee may employ legal counsel, consultants, accountants, agents and other individuals, any of whom may be an Employee, and the Committee, the Corporation, and its officers and Directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee shall be final, conclusive and binding upon the Participants, the Corporation, and all other interested parties. No member of the Committee will be liable for any action or determination taken or made in good faith with respect to the Plan or Awards granted hereunder. Each member of the Committee shall be entitled to indemnification by the Corporation with respect to any such determination or action in the manner provided for by the Corporation and its subsidiaries.

- 3.2 Authority of the Committee. The Committee shall have full and exclusive discretionary power to determine the terms and provisions of Award Agreements, to interpret the terms and the intent of the Plan and any Award Agreement or other agreement ancillary to or in connection with the Plan, to determine eligibility for Awards, and to adopt such rules, regulations and guidelines for administering the Plan as the Committee may deem necessary or proper. Such authority shall include, but not be limited to, selecting Award recipients, establishing all Award terms and conditions, including grant, exercise price, issue price and vesting terms, determining any performance goals applicable to Awards and whether such performance goals have been achieved, and, subject to Article XIII, adopting modifications and amendments to the Plan or any Award Agreement, including, without limitation, any that are necessary or appropriate to comply with the laws or

compensation practices of the jurisdictions in which the Corporation and its Affiliates operate.

- 3.3 Delegation. The Committee may delegate to one or more of its members any of the Committee's administrative duties or powers as it may deem advisable; provided, however, that any such delegation must be permitted under applicable corporate law.

Article IV

SHARES SUBJECT TO THE PLAN AND GENERAL TERMS APPLICABLE TO AWARDS

- 4.1 Maximum Number of Shares Available for Awards. The maximum number of Shares issuable pursuant to RSUs and DSUs issued under the Plan shall not exceed 9,041,099, being the number that is equal to 10% of the issued and outstanding Shares, on a fixed basis, at the time the Plan was approved by the Corporation's shareholders on August 8, 2023. Awards that have been settled in cash, cancelled, terminated, surrendered, forfeited or expired without being exercised, and pursuant to which no Shares have been issued, shall continue to be issuable under the Plan.
- 4.2 Award Grants to Individuals. The maximum number of Shares for which Awards and other share based compensation may be issued to any Participant in any 12-month period under the Plan and all of the Corporation's other previously established or proposed share compensation arrangements shall not exceed 5% of the outstanding Shares, calculated on the date an Award is granted to the Participant, unless the Corporation obtains disinterested shareholder approval as required by the policies of the Exchange. The maximum number of Shares for which Awards and other share based compensation may be issued to any Consultant, within any 12 month period, under the Plan and all of the Corporation's other previously established or proposed share compensation arrangements shall not exceed 2% of the outstanding Shares, calculated on the date an Award or option is granted to the Consultant or any such person, as applicable.
- 4.3 Award Grants to Insiders. Unless disinterested shareholder approval as required by the policies of the Exchange is obtained: (i) the maximum number of Shares for which Awards and other share based compensation may be issued to Insiders (as a group) at any point in time under the Plan and all of the Corporation's other previously established or proposed share compensation arrangements shall not exceed 10% of the outstanding Shares; and (ii) the aggregate number of Awards and other share based compensation granted to Insiders (as a group), within any 12-month period, under the Plan and all of the Corporation's other previously established or proposed share compensation arrangements shall not exceed 10% of the outstanding Shares, calculated at the date an Award or option is granted to any Insider.
- 4.4 Adjustments in Authorized Shares. Subject to the Corporation obtaining prior acceptance from the Exchange, except in connection with a share split or reverse share split, in the event of any corporate event or transaction (each, a "**Corporate Reorganization**") (including, but not limited to, a change in the Shares of the Corporation or the capitalization of the Corporation) such as a merger, arrangement, amalgamation, consolidation, reorganization, recapitalization, separation, stock dividend, extraordinary dividend, share split, reverse share split, split up, spin-off or other distribution of stock or property of the Corporation, combination of securities, exchange of securities, dividend in kind, or other like change in capital structure or distribution (other than normal cash dividends) to shareholders of the Corporation, or any similar corporate event or transaction, the

Committee shall make or provide for such adjustments or substitutions, as applicable, in the number and kind of Shares that may be issued under the Plan, the number and kind of Shares subject to outstanding Awards, the FMV applicable to outstanding Awards, the limit on issuing Awards equal to at least the FMV of a Share on the date of grant and any other value determinations applicable to outstanding Awards or to the Plan, as are equitably necessary to prevent dilution or enlargement of Participants' rights under the Plan that otherwise would result from such corporate event or transaction.

The Committee shall also make appropriate adjustments in the terms of any Awards under the Plan as are equitably necessary to reflect such Corporate Reorganization and may modify any other terms of outstanding Awards, including modifications of performance criteria and lengths of Restricted Periods. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under the Plan, provided that any such adjustments must comply with all regulatory requirements.

Subject to the provisions of Article XI, and any applicable law or regulatory requirement, including Exchange acceptance, without affecting the number of Shares reserved or available hereunder, the Committee may authorize the issuance, assumption, substitution or conversion of Awards under the Plan in connection with any Corporate Reorganization, upon such terms and conditions as it may deem appropriate. Additionally, the Committee may amend the Plan, or adopt supplements to the Plan, in such manner as it deems appropriate to provide for such issuance, assumption, substitution or conversion as provided in the previous sentence.

- 4.5 Term. The term of any Award grant shall not exceed ten (10) years, subject to extension where the expiration of an Award falls within a Blackout Period, in accordance with Section 6.3 and Section 7.4 of this Plan, as applicable.
- 4.6 Cashless Exercise; Net Exercise. Subject to the policies of the Exchange, the Committee may, in its discretion, permit a Participant to exercise their Award through Cashless Exercise or Net Exercise provisions included in the applicable Award Agreement.
- 4.7 Vesting of Awards. Unless otherwise specified in an Award Agreement, and subject to any provisions of the Plan or the applicable Award Agreement relating to acceleration of vesting of Awards, Awards shall vest at the discretion of the Committee, provided however that no Award may vest before the date that is one (1) year following the date of the grant of the Award, unless the Award Agreement permits acceleration of vesting in the event of the death of the Participant, or where the Participant ceases to be an eligible Participant in connection with a Change of Control, as further set out in Article X.
- 4.8 Restricted Periods; Legends. Where applicable, Awards and the Shares underlying such awards shall be subject to resale restrictions in accordance with applicable securities laws and the policies of the Exchange. Award Agreements entered into with Participants pursuant to this Plan shall bear the legend or legends evidencing such restrictions.

Article V ELIGIBILITY AND PARTICIPATION

- 5.1 Eligibility. Awards under the Plan shall be granted only to *bona fide* Employees, Officers, Directors and Consultants, as per the policies of the Exchange. Pursuant to the policies of

the Exchange, Consultants or persons providing Investor Relations Activities (as defined in the policies of the Exchange) are not eligible to receive Awards under the Plan.

- 5.2 Actual Participation. Subject to the provisions of the Plan, the Committee may, from time to time, in its sole discretion select from among eligible Employees, Directors and Consultants, those to whom Awards shall be granted under the Plan, and shall determine in its discretion the nature, terms, conditions and amount of each Award.
- 5.3 Representations of Employees, Consultants and Management Company Employee. Every instrument evidencing an Award granted to an Employee, Consultant or Management Company Employee shall contain a representation by the Corporation and the Participant that the Participant is a bona fide Employee, Consultant or Management Company Employee of the Corporation.

Article VI RESTRICTED SHARE UNITS

- 6.1 Grant of Restricted Share Units. Subject to the terms and conditions of the Plan, the Committee, at any time and from time to time, may grant Restricted Share Units to Participants in such amounts and upon such terms as the Committee shall determine.
- 6.2 Restricted Share Unit Agreement. Each Restricted Share Unit grant shall be evidenced by an Award Agreement that shall specify the Period(s) of Restriction, the number of Restricted Share Units granted, and the settlement date for Restricted Share Units, and any such other provisions as the Committee shall determine, provided that unless otherwise determined by the Committee or as set out in any Award Agreement, no Restricted Share Unit shall vest later than allowed by the policies of the Exchange. The Committee shall impose, in the Award Agreement at the time of grant, such other conditions and/or restrictions on any Restricted Share Units granted pursuant to the Plan as it may deem advisable, including, without limitation, restrictions based upon the time-based restrictions on vesting or settlement and, restrictions under applicable laws or under the requirements of the Exchange.
- 6.3 Black Out Periods. If the date on which a Restricted Share Unit is scheduled to expire falls during or within 10 business days of a Blackout Period applicable to the relevant Participant, and neither the Corporation nor the Participant is subject to a cease trade order (or similar order under Canadian securities laws) in respect of the securities of the Corporation, then the expiry date for that Award shall be the date that is the tenth business day after the expiry of the Blackout Period.
- 6.4 Non-transferability of Restricted Share Units. The Restricted Share Units granted herein may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated until the date of settlement through delivery or other payment, or upon earlier satisfaction of any other conditions, as specified by the Committee in its sole discretion and set forth in the Award Agreement at the time of grant or thereafter by the Committee. All rights with respect to the Restricted Share Units granted to a Participant under the Plan shall be available during such Participant's lifetime only to such Participant.
- 6.5 Dividends and Other Distributions. During the Period of Restriction, Participants holding Restricted Share Units granted hereunder may, if the Committee so determines, be credited with Dividend Equivalents while they are so held in a manner determined by the

Committee in its sole discretion. Dividend Equivalents shall not apply to an Award unless specifically provided for in the Award Agreement. The Committee may apply any restrictions to the Dividend Equivalents that the Committee deems appropriate. The Committee, in its sole discretion, may determine the form of payment of Dividend Equivalents, including cash or Shares. In the event the Committee determines to pay Dividend Equivalents in Shares, the maximum aggregate number of Shares that may be paid must be included in calculating the limits set forth in this Plan, including, but not limited to, the limits set forth in Sections 4.1, 4.2 and 4.3. In the event that a Dividend Equivalent payable in Shares would exceed any of the limits set out herein, the Corporation shall pay the Participant the cash sum equal to the FMV of the Shares multiplied by the number of Shares that would have exceeded the applicable limit if issued to the Participant.

6.6 Death, Disability, Retirement and Termination or Resignation of Employment. If the Award Agreement does not specify the effect of a termination or resignation of employment then the following default rules will apply:

- (a) Death: If a Participant dies while an Employee, Director of, or Consultant to, the Corporation or an Affiliate:
 - (i) all unvested Restricted Share Units as at the Termination Date shall automatically and immediately vest; and
 - (ii) all vested Restricted Share Units (including those that vested pursuant to (i) above) shall be paid to the Participant's estate in accordance with the terms of the Plan and the Award Agreement, provided, however, that any such payment or settlement of Restricted Share Units to the Participant's estate must be completed within a period not exceeding twelve (12) months.
- (b) Disability: If a Participant ceases to be eligible to be a Participant under the Plan as a result of their Disability, then all Restricted Share Units remain and continue to vest in accordance with the terms of the Plan for a period of 90 days (or such longer period not to exceed 12 months as may be determined by the Board of Directors in its sole discretion) after the Termination Date, provided that any Restricted Share Units that have not vested within 90 days (or such longer period not to exceed 12 months as may be determined by the Board of Directors in its sole discretion) after the Termination Date shall automatically and immediately expire and be forfeited on such date.
- (c) Retirement: If a Participant Retires then the Board shall have the discretion, with respect to such Participant's Restricted Share Units, to determine: (i) whether to accelerate vesting of any or all of such Restricted Share Units, (ii) whether any of such Restricted Share Units shall be cancelled, with or without payment, and (iii) how long, if at all, such Restricted Share Units may remain outstanding following the Termination Date; provided, however, that in no event shall such Restricted Share Units remain outstanding for more than 12 months after the Termination Date.
- (d) Termination for cause: If a Participant ceases to be eligible to be a Participant under the Plan as a result of their termination for cause, then all Restricted Share Units, whether vested or not, as at the Termination Date shall automatically and immediately be forfeited.

(e) Termination without cause or Voluntary Resignation: If a Participant ceases to be eligible to be a Participant under the Plan for any reason, other than as set out in sections 6.6(a)-(d), then, unless otherwise determined by the Board in its sole discretion, as of the Termination Date:

- (i) all unvested Restricted Share Units shall automatically and immediately be forfeited, and
- (ii) all vested Restricted Share Units shall be paid to the Participants in accordance with the terms of the Plan and the Award Agreement.

6.7 Payment in Settlement of Restricted Share Units. When and if Restricted Share Units become payable, the Participant issued such Restricted Share Units shall be entitled to receive payment from the Corporation in settlement of such Restricted Share Units: (i) in a number of Shares (issued from treasury or purchased in the market by the Corporation) equal to the number of Restricted Share Units being settled, (ii) an amount in cash equivalent to the number of the outstanding Restricted Share Units held by such Participant multiplied by the FMV as at the applicable settlement date or Termination Date, (iii) in some combination thereof, or (iv) in any other form, all as determined by the Committee at its sole discretion, subject to the policies of the Exchange. The Committee's determination regarding the form of payout shall be set forth or reserved for later determination in the Award Agreement for the grant of the Restricted Share Units.

Article VII DEFERRED SHARE UNITS

7.1 Grant of Deferred Share Units. Subject to the terms and conditions of the Plan, the Committee, at any time and from time to time, may grant Deferred Share Units to Participants in such amounts and upon such terms as the Committee shall determine.

7.2 Deferred Share Unit Agreement. Each Deferred Share Unit grant shall be evidenced by an Award Agreement that shall specify the number of Deferred Share Units granted, the settlement date for Deferred Share Units, and any other provisions as the Committee shall determine.

7.3 Non-transferability of Deferred Share Units. The Deferred Share Units granted herein may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated. All rights with respect to the Deferred Share Units granted to a Participant under the Plan shall be available during such Participant's lifetime only to such Participant.

7.4 Black Out Periods. If the date on which a Deferred Share Unit is scheduled to expire falls during or within 10 business days of a Blackout Period applicable to the relevant Participant, and neither the Corporation nor the Participant is subject to a cease trade order (or similar order under Canadian securities laws) in respect of the securities of the Corporation, then the expiry date for that Award shall be the date that is the tenth business day after the expiry of the Blackout Period.

7.5 Dividends and Other Distributions. Participants holding Deferred Share Units granted hereunder may, if the Committee so determines, be credited with Dividend Equivalents while they are so held in a manner determined by the Committee in its sole discretion. Dividend Equivalents shall not apply to an Award unless specifically provided for in the

Award Agreement. The Committee may apply any restrictions to the Dividend Equivalents that the Committee deems appropriate. The Committee, in its sole discretion, may determine the form of payment of Dividend Equivalents, including cash or Shares. In the event the Committee determines to pay Dividend Equivalents in Shares, the maximum aggregate number of Shares that may be paid must be included in calculating the limits set forth in this Plan, including, but not limited to, the limits set forth in Sections 4.1, 4.2 and 4.3. In the event that a Dividend Equivalent payable in Shares would exceed any of the limits set out herein, the Corporation shall pay the Participant the cash sum equal to the FMV of the Shares multiplied by the number of Shares that would have exceeded the applicable limit if issued to the Participant.

- 7.6 Termination of Employment, Consultancy or Directorship. Each Award Agreement shall set forth the extent to which the Participant shall have the right to retain Deferred Share Units following termination of the Participant's employment or other relationship with the Corporation or its Affiliates. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all Deferred Share Units issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination, provided that provisions shall comply with applicable rules of the Exchange and such Deferred Share Units expire no later than one year after such termination.
- 7.7 Payment in Settlement of Deferred Share Units. When Deferred Share Units become payable, the Participant issued such Deferred Share Units shall be entitled to receive payment from the Corporation in settlement of such Deferred Share Units: (i) in a number of Shares (issued from treasury or purchased in the market by the Corporation) equal to the number of Deferred Share Units being settled, (ii) an amount in cash equivalent to the number of the outstanding Deferred Share Units held by such Participant multiplied by the FMV as at the applicable settlement date or Termination Date, (iii) in some combination thereof, or (iv) in any other form, all as determined by the Committee at its sole discretion, subject to the policies of the Exchange. The Committee's determination regarding the form of payout shall be set forth or reserved for later determination in the Award Agreement for the grant of the Deferred Share Units.

Article VIII BENEFICIARY DESIGNATION

- 8.1 Beneficiary. A Participant's "beneficiary" is the person or persons entitled to receive payments or other benefits or exercise rights that are available under the Plan in the event of the Participant's death. A Participant may designate a beneficiary or change a previous beneficiary designation at such times as prescribed by the Committee and by using such forms and following such procedures approved or accepted by the Committee for that purpose. If no beneficiary designated by the Participant is eligible to receive payments or other benefits or exercise rights that are available under the Plan at the Participant's death, the beneficiary shall be the Participant's estate.
- 8.2 Discretion of the Committee. Notwithstanding the provisions above, the Committee may, in its discretion, after notifying the affected Participants, modify the foregoing requirements, institute additional requirements for beneficiary designations, or suspend the existing beneficiary designations of living Participants or the process of determining beneficiaries under this Article X, or both, in favour of another method of determining beneficiaries.

Article IX
RIGHTS OF PERSONS ELIGIBLE TO PARTICIPATE

- 9.1 Employment. Nothing in the Plan or an Award Agreement shall interfere with or limit in any way the right of the Corporation or an Affiliate of the Corporation to terminate any Participant's employment, consulting or other service relationship with the Corporation or the Affiliate at any time, nor confer upon any Participant any right to continue in the capacity in which he or she is employed or otherwise serves the Corporation or the Affiliate.

Neither an Award nor any benefits arising under the Plan shall constitute part of an employment or service contract with the Corporation or an Affiliate of the Corporation, and, accordingly, subject to the terms of the Plan, the Plan may be terminated or modified at any time in the sole and exclusive discretion of the Committee or the Board without giving rise to liability on the part of the Corporation or its Affiliates for severance payments or otherwise, except as provided in the Plan.

For purposes of the Plan, unless otherwise provided by the Committee, a transfer of employment of a Participant between the Corporation and an Affiliate or among Affiliates of the Corporation, shall not be deemed a termination of employment. The Committee may provide, in a Participant's Award Agreement or otherwise, the conditions under which a transfer of employment to an entity that is spun off from the Corporation or an Affiliate of the Corporation shall not be deemed a termination of employment for purposes of an Award.

- 9.2 Participation. No Employee or other Person eligible to participate in the Plan shall have the right to be selected to receive an Award. No person selected to receive an Award shall have the right to be selected to receive a future Award, or, if selected to receive a future Award, the right to receive such future Award on terms and conditions identical or in proportion in any way to any prior Award.
- 9.3 Rights as a Shareholder. A Participant shall have none of the rights of a shareholder with respect to Shares covered by any Award until the Participant becomes the holder of such Shares.

Article X
CHANGE OF CONTROL

- 10.1 Change of Control and Termination of Employment. Subject to section 10.2 and the terms and provisions of any Award Agreement, in the event of a Change of Control, any Awards held by a Participant shall, if determined by the Committee in its sole discretion, automatically vest either during the term of the Award or within 90 days after the date of sale or change of control, whichever first occurs.
- 10.2 Discretion to Board. Notwithstanding any other provision of the Plan, in the event of an actual or potential Change of Control, the Board may, in its sole discretion, without the necessity or requirement for the agreement of any Participant: (i) accelerate, conditionally or otherwise, on such terms as it sees fit (including, but not limited to those set out in (iii) and (iv) below), the vesting date of any Awards; (ii) permit the conditional redemption or exercise of any Awards, on such terms as it sees fit; (iii) otherwise amend or modify the terms of any Awards, including for greater certainty by (1) permitting Participants to exercise or redeem any Awards to assist the Participants to participate in the actual or

potential Change of Control, or (2) providing that any Awards exercised or exercised shall be exercisable or redeemed for, in lieu of Shares, such property (including shares of another entity or cash) that shareholders of the Corporation will receive in the Change of Control; and (iv) terminate, following the successful completion of a Change of Control, on such terms as it sees fit, the Awards not exercised or redeemed prior to the successful completion of such Change of Control.

- 10.3 Nonoccurrence of Change of Control. In the event that any Awards are conditionally exercised pursuant to section 10.2 above and the Change of Control does not occur, the Board may, in its sole discretion, determine that any (i) Awards so exercised shall be reinstated as the type of Award prior to such exercise, and (ii) Shares issued be cancelled and any exercise or similar price received by the Corporation shall be returned to the Participant.
- 10.4 Agreement with Purchaser in a Change of Control. In connection with a Change of Control, the Board may be permitted to condition any acceleration of vesting on the Participant entering into an employment, confidentiality or other agreement with the purchaser as the Board deems appropriate.

Article XI AMENDMENT AND TERMINATION

- 11.1 Amendment and Termination. The Board may, at any time, suspend or terminate the Plan. Subject to compliance with any applicable law, including the rules and Exchange Policies of the Exchange, the Board may also, at any time, amend or revise the terms of the Plan and any Award Agreement. No such amendment of the Plan or Award Agreement may be made if such amendment would materially and adversely impair any rights arising from any Awards previously granted to a Participant under the Plan without the consent of the Participant or the representatives of his or her estate, as applicable.
- 11.2 Reduction of Grant Price. Disinterested shareholder approval as required by the policies of the Exchange shall be obtained for any reduction in the Grant Price, or an extension of the term of an Award, if the Participant is an Insider of the Corporation at the time of the proposed amendment.

Article XII WITHHOLDING

- 12.1 Withholding. The Corporation or any of its Affiliates shall have the power and the right to deduct or withhold, or require a Participant to remit to the Corporation or the Affiliate, an amount sufficient to satisfy federal, provincial and local taxes or domestic or foreign taxes required by law or regulation to be withheld with respect to any taxable event arising from or as a result of the Plan or any Award hereunder. The Committee may provide for Participants to satisfy withholding requirements by having the Corporation withhold and sell Shares or the Participant making such other arrangements, including the sale of Shares, in either case on such conditions as the Committee specifies, provided however, that any such withholding arrangement must comply with the policies of the Exchange and shall not, without limitation, result in an alteration of the exercise price of an Award or create a "net exercise" feature, except where permitted under this Plan and pursuant to Exchange policies.

- 12.2 Acknowledgement. Participant acknowledges and agrees that the ultimate liability for all taxes legally payable by Participant is and remains Participant's responsibility and may exceed the amount actually withheld by the Corporation. Participant further acknowledges that the Corporation: (a) makes no representations or undertakings regarding the treatment of any taxes in connection with any aspect of the Plan; and (b) does not commit to and is under no obligation to structure the terms of the Plan to reduce or eliminate Participant's liability for taxes or achieve any particular tax result. Further, if Participant has become subject to tax in more than one jurisdiction, Participant acknowledges that the Corporation may be required to withhold or account for taxes in more than one jurisdiction.

Article XIII SUCCESSORS

- 13.1 Any obligations of the Corporation or its Affiliates under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Corporation or its Affiliates, respectively, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the businesses and/or assets of the Corporation or the Affiliate, as applicable.

Article XIV GENERAL PROVISIONS

- 14.1 Delivery of Title. The Corporation shall have no obligation to issue or deliver evidence of title for Shares issued under the Plan prior to:
- (a) Obtaining any approvals from governmental agencies that the Corporation determines are necessary or advisable; and
 - (b) Completion of any registration or other qualification of the Shares under any applicable law or ruling of any governmental body that the Corporation determines to be necessary or advisable.
- 14.2 Investment Representations. The Committee may require each Participant receiving Shares pursuant to an Award under the Plan to represent and warrant in writing that the Participant is acquiring the Shares for investment and without any present intention to sell or distribute such Shares.
- 14.3 No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award Agreement. In such an instance, unless the Committee determines otherwise, fractional Shares and any rights thereto shall be forfeited or otherwise eliminated.
- 14.4 Other Compensation and Benefit Plans. Nothing in the Plan shall be construed to limit the right of the Corporation or an Affiliate of the Corporation to establish other compensation or benefit plans, programs, policies or arrangements, including, without limitation, the Stock Option Plan. Except as may be otherwise specifically stated in any other benefit plan, policy, program or arrangement, no Award shall be treated as compensation for purposes of calculating a Participant's rights under any such other plan, policy, program or arrangement.

- 14.5 No Constraint on Corporate Action. Nothing in the Plan shall be construed (i) to limit, impair or otherwise affect the Corporation's or its Affiliates' right or power to make adjustments, reclassifications, reorganizations or changes in its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell or transfer all or any part of its business or assets, or (ii) to limit the right or power of the Corporation or its Affiliates to take any action which such entity deems to be necessary or appropriate.
- 14.6 Compliance with Canadian Securities Laws. All Awards and the issuance of Shares underlying such Awards issued pursuant to the Plan will be issued pursuant to an exemption from the prospectus requirements of Canadian securities laws where applicable.
- 14.7 Compliance with U.S. Securities Laws. All Awards and the issuance of Shares underlying such Awards issued pursuant to the Plan will be issued pursuant to the registration requirements of the U.S. Securities Act of 1933, as amended or an exemption from such registration requirements. If the Awards or Shares are not so registered and no such registration exemption is available, the Corporation shall not be required to issue any Shares otherwise issuable hereunder.

Article XV LEGAL CONSTRUCTION

- 15.1 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.
- 15.2 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.
- 15.3 Requirements of Law. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or securities exchanges as may be required. The Corporation or an Affiliate of the Corporation shall receive the consideration required by law for the issuance of Awards under the Plan.

The inability of the Corporation or an Affiliate of the Corporation to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Corporation or the Affiliate to be necessary for the lawful issuance and sale of any Shares hereunder, shall relieve the Corporation or the Affiliate of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

- 15.4 Governing Law. The Plan and each Award Agreement shall be governed by the laws of the Province of British Columbia and the laws of Canada applicable therein excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction.