

*This Management Proxy Circular and the accompanying materials require your immediate attention. If you are in doubt as to how to deal with these documents or the matters to which they refer, please consult a professional advisor.*

**PLAINTREE SYSTEMS INC.**

**NOTICE OF MEETING AND  
MANAGEMENT PROXY CIRCULAR  
FOR THE ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON  
THURSDAY, SEPTEMBER 22, 2016**

## PLAINTREE SYSTEMS INC.

### MANAGEMENT PROXY CIRCULAR FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON SEPTEMBER 22, 2016

**This Circular and accompanying form of proxy are furnished in connection with the solicitation of proxies by and on behalf of the management of Plaintiff for use at the Meeting, at the time and place and for the purposes set out in the accompanying Notice of Meeting.**

Except where otherwise indicated, the information contained in this Circular is given as of August 11, 2016.

Pursuant to National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“NI 54-101”), arrangements have been made with clearing agencies, brokerage houses and other financial intermediaries to deliver proxy solicitation materials to the beneficial owners of the Common Shares. The Company may pay the reasonable costs incurred by such persons in connection with such delivery.

The Company has decided to use the notice and access model (“**Notice and Access**”) provided under NI 54-101 for the delivery of the meeting materials and related material to shareholders for the Meeting. Under Notice and Access, instead of receiving printed copies of the meeting materials, shareholders receive a notice with information on the date, location and purpose of the Meeting, as well as information on how they may access the meeting materials electronically.

#### CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

This Circular contains forward-looking statements. Forward-looking statements are statements that relate to future events or the future financial performance of Plaintiff. In some cases, you can identify forward-looking statements by terminology such as “may”, “should”, “expects”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “potential” or “continue” or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although Plaintiff believes that the expectations reflected in the forward-looking statements are reasonable, Plaintiff cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, Plaintiff does not intend to update any of the forward-looking statements to conform these statements to actual results.

#### INFORMATION FOR UNITED STATES SHAREHOLDERS

Information concerning the properties and operations of Plaintiff included into this Circular has been prepared in accordance with Canadian standards under applicable Canadian securities laws and may not be comparable to similar information prepared under applicable United States securities laws.

The enforcement by investors of civil liabilities under United States securities laws may be affected adversely because: (i) Plaintiff exists under the laws of Canada; (ii) the officers and a majority of the directors of Plaintiff are residents of Canada; and (iii) a significant portion of the assets of the persons described above are located outside the United States.

**THE SECURITIES DESCRIBED IN THIS CIRCULAR HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITY IN ANY STATE OF THE UNITED STATES, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR SUCH AUTHORITY PASSED ON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

### **INFORMATION CONTAINED IN THIS CIRCULAR**

No person has been authorized to give information or to make any representation to Shareholders in connection with any matter to be dealt with at the Meeting other than those contained or incorporated by reference in this Circular and, if given or made, any such information or representation should not be relied upon in making a decision as to how to vote on any resolution or be considered to have been authorized by Plaintiffree.

This Circular does not constitute an offer to buy, or a solicitation of an offer to sell, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

Shareholders should not construe the contents of this Circular as legal, tax or financial advice and should consult with their own professional advisors as to the relevant legal, tax, financial or other matters in connection herewith.

**THIS CIRCULAR AND THE RESOLUTIONS CONTEMPLATED HEREIN HAVE NOT BEEN APPROVED OR DISAPPROVED BY A SECURITIES REGULATORY AUTHORITY NOR HAS ANY SECURITIES REGULATORY AUTHORITY PASSED UPON THE FAIRNESS OR MERITS OF SUCH RESOLUTIONS OR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

### **Currency**

Unless otherwise indicated, all dollar amounts referred to herein are in Canadian dollars unless otherwise indicated.

### **SOLICITATION OF PROXIES**

**This Circular is furnished in connection with the solicitation of proxies by the Management of Plaintiffree for use at the Meeting of the Shareholders of the Company (and any adjournment thereof) to be held on Thursday, September 22, 2016 the hour of 1:30 p.m. (Ottawa time) at the Company's facilities at 10 Didak Drive, Arnprior, Ontario K7S 0C3.**

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

No person has been authorized to give any information or to make any representation other than as contained in this 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 Plaintiff. The delivery of this 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 Circular. This 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. While it is expected that the solicitation by or on behalf of Management will be primarily by mail, proxies may also be solicited personally or by telephone by the directors and/or officers of Plaintiff. All costs of solicitation will be borne by Plaintiff.

## VOTING

### How a Vote is Passed

Voting at the Meeting will be by a show of hands, each shareholder having one vote, unless a poll is requested or otherwise required, in which case each shareholder is entitled to one vote for each share held. In order to approve a motion proposed at the Meeting a majority of greater than 50% of the votes cast will be required (an "**ordinary resolution**").

### Who Can Vote?

A registered shareholder, or a non-objecting beneficial owner ("**NOBO**") whose name has been provided to the Plaintiff's Transfer Agent, as at August 12, 2016, will appear on a list of shareholders prepared by the Transfer Agent for purposes of the Meeting and be entitled to attend and vote at the Meeting.

If your shares are registered in the name of a "nominee" (usually a bank, trust company, securities dealer or other financial institution) you should refer to the section entitled "Non-Registered Shareholders" set out below.

### Methods of Voting

#### *Voting in Person at the Meeting*

To vote in person at the Meeting each registered shareholder or NOBO will be required to register with the Meeting by identifying themselves as such to the scrutineer. If the shares are registered in the name of a corporation, a duly authorized officer of the corporation may attend on its behalf but documentation indicating such officer's authority should be presented at the Meeting.

It is important that your shares be represented at the Meeting regardless of the number of shares you hold. If you will not be attending the Meeting in person, Plaintiff invites you to complete, date, sign and return your form of proxy as soon as possible so that your shares will be represented. See "*Voting by Proxy at the Meeting*".

### *Voting by Proxy at the Meeting*

Registered shareholders or NOBOs who do not wish to or cannot attend the Meeting in person may appoint someone else to attend the Meeting and act as their proxyholder to vote in accordance with their instructions. To do so, the registered shareholder or NOBO should sign, date and deliver the accompanying proxy, together with the power of attorney or other authority if any, under which it was signed or a notarially certified copy, to Computershare Trust Company of Canada, 9<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1 so that it is received by no later than 5:00 pm (Ottawa time) on Tuesday September 20, 2016 or at least forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays) prior to any adjournment thereof. In the case of a corporation, the proxy must be executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation.

Unregistered shareholders who receive the proxy through an intermediary must deliver the proxy in accordance with the instructions given by such intermediary. See “Non-Registered Shareholders” below.

The persons named in the accompanying proxy are directors or executive officers of Plaintiff. **A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER) TO ATTEND AND ACT ON HIS BEHALF AT THE MEETING OTHER THAN THE PERSONS NAMED IN THE PROXY AS PROXYHOLDERS. TO EXERCISE THIS RIGHT, THE SHAREHOLDER MUST STRIKE OUT THE NAMES OF THE PERSONS NAMED IN THE PROXY AS PROXYHOLDERS AND INSERT THE NAME OF HIS NOMINEE IN THE SPACE PROVIDED OR COMPLETE ANOTHER PROXY.** A shareholder giving a proxy has the right to attend the Meeting, or appoint someone else to attend in his or her proxy at the Meeting and the proxy submitted earlier may be revoked in the manner described above under the heading “Revocation of Proxies” below.

**The persons named in the accompanying proxy will vote or withhold from voting the Common Shares in respect of which they are appointed by proxy on any ballot that may be called for in accordance with the instructions thereon, and if the shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly. In the absence of such specifications, such Common Shares will be voted in favour of each of the matters referred to herein. Each such matter is described in greater detail elsewhere in this Circular.**

The accompanying proxy, when properly completed and delivered and not revoked, confers discretionary authority upon the person appointed proxy thereunder to vote with respect to amendments or variations of matters identified in the Notice of Meeting and other matters which may properly come before the Meeting. **It is the intention of the persons designated in the accompanying proxy to vote in accordance with their best judgement on such matters or business.** At the time of printing of this Information Circular, the management of the Company is not aware that any such amendments, variations or other matters are to be presented for action at the Meeting.

### **Revocation of Proxies**

A shareholder who or an intermediary acting on behalf of a shareholder which has given a Proxy has the power to revoke it. A proxy given pursuant to this solicitation may be revoked pursuant to Section 148(4) of the *Canada Business Corporations Act* (“CBCA”): (i) by instrument in writing, executed by the Shareholder or by the Shareholder’s attorney authorized in writing and deposited with Computershare, 100 University Avenue, 9<sup>th</sup> Floor, South Tower, Toronto, Ontario, M5J 2Y1 at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used; (ii) by delivering the revocation prior to voting to the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof; or (iii) in any other manner permitted by law.

## Non-Registered Holders

Only registered Shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most Shareholders are “non-registered” Shareholders because the Common 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 Common Shares. More particularly, a person is not a registered Shareholder in respect of Common Shares which are held on behalf of that person (the “**Non-Registered Holder**”) but which are registered either: (a) in the name of an intermediary (an “**Intermediary**”) that the Non-Registered Holder deals with in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators or self-administered RRSP’s, RRIF’s, RESPs and similar plans); or (b) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc. (“**CDS**”)) of which the Intermediary is a participant. In accordance with the requirements as set out in National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”), the Company has distributed copies of the Notice of Meeting, this Information Circular and the form of Proxy (collectively, the “**Meeting Materials**”) to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials 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 as to the number of Common Shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Holder when submitting the proxy. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it with the Transfer Agent as provided above; or
- (b) more typically, be given a voting instruction form **which is not signed by the Intermediary**, and which, when properly completed and signed by the Non-Registered Holder and **returned to the Intermediary or its service company**, will constitute voting instructions (often called a “**voting instruction form**”) which the Intermediary must follow. Typically, the voting instruction form will consist of a one page pre-printed form. The Non-Registered Holder must properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of this procedure is to permit a Non-Registered Holder to direct the voting of the Common Shares which they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the persons named in the form of proxy and insert the name of such Non-Registered Holder or such other person’s name in the blank space provided. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or proxy authorization form is to be delivered.**

There are two kinds of beneficial owners – those who object to their name being made known to the issuers of securities which they own (called OBOs for Objecting Beneficial Owners) and those who do not object to the issuers of the securities they own knowing who they are (called NOBOs for Non-Objecting

Beneficial Owners). Pursuant to NI 54-101, issuers can obtain a list of their NOBOs from intermediaries for distribution of proxy-related materials directly to NOBOs.

These security holder materials are being sent to both registered and non-registered owners of the Common Shares. If you are a non-registered owner, and the Company or its agent has sent these materials directly 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 holding on your behalf.

### VOTING SHARES AND RECORD DATE

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of Class A Preferred Shares. As at the date of this Circular, there were issued and outstanding 12,925,253 Common Shares, the holders of which are entitled to one vote for each share held. The Company has no other classes of voting securities. As of the date of this Circular there are 18,325 Class A Preferred Shares which are issued and outstanding. The Class A Preferred Shares are non-voting. A simple majority of the votes held by the holders of Common Shares cast at the Meeting, whether in person, by proxy or otherwise, will constitute approval of any matter submitted to a vote. The Board of Directors has fixed the close of business on August 12, 2016 (the “**Record Date**”) as the record date for the purpose of determining Shareholders entitled to receive a Notice of Meeting but the failure of any Shareholder to receive a Notice of Meeting does not deprive the Shareholder of a vote at the Meeting. If a person has acquired shares of the Company after the Record Date, that person is entitled to vote those shares at the Meeting upon producing properly endorsed share certificates, or otherwise establishing share ownership, and demanding the inclusion of his or her name on the list of Shareholders not later than ten (10) clear days before the date of the Meeting.

### PRINCIPAL SHAREHOLDERS

As at the date of this Circular, to the knowledge of the directors and officers of the Company, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the Company’s Common Shares (the sole voting shares of the Company) except as follows:

<b>Name and Address of Shareholder</b>	<b>Number of Common Shares</b>	<b>Percentage of Common Shares</b>
Targa Group Inc. <sup>(1)</sup> Ottawa, Ontario	2,524,676 <sup>(2)</sup>	19.5%
William David Watson II <sup>(3)</sup> Burrits Rapids, Ontario	1,925,000 <sup>(4)</sup>	14.9%
Nora Watson Merrickville, Ontario	1,575,000 <sup>(5)</sup>	12.2%

- (1) Targa is a private company incorporated under the laws of Ontario. Targa is controlled by Mr. William David Watson II, the President and Chief Executive Officer of the Company and Mrs. Nora Watson, spouse of Mr. William David Watson, the Chairman and Vice President, Mergers and Acquisitions of the Company.
- (2) Does not include Common Shares held personally by Mr. William David Watson II and Nora Watson which are listed separately. Targa Electronics Systems Inc., a wholly-owned subsidiary of Targa also holds 9,000 Class A Preferred Shares of the Company.
- (3) Mr. Watson is a director and the President and Chief Executive Officer of the Company.
- (4) Also holds 5,203.75 Class A Preferred Shares of the Company.
- (5) Also holds 4,121.25 Class A Preferred shares of the Company.

As of August 12, 2016, the directors and officers of the Company beneficially own, directly or indirectly, or exercise control over 4,992,986 Common Shares, which represents 38.6% of the issued and outstanding Common Shares.

## **MATTERS TO BE ACTED UPON AT MEETING**

### **1. Presentation of Annual Report for Fiscal 2016**

A copy of the Company's Annual Report for the year ended March 31, 2016 which includes the Company's audited consolidated financial statements for the year then ended, the report of the auditors thereon, and management's discussion and analysis, will be placed before the Meeting. Receipt at the Meeting of the auditors' report and the audited financial statements of the Company will not constitute approval or disapproval of any matters referenced therein. The Company's audited consolidated financial statements are available on SEDAR at [www.sedar.com](http://www.sedar.com) or from the Company at [www.plaintree.com](http://www.plaintree.com).

### **2. Appointment of Auditors**

It is intended to vote the proxy solicited hereby (unless the Shareholder directs therein that its, his or her shares be withheld from voting in the appointment of auditors) to re-appoint Deloitte LLP, as auditors of the Company for the year ended March 31, 2017 and to hold office until the next annual meeting of shareholders and to authorize the directors to fix the auditors' remuneration. Deloitte LLP has served as auditors of the Company and its predecessors since 1988.

### **3. Election of Directors**

The term of office of each of the current directors expires at the Meeting. Each director elected will hold office until the next annual meeting of the Company or until his successor is elected or appointed, unless his office is earlier vacated in accordance with the articles of the Company or with the provisions of the CBCA.

The number of directors of the Company is currently set at six (6). The persons named below will be presented for election at the Meeting as Management's nominees for the Board of Directors, and the proxyholder named in the accompanying Form of Proxy intends to vote for the election of these nominees. Management does not contemplate that any of these nominees will be unable to serve as a director but, if such an event should occur for any reason prior to the Meeting, the proxyholder named in the accompanying Form of Proxy reserves the right to vote for another nominee in his discretion unless the Shareholder has specified otherwise in the Form of Proxy. All of the nominees are existing directors of the Company.

The Company is required to have an Audit Committee and has constituted a Compensation and Corporate Governance Committee. Members of both committees are as set out below.

The following table sets out the names of the nominees for election as directors, the municipality in which each is ordinarily resident, all offices of the Company now held by each of them, their present principal occupation, the period of time during which each has been a director of the Company and the number of Common Shares of the Company beneficially owned by each, directly or indirectly, or over which they exercise control or direction, as at the date hereof.



<b>Name and Residence</b>	<b>Present Principal Occupation<sup>(1)</sup></b>	<b>Director Since</b>	<b>Number of Common Shares<sup>(1)</sup></b>
<b>William David Watson</b> Merrickville, Ontario	Chairman of the Board of Directors of the Company and Vice President, Mergers and Acquisitions of the Company	1999	7,000 <sup>(2)</sup>
<b>William David Watson II<sup>(5)</sup></b> Burrits Rapids, Ontario	Chief Executive Officer and President of the Company	1999	4,449,676 <sup>(3)</sup>
<b>Robert E. Shea<sup>(6)</sup></b> Boston, Massachusetts	Chairman of Shea Financial Group	2000	534,931 <sup>(4)</sup>
<b>Girvan L. Patterson<sup>(5)(6)</sup></b> Ottawa, Ontario	President, GaN Systems Inc	2000	1,800
<b>Jerry S. Vickers<sup>(5)(6)</sup></b> Toronto, Ontario	Financial/Business Consultant	2003	-
<b>Hon. John Buchanan, P.C., Q.C.</b> Halifax, Nova Scotia	Former Senator and Lawyer	2003	-

- (1) The information has been furnished by the respective directors and officers individually.
- (2) Does not include 1,575,000 Common Shares held by Nora Watson, the spouse of Mr. William David Watson, the Company's Chairman of the Board.
- (3) Includes 2,524,676 Common Shares held by Targa Group Inc., a company controlled by William David Watson II.
- (4) Held directly and through a holding company.
- (5) Member of Compensation and Corporate Governance Committee.
- (6) Member of Audit Committee.

No proposed Director is to be elected under any arrangement or understanding between the proposed Director and any other person or company, except the Directors and executive officers of the Company acting solely in such capacity.

### **Profiles of Directors**

Set out below are profiles of the directors of the Company including particulars of their principal occupations for the past five years:

**WILLIAM DAVID WATSON**, *Chairman of the Board of Directors and Vice President, Mergers and Acquisitions*. Mr. Watson was appointed Vice President, Mergers and Acquisitions of the Company, effective November 1, 1999. From October 1993 to November 1999, Mr. Watson was special advisor to Targa Group Inc., a company founded in 1993 as a vehicle for acquiring troubled companies and turning them around with a primary interest in avionics and high technology. Mr. Watson is a graduate of Ryerson Polytechnical Institute.

**WILLIAM DAVID WATSON II**, *President, Chief Executive Officer and Director*. Mr. Watson became President and Chief Executive Officer of the Company on November 4, 1999. From October 1993 to November 1999,

Mr. Watson was President and Chief Executive Officer of Targa Group Inc. Prior to 1993, Mr. Watson was a tax specialist in public and private practice. Mr. Watson holds a Bachelor of Management Economics from the University of Guelph.

ROBERT E. SHEA, *Director*. Mr. Shea is currently, and for the past forty two years has been, Chairman of Shea Financial Group, a company engaged in the design and funding of executive compensation plans. He is also a director of Silex Ventures, a CBC company trading on the TSX Venture exchange, The Tryall Club, Solution Inc Technologies, Ltd. and New England Canada Business Council. Mr. Shea has also served on numerous other boards in the past.

GIRVAN L. PATTERSON, *Director*. In 1988, Mr. Patterson co-founded CANAI Inc. (which in 1991 became Plaintree Systems Inc.) and from 1995 through 1999 was the Vice-President of International Sales, and served as the Corporate Secretary of the Company from 1988 to 2001. Currently, Mr Patterson is President of GaN Systems Inc. In June 2010, Mr Patterson was appointed to the board of directors of the Pearson Peacekeeping Centre. Mr. Patterson was educated at Manchester and Aston University in the United Kingdom and holds a Chartered Engineer designation.

JERRY S. VICKERS, *Director*. Mr. Vickers acts as an independent finance/business consultant (providing services in finance, strategic planning, business development, organizational development, M&A, cash management, compliance/governance and certain senior management roles) to private and public companies since departing Desjardins Securities Inc. in May 2003. Based in Toronto, he was a Vice-President, Investment Banking, Technology Group for Desjardins Securities Inc., an indirect wholly owned subsidiary of Desjardins Mouvement, a financial services conglomerate, from January 2002 to April 2003. From August 2000 through to December 2001, Mr. Vickers was an independent finance/business consultant to private and public companies. He has been a director of private and public companies engaged in technology (software, hardware, internet based technologies) as well as the hospitality industry. He was a Vice-President in Corporate Finance at Groome Capital.com Inc. and Yorkton Securities Ltd. from July 1996 through to July 2000 specializing in new economy companies (i.e. software, hi-tech, telecom, biotech). From January 1990 to July 1996, he was the Director and a Manager of Company Listings at the Toronto Stock Exchange. From July 1985 to December 1989, he was a corporate lender at the CIBC and a senior analyst in Engineering Economics at Bell Canada. Mr. Vickers earned a Master of Arts Degree in Economics from the University of Toronto (1985) and a Bachelor of Arts (Honours) in Economics (summa cum laude) from McMaster University (1982).

HON. JOHN M. BUCHANAN, P.C., Q.C., *Director*. Mr. Buchanan was appointed to the Senate of Canada by the Rt. Hon. Brian Mulroney on September 12, 1990 and retired from the Senate on April 22, 2006. Prior to being appointed Senator, Mr. Buchanan was elected as a Member of the Legislative Assembly in 1967, re-elected in 1970, 1974, 1978, 1981, 1984 and 1988. Senator Buchanan was elected as Premier of Nova Scotia in 1978. He was re-elected in 1981, 1984 and 1988 becoming the third Premier in the history of Nova Scotia to be elected to four consecutive majority terms and the fourth longest serving premier in Nova Scotia. Mr. Buchanan graduated from Mount Allison University in 1954 with a B.Sc Degree and Engineering Certificate. He graduated from Dalhousie University with a LL.B. in 1958 and practised law in Halifax. Mr. Buchanan was appointed Queens Council in 1972 and awarded Doctorates from Nova Scotia Technical College, Mount Allison University, St. Mary's University, St. Francis Xavier University and Universite Ste. Anne. On April 17, 1982, Senator Buchanan was made a member of Her Majesty's Privy Council and in 1979 received the Toastmasters International Communication and Leadership Award. Mr. Buchanan has been an executive member of the Canada-United States Interparliamentary Association for eight years. Mr Buchanan is also Chairman of the Canada-Sweden Parliamentary Association and an Executive Member of the Canada-Taiwan Association. He is married to the former Mavis Forsyth and they have five children.

## Corporate Cease Trade Orders and Bankruptcies

To the knowledge of the Company, none of the proposed directors (or any of their personal holding companies) of the Company:

- (a) is, or during the ten years preceding the date of this Management Proxy Circular has been, a director or officer of any company, including the Company, that, while that person was acting in that capacity:
  - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
  - (ii) was subject to an event that resulted, after the director or proposed management nominee ceased to be a director or executive officer of the relevant company in the relevant company, being the subject of a cease trade order or similar order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
  - (iii) within a year of the proposed director nominee ceasing to be a director or officer of the relevant company, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager, or trustee appointed to hold its assets; or
- (b) has, within the ten years preceding the date of this Management Proxy 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 its assets of that individual.

None of the proposed directors (or any of their personal holding companies) has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Except as listed below, no persons proposed for election as Directors of the Company hold directorships in other reporting issuers:

<b>Name</b>	<b>Directorship Held in Other Reporting Issuers</b>
Robert Shea	SolutionInc Technologies Limited AIM Explorations Limited

## PARTICULARS OF OTHER MATTERS

Management knows of no other matters to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters which are not now known to Management should properly come before the Meeting, the proxy will be voted upon such matters in accordance with the best judgment of the person voting the proxy.

### SHAREHOLDER PROPOSALS FOR NEXT ANNUAL MEETING

For any matter that a person entitled to vote at an annual meeting proposes to raise at the next annual meeting, the Company must receive a proposal in respect thereof, as prescribed by law, at least ninety (90) days before the anniversary date of the accompanying notice of meeting.

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

Except as set out elsewhere in this Circular, none of the directors or senior officers of the Company, no Management nominee for election as a director of the Company, none of the persons who have been directors or senior officers of the Company and no associate or affiliate of any of the foregoing 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 except to the extent that such persons may be directly involved in the normal business of the Meeting or the general affairs of the Company and with the exception that directors, officers and employees of the Company may be granted stock options.

### STATEMENT OF EXECUTIVE COMPENSATION

For the purposes of this Management Proxy Circular, a “**Named Executive Officer**” (as defined in Form 51-102F6 under NI 51-102) or “**NEO**” means each of the following individuals:

- (a) a chief executive officer (“**CEO**”) of the Company;
- (b) a chief financial officer (“**CFO**”) of the Company;
- (c) each of the Company’s three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the financial year ended March 31, 2016 whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6, for the year ended March 31, 2016; and
- (d) each individual who would be a Named Executive Officer under paragraph (c) but for the fact that the individual was neither an executive officer, nor acting in a similar capacity at March 31, 2016.

During the financial year ended March 31, 2016, the Company had three (3) Named Executive Officers: William David Watson II, President and Chief Executive Officer, Lynn Saunders, Chief Financial Officer, and William David Watson, Chairman and Vice President Business, Mergers and Acquisitions.

The objective of the disclosure set out below is to communicate to shareholders the compensation arrangements the board of directors intended the Company (“**Board of Directors**” or “**Board**”) to pay to its President and Chief Executive Officer and directors for the financial year ended March 31, 2016, to provide insight into

executive compensation as a key aspect of the overall stewardship and governance of the Company and to inform shareholders as to how decisions about executive compensation matters relating to the Company are made.

## **Compensation Discussion and Analysis**

### *Compensation, Philosophy and Objectives*

The Company has not yet established a formal compensation program. On advice from time to time given by the Compensation and Corporate Governance Committee, the Board of Directors meets to discuss and determine compensation for the President and Chief Executive Officer, without reference to formal objectives, criteria or analysis. The President and Chief Executive Officer of the Company is responsible for determining the compensation arrangements for the balance of the employees, including other senior management, of the Company. The Compensation and Corporate Governance Committee is currently comprised of two independent directors, namely Jerry Vickers and Girvan Patterson, and William David Watson II, the President and Chief Executive Officer of the Company.

Each Compensation and Corporate Governance Committee member has a general business background, senior management experience and involvement with other companies (see their biographical information appearing elsewhere in this Circular under the heading “**Election of Directors**”) which is relevant to his responsibilities as a member of the Compensation and Corporate Governance Committee.

The responsibilities, powers and operation of the Compensation and Corporate Governance Committee are set out in its written charter. The Compensation Committee is generally responsible for, among other things:

- reviewing and making recommendations to the Board of Directors with respect to the appointment, compensation and other terms of employment of the President and Chief Executive Officer;
- reviewing and making recommendations to the Board of Directors with respect to the Company’s compensation principles, policies and plans for the President and Chief Executive Officer;
- reviewing and making recommendations to the Board of Directors with respect to the compensation arrangements for members of the Board of Directors;
- reviewing, administering and interpreting equity-based compensation plans and making recommendations to the Board of Directors with respect to the grant of compensation thereunder;
- providing risk oversight of the Company’s compensation policies and practices and identifying and mitigating compensation policies and practices that could encourage inappropriate or excessive risk taking by the President and Chief Executive Officer; and
- reviewing and approving certain compensation disclosures prior to their public release.

The Compensation and Corporate Governance Committee has the ability to consult as needed with outside compensation consultants and/or advisors when reviewing the compensation program for the President and Chief Executive Officer of the Company.

The general objectives of the Company’s compensation strategy are to (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long term shareholder value; (b) align management’s interests with the long term interest of shareholders; (c) provide

a compensation package that is commensurate with other companies that are in the same industry as the operating divisions of the Company (Electronics and Specialty Structures) to enable the Company to attract and retain talent; and (d) to ensure that the total compensation package is designed in a manner that takes into account the constraints that the Company is under by virtue of the fact that it is a venture issuer without a long history of positive earnings.

#### *Role of Executive Officers in Compensation Decisions*

The Board, as a whole, following receipt of recommendations from the Compensation and Corporate Governance Committee, ensures that the total compensation paid to the President and Chief Executive Officer, is fair and reasonable. The Board relies on the experience of Company management and its members as officers and directors of other companies in assessing compensation levels. The President and Chief Executive Officer of the Company is responsible for ensuring that total compensation paid to the other employees, including senior management, of the Company is fair and reasonable. The President and Chief Executive Officer of the Company is also a member of the Compensation and Corporate Governance Committee.

#### *Compensation-related Risks*

The Board of Directors provides regular oversight of the Company's risk management practices with respect to compensation policies and practices, and to identify and mitigate compensation policies and practices that could encourage inappropriate or excessive risks by the President and Chief Executive Officer. The Compensation and Corporate Governance Committee has reviewed the risks associated with the Company's compensation policies and practices for its President and Chief Executive Officer and has not identified any risks from the Company's compensation policies or practices that are likely to have a material adverse effect on the Company. The Compensation and Corporate Governance Committee and the Board of Directors have concluded that the Company has policies and practices to ensure that the President and Chief Executive Officer does not have incentives to take inappropriate or excessive risks, including the following:

- an appropriate mix of fixed and variable compensation is employed;
- the Board of Directors and the Compensation and Corporate Governance Committee have discretion to determine the amount, if any, of awards pursuant to the Company's variable short-term incentive programs, with awards historically only being made out of the Company's operating profits;
- annual incentive awards are not determined until the completion of the audit of the Company's consolidated annual financial statements by the Company's independent auditors;
- the Company has an organizational culture of prudent risk-taking with a practice of promoting from within the organization; and
- the Compensation and Corporate Governance Committee is comprised of a majority of independent directors.

#### *Analysis of Elements*

Certain of the Named Executive Officers have received bonus payments during fiscal 2016 while others have deferred a significant portion of their salary. Reference is made to the "Summary Compensation Table" set out below.

The Company generally considers the granting of incentive stock options to be a significant component of executive compensation as it allows the Company to reward each Named Executive Officer's efforts to increase value for shareholders without requiring the Company to use cash from its treasury. Stock options are generally awarded to directors, officers, consultants and employees at the commencement of employment and periodically thereafter. The terms and conditions of the Company's stock option grants, including vesting

provisions and exercise prices, are governed by the terms of the Company's stock option plan (the "**Stock Option Plan**") and are determined by the Board as a whole.

No changes are presently being considered for the Company's compensation policies and practices in fiscal 2016.

#### *Long Term Compensation and Option Based Awards*

The Company has no long term incentive plans other than the Stock Option Plan. The Company's directors, officers, consultants and employees are entitled to participate in the Stock Option Plan. The Stock Option Plan is designed to encourage share ownership and entrepreneurship on the part of the senior management and other employees. The Board believes that the Stock Option Plan aligns the interests of the Named Executive Officer and the Board with shareholders by linking a component of executive compensation to the longer term performance of the Company's common shares. Options are granted by the Board of Directors. In monitoring or adjusting the option allotments, the Board takes into account its own observations on individual performance (where possible) and its assessment of individual contribution to shareholder value, previous option grants and the objectives set for the Name Executive Officers and the Board. The scale of options is generally commensurate to the appropriate level of base compensation for each level of responsibility.

In addition to determining the number of options to be granted pursuant to the methodology outlined above, the Board also makes the following determinations:

- parties who are entitled to participate in the Stock Option Plan;
- the exercise price for each stock option granted;
- the date on which each option is granted;
- the vesting period, if any, for each stock option;
- the other material terms and conditions of each stock option grant; and
- any re-pricing or amendment to a stock option grant.

The Board makes these determinations subject to and in accordance with the provisions of the Stock Option Plan. The board of directors reviews and approves grants of options on an annual basis and periodically during a financial year.

Pursuant to the Company's Stock Option Plan, the Company's Board of Directors grants options to directors, officers, consultants and employees as incentives. The level of stock options awarded to a Named Executive Officer (as defined below) is determined by his or her position and his or her potential future contributions to the Company. The exercise price of stock options is determined by the Board of Directors but shall in no event be less than the trading price of the common shares of the Company on the Canadian National Stock Exchange (CNSX) at the time of the grant of the option.

No stock options were granted to the Named Executive Officers during the fiscal year ended March 31, 2016.

#### **Summary Compensation Table**

The following table sets forth all direct and indirect compensation for, or in connection with, services provided to the Company and its subsidiaries for the financial years ended March 31, 2016, 2015 and 2014 in respect of

the NEOs. For the information concerning compensation related to years prior to fiscal 2014, please refer to the Company's previous Management Proxy Circulars available at [www.sedar.com](http://www.sedar.com).

Name and Principal Position	Fiscal Year	Salary <sup>(1)</sup> (\$)	Share-based Award (\$)	Option-based Award <sup>(2)</sup> (\$)	Non-equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation <sup>(4)</sup> (\$)	Total Compensation (\$)
					Annual Incentive Plans <sup>(3)</sup> (\$)	Long-term Incentive Plans			
William David Watson II, President and Chief Executive Officer	2016	200,000 <sup>(5)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	200,000
	2015	200,000 <sup>(5)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	200,000
	2014	200,000 <sup>(5)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	200,000
Lynn Saunders, Chief Financial Officer	2016	100,000	Nil	Nil	Nil	Nil	Nil	Nil	100,000
	2015	100,000	Nil	Nil	10,000	Nil	Nil	Nil	110,000
	2014	100,000	Nil	Nil	20,000	Nil	Nil	Nil	120,000
William David Watson, Chairman and VP, Mergers and Acquisitions	2016	150,000 <sup>(6)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	150,000
	2015	150,000 <sup>(6)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	150,000
	2014	150,000 <sup>(6)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	150,000

- (1) This figure includes the dollar value of cash and non-cash base salary each Named Executive Officer earned during the relevant financial year.
- (2) The Company calculated the fair value of the options by using the Black-Scholes option pricing model.
- (3) The amounts in this column consist of cash bonuses paid to Named Executive Officers.
- (4) Such other compensation includes all benefits and perks received by Named Executive Officers that meet the threshold of \$50,000 or 10% of total annual salary.
- (5) During fiscals 2016, 2015 and 2014 most of Mr. Watson II's salary has been deferred. The deferred amounts will be paid once Company resources permit. Until paid, the deferred amounts accumulate interest at a rate of 2% per annum above the prime rate of interest charged by the Company's bankers, compounded monthly. The total amount of the deferred salary plus accumulated interest as at July 31, 2016 is \$2,457,727.
- (6) During fiscals 2016, 2015 and 2014 most of Mr. Watson's salary has been deferred. The deferred amounts will be paid once Company resources permit. Until paid, the deferred amounts accumulate interest at a rate of 2% per annum above the prime rate of interest charged by the Company's bankers, compounded monthly. The total amount of the deferred salary plus accumulated interest as at July 31, 2016 is \$2,119,387.



## **Long Term Incentive Plan (LTIP) Awards**

The Company does not have any long-term incentive plans and, save as disclosed above, no remuneration payments were made, directly or indirectly, by the Company to its Named Executive Officers during the year ended March 31, 2016.

An LTIP means “any plan providing compensation intended to serve as an incentive for performance to occur over a period longer than one fiscal year whether performance is measured by reference to financial performance of the Company or an affiliate or the price of the Company’s shares but does not include option or stock appreciation rights plans or plans for compensation through restricted shares or units”.

## **Incentive Plan Awards**

The Company does not have any share-based awards.

The Company currently has in place a stock option plan for the purpose of attracting and motivating directors, officers, employees and consultants of the Company and advancing the interests of the Company by affording such person with the opportunity to acquire an equity interest in the Company through rights granted under the plan to purchase shares of the Company.

The Stock Option Plan is administered by the board of directors of the Company and provides that a majority of members of the board participating in any decisions as to a grant of options under the Stock Option Plan shall be persons who are not employees of the Company. Options may be granted at any time to any director, officer, service provider or employee (who shall be a full-time salaried) of the Company or its subsidiaries, taking into consideration, among other things, the past, present and potential contribution of a particular director, officer, service provider or employee to the success of the Company, the value of his or her services to the Company and any other factors which the Board of Directors may deem proper and relevant provided that a director to whom any option may be granted may not participate in the discussion of the Board of Directors to grant such option .

Subject to the provisions of the Stock Option Plan, the Board of Directors shall determine the time or times when options shall be granted, the number of Common Shares for which any option may be granted, the option exercise price at which Common Shares may be purchased under any option, the conditions, if any, to be satisfied before any option may be exercised and the expiry date of any option and cause the Company, subsequent to the grant of an option, to enter into an option agreement with each participant evidencing each option granted which shall incorporate such terms as the board of directors in its discretion deems consistent with the Stock Option Plan. The Stock Option Plan provides that the terms and conditions upon which an option is granted need not be the same for each participant.

The maximum term of any option granted under the Stock Option Plan is ten (10) years from the date of grant of the option. However, it is currently the Company’s practice to grant options that expire five (5) years after the date of grant. The expiration of any option is accelerated if the optionee’s employment or cessation of involvement with the Company terminates for any reason, other than for just cause, in which case the unexercised options granted to such optionee immediately terminate. Subject to different arrangements being made between the Company and an individual optionee, the Stock Option Plan provides that the optionee has 90 days from the date of termination, resignation, removal or discharge to exercise all existing options, except in the case of death of an optionee, in which case options may be exercised by the legal representative (or by the person or persons to whom the rights of the optionee have passed by will or operation of law) generally for a period of 180 days from the date of death. Other than on death, the options are non-transferable.

The maximum number of options that may be granted under the Stock Option Plan is 1,200,000, representing 9.3% of the currently issued and outstanding common shares of the Company. In addition, the number of Common Shares which may be reserved for issuance on the exercise of options granted under the Stock Option Plan and granted under any other arrangement to any one individual (including insiders of the Company) shall not exceed 5% of the issued and outstanding Common Shares of the Company (on a non-diluted basis) at the time of the grant.

The exercise price of an option is set by the Board of Directors at the time of grant, based upon the closing price, on the trading market that the Company's shares are then available to be traded or quoted, of the Common Shares on the last trading day prior to the date of the grant. Currently, the Company's Common Shares are traded on the Canadian National Stock Exchange (CNSX). Payment of the exercise price of an option may be made by cash, certified cheque or bank draft. The Stock Option Plan does not provide for any financial assistance to be provided to any optionee to facilitate the purchase of Common Shares.

The Board of Directors may suspend, amend or terminate the Stock Option Plan at any time without notice, provided that no outstanding option is adversely affected thereby unless the affected participant consents to such amendment. The further approval of the Shareholders is required only for amendments that increase the number of shares available for issuance under the Stock Option Plan, that materially increase the benefits accruing to participants, or that materially change the class of persons eligible for the granting of options. As of August 12, 2016, the Company has no issued and outstanding options to purchase common shares.

#### **Pension Plan Benefits**

The Company does not have any deferred compensation plan, pension plan, profit sharing, retirement or other plan that provides for payments or benefits at, following or in connection with retirement.

#### **Termination and change of control benefits**

The Company does not have any plan, contract, agreement or plan or arrangement that provides for payments to a Named Executive Officer, at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, a change of control of the Company or a change in the Named Executive Officer's responsibilities, other than as described below.

The Company has written employment agreements with each of its NEOs which provide for the following notice period/payment to be made to the NEO as indicated below on the termination of the employment agreement without cause:

- (a) William David Watson (Chairman and VP Mergers and Acquisitions): twelve (12) months notice.
- (b) William David Watson II (President and Chief Executive Officer): twelve (12) months notice.
- (c) Lynn Saunders (Chief Financial Officer): two (2) months notice

#### **Compensation of Directors**

The Company has a policy to pay each non-management director the following compensation:

- (a) an annual retainer of \$10,000, paid semi-annually;

- (b) a fee of \$1,000 for each meeting of the board that they are requested by management to be present in person;
- (c) a fee of \$500 for each meeting attended by telephone/conference call;
- (d) for each committee meeting held, a fee equal to \$500 for a committee meeting attended in person that they are requested by management to so attend in person, and \$250 for each committee meeting attended by telephone/conference call.; and
- (e) reasonable expenses incurred in the normal course for board/Company business (i.e. travel and hotel) will be reimbursed by the Company.

The Company currently has six directors, two of which, William David Watson II and William David Watson, are also Named Executive Officers and management directors and are not entitled to director fees. The directors also receive incentive in the form of stock options, at the discretion of the Board of Directors, for serving as directors of the Company. The purpose of the cash fee and the granting of options is to assist the Company in compensating, attracting, retaining and motivating the directors of the Company and to align the personal interest of each of the directors to that of the Shareholders.

#### **Director Compensation Table**

The following table sets forth all amounts of compensation earned by the Company's Directors, other than Named Executive Officers who did not receive any compensation for acting as director, for the most recently completed financial year ended March 31, 2016:

<b>Name</b>	<b>Fees Earned (\$)</b>	<b>Share based Awards (\$)</b>	<b>Option-based awards (\$)<sup>(1)</sup></b>	<b>Non-equity incentive plan compensation (\$)</b>	<b>All other compensation (\$)</b>	<b>Total (\$)</b>
Robert Shea	\$14,000	NIL	NIL	NIL	NIL	\$14,000
Jerry Vickers	\$14,000	NIL	NIL	NIL	NIL	\$14,000
Girvan Patterson	\$14,000	NIL	NIL	NIL	NIL	\$14,000
John Buchanan	\$13,000	NIL	NIL	NIL	NIL	\$13,000

(1) The Company calculated the fair value of the options by using the Black-Scholes option pricing model.

#### **Securities Authorized for Issuance under Equity Compensation Plans**

As of August 12, 2016, three are no equity securities of the Company authorized for issuance pursuant to compensation plans:

#### **Indebtedness of Directors And Officers**

As at March 31, 2016, no director, officer, employee, former director, officer and employee of the Company or its subsidiary was indebted to the Company.

## MANAGEMENT CONTRACTS

Except as otherwise disclosed in this Information Circular, management functions of the Company are generally performed by directors and senior officers of the Company and not, to any substantial degree, by any other person to whom the Company has contracted.

### DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company does not carry any directors' and officers' liability insurance.

### AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR

The Company must also, pursuant to the provisions of National Instrument 52-110 *Audit Committees* (“**NI 52-110**”), have a written charter which sets out the duties and responsibilities of its audit committee. In providing the following disclosure, the Company is relying on the exemption provided under NI 52-110, which allows for the short form disclosure of the audit committee procedures of venture issuers.

#### *The Audit Committee Charter*

The Company's audit committee is governed by an audit committee charter, the text of which is attached as Appendix “A” to this Circular.

#### *Composition of Audit Committee*

The Company's audit committee is comprised of three directors, Girvan Patterson, Jerry Vickers and Robert Shea. As defined in NI 52-110, all of the members of the audit committee are “independent”. All three audit committee members have the ability to read and understand 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 are therefore “financially literate”.

#### *Relevant Education and Experience*

All of the audit committee members are businessmen with experience in financial matters; each has an understanding of accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as the internal controls and procedures necessary for financial reporting, garnered from working in their fields of endeavour. See information regarding the background and experience of the audit committee members in “Election of Directors” in the section entitled “Matters to be Decided On”.

#### *Audit Committee Oversight*

Since the commencement of the Company's most recently completed financial year, the Company's Board of Directors has not failed to adopt a recommendation of the audit committee to nominate or compensate an external auditor.

#### *Reliance on Certain Exemptions*

Since the commencement of the Company's most recently completed financial year, the Company has not relied on the exemptions contained in sections 2.4 or 8 of NI 52-110. Section 2.4 provides an exemption from the requirement that the audit committee must pre-approve all non-audit services to be provided by the auditor,

where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided. Section 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

*Pre-Approved Policies and Procedures*

The audit committee has not adopted specific policies and procedures for the engagement of non-audit services. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Company’s Board of Directors, and where applicable the audit committee, on a case-by-case basis.

**Exemptions**

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

**Exemption in Section 6.1 of NI 52-110**

As the Company is a Venture Issuer it is relying on the exemption in Section 6.1 of NI 52-110 from the requirement of Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations).

**External Auditor Service Fees (By Category)**

The aggregate fees billed by the Company’s external auditors in each of the last two fiscal years for audit fees are as follows:

<b>Financial Year Ending</b>	<b>Audit Fees (\$)</b>	<b>Audit Related Fees<sup>(1)</sup> (\$)</b>	<b>Tax Fees<sup>(2)</sup> (\$)</b>	<b>All Other Fees<sup>3(3)</sup> (\$)</b>
2016	98,500		31,250	2,040
2015	89,000	-	27,250	9,300

- (1) Fees charged for assurance and related services reasonably related to the performance of an audit, and not included under “Audit Fees”.
- (2) Fees charged for tax compliance, tax advice and tax planning services.
- (3) Fees for services other than disclosed in any other column.

**STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

National Policy 58-201 *Corporate Governance Guidelines* establishes a series of guidelines for effective corporate governance (the “**Guidelines**”). The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. The National Instrument 58-101 *Disclosure of Corporate Governance Practices* mandates disclosure of corporate governance practices which disclosure is set out below.

**The Board of Directors**

The National Instrument defines an “independent director” as a director who has no direct or indirect material relationship with the Company. A “material relationship” is in turn defined as a relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with such member’s independent

judgment. In determining whether a particular director is an “independent director” or a “non-independent director”, the Board of Directors considers the factual circumstances of each director in the context of the Guidelines.

The Board of Directors is currently comprised of six (6) members, a majority of whom are “independent directors” within the meaning of the National Instrument. The four (4) independent directors are Girvan Patterson, Robert Shea, Jerry Vickers and the Hon. John Buchanan. The remaining two (2) directors are officers and employees of the Company and as such have material relationships with the Company and therefore are not independent.

The Chair of the Board of Directors, William Watson, is not an independent director. The Chair of the Company’s Board of Directors is also the VP, Mergers and Acquisitions of the Company. The Board of Directors considers that this appointment is appropriate and beneficial to the Board of Directors, due to Mr. Watson’s history and experience with the Company and its business and affairs.

The Board of Directors does not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. However, the independent directors are encouraged to request a meeting without the presence of the non-independent directors if they deem it appropriate.

### **Board Mandate**

The Board of Directors is responsible for the overall stewardship of the Company. The Board discharges this responsibility directly and through delegation, as appropriate, of specific responsibilities to committees of the Board of Directors, the Chair and officers of the Company.

The Board of Directors has established two (2) permanent committees to assist with its responsibilities: (i) an Audit Committee and (ii) a Compensation and Corporate Governance Committee.

### **Orientation and Continuing Education**

Responsibility for orientation programs for new directors is assigned to the Compensation and Corporate Governance Committee. In this regard, the Compensation and Corporate Governance Committee’s duties include ensuring the adequacy of the orientation and education program for new members of the Company’s Board of Directors. The Chair of the Board and/or CEO of the Company reviews with each new member (i) certain information and materials regarding the Company, including the role of the Board of Directors and its committees, (ii) the contribution, including the commitment of time and resources, that each individual director is expected to make, and (iii) the legal obligations of a director of the Company.

The Compensation and Corporate Governance Committee is also responsible for arranging continuing education for directors, as necessary, in order to ensure that directors maintain the skill and knowledge necessary to meet their obligations as directors.

### **Ethical Business Conduct**

Although the Board of Directors has not adopted a written code of business conduct and ethics, the Board of Directors through open discussion encourages and promotes on an ongoing basis a culture of ethical business conduct.

In addition, in order to ensure independent judgment in considering transactions/agreements in which a director/officer has a material interest, all related party transactions are approved by the Board of Directors.

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

No informed person or proposed director of the Company and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which in either such case has materially affected or would materially affect the Company or any of its subsidiaries.

An "informed person" means:

- (a) a director or executive officer of the Company;
- (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Company;
- (c) any person or company who beneficially owns, directly or indirectly, the Company's voting securities or who exercises control or direction over the Company's voting securities or a combination of both carrying more than 10 percent of the voting rights attached to all the Company's outstanding voting securities other than voting securities held by the person or company as underwriter in the course of a distribution; and
- (d) the Company if it has purchased, redeemed or otherwise acquired any of the Company's securities, so long as the Company holds any of its securities.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and [www.plaintree.com](http://www.plaintree.com). Securityholders may contact the Company in order to request copies of the Company's consolidated financial statements at the offices of the Company at 10 Didak Drive, Arnprior, Ontario, K7S 0C3. Financial information about the Company may be found in the Company's consolidated financial statements and Management's Discussion and Analysis for its most recently completed financial year.

**DIRECTOR'S APPROVAL**

The contents of this Circular and the sending thereof to the Shareholders of the Company have been approved by the Board of Directors of the Company. In addition, the foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

**BY ORDER OF THE BOARD**

BY: (Signed) "David Watson"  
Name: David Watson, President and  
Chief Executive Officer



## **APPENDIX “A” - AUDIT COMMITTEE CHARTER**

### **PURPOSE OF THE COMMITTEE**

The purpose of the Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of the Company is to provide an open avenue of communication between management, the Company’s independent auditor and the Board and to assist the Board in its oversight of:

- the integrity, adequacy and timeliness of the Company’s financial reporting and disclosure practices;
- the Company’s compliance with legal and regulatory requirements related to financial reporting; and
- the independence and performance of the Company’s independent auditor.

The Committee shall also perform any other activities consistent with this Charter, the Company’s charter documents and governing laws as the Committee or Board deems necessary or appropriate.

The Committee shall consist of at least three directors. Members of the Committee shall be appointed by the Board and may be removed by the Board in its discretion. The members of the Committee shall elect a Chairman from among their number. A majority of the members of the Committee must not be officers or employees of the Company or of an affiliate of the Company. The quorum for a meeting of the Committee is a majority of the members who are not officers or employees of the Company or of an affiliate of the Company. With the exception of the foregoing quorum requirement, the Committee may determine its own procedures.

The Committee’s role is one of oversight. Management is responsible for preparing the Company’s financial statements and other financial information and for the fair presentation of the information set forth in the financial statements in accordance with generally accepted accounting principles (“**GAAP**”). Management is also responsible for establishing internal controls and procedures and for maintaining the appropriate accounting and financial reporting principles and policies designed to assure compliance with accounting standards and all applicable laws and regulations.

The independent auditor’s responsibility is to audit the Company’s financial statements and provide its opinion, based on its audit conducted in accordance with generally accepted auditing standards, that the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in accordance with GAAP.

The Committee is responsible for recommending to the Board the independent auditor to be nominated for the purpose of auditing the Company’s financial statements, preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company, and for reviewing and recommending the compensation of the independent auditor. The Committee is also directly responsible for the evaluation of and oversight of the work of the independent auditor. The independent auditor shall report directly to the Committee.

### **AUTHORITY AND RESPONSIBILITIES**

In addition to the foregoing, in performing its oversight responsibilities the Committee shall:

1. Monitor the adequacy of this Charter and recommend any proposed changes to the Board.
2. Review the appointments of the Company’s Chief Financial Officer and any other key financial executives involved in the financial reporting process.
3. Review with management and the independent auditor the adequacy and effectiveness of the Company’s accounting and financial controls and the adequacy and timeliness of its financial reporting processes.

4. Review with management and the independent auditor the annual financial statements and related documents and review with management the unaudited quarterly financial statements and related documents, prior to filing or distribution, including matters required to be reviewed under applicable legal or regulatory requirements.
5. Where appropriate and prior to release, review with management any news releases that disclose annual or interim financial results or contain other significant financial information that has not previously been released to the public.
6. Review the Company's financial reporting and accounting standards and principles and significant changes in such standards or principles or in their application, including key accounting decisions affecting the financial statements, alternatives thereto and the rationale for decisions made.
7. Review the quality and appropriateness of the accounting policies and the clarity of financial information and disclosure practices adopted by the Company, including consideration of the independent auditor's judgment about the quality and appropriateness of the Company's accounting policies. This review may include discussions with the independent auditor without the presence of management.
8. Review with management and the independent auditor significant related party transactions and potential conflicts of interest.
9. Pre-approve all non-audit services to be provided to the Company by the independent auditor.
10. Monitor the independence of the independent auditor by reviewing all relationships between the independent auditor and the Company and all non-audit work performed for the Company by the independent auditor.
11. Establish and review the Company's procedures for the:
  - receipt, retention and treatment of complaints regarding accounting, financial disclosure, internal controls or auditing matters; and
  - confidential, anonymous submission by employees regarding questionable accounting, auditing and financial reporting and disclosure matters.
12. Conduct or authorize investigations into any matters that the Committee believes is within the scope of its responsibilities. The Committee has the authority to retain independent counsel, accountants or other advisors to assist it, as it considers necessary, to carry out its duties, and to set and pay the compensation of such advisors at the expense of the Company.
13. Perform such other functions and exercise such other powers as are prescribed from time to time for the audit committee of a reporting company in Parts 2 and 4 of National Instrument 52-110 of the Canadian Securities Administrators, the Business Corporations Act and the charter documents of the Company.

