



**CARDERO RESOURCE CORP.**

**EXTRAORDINARY MEETING – 2019**

**Notice of Extraordinary Meeting of Shareholders  
and  
Management Information Circular**

**Place:** 2300 – 1177 West Hastings Street  
Vancouver, BC V6E 2K3

**Time:** 9:00 a.m. PDT

**Date:** December 16, 2019



## CARDERO RESOURCE CORP.

### CORPORATE DATA

#### Head Office

Suite 2300, 1177 West Hastings Street  
Vancouver, British Columbia  
CANADA V6E 2K3  
Telephone: 604-408-7488  
Toll Free: 1-888-770-7488  
Facsimile: 604-408-7499  
Web Site: [www.cardero.com](http://www.cardero.com)

#### Directors

Keith Henderson  
Robert Kopple  
Deepak Malhotra  
Hendrik van Alphen  
Robert van Doorn

#### Officers

Stuart Ross, President & CEO  
Blaine Bailey, CFO  
Marla Ritchie, Corporate Secretary

#### Registrar & Transfer Agent

Computershare Investor Services Inc.  
3<sup>rd</sup> Floor, 510 Burrard Street  
Vancouver, British Columbia  
V6C 3B9

#### Legal Counsel

Armstrong Simpson  
2080 – 777 Hornby Street  
Vancouver, British Columbia  
V6Z 1S4

#### Auditor

Smythe LLP  
Chartered Professional Accountants,  
7<sup>th</sup> Floor, 355 Burrard Street  
Vancouver, British Columbia  
V6C 2G8

#### Stock Exchange Listings

TSX Venture Exchange  
Symbol “CDU”  
  
OTCBB  
Symbol “CDYCF”  
  
Frankfurt Stock Exchange  
Symbol “CR5”

# CARDERO RESOURCE CORP.

Suite 2300 – 1177 West Hastings Street  
Vancouver, British Columbia Canada V6E 2K3

## NOTICE OF EXTRAORDINARY MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that an extraordinary meeting (the “Meeting”) of the shareholders of **CARDERO RESOURCE CORP.** (the “Company”) will be held in the Boardroom of the Company’s offices at Suite 2300 – 1177 West Hastings Street, Vancouver, British Columbia, on December 16, 2019 at the hour of 9:00 a.m. (Vancouver time), for the following purposes:

1. To consider and approve the conversion of the 12,000,000 outstanding preferred shares of the Company into 48,000,000 common shares of the Company pursuant to a settlement agreement between the Company and the holders of the preferred shares (the “Conversion Resolution”).
2. Assuming approval to the Conversion Resolution, to amend the Company’s Articles in relation to the conversion rights within the special rights and restrictions attached to the preferred shares of the Company.
3. To transact such further or other business as may properly come before the Meeting or any adjournment or adjournments thereof.

The details of all matters proposed to be put before the shareholders at the Meeting are set forth in the management information circular accompanying this Notice of Meeting. At the Meeting, shareholders will be asked to approve each of the foregoing items.

The directors of the Company have fixed October 17, 2019 as the record date for the Meeting (the “Record Date”). Only shareholders of record at the close of business on the Record Date are entitled to vote at the meeting or any adjournment or postponement thereof.

If you are a registered shareholder of the Company and unable to attend the Meeting in person, please exercise your right to vote by completing and returning the accompanying form of proxy and deposit it with Computershare Trust Company of Canada. Proxies must be completed, dated, signed and returned to Computershare Trust Company of Canada, Proxy Department, at 8th Floor, 100 University Avenue, Toronto, Ontario, Canada, M5J 2Y1 by 5:00pm (Toronto time) on December 12, 2019, or if the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the date to which the Meeting is adjourned or postponed. Telephone voting can be completed at 1-866-732-8683, voting by fax can be sent to 1-866-249-7775 or 416-263-9524 and Internet voting can be completed at [www.investorvote.com](http://www.investorvote.com)

Late proxies may be accepted or rejected by the Chairman of the Meeting at his discretion and the Chairman of the Meeting is under no obligation to accept or reject any particular late proxy. The Chairman of the Meeting may waive or extend the proxy cut-off without notice.

If you are a non-registered shareholder, please follow the instructions from your bank, broker or other financial intermediary for instructions on how to vote your shares.

DATED at Vancouver, British Columbia, this 8th day of November, 2019.

BY ORDER OF THE BOARD

*“Stuart Ross” (signed)*

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STUART ROSS, President & CEO

# CARDERO RESOURCE CORP.

## MANAGEMENT INFORMATION CIRCULAR

For the Extraordinary Meeting to be held on December 16, 2019  
(information is as at November 8, 2019, except as indicated)

### GENERAL PROXY INFORMATION AND CIRCULAR DISCLOSURE

#### Persons Making the Solicitation

This Information Circular is being furnished in connection with the solicitation of proxies by the management of Cardero Resource Corp. (the “Company”) for use at the extraordinary meeting (the “Meeting”) of the holders of common shares in the capital of the Company (the “Shareholders”) to be held in the Main Boardroom of the offices of the Company at Suite 2300 – 1177 West Hastings Street, Vancouver, British Columbia, Canada on December 16, 2019, at 9 a.m. (Vancouver time) for the purposes set forth in the accompanying Notice of Meeting. While it is expected that the solicitation of proxies will be primarily by mail, proxies may be solicited personally or by telephone by the regular employees of the Company at nominal cost. The Company may reimburse Shareholders’ nominees or agents (including brokers holding shares on behalf of clients) for the cost incurred in obtaining authorization from their principals to execute proxies. All costs of solicitation will be borne by the Company. None of the directors of the Company have advised that they intend to oppose any action intended to be taken by management as set forth in this Information Circular.

#### Appointment and Revocation of Proxies

The individuals named in the accompanying form of proxy (the “Proxy”) are directors or officers of the Company. **A SHAREHOLDER WISHING TO APPOINT SOME OTHER PERSON (WHO NEED NOT BE A SHAREHOLDER) TO ATTEND AND ACT FOR THE SHAREHOLDER AND ON THE SHAREHOLDER’S BEHALF AT THE MEETING HAS THE RIGHT TO DO SO, EITHER BY INSERTING SUCH PERSON’S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY AND STRIKING OUT THE TWO PRINTED NAMES, OR BY COMPLETING ANOTHER FORM OF PROXY.** A Proxy will not be valid unless the completed, dated and signed Proxy is received by Computershare Trust Company of Canada, Proxy Department, at 8th Floor, 100 University Avenue, Toronto, Ontario, Canada, M5J 2Y1 by 5:00p.m. (Toronto time) on December 12, 2019 or if the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the date to which the Meeting is adjourned or postponed. Telephone voting can be completed at 1-866-732-8683, voting by fax can be sent to 1-866-249-7775 or 416-263-9524 and Internet voting can be completed at [www.investorvote.com](http://www.investorvote.com).

Late proxies may be accepted or rejected by the Chairman of the Meeting at his discretion and the Chairman of the Meeting is under no obligation to accept or reject any particular late proxy. The Chairman of the Meeting may waive or extend the proxy cut-off without notice.

A Shareholder who has given a Proxy may revoke it by an instrument in writing executed by the Shareholder or by the Shareholder’s attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer or attorney of the corporation, and delivered either to the registered office of the Company, at 2080 – 777 Hornby Street, Vancouver, British Columbia, V6Z 1S4, at any time up to and

including the last business day preceding the day of the Meeting or any adjournment of it or to the Chairman of the Meeting on the day of the Meeting or any adjournment of it. A revocation of a Proxy does not affect any matter on which a vote has been taken prior to the revocation.

If you are a non-registered Shareholder, please follow the instructions from your bank, broker or other financial intermediary for instructions on how to revoke your voting instructions.

### **Exercise of Discretion**

If the instructions in a Proxy are certain, the shares represented thereby will be voted on any poll by the persons named in the Proxy and, where a choice with respect to any matter to be acted upon has been specified in the Proxy, the shares represented thereby will, on a poll, be voted or withheld from voting in accordance with the specifications so made. **If you do not provide instructions in your Proxy, the persons named in the enclosed Proxy will vote your shares FOR the matters to be acted on at the Meeting.**

The persons named in the enclosed Proxy will have discretionary authority with respect to any amendments or variations of these matters or any other matters properly brought before the Meeting or any adjournment or postponement thereof, in each instance, to the extent permitted by law, whether or not the amendment or other item of business that comes before the Meeting is routine or contested. The persons named in the enclosed Proxy will vote on such matters in accordance with their best judgment. At the time of the printing of this Information Circular, the management of the Company knows of no such amendment, variation or other matter which may be presented to the Meeting.

### **Advice to Non-Registered (Beneficial) Shareholders**

The information set out in this section is important to many Shareholders as a substantial number of Shareholders do not hold their shares in their own name.

**Only registered Shareholders or duly appointed proxyholders for registered Shareholders are permitted to vote at the Meeting. Most of the Shareholders of the Company are “non-registered” Shareholders because the shares they own are not registered in their names, but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares.**

More particularly, a person is not a registered Shareholder in respect of shares of the Company which are held on behalf of that person (the “Non-Registered Holder”) but which are registered either (a) in the name of an intermediary (the “Intermediary”) that the Non-Registered Holder deals with in respect of the shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans), or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“NI 54-101”) of the Canadian Securities Administrators, the Company has distributed copies of the Notice of Meeting, this Information Circular and the form of Proxy (collectively referred to as the “Meeting Materials”) to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies (such as Broadridge Investor Communication Solutions) to forward the Meeting Materials to

Non-Registered Holders. Generally, if you are a Non-Registered Holder and you have not waived the right to receive the Meeting Materials you will either:

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

In either case, the purpose of these procedures is to permit Non-Registered Holders to direct the voting of the shares that they beneficially own. If you are a Non-Registered Holder and you wish to vote at the Meeting in person as proxyholder for the shares owned by you, you should strike out the names of the management designated proxyholders named in the proxy authorization form or voting instruction form and insert your name in the blank space provided. **In either case, you should carefully follow the instructions of your Intermediary, including when and where the proxy, proxy authorization or voting instruction form is to be delivered.**

The materials with respect to the Meeting are being sent to both registered Shareholders and Non-Registered Holders who have not objected to the Intermediary through which their shares are held disclosing ownership information about themselves to the Company (“NOBOs”). If you are a NOBO, and the Company or its agent has sent these materials to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the Intermediary on your behalf.

If you are a Non-Registered Holder who has objected to the Intermediary through which your shares are held disclosing ownership information about you to the Company (an “OBO”), you should be aware that the Company does not intend to pay for Intermediaries to forward the materials with respect to the Meeting, including proxies or voting information forms, to OBOs and therefore an OBO will not receive the materials with respect to the Meeting unless that OBO’s Intermediary assumes the cost of delivery.

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

Other than as disclosed elsewhere in this Information Circular, none of the current directors or executive officers, none of the persons who have been directors or executive officers since the commencement of the last completed financial year and no associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, with the exception of the Robert Kopple, a director of the Company who is also

the sole holder of the Preferred Shares, the terms of which are contemplated to be amended at the Meeting and who will receive the benefit of the common shares issuable upon the conversion thereof. See “Particulars to be Acted Upon at the Meeting” below.

### VOTING SHARES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The authorized capital of the Company consists of an unlimited number of common shares without par value (“**common shares**”) and an unlimited number of preferred shares with a par value of \$0.20 per share. As at October 17, 2019 (the “**Record Date**”), 74,239,213, common shares and 12,000,000 preferred shares were issued and outstanding. Each of the holders of common shares and preferred shares are entitled to receive notice of, attend and vote at the Meeting.

Only Shareholders of record at the close of business on the Record Date, who either personally attend the Meeting or who have completed and delivered a form of proxy in the manner and subject to the provisions described above shall be entitled to vote or to have their common or preferred shares voted at the Meeting.

On a show of hands, every individual who is present as a registered Shareholder or as a duly appointed representative of one or more registered corporate Shareholders will have one vote, and on a poll every registered Shareholder present in person or represented by a validly appointed proxyholder, and every person who is a duly appointed representative of one or more corporate registered Shareholders, will have one vote for each common or preferred share registered in the name of the Shareholder on the list of Shareholders, which is available for inspection during normal business hours at Computershare Investor Services Inc. and will be available at the Meeting. Shareholders represented by proxyholders are not entitled to vote on a show of hands.

The following table sets out, to the knowledge of the directors and executive officers of the Company, based on public information, those persons or companies who beneficially own, directly or indirectly, or exercise control or direction over, shares carrying more than 10% or more of the voting rights attached to all of the issued and outstanding common shares as at the Record Date:

Name and Municipality of Residence	Number and Type of Shares <sup>(1)</sup>	Percentage of Class of Shares
Robert Kopple, Los Angeles California <sup>(2)</sup>	23,189,823 common shares and 12,000,000 preferred shares	31.2% of the common shares and 100% of the preferred shares <sup>(3)</sup>
Redstone Resources Ltd. Boulder, Colorado	22,679,099 common shares	30.5% of the common shares

**Notes:**

- (1) Each of the common and preferred shares of the Company entitle the holder thereof to vote at the Meeting on the basis of one vote per common or preferred share held.
- (2) The common and preferred shares are controlled directly by Mr. Robert Kopple personally or through E.L. II Properties Trust., a private trust controlled by Mr. Kopple and through Kopple Family Partnership LP, a private entity controlled by Mr. Kopple. In addition to the common and preferred shares noted above, Mr. Kopple holds a further 16,355,707 share purchase warrants exercisable into common shares, held personally or through KF Business Ventures LP or E.L. II Properties Trust.
- (3) Presently, one-half of the preferred shares are convertible into common shares on the basis of one common share for each preferred share held. In the event that half of the preferred shares held by Mr. Kopple were converted into common shares (and no other conversions or exercises of securities occurred), Mr. Kopple would hold 39.3% of the common shares of the Company.

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

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

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

Other than as disclosed herein as relating to Mr. Robert Kopple, since the beginning of the Company's last financial year, no "informed person" of the Company (including a director, officer or individual or corporation that beneficially owns or controls 10% or more of the issued and outstanding voting securities of the Company), or any associate or affiliate of any informed person, has any material interest, direct or indirect in any transaction or any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries. See "*Interest of Certain Persons or Companies in the Matters to be Acted Upon*".

## **MANAGEMENT CONTRACTS**

The management functions of the Company and its subsidiaries are primarily performed by the directors and executive officers of the Company, and not to any substantial degree by any other person with whom the Company has contracted.

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

### **A. Approval of Conversion of Preferred Shares**

#### ***Introduction***

As announced by the Company on November 8, 2019, the Company entered into a settlement agreement dated November 7, 2019 (the "**Settlement Agreement**") with Kopple Family Partnerships, L.P. and E.L. II Properties Trust (the "**Lenders**") for the purposes of settling the outstanding debt of the Company owed to the Lenders in connection with the 12,000,000 outstanding preferred shares of the Company (the "**Preferred Shares**") held by the Lenders, through the conversion of the Preferred Shares into an aggregate of 48,000,000 common shares of the Company (the "**Transaction**").

The Preferred Shares have a par value of \$0.20 per share. The Preferred Shares also have (i) voting rights equivalent to the common shares, (ii) priority over the common shares in relation to distribution of the Company's assets in the event of liquidation up to the par value of the Preferred Shares, (iii) a right of conversion whereby up to one-half of the Preferred Shares may be converted by the Lenders into common shares on a one-for-one basis (and up to one-half of any accrued and unpaid dividends may be converted at \$0.20 per common share), subject to adjustments at any time, as more particularly outlined below (the "**Conversion Right**"); (iv) a fixed cumulative preferential dividend rate of 8.00% of par value per annum, payable annually in arrears, provided however that in the event that the Company fails to make any dividend payment to the holders of the Preferred Shares at any time, the annual dividend rate will increase to 10% of par value per annum, and (v) a right of redemption in favor of the Company to redeem at any time until the date which is five years following the date of issuance of the Preferred Shares (the "**Term**"), upon providing 15 days written notice, all or any portion of the Preferred Shares, rateably, at the par value of the Preferred Shares, plus all accrued and unpaid cumulative dividends up to the date of redemption, and provided however that the holders of the Preferred Shares will have the right following receipt of notice of a proposed redemption to elect to exercise the Conversion Right up until the proposed redemption date.



Pursuant to the terms of the Settlement Agreement, the Company will settle and convert the Preferred Shares into an aggregate of 48,000,000 common shares of the Company at a deemed price of \$0.05 per common share, representing a conversion ratio of four common shares issuable for each Preferred Share held (the “**Amended Conversion Ratio**”). The Settlement Agreement does not contemplate the conversion of the accrued and unpaid dividends (aggregating \$961,315 as of the Record Date) which will remain as a debt owed by the Company to the Lenders.

The purpose of the Transaction is to improve the financial condition and share structure of the Company in order to allow for additional acquisition and financing opportunities.

The Settlement Agreement has been filed on the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com) and may be inspected without charge at the offices of the Company’s head office at Suite 2300-1177 West Hastings Street, Vancouver, British Columbia during normal business hours until the Meeting Date.

In order to complete the Transaction, the Company must obtain the approval of the Shareholders to the Settlement Agreement and to an amendment of the special rights and restrictions applicable to the Preferred Shares. The proposed amendments to the special rights and restrictions applicable to the Preferred Shares are more particularly described below at “*Amendment to Special Rights and Restrictions*”.

### ***The Lenders and their Holdings of Securities in the Company***

The Lenders are affiliates of Mr. Robert C. Kopple of Los Angeles, California, who is a director of the Company.

Mr. Kopple, together with his associates and affiliates (including the Lenders) presently holds, or exercises control or direction over, the following securities of the Company as at the date of this information circular, (a) 23,189,823 common shares of the Company, (b) the Preferred Shares, (c) 1,300,000 stock options, and (d) 16,355,707 share purchase warrants.

As noted above, Mr. Kopple, together with his associates and affiliates, holds 23,189,823 common shares, representing approximately 31.2% of the common shares currently outstanding (assuming no additional share issuances or exercises of other existing warrants or incentive stock options) and would, if all of the stock options and share purchase warrants held by him were exercised, hold 40,845,530 common shares of the Company, representing 55.0% of the common shares then outstanding (assuming no additional share issuances or exercises of other existing warrants or incentive stock options held by other persons and not accounting for any common shares issuable upon the conversion of the Preferred Shares).

If the Shareholders approve the Transaction and the Preferred Shares are converted into 48,000,000 common shares (the “**Conversion Shares**”) pursuant to the Settlement Agreement, Mr. Kopple, together with his associates and affiliates, would hold 71,189,823 common shares, representing approximately 58.2% of the 2,239,213 common shares which would then be outstanding (assuming no additional share issuances or exercises of other existing warrants or incentive stock options).

### ***Application of Multilateral Instrument 61-101***

As Mr. Kopple and his associates and affiliates are currently ‘insiders’ of the Company as a result of their holdings therein and Mr. Kopple’s position as a director of the Company, Mr. Kopple and his associates and affiliates are considered to be “interested parties” (the “**Interested Parties**”) as such term is defined in *Multilateral Instrument 61-101 – Protection of Minority Securityholders in Special Transactions* (“**MI 61-101**”) in connection with the Transaction and as a result, the Transaction constitutes a “related party transaction” under MI 61-101, therefore requiring, in the absence of any exemptions thereto available under

MI 61-101, a formal valuation and the affirmative vote of a majority of the votes cast by the minority shareholders present in person or represented by proxy at the Meeting.

Accordingly, the Transaction must be approved by the affirmative vote of a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting, excluding the votes attached to securities held by the Interested Parties. As a consequence, any shares held by the Interested Parties are required to be excluded from the voting on the resolution(s) to be put to the Shareholders at the Meeting as detailed below. Therefore, an aggregate of 23,189,823 held by the Interested Parties, representing 31.2% of the currently outstanding common shares, will not be entitled to vote in respect of such resolution(s). The conditional acceptance of the TSX Venture Exchange to the Transaction has not yet been obtained. Information pertaining to the number of securities held by the Interested Parties is disclosed above at *“The Lenders and their Holdings of Securities in the Company”*.

Where an issuer is listed or quoted on the TSX Venture Exchange and no other stock exchange outside of Canada and the United States, MI 61-101 provides an exemption to the general requirement to obtain a valuation for a transaction that is a related party transaction. No formal valuations of the Company or the Preferred Shares have been made in the last 24 months, to the knowledge of Company, the Board or its management.

#### Background to the Transaction

The provisions of the Settlement Agreement are the result of arm’s length negotiations conducted among representatives of the Company and the Lenders and their respective legal and financial advisors.

On April 22, 2013, the Company completed a placement of senior secured notes (the **“Luxor Notes”**) in the aggregate principal amount of US\$5.5 million with certain affiliates of Luxor Capital Group, LP. (**“Luxor”**). The Luxor Notes had a one year term and were issued at a 9.1% discount to net the Company US\$5.0 million (\$5,083,398) with interest accruing at the rate of 10% per annum, payable semi-annually (13% after an event of default). The Luxor Notes were secured by a general security agreement over the assets of the Company, as well as a specific pledge of the shares of the Subsidiary. The Subsidiary also provided a corporate guarantee. The Luxor Notes were redeemable by the Company at any time at par plus accrued interest. There was provision in the event of a change of control of the Subsidiary while the Luxor Notes remain outstanding, for the holders of the Luxor Notes would have the right to put the Luxor Notes to the Company for an amount equal to 110% of par plus accrued interest.

On August 9, 2013 the Company completed a private placement of two notes of US\$2,000,000 and US\$3,700,000 with the Lenders. The full proceeds of the notes were used to pay out the indebtedness under the Luxor Notes. US\$3,700,000 of the notes were due no later than December 31, 2013, subsequently extended to February 28, 2014 and further extended to March 14, 2014. The Company paid US\$3,920,986 (representing the US\$3,700,000 principal amount plus US\$220,986 in interest). The remaining US\$2.0 million note plus interest of US\$0.2 million due on August 8, 2014 was amended with an extension of the maturity date to August 8, 2015 (the **“Note”**).

On December 5, 2013, the Company secured a USD 5.0 million line of credit from the Lenders (the **“Line of Credit”**), and on September 17, 2014 increased the Line of Credit to USD 6.0 million.

On July 23, 2015, the parties executed a debt settlement agreement with the Lenders which contemplated the settlement of the amounts then due to the Lenders under the Note and the Line of Credit through (i) the transfer of the Company’s then subsidiary, Cardero Coal Corp. to the Lenders, (ii) the issuance of the Preferred Shares, (iii) the issuance of 17,400,000 units at a price of \$0.20 per unit and (iv) any balance remaining outstanding under an amended and restated line of credit (the **“Debt Settlement Transactions”**).

On October 15, 2015, the Debt Settlement Transactions were completed and the Preferred Shares were issued.

In September 2019, the Lenders approached the Company to negotiate the conversion of all of the Preferred Shares held by them. On November 7, 2019, the Company and the Lenders entered into the Settlement Agreement in respect of the Transaction. The Transaction is subject to the approval of the TSX Venture Exchange.

#### Prior Offers and Valuations

The Company has not received or requested any prior valuations relating to the Company, its securities or the Preferred Shares in the 24 months prior to the Settlement Agreement, nor to the best knowledge of the Company do any such valuations exist. The Company has not received any bona fide offers from third parties relating to the Preferred Shares during the 24 months prior to the Settlement Agreement.

#### Approval of the Settlement Transactions by the Board

For the purposes of MI 61-101, all members of the Board, with the exception of Mr. Kopple, are considered to be independent in relation to the Transaction.

The Board, with Mr. Kopple abstaining, reviewed and considered the Transaction on the terms set forth in the Settlement Agreement as well as the resultant dilution to the Shareholders, the current financial condition, business and operations of the Company as well as the current economic climate for resource issuers and expected market trends. **The Board unanimously determined that the Transaction is in the best interests of the Company and fair to its Shareholders. The Board unanimously recommends that Shareholders vote in favor of the Transaction.**

#### Trading in the Company's Securities

The common shares are currently listed for trading on the TSX Venture Exchange under the symbol CDU. The Preferred Shares are not listed on any stock exchange and the sole holders thereof are the Lenders.

On the business day immediately prior to the date the Transaction was announced, being November 7, 2019, the closing price of the Company's common shares was \$0.025. The following table sets forth, for the periods indicated, being each of the six months prior to the date of the Settlement Agreement, the reported high and low daily trading prices and the aggregate volume of trading of the common shares on the TSX Venture Exchange.

<b>Period</b>	<b>High</b>	<b>Low</b>	<b>Aggregate Volume</b>
May 2019	\$0.05	\$0.04	570,000
June 2019	\$0.06	\$0.04	554,100
July 2019	\$0.05	\$0.03	649,000
August 2019	\$0.04	\$0.02	1,210,600
September 2019	\$0.04	\$0.03	304,800
October 2019	\$0.03	\$0.025	338,120

### Prior Sales

During the twelve months prior the date of this Circular, the Company has issued or granted common shares and securities convertible into common shares (other than securities issued pursuant to the exercise of options, warrants or conversion rights) as noted in the table below:

<b>Date</b>	<b>Reason for Issue</b>	<b>Number Issued</b>	<b>Issue Price</b>
December 21, 2018	Incentive Stock Options	1,600,000	\$0.10
November 19, 2018	Private Placement Units	300,000	\$0.10
May 17, 2019	Loan bonus warrants	3,000,000	\$0.05

In the twelve months prior to the date of this Circular, the Company has not issued or granted any Preferred Shares or securities convertible into Preferred Shares.

### Dividend Policy

To date, the Company has not paid dividends on its common shares. The Company currently intends to retain future earnings, if any, for use in its business and does not currently anticipate paying dividends on its common shares. Any determination to pay future dividends will remain at the discretion of the Board and will be made taking into account its financial condition and other factors deemed relevant by the Board.

The Preferred Shares are currently entitled to dividends at the rate of 10% per annum. No dividends have been paid on the Preferred Shares since the date of issue in October 2015. A total of \$961,315 in accrued and unpaid dividends are owing to the Lenders as of October 17, 2019.

### Material Changes in the Company

As disclosed on September 9, 2019, the Company engaged Leede Jones Gable Inc. (“Leede”) to assist the Company in sourcing parties to complete a corporate merger or asset acquisition in respect of the Zonia project, as it is the Company’s opinion that the full value of the Zonia asset is not currently reflected in the Company’s market capitalization.

The Company has no other plans or proposals for any material changes in its affairs either as a result of any contract or agreement under negotiation, proposals to liquidate, to sell, lease or exchange all or any substantial part of its assets, to amalgamate or to make any material changes in its business, corporate structure, management or personnel.

### ***Conversion Resolutions***

The Company will, at the Meeting, seek disinterested Shareholders’ approval to the Transaction, including the issuance of the Conversion Shares, by considering and, if thought fit, passing a resolution in substantially the following form:

**"BE IT RESOLVED**, as an ordinary resolution that:

1. The completion of the Transaction on the terms set forth in the Settlement Agreement, as described in that management information circular dated November 8, 2019 (the “Circular”) be and is hereby approved.

2. The issuance of the Conversion Shares pursuant to the Settlement Agreement, as described in the Circular, be and is hereby approved.
3. Notwithstanding that these resolutions have been passed by the shareholders of the Company, the directors of the Company are authorized not to proceed with the Transaction at any time prior to the completion thereof without the further approval of the shareholders of the Company.
4. Any director or officer of the Company be and each of them is hereby authorized, for and on behalf of the Company, to do such things and to sign, execute and deliver all such documents that such director or officer may, in their discretion, determine to be necessary or useful in order to give full effect to the intent and purpose of these resolutions."

As the Transaction is intended to improve the financial condition and capital structure of the Company to make it more desirable for future investment and development, **the Board recommends that the Shareholders vote FOR the foregoing resolution. Unless directed otherwise, the persons set forth in the enclosed form of proxy, if named as proxy, intend to vote the common shares represented by such proxy FOR the above resolution.**

#### **B. Amendment to Special Rights and Restrictions**

Pursuant to the Transaction, the Company will extinguish and cancel the Preferred Shares and all liabilities associated therewith (other than accrued and unpaid dividends) by issuing the Conversion Shares to the Lenders.

Pursuant to the Company's Articles (the "**Articles**"), the Company's authorized share structure is an unlimited number of common shares and an unlimited number of Preferred Shares. In order to meet the terms of the Transaction, the Company must amend certain terms of the special rights and restrictions applicable to the Preferred Shares. Pursuant to the Articles, the Company may, by ordinary resolution, vary or delete special rights and restrictions to the shares of any class or series of shares.

The special rights and restrictions currently applicable to the Preferred Shares (the "**Special Rights and Restrictions**") are summarized above at "*Approval of Conversion of the Preferred Shares*".

In connection with the Transaction, the Company will amend the Special Rights and Restrictions as follows:

- (c) The right of conversion of the Preferred Shares into common shares will be amended from that of a one-for-one basis, to four common shares for each Preferred Shares, subject to adjustments at any time (the "**Conversion Right**");
- (d) The Conversion Right will also be amended from allowing the Lender to convert 50% of the Preferred Shares held to allow the Lender to convert 100% of the Preferred Shares held, (as well as any accrued but unpaid dividends as of the conversion date).

The above is a summary of the proposed amendments to the Special Rights and Restrictions to be attached to the Preferred Shares, and Shareholders are referred to Schedule "A" hereto which contains the full text of the proposed Special Rights and Restrictions as amended and restated and are asked to read Schedule "A" in full.

The Company considers that the Transaction, and thereby the amendment to the Special Rights and Restrictions to be in the best interests of the Company for the reasons described above at "*Approval of the Conversion of the Preferred Shares*".

Shareholders of the Company will be asked to consider and, if thought fit, pass an ordinary resolution, with or without variation, to amend the Special Rights and Restrictions, the text of which will be in substantially the form as follows, subject to changes in form as may be required by the Registrar of Companies:

**"BE IT RESOLVED** that:

1. The Articles of the Company be amended to delete section 27.7 in its entirety and replace it as follows:

**"27.7 Right of Conversion**

The holders of the Preferred Shares shall have the right at any time to convert up to 100% of the outstanding Preferred Shares, on a pro-rata basis, into Common Shares of the Company (the **"Preferred Conversion Privilege"**) on the basis of four Common Shares, as constituted on the date of issuance of the Preferred Shares (the **"Preferred Conversion Price"**) for each Preferred Share so converted. Additionally, the holder of the Preferred Shares shall also have the right at any time to convert up to 100% of any accrued but unpaid Preferred Dividend into Common Shares of the Company (the **"Dividend Conversion Privilege"** and together with the Preferred Conversion Privilege, the **"Conversion Privilege"**) at a price per Common Share of \$0.05 (the **"Dividend Conversion Price"**).

2. Notwithstanding that these resolutions have been passed by the shareholders of the Company, the directors of the Company are authorized not to proceed with the amendment to the Company's Articles at any time prior to the completion thereof without the further approval of the shareholders of the Company.
3. Any one director or officer be and is hereby authorized and directed for and on behalf of the Company to execute and deliver all documents, including a notice of alteration to be delivered to the Registrar of Companies and to do all other things necessary or advisable in connection with the foregoing.

The resolution above must be approved by a simple majority of the votes cast at the Meeting.

The full text of the Articles, including Part 27 above is available for review by any Shareholder at the Company's registered and records offices at 2080 – 777 Hornby Street, Vancouver, British Columbia.

**Management of the Company recommends that Shareholders vote in favour of the foregoing resolutions relating to the amendment of the Special Right and Restrictions, and the persons named in the enclosed Proxy intend to vote for the approval of the foregoing resolutions at the Meeting unless otherwise directed by the Shareholders appointing them.**

#### **OTHER MATTERS**

Management of the Company is not aware of any other matter to come before the Meeting other than as set forth in the Notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed Proxy to vote the shares represented thereby in accordance with their best judgement on such matter, 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 regarding the Company and its business activities is available on SEDAR at [www.sedar.com](http://www.sedar.com) under "Issuer Profiles – Cardero Resource Corp. The Company's financial information is provided in the Company's comparative financial statements and related management discussion and

analysis for its most recently completed financial year and may be viewed on the SEDAR website at the location noted above. Shareholders of the Company may request copies of the Company's financial statements and related management discussion and analysis for the financial year ended October 31, 2018 by contacting the Company by mail at Suite 2300 – 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2K3, attention: Corporate Secretary or by telephone: 604-408-7488 Ext. 3886.

DATED this 8th day of November, 2019.

ON BEHALF OF THE BOARD OF DIRECTORS

*/s/ Stuart Ross*

Stuart Ross,  
President & Chief Executive Officer

## SCHEDULE "A"

### AMENDED AND RESTATED SPECIAL RIGHTS AND RESTRICTIONS APPLICABLE TO THE PREFERRED SHARES

#### 27. Additional Rights, Privileges, Restrictions and Conditions Attaching to the Preferred Shares

##### 27.1 Rights and Restrictions

The Preferred Shares shall have attached thereto the following rights, privileges, restrictions and conditions in addition to the rights, privileges, restrictions and conditions attached to the Preferred Shares as a class.

##### 27.2 Par Value

The par value of the Preferred Shares shall be \$0.20 per Preferred Share.

##### 27.3 Dividends

Subject to the *Business Corporations Act*, the holders of the Preferred Shares shall, in each year in preference and priority to any payment of dividends on the Common Shares be entitled, out of monies lawfully available for dividends, to a fixed, preferential, cumulative cash dividend at the rate of 8.00% per annum, on the par value of the Preferred Shares per Preferred Share held (the "**Preferred Dividend**"), payable annually in arrears on the last day of each calendar year (the "**Dividend Settlement Date**") computed on the basis of a 365 day year and paid for the actual number of days elapsed. In the event that the Company fails to make any Preferred Dividend payment, the dividend rate applicable to the Preferred Shares shall increase to 10.0% per annum commencing from the day following the applicable Dividend Settlement Date. The Preferred Dividend shall accrue and be cumulative from the date of issue of the Preferred Shares. The holders of the Preferred Shares shall not be entitled to any dividends other than or in excess of the Preferred Dividend. No dividend shall be declared or paid on the Common Shares until all accumulated, accrued but unpaid Preferred Dividends, whether or not declared, have been paid in full.

##### 27.4 Payment of Dividend

The Preferred Dividend shall be payable to the holders of the Preferred Shares in cash by certified cheque, bank draft or wire transfer of the Company on the Dividend Settlement Date.

##### 27.5 Voting

The holders of the Preferred Shares shall be entitled to vote, equally with the Common Shares, at all meetings of shareholders of the Company except meetings at which only holders of a specified class of shares are entitled to vote.

##### 27.6 Liquidation, Dissolution or Winding Up

In the event of any liquidation or winding up of the Company, the holders of the Preferred Shares shall be entitled to receive in preference to the holders of the Common Shares a per share amount equal to the par value of the Preferred Shares plus all accumulated, accrued but unpaid Preferred Dividends (the "**Liquidation Preference**"). The holders of the Preferred Shares shall not be entitled to any distribution other than or in excess of the Liquidation Preference. After the payment of the Liquidation Preference to the holders of the Preferred Shares, the remaining assets shall be distributed rateably to the holders of the Common Shares.

##### 27.7 Right of Conversion

The holders of the Preferred Shares shall have the right at any time to convert up to 100% of the outstanding Preferred Shares, on a pro-rata basis, into Common Shares of the Company (the "**Preferred Conversion Privilege**") on the basis of four Common Shares, as constituted on the date of issuance of the Preferred Shares (the "**Preferred**



**Conversion Price**”) for each Preferred Share so converted. Additionally, the holder of the Preferred Shares shall also have the right at any time to convert up to 100% of any accrued but unpaid Preferred Dividend into Common Shares of the Company (the “**Dividend Conversion Privilege**” and together with the Preferred Conversion Privilege, the “**Conversion Privilege**”) at a price per Common Share of \$0.05 (the “**Dividend Conversion Price**”).

### **27.8 Manner of Exercise of Conversion Privilege**

The Conversion Privilege may be exercised in whole or in part, and from time to time, by notice in writing given to the Company at its registered office, accompanied by the certificate or certificates representing the Preferred Shares in respect of which the holder thereof desires to exercise such right of conversion, as applicable. Such notice shall be signed by such holder or his duly authorized attorney and shall specify the number of Preferred Shares or the amount of any accrued but unpaid Preferred Dividend which the holder desires to have converted. If less than all the Preferred Shares represented by a certificate or certificates accompanying any such notice are to be converted, the holder shall be entitled to receive, at the expense of the Company, a new certificate representing the number of Preferred Shares comprised in the certificate or certificates surrendered as aforesaid which are not to be converted.

### **27.9 Entitlement to Dividends**

- (a) The registered holder of any Preferred Share on the record date for any dividend payable on such share, including the Preferred Dividend, shall be entitled to such dividend notwithstanding that such Preferred Share shall have been converted into Common Shares after such record date and before the payment date of such dividend, and the registered holder of a Common Share resulting from such conversion shall be entitled to rank equally per Common Share with the holders of all other Common Shares of record on any date on or after the date of such conversion.
- (b) Subject to the foregoing and to section 27.13 hereof, upon the conversion of any Preferred Shares there shall no adjustment by the Company or by any holder of Preferred Shares on account of any dividends either on the Preferred Shares surrendered for conversion or on the Common Shares issuable upon such conversion.

### **27.10 New Certificates on Conversion**

On any conversion of Preferred Shares, or upon the exercise of the Dividend Conversion Privilege, the share certificates for Common Shares of the Company resulting therefrom shall be issued in the name of the registered holder of the Preferred Shares converted (or under which the Preferred Dividend Amount was declared) or in such name or names as such registered holder may direct in writing (either in the notice herein referred to or otherwise), provided that such registered holder shall pay any applicable security transfer taxes. In either instance, and in the case of an exercise of the Preferred Conversion Privilege, the transfer form on the back of the certificates in question shall be endorsed by the registered holder of the Preferred Shares or his duly authorized attorney, with signature guaranteed in a manner satisfactory to the Company, provided that the Company may waive the requirement for any such guarantee.

### **27.11 Deemed Conversion**

Subject as hereinafter provided, the right of a holder of Preferred Shares to convert the same into Common Shares shall be deemed to have been exercised, and such holder (or any person or persons in whose name or names any such holder of Preferred Shares shall have directed certificates representing Common Shares to be issued as provided in Section 27.10 hereof) of Preferred Shares to be so converted shall be deemed to have ceased to be a holder of such Preferred Shares and to have become (and at all times on such date to be) a holder of Common Shares for all purposes on the date of surrender to the Company of one or more certificates duly endorsed representing the Preferred Shares to be converted, notwithstanding any delay in the delivery of the certificate or certificates representing the Common Shares into which such Preferred Shares have been converted.

## **27.12 Fractional Shares**

The number of Common Shares to be issued upon the exercise of the Conversion Privilege shall be the quotient obtained when the number of Preferred Shares being converted is divided by the Preferred Conversion Price or the Dividend Conversion Price (as applicable and as may be adjusted from time to time in accordance with Section 27.13 below). Should such quotient consist of a whole number and a fraction, then the Company shall only issue upon such conversion Common Shares in an amount equal to such whole number. The Company shall not issue a fraction of a share in satisfaction of such fraction resulting in respect of such conversion and a holder of Preferred Shares or the Preferred Dividend Amount being converted shall not be entered into the books of the Company as a shareholder in respect of any fraction of a share or receive any payment in respect thereof.

## **27.13 Adjustment of Preferred Conversion Price and Dividend Conversion Price**

The Preferred Conversion Price and the Dividend Conversion Price in effect at any date shall be subject to adjustment from time to time as follows:

- (a) If and whenever at any time the outstanding Preferred Shares of the Company shall be subdivided, redivided or changed into a greater or reduced or consolidated into a lesser number of shares or reclassified into different shares, without a similar change in the Common Shares, any holder of Preferred Shares who has not converted such Preferred Shares into Common Shares prior to the effective date of such subdivision, redivision, change, consolidation, reduction or reclassification shall be entitled to receive and shall accept, upon conversion at any time on such effective date or thereafter, in lieu of the number of Common Shares to which he or she was theretofore entitled upon conversion at the applicable Preferred Conversion Price, the aggregate number of Common Shares of the Company that such holder would have been entitled to receive as a result of such subdivision, redivision, change, consolidation or reclassification if, on the effective date thereof, he or she had been the registered holder of the number of Common Shares to which he or she was theretofore entitled upon conversion;
- (b) If and whenever at any time the outstanding Common Shares of the Company shall be subdivided, redivided or changed into a greater or reduced or consolidated into a lesser number of shares or reclassified into different shares, any holder of Preferred Shares who has not converted such Preferred Shares into Common Shares prior to the effective date of such subdivision, redivision, change, consolidation, reduction or reclassification shall be entitled to receive and shall accept, upon conversion at any time on such effective date or thereafter, in lieu of the number of Common Shares to which he or she was theretofore entitled upon conversion at the applicable Preferred Conversion Price and Dividend Conversion Price, the aggregate number of Common Shares of the Company that such holder would have been entitled to receive as a result of such subdivision, redivision, change, consolidation or reclassification if, on the effective date thereof, he or she had been the registered holder of the number of Common Shares to which he or she was theretofore entitled upon conversion;
- (c) In case the Company shall fix a record date for the issuance of additional Common Shares (or securities convertible into Common Shares) to all holders of its Common Shares by way of a stock dividend or other distribution, other than a stock dividend to holders of Common Shares who exercise an option to receive any ordinary course equivalent dividends in Common Shares in lieu of receiving cash dividends, the Preferred Conversion Price and Dividend Conversion Price shall be adjusted immediately after the record date for such stock dividend or other distribution by multiplying the applicable Preferred Conversion Price and Dividend Conversion Price in effect on such record date by a fraction of which the numerator shall be the total number of Common Shares outstanding on the record date and of which the denominator shall be the total number of Common Shares outstanding on the record date plus the number of additional Common Shares which shall result from the stock dividend or other distribution. Any such dividend or distribution on the Common Shares of the Company in Common Shares shall be deemed to have been issued on or immediately prior to the record date for such dividend or distribution for the purpose of calculating the number of outstanding Common Shares under subsections 27.13(d) and (e) below. If any dividend or distribution of the type described in this clause is declared but not so paid or made, Preferred Conversion Price and Dividend Conversion Price shall be adjusted to the

Preferred Conversion Price and Dividend Conversion Price, as applicable that would then be in effect if such dividend or distribution had not been declared;

- (d) In case the Company shall fix a record date for the making of a distribution to all holders of its Common Shares:
  - (i) of any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) the share capital of the Company of any class (other than the Common Shares);
  - (ii) of assets (excluding cash dividends or distributions, and dividends or distributions referred to in subsection (c) above and stock dividends to holders of Common Shares who exercise an option to receive in the ordinary course equivalent dividends in Common Shares in lieu of receiving cash dividends); or
  - (iii) of options, rights or warrants (excluding those referred to in subsection (e) below),

then in each such case the Preferred Conversion Price and Dividend Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the applicable Preferred Conversion Price and Dividend Conversion Price in effect on such record date by a fraction, of which the numerator shall be the Aggregate Market Capitalization on such record date (not including any Common Shares issued, or issuable upon exercise of any option, right or warrant, pursuant to such dividend) less the fair market value (as determined by the board of directors of the Company, acting reasonably, whose determination shall be conclusive) of said shares or evidences of indebtedness or assets or options, rights or warrants so distributed, and of which the denominator shall be the Aggregate Market Capitalization immediately after such record date. Common shares owned by or held for the account of the Company shall be deemed not to be outstanding for the purpose of any such computation. Such adjustment shall be made successively as of any such record date. To the extent that such distribution is not so made, the Preferred Conversion Price and Dividend Conversion Price shall be readjusted to the Preferred Conversion Price and Dividend Conversion Price, as applicable, which would then be in effect based upon the said shares or evidences of indebtedness or assets or options, rights or warrants actually distributed;

- (e) If and whenever the Company shall fix a record date for the issuance of options, rights or warrants to all holders of its Common Shares entitling them to subscribe for or purchase Common Shares (or securities convertible or exchangeable into Common Shares) within 45 days of such record date at a price per share (or having a conversion or exchange price per share) less than 95% of the Current Market Price of a Common Share on such record date, the applicable Preferred Conversion Price and Dividend Conversion Price shall be adjusted immediately after the expiry of such 45-day period so that it shall equal the price determined by multiplying the applicable Preferred Conversion Price and Dividend Conversion Price in effect on the expiry of such 45-day period by a fraction, of which the numerator shall be the total number of Common Shares outstanding on the expiry of such 45-day period (not including any Common Shares outstanding as a result of such issuance) plus a number of Common Shares equal to the number arrived at by dividing the aggregate price of the total number of additional Common Shares so offered (or the aggregate conversion or exchange price of the convertible or exchangeable securities so offered) by such Current Market Price per Common Share and of which the denominator shall be the total number of Common Shares outstanding on the expiry of such 45-day period plus the total number of additional Common Shares offered for subscription or purchase (or into which the convertible or exchangeable securities so offered are convertible or exchangeable, as the case may be). Common shares owned by or held for the account of the Company shall be deemed not to be outstanding for the purpose of any such computation. Such adjustment shall be made successively as of any such record date. To the extent that such options, rights or warrants are not so issued or such options, rights or warrants are not exercised prior to the expiration thereof, the Preferred Conversion Price and Dividend Conversion Price shall be readjusted to the Preferred Conversion Price and Dividend Conversion Price, as applicable, which would then be in effect based upon the number of Common

Shares (or securities convertible or exchangeable into Common Shares) actually delivered upon the exercise of such options, rights or warrants, as the case may be;

- (f) In any case in which this section 27.13 shall require that an adjustment shall become effective immediately after a record date for an event, the Company may defer until the occurrence of such event issuing to the Preferred Shareholders converted after such record date and before the occurrence of such event the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event over and above the Common Shares issuable upon such conversion before giving effect to such adjustment; provided, however, that the Company shall deliver to such holder an appropriate instrument evidencing such holder's rights to receive such additional Common Shares and such cash, upon the occurrence of the event requiring such adjustment;
- (g) No adjustments of the applicable Preferred Conversion Price or Dividend Conversion Price shall be required unless such adjustment would require an increase or decrease of at least one percent in such price, provided, however, that any adjustments which by reason of this subsection (g) are not required to be made shall be carried forward and taken into account in any subsequent adjustment;
- (h) Adjustments to the applicable Preferred Conversion Price or Dividend Conversion Price made pursuant to this section 27.13 shall be made successively as of the applicable record date;
- (i) In the event of any question arising with respect to the adjustments provided in this section 27.13, such questions shall be conclusively determined by a firm of chartered accountants appointed by the Company (who may be the auditors of the Company), such accountants shall have access to all necessary records of the Company and such determination shall be binding upon the Company and the Preferred Shareholder;
- (j) In case the Company shall take any action affecting the Common Shares other than actions described in this Section 27.13, which in the opinion of the board of directors of the Company, would materially affect the rights of the Preferred Shareholders, the Preferred Conversion Price shall be adjusted in such manner and at such time, by action of the board of directors as the board of directors in their sole discretion may determine to be equitable in the circumstances. Failure of the board of directors to make such an adjustment shall be conclusive evidence that they have determined that it is equitable to make no adjustment in the circumstances.

In this Section 27.13, “**Aggregate Market Capitalization**” means, as at any date, the amount equal to the product of the Current Market Price as at the trading day immediately preceding such date and the number of Common Shares outstanding on such date, and “**Current Market Price**” means the weighted average closing price (or, if no trades occur on any relevant particular day, the mean between the closing bid and asked quotations on such day) of the Common Shares on the Toronto Stock Exchange during a period of 20 consecutive trading days ending on the fifth trading day prior to the date upon which any relevant computation pursuant to section 27.13 hereof is to be made, or if the Common Shares are not listed on the Toronto Stock Exchange on the date the determination is to be made, on such stock exchange on which the greatest volume of Common Shares are traded during such preceding 20 consecutive trading day period or, if the Common Shares are not listed on any stock exchange, a price representing fair value determined by an independent financial advisor (which determination shall be conclusive and binding) acting in good faith.

#### **27.14 Certificate as to Adjustment**

Forthwith after the occurrence of any adjustment in the Preferred Conversion Price or the Dividend Conversion Price pursuant to Section 27.13 hereof, as applicable, the Company shall at such time give written notice to the holders of the Preferred Shares and any accrued and unpaid Preferred Dividend Amount of the Preferred Conversion Price and the Dividend Conversion Price, as applicable following such adjustment.

### **27.15 Notification**

If the Company intends to take any action which would require an adjustment of the Conversion Price pursuant to subsections (c)-(f) of Section 27.13 hereof, the Company shall, at least ten days prior to the earlier of any record date fixed for any action or the effective date for such action, notify the holders of the Preferred Shares and any accrued and unpaid Preferred Dividend Amount by written notice setting forth the particulars of such action to the extent that such particulars have been determined at the time of giving the notice.

### **27.16 Taxes on Conversion**

The issuance of certificates for Common Shares upon the exercise of the Conversion Privilege will be made without charge to the converting holders of Preferred Shares or the Preferred Dividend Amount for any fee or tax in respect of the issuance of such certificates or the Common Shares represented thereby; provided, however, that the Company shall not be required to pay any tax which may be imposed upon the person or persons to whom such Common Shares are issued, in respect of the issuance of such Common Shares or the certificates therefor or which may be payable in respect of any transfer involved in the issuance and delivery of any such certificate in a name or names other than that of the holder of the Preferred Shares or Preferred Dividend Amount so converted, and the Company shall not be required to issue or deliver such certificate unless the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid or that the Company has not and will not have any liability in respect of such tax.

### **27.17 Redemption at the Company's Option**

The Company may, at any time until the date which is five years following the date of the issuance of the Preferred Shares, upon providing notice in writing to the holders of the Preferred Shares (the "**Redemption Notice**") at least 15 days in advance of the proposed redemption date (the "**Redemption Date**"), redeem all or any of the Preferred Shares held by the holder by payment to the holder of the Redemption Amount.

### **27.18 Preferred Redemption Amount**

In these Articles, "**Redemption Amount**" shall mean an amount equal to the par value of the Preferred Shares plus all accrued and unpaid cumulative dividends on the Preferred Shares, whether or not declared, calculated to but excluding the date of redemption.

### **27.19 Redemption Notice**

The Redemption Notice shall state that

- (a) the Company is exercising its redemption right in relation to all or a specified portion of the Preferred Shares as of the Redemption Date at the Redemption Amount, and shall include a calculation of the amount payable to such holder as payment of the Redemption Amount which includes accrued and unpaid cumulative dividends up to the Redemption Date;
- (b) each such holder may exercise the Conversion Privilege with respect to the Preferred Shares and accrued and unpaid cumulative dividends for a period of 15 days following the issuance of the Redemption Notice;
- (c) each such holder must transfer his, her or its Preferred Shares to the Company and must send certificates representing his, her or its Preferred Shares, duly endorsed for transfer, to the Company within 15 days following the sending of the Redemption Notice; and
- (d) the rights of such holder under the terms of the Preferred Shares and these Articles shall cease to be effective as of the Redemption Date, provided that the Company has on or before the date which is five business days following the surrender by the holder of the Preferred Shares so redeemed paid the Redemption Amount in respect of the Preferred Shares to be redeemed, and thereafter such Preferred

Shares shall be deemed to be cancelled and such holder shall not have any rights hereunder except to receive the Redemption Amount to which such holder is entitled upon surrender and delivery of such holder's Preferred Shares in accordance with these Articles.

#### **27.20 Redemption**

- (a) The Redemption Notice shall be delivered or mailed to the registered address of the holders of Preferred Shares on the Company's central securities register. The Redemption Notice shall be deemed to have been received on the day of delivery if delivered and on the third business day following the date of mailing if mailed.
- (b) Redemption shall be made pro rata amongst the holders of Preferred Shares in proportion to the number of Preferred Shares specified in the notice of redemption issued by the Company.
- (c) Notwithstanding the issuance of a Redemption Notice, the holders of the Preferred Shares may still exercise the Conversion Privilege for a period of 15 days following the issuance of the Redemption Notice.
- (d) Notwithstanding any other provisions hereof, the Company shall be deemed to have issued and delivered a Redemption Notice for all of the Preferred Shares held by the holders, without any further act of the Company, three business days prior to the bankruptcy or insolvency of the Company or if, at any particular time, the Company acknowledges its insolvency, is declared bankrupt, makes an assignment or bulk sale of its assets or a receiver or receiver manager is appointed under the *Bankruptcy and Insolvency Act* or any other act for the benefit of its creditors or the Company makes a proposal or takes any action under the *Companies' Creditor Arrangement Act*, three business days prior to the particular time.

#### **27.21 Method and Timing of Payment**

Payment of the Redemption Amount shall be made by certified cheque, bank draft or wire transfer in the amount of the Redemption Amount payable to the holder of the Preferred Shares entitled thereto within five business days of the date the surrender to the Company of the Preferred Shares so redeemed.

#### **27.22 Effect of Payment**

Upon payment of the Redemption Amount on the Preferred Shares so redeemed by the Company, the holders thereof shall cease to be entitled to dividends or to exercise any rights of the holders in respect thereof, including the Conversion Privilege, and upon receipt of payment therefor by the holders the Preferred Shares shall be cancelled and no Preferred Shares shall be issued in substitution for those redeemed.

#### **27.23 Partial Redemption**

In the event of a partial redemption of the Preferred Shares, upon surrender of any such certificate representing the Preferred Shares to the Company for redemption, the Company shall issue and deliver without charge to the holder thereof one or more new certificates for the unredeemed Preferred Shares so surrendered.