

AMENDED & RESTATED ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT, made as of the 11th day of May, 2015.

AMONG:

MICROCOAL TECHNOLOGIES INC., a company duly existing under the federal laws of Canada, having its registered office at Suite 1000 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2

(hereinafter referred to as "**MTI**")

OF THE FIRST PART

AND:

TARGETED MICROWAVE SOLUTIONS INC., a company duly incorporated under the laws of British Columbia, having its registered office at Suite 1000 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2

(hereinafter referred to as the "**Company**")

OF THE SECOND PART

AND:

9286390 CANADA INC., a corporation continued under the federal laws of Canada, having its registered office at Suite 1000 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2

(hereinafter referred to as "**Subco1**")

OF THE THIRD PART

AND:

9286420 CANADA INC., a corporation continued under the federal laws of Canada, having its registered office at Suite 1000 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2

(hereinafter referred to as "**Subco2**")

OF THE FOURTH PART

WITNESSES THAT, WHEREAS:

- A. MTI and the Company are parties to an arrangement agreement dated April 13, 2015, and MTI and the Company wish to amend and restate such agreement to, among other things,

add Subco1 and Subco2 as parties and to amend certain aspects of the Plan of Arrangement (as hereinafter defined);

- B. Each of the Company, Subco1 and Subco2 is a direct, wholly-owned subsidiary of MTI;
- C. MTI, Subco1, Subco2 and the Company wish to implement a transaction by completion of the Plan of Arrangement whereby, among other things, a series of share exchanges will take place with the result that shareholders of MTI will have the same, or substantially the same, percentage shareholding in each of MTI and the Company at the Effective Time of the Arrangement (as hereinafter defined) on the Effective Date (as hereinafter defined) and the shareholders of MTI will become the shareholders of the Company;
- D. Pursuant to the Plan of Arrangement, among other things:
 - (i) MTI, Subco1 and Subco2 will amalgamate (the "**Amalgamation**") to form one corporate entity ("**Amalco**");
 - (ii) the MTI Assets (as hereinafter defined) will be transferred from MTI to the Company in exchange for common shares of the Company;
 - (iii) MTI will reorganize its capital; and
 - (iv) MTI will distribute the common shares of the Company which it receives in exchange for the MTI Assets to the MTI Shareholders; and
- E. MTI proposes to have the MTI Shareholders consider the Arrangement at the Meeting (as hereinafter defined) on the terms set forth in the Plan of Arrangement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein set forth, the parties covenant and agree as follows:

1. DEFINITIONS

- 1.1 In this Agreement, all capitalized terms which are not otherwise defined in this Agreement shall have the meaning ascribed to them in the Plan of Arrangement:
 - (a) "**1933 Act**" means the United States *Securities Act of 1933*, as amended, and the rules and regulations promulgated thereunder;
 - (b) "**Acquisition Swap Shares**" has the meaning ascribed to such term in the Plan of Arrangement;
 - (c) "**Agreement**" means this Agreement, as the same may be supplemented or amended from time to time;
 - (d) "**Arrangement**" means the proposed arrangement pursuant to Section 192 of the CBCA as set forth in the Plan of Arrangement, subject to any amendments or

variations thereto made in accordance with this Agreement, the Plan of Arrangement or at the direction of the Court, in accordance with the terms hereof;

- (e) "**Asset Purchase Agreement**" has the meaning set forth in Section 4.1(h);
- (f) "**Business Day**" means a day which is not a Saturday, Sunday or a statutory holiday in the City of Vancouver, British Columbia;
- (g) "**CBCA**" means the *Canada Business Corporations Act* (Canada), R.S.C. 1985, c. C-44, as may be amended or replaced from time to time;
- (h) "**Company**" has the meaning ascribed to such term on the first page of this Agreement;
- (i) "**Company Business**" means the business to be carried on by the Company on completion of the Arrangement, being the MTI Business;
- (j) "**Company Shares**" means all of the issued and outstanding common shares in the capital of the Company;
- (k) "**Court**" means the Supreme Court of British Columbia;
- (l) "**CSE**" means the Canadian Securities Exchange;
- (m) "**Damages**" means, collectively, damage, loss, liability, demand, claim, judgment, settlement, fine, penalty, deficiency, cost and expense (including without limitation reasonable expenses of investigation and reasonable attorneys' fees and expenses in connection with any action, suit or proceeding);
- (n) "**Director**" means an individual appointed by the federal Minister of Industry under Section 260 of the CBCA;
- (o) "**Effective Date**" has the meaning ascribed to such term in the Plan of Arrangement;
- (p) "**Effective Time**" has the meaning ascribed to such term in the Plan of Arrangement;
- (q) "**Excluded Assets**" means those assets not acquired by the Company pursuant to the Arrangement, as determined by the Company in its sole and absolute discretion, such as certain non-material books, records, contracts, securities and trademarks;
- (r) "**Final Order**" means the final order of the Court approving the Arrangement;
- (s) "**Information Circular**" means the information circular to be prepared and sent to the MTI Shareholders in connection with the Meeting, and any amendment(s) or supplement(s) thereto;

- (t) "**Interim Order**" means the interim order of the Court providing for, among other things, the calling and holding of the Meeting and the requisite majority for the approval of the Arrangement by the MTI Shareholders;
- (u) "**Meeting**" means the annual and special meeting of MTI Shareholders, and any adjournment(s) or postponement(s) thereof, held in order to, among other things, consider and, if thought fit, approve the Arrangement;
- (v) "**MicroCoal Technology**" means the patented MicroCoal® technology of MTI and/or its direct or indirect wholly-owned subsidiaries;
- (w) "**MTI**" has the meaning ascribed to such term on the first page of this Agreement;
- (x) "**MTI Assets**" all right, title and interest of Amalco in and to the entirety of Amalco's assets and undertaking, including all cash, receivable(s) (including tax rebates), promissory note(s), contracts, tangibles, goodwill, intellectual property (including all patents), property, equipment and securities in certain of Amalco's subsidiaries owned or held by Amalco, and including, for greater certainty, the MicroCoal Technology, but excluding certain excluded assets;
- (y) "**MTI Business**" means the business being conducted by MTI as a going concern as at the Effective Time, and including, for greater certainty, substantially all of the assets and property of MTI, including the MicroCoal Technology;
- (z) "**MTI Class A Shares**" has the meaning ascribed to such term in the Plan of Arrangement;
- (aa) "**MTI Class B Preferred Shares**" has the meaning ascribed to such term in the Plan of Arrangement;
- (bb) "**MTI Shares**" means the common shares without par value in the authorized share structure of MTI, as constituted immediately prior to the Effective Time;
- (cc) "**MTI Shareholders**" means all of the holders of MTI Shares as at the Effective Time;
- (dd) "**MTI Warrants**" means common share purchase warrants of MTI outstanding as at the Effective Time entitling the holder thereof to acquire MTI Shares at a specified price per MTI Share;
- (ee) "**Party**" means any of MTI, Subco1, Subco2 or the Company and "**Parties**" means all of MTI, Subco1, Subco2 and the Company;
- (ff) "**Plan of Arrangement**" means the plan of arrangement attached to this Agreement as Schedule "A", as may be amended or varied in accordance with the terms thereof;

- (gg) "**Securityholders**" means, collectively, the MTI Shareholders and the holders of MTI Warrants;
- (hh) "**Special Resolution**" means a resolution passed by a majority of not less than two-thirds of the votes cast by MTI Shareholders in respect of such resolution at the Meeting; and
- (ii) "**Taxes**" means all federal, provincial, state, local and foreign net income, alternative or add-on minimum, estimated, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, capital profits, lease, service, license, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental or windfall profit taxes, customs duties and other taxes, governmental fees and other like assessments and charges of any kind whatsoever, together with all interest, penalties, additions to tax and additional amounts with respect thereto.

Headings, etc.

- 1.2 The division of this Agreement into articles, sections and subsections, and the insertion of headings, are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof" and "hereunder" and similar expressions refer to this Agreement and not to any particular article or section hereof and include any agreement or instrument supplemental therewith, references herein to articles and sections are to articles and sections of this Agreement.

Date For Any Action

- 1.3 In the event that any date on or by which any action is required or permitted to be taken hereunder is not a Business Day, such action shall be required or permitted to be taken on or by the next succeeding day which is a Business Day.

Inclusive Terminology

- 1.4 Whenever used in this Agreement, the words "includes" and "including" and similar terms of inclusion shall not, unless expressly modified by the words "only" or "solely", be construed as terms of limitation, but rather shall mean "includes but is not limited to" and "including but not limited to", so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive.

Number, etc.

- 1.5 In this Agreement, unless something in the context is inconsistent therewith, words importing the singular number only shall include the plural and vice versa, words importing the masculine gender shall include the feminine and neuter genders and vice versa, words importing persons shall include individuals, partnerships, limited partnerships, joint ventures, syndicates, sole proprietorships, associations, trusts, trustees, executors, administrators, unincorporated organizations and corporations with or without

share capital or other legal personal representatives and vice versa and words importing shareholders shall include members.

Statutory References

- 1.6 Except as otherwise set out in this Agreement, any reference in this Agreement to a statute includes all regulations made thereunder, all amendments to such statute or regulations in force from time-to-time, and any statute or regulation that supplements or supersedes such statute or regulations.

Currency

- 1.7 All dollar amounts referred to in this Agreement are expressed in Canadian currency.

Schedules

- 1.8 Attached hereto and deemed to be incorporated into and forming part of this Agreement is Schedule "A", being the Plan of Arrangement.

2. ARRANGEMENT

- 2.1 The Parties agree to carry out the Arrangement on the terms and subject to the conditions as set out in this Agreement and in the Plan of Arrangement.
- 2.2 Subject to the satisfaction of the terms and conditions contained in this Agreement, MTI, Subco1, Subco2 and the Company shall each use all reasonable commercial efforts and do all things reasonably required to cause the Arrangement to become effective on the Effective Date. Without limiting the generality of the foregoing, the Parties shall proceed forthwith to apply for the Interim Order and, upon obtainment thereof, the Company shall call the Meeting and mail the Information Circular to the MTI Shareholders.
- 2.3 The Arrangement will be effective at the Effective Time on the Effective Date.
- 2.4 As soon as is reasonably practicable after the date of execution of this Agreement, MTI shall:
- (a) file, proceed with and diligently prosecute an application to the Court for the Interim Order, providing for, among other things, the calling and holding of the Meeting for the purpose of, among other things, considering and, if deemed advisable, approving the Arrangement; and
 - (b) subject to obtaining the approvals as contemplated by the Interim Order (including the approval of the Special Resolution approving the Arrangement by the MTI Shareholders) and as may be directed by the Court in the Interim Order, file, proceed with and diligently prosecute an application for the Final Order which application shall be in form and substance satisfactory to the parties hereto.

2.5 The notice to the Court and related materials for the applications referred to in this section shall be in a form satisfactory to MTI and the Company prior to filing, and, in the case of the application to the Court for the Interim Order, shall inform the Court that, based on the Court's determination of the fairness of the Plan of Arrangement, MTI will rely on Section 3(a)(10) of the 1933 Act for an exemption from the 1933 Act registration requirements with respect to the securities to be issued under the Plan of Arrangement. In order to ensure the availability of such exemption, the parties agree that the Arrangement will be carried out on the following basis:

- (a) the Arrangement will be subject to the approval of the Court;
- (b) the Court will be required to satisfy itself as to the fairness of the Arrangement to the Securityholders subject to the Arrangement;
- (c) the Final Order will expressly state that the Arrangement is approved by the Court as being fair to the Securityholders to whom securities will be issued;
- (d) MTI will ensure that each Securityholder will be given adequate and timely notice advising them of their right to attend the hearing of the Court to give approval of the Arrangement and providing them with sufficient information necessary for them to exercise that right;
- (e) the Securityholders will be advised that the securities issued in the Arrangement have not been registered under the 1933 Act and will be issued by MTI and the Company in reliance on the exemption from the registration requirements of the 1933 Act provided by Section 3(a)(10) of the 1933 Act and may be subject to restrictions on resale under the securities laws of the United States, including, as applicable, Rule 144 under the 1933 Act with respect to affiliates of MTI and the Company after the Effective Time or within 90 days prior to the Effective Time;
- (f) the Interim Order will specify that each Securityholder will have the right to appear before the Court at the hearing of the Court to give approval of the Arrangement so long as such Securityholder files and delivers an appearance within a reasonable time; and
- (g) the Final Order shall include a statement substantially to the following effect:

"This Order will serve as a basis of a claim to an exemption, pursuant to Section 3(a)(10) of the United States Securities Act of 1933, as amended, from the registration requirements otherwise imposed by that act, regarding the distribution of securities of MicroCoal Technologies Inc. and Targeted Microwave Solutions Inc., pursuant to or in connection with the Plan of Arrangement."

2.6 Subject to the rights of termination contained in Article 5 hereof, upon the MTI Shareholders approving the Arrangement by Special Resolution in accordance with the provisions of the Interim Order, as applicable, and the CBCA, MTI obtaining the Final Order and the other conditions contained in Article 4 hereof being complied with or

waived, MTI shall make the filings with the Director pursuant to Sections 192(5) and 192(6) of the CBCA as necessary to effect the Arrangement.

- 2.7 Each of MTI, Subco1, Subco2 and the Company shall be required to make, do and execute or cause and procure to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may be required to further document or evidence any of the transactions or events required in connection with the Arrangement, including, without limitation, any resolutions of directors authorizing the issue, exchange, transfer, redemption or purchase for cancellation of shares, any share transfer powers evidencing the transfer of shares and any receipt therefore, any necessary additions to or deletions from share registers or other register whether before or after the Effective Date and shall cooperate with each other after the Effective Date as necessary to achieve the objectives of the Arrangement. Upon the Arrangement becoming effective, MTI, Subco1, Subco2 and the Company shall exchange such other documents as may be necessary or desirable in connection with the completion of the transactions contemplated by this Agreement and the Plan of Arrangement.

3. REPRESENTATIONS AND WARRANTIES

3.1 Each of the Parties hereby represents and warrants to the other that:

- (a) it is a corporation duly incorporated and validly subsisting under the laws of its jurisdiction of existence and has full capacity and authority to enter into this Agreement and to perform its covenants and obligations hereunder;
- (b) it has taken all corporate actions necessary to authorize the execution and delivery of this Agreement and this Agreement has been duly executed and delivered by it;
- (c) neither the execution and delivery of this Agreement nor the performance of any of its covenants and obligations hereunder will constitute a material default under, or be in any material contravention or breach of: (i) any provision of its constituting or governing corporate documents; (ii) any judgment, decree, order, law, statute, rule or regulation applicable to it; or (iii) any agreement or instrument to which it is a party or by which it is bound; and
- (d) no dissolution, winding up, bankruptcy, liquidation or similar proceedings have been commenced or are pending or proposed in respect of it.

4. CONDITIONS PRECEDENT

Mutual Conditions Precedent

- 4.1 The respective obligations of the Parties to complete the transactions contemplated in this Agreement are subject to satisfaction of the following conditions on or before the Effective Date:
- (a) all necessary approvals of the MTI Shareholders by the requisite majorities shall have been obtained in respect of the Arrangement;

- (b) the Interim Order, the Final Order and any other necessary order(s) of the Court with respect to the Arrangement shall have been obtained from the Court on terms acceptable to each of the parties hereto, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to any of the parties, on appeal or otherwise;
- (c) all other consents, orders, regulations and approvals, including regulatory and judicial approvals and orders, necessary or desirable for the completion of the transactions provided for in this Agreement and the Plan of Arrangement shall have been obtained or received from the persons, authorities or bodies having jurisdiction in the circumstances, subject only to compliance with the usual conditions of such approval, each in form acceptable to MTI and the Company;
- (d) the CSE shall have received notice of the Arrangement in accordance with its rules and policies and shall have no objection to the Arrangement as of the Effective Date;
- (e) the CSE shall have conditionally approved the listing of the MTI Class A Shares in substitution for the MTI Shares, the delisting of the MTI Class A Shares, the listing of the MTI Class B Preferred Shares, the delisting of the MTI Class B Preferred Shares upon their redemption and the listing of the Company Shares on the CSE, subject to compliance with the requirements of the CSE;
- (f) there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by this Agreement or the Arrangement;
- (g) none of the consents, orders, regulations or approvals contemplated herein shall contain terms or conditions or require undertakings or security deemed unsatisfactory or unacceptable by any of the parties hereto, acting reasonably;
- (h) MTI and the Company will have entered into an asset purchase agreement (the "**Asset Purchase Agreement**") in the form agreed to by MTI and the Company, each acting reasonably, pursuant to which Amalco will sell the MTI Assets, and the Company will purchase the MTI Assets and assume certain liabilities, all as more particularly set forth therein; and
- (i) this Agreement shall not have been terminated under Article 5.

Merger of Conditions

- 4.2 The conditions set out in Section 4.1 hereof shall be deemed conclusively to have been satisfied, waived or released at the Effective Time.

5. **SURVIVAL; INDEMNIFICATION**

Survival

- 5.1 Notwithstanding any right of MTI or the Company (whether or not exercised) to investigate the affairs of the Company or MTI, respectively, each Party shall have the right to rely fully upon the representations, warranties, covenants and agreements of the other Party contained in this Agreement and the certificates and instruments delivered at the Effective Time, or otherwise as expressly provided for in this Agreement or other certificates and instruments delivered in connection herewith. The representations and warranties of the Parties hereto contained in this Agreement or in any certificate or other instrument or writing delivered pursuant hereto or in connection herewith shall survive the Effective Time until the first anniversary of the Effective Date. The covenants herein to be completed subsequent to the Effective Time shall survive the Effective Time.

MTI Indemnity

- 5.2 The Company (in this article 5, the "**Indemnifying Party**") hereby indemnifies MTI (in this article 5, the "**Indemnified Party**") against and agrees to hold them harmless from any and all Damages incurred or suffered by the Indemnified Party, by reason of or in connection with or arising out of: (i) any actions, causes of action, suits, contracts, claims, counterclaims, sums of money, costs, expenses, demands, debts, damages and dues of any nature or kind whatsoever and wheresoever, whether in law or in equity, whether known or unknown, suspected or unsuspected (collectively, "**Claims**"), arising from any act (or failure to act), matter or thing existing prior to the Effective Time in connection with the MTI Business or the MTI Assets; (ii) the exercise of Dissent Rights (as that term is defined in the Plan of Arrangement) by any MTI Shareholder or former MTI Shareholder; and (iii) Claims in connection with Taxes arising in connection with the Arrangement and/or the conduct of the MTI Business prior to the Effective Time. The Company's maximum aggregate liability under (i), above, of this section 5.2 shall not exceed, in any circumstances and for whatever reason, \$100,000.

Notice of Claim

- 5.3 The Indemnified Party shall give prompt notice (the "**Notice of Claim**") to the Indemnifying Party upon becoming aware of the assertion of any claim, or the commencement of any suit, action or proceeding in respect of which indemnity may be sought under section 5.2. The Notice of Claim shall request indemnification and specify the basis on which indemnification is sought, indicate the amount of the Indemnified Party's claim for indemnification (or, if such amount is not then determined, a good faith estimate thereof), give a general description of the nature of the claim, demand or facts that serve as a basis therefore, indicate a reasonably approximate date the action, event or circumstance giving rise to the claim first arose (or, if not known to the Indemnified Party, the date the Indemnified Party became aware of the action or event), and in the case of a third party claim, containing (by attachment or otherwise) such other information as the Indemnified Party shall have concerning such third party claim. The delay or failure of the Indemnified Party to notify the Indemnifying Party of such claim shall not relieve the Indemnifying Party of any liability that the Indemnifying Party may

have with respect to such claim except to the extent that the Indemnifying Party demonstrates that the defence of such claim is materially prejudiced by such delay or failure.

Procedures

- 5.4 If the Notice of Claim delivered pursuant to section 5.3 involves a matter other than a third party claim, the Indemnifying Party shall have fifteen (15) Business Days from receipt of thereof to object to such Notice of Claim by delivery of a written notice of such objection to the Indemnified Party specifying in reasonable detail the basis for such objection. Failure to timely so object shall constitute a final and binding acceptance of the Notice of Claim by the Indemnifying Party. If an objection is timely interposed by the Indemnifying Party, then the Indemnifying Party and Indemnified Party shall negotiate in good faith for a period of forty-five (45) Business Days from the date the Indemnified Party receives such objection prior to commencing or defending any proceeding with respect to such Notice of Claim. Upon determination of the amount of a Notice of Claim that is binding on both the Indemnifying Party and the Indemnified Party pursuant to this section 5.4, pursuant to the written agreement of the Parties, or pursuant to a final judgment obtained by an Indemnified Party with respect thereto, the amount of such Notice of Claim shall be paid by the Indemnifying Party no later than five (5) Business Days after the date such amount is determined or agreed.

Third Party Claims

- 5.5 With respect to third party claims or demands by third parties as to which the Indemnified Party may seek indemnification hereunder, whenever the Indemnified Party will have received notice that such a claim or demand has been asserted or threatened, the Indemnified Party will promptly notify the Indemnifying Party of such claim or demand and of the facts within the Indemnified Party's knowledge that relate thereto as promptly as practicable after receiving such notice. The Indemnifying Party will then have the right to defend, contest, negotiate or settle any such claim or demand through counsel of its own selection solely at the Indemnifying Party's own cost and expense. If the Indemnifying Party does not timely proceed to defend, contest, or negotiate any such claim or demand through counsel selected by it, the Indemnified Party may, after providing written notice to the Indemnifying Party of its intent, engage counsel to do so, all at the sole cost and expense of the Indemnifying Party. Notwithstanding the preceding sentence, the Indemnifying Party will not settle, compromise or offer to settle or compromise any such claim or demand without the prior written consent of the Indemnified Party, unless any such settlement or compromise unconditionally releases the Indemnified Party from all liability with respect to any such third party claim or demand, such consent not to be unreasonably withheld or delayed. The assumption of the defence of any such third party claim by the Indemnifying Party shall not be an acknowledgment of the obligation of the Indemnifying Party to indemnify the Indemnified Party with respect to such claim hereunder. If the Indemnified Party desires to participate in, but not control, any such defence it may do so at its sole cost and expense. If the Indemnifying Party gives notice to the Indemnified Party within fifteen (15) Business Days after the Indemnified Party has notified the Indemnifying Party that any such third party claim or demand has been made that the Indemnifying Party elects to

have the Indemnified Party defend or contest any such claim or demand, then the Indemnified Party will have the right to contest and/or settle any such claim or demand and seek indemnification pursuant to this article 5 as to any Damages; provided, however, that the Indemnified Party will not settle, compromise or offer to settle or compromise any such third party claim or demand without the prior written consent of the Indemnifying Party, which consent will not be unreasonably withheld or delayed.

Access

5.6 In connection with the defence or settlement of any third party claim or demand, the Indemnified Party and Indemnifying Party shall use reasonable efforts to provide access to the counsel, accountants and other representatives of such other Party during normal business hours and upon reasonable written notice to all reasonably relevant properties, personnel, books, tax records, contracts, commitments and all other business records of such Party and will furnish to such other Party copies of all such documents as may reasonably be requested (certified if requested) and shall otherwise cooperate in determining the validity or defence of any such third party claim and in the defence or settlement thereof.

Non-Exclusive Remedies

5.7 The obligations of the Company under this article 5 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to any affiliates of MTI. MTI shall also have all rights and remedies available to it under the law and in equity, in addition to the rights and benefits of this article 5.

6. AMENDMENT, CLOSING AND TERMINATION

Amendment

6.1 This Agreement and the Plan of Arrangement may, at any time and from time to time before the Effective Time, be amended by written agreement of the Parties hereto without, subject to applicable law and the Final Order, further notice to or authorization on the part of the MTI Securityholders. Without limiting the generality of the foregoing, any such amendment may:

- (a) change the time for performance of any of the obligations or acts of the Parties hereto;
- (b) waive any inaccuracies or modify any representation contained herein or any document to be delivered pursuant hereto;
- (c) waive compliance with or modify any of the covenants herein contained or waive or modify performance of any of the obligations of the parties hereto; or
- (d) amend the terms of the Plan of Arrangement and the sequence of transactions described in the Plan of Arrangement, subject to any required approval of the MTI

Shareholders, given in the same manner as required for the approval of the Arrangement or as may be ordered by the Court.

Termination

6.2 This Agreement may, at any time before or after the holding of the Meeting but no later than the Effective Time, be terminated by resolution of the board of directors of MTI without further notice to, or action on the part of, its shareholders and nothing expressed or implied herein or in the Plan of Arrangement shall be construed as fettering the absolute discretion by the board of directors of MTI to elect to terminate this Agreement and discontinue efforts to effect the Arrangement for whatever reasons it may consider appropriate.

Effect of Termination

6.3 Upon termination of this Agreement, no Party shall have any liability or further obligation to any other Party hereunder.

Closing

5.4 Unless this Agreement is terminated earlier pursuant to the provisions hereof, the parties shall meet at the offices of Sangra Moller LLP, Suite 1000, 925 West Georgia Street, Vancouver, British Columbia V6C 3L2, at 12:01 a.m. (Vancouver time) on the Effective Date, or at such other time or on such other date as they may mutually agree, and each of them shall deliver to the other of them:

- (a) the documents required to be delivered by it hereunder to complete the transactions contemplated hereby, provided that each such document required to be dated the Effective Date shall be dated as of, or become effective on, the Effective Date and shall be held in escrow to be released upon the occurrence of the Effective Date; and
- (b) confirmation as to the satisfaction or waiver by it of the conditions in its favour contained in this Agreement.

7. ASSIGNMENT

7.1 No Party may assign its rights or obligations under this Agreement without the prior written consent of the other.

8. WAIVER

8.1 Any waiver or release of any conditions of this Agreement, to be effective, must be in writing executed by the Party or Parties for whom such condition is expressed by this Agreement to benefit.

9. GENERAL

- 9.1 Time is of the essence of this Agreement.
- 9.2 MTI will pay the costs, fees and expenses of the Arrangement incurred up to and including the Effective Date, and thereafter each Party will be their respective costs, fees and expenses.
- 9.3 Each Party hereto will, from time to time, at the request of the other Parties, do such further acts and execute and deliver all such further documents, agreements and instruments as may be reasonably required in order to fully perform and carry out the terms, conditions and intent of this Agreement.
- 9.4 The Parties intend that this Agreement will be binding upon them until terminated.
- 9.5 Any demand, notice or other communication to be given in connection with this Agreement shall be given in writing and will be given by personal delivery, courier, registered mail, fax or email addressed to the recipient as follows:
- (a) if to the Company, to:
- Targeted Microwave Solutions Inc.
Suite 2300 – 1066 West Hastings Street
Vancouver, BC V6E 3X2
- Attention: Lawrence Siegel
- (b) if to MTI, to:
- MicroCoal Technologies Inc.
Suite 2300 – 1066 West Hastings Street
Vancouver, BC V6E 3X2
- Attention: James Young
- (c) if to Subco1, to:
- 9286390 Canada Inc.
c/o MicroCoal Technologies Inc.
Suite 2300 – 1066 West Hastings Street
Vancouver, BC V6E 3X2
- Attention: Chief Executive Officer

(d) if to Subco2, to:

9286420 Canada Inc.
c/o MicroCoal Technologies Inc.
Suite 2300 – 1066 West Hastings Street
Vancouver, BC V6E 3X2

Attention: Chief Executive Officer

(e) and, in each case, with a copy (which shall not constitute notice) to:

Sangra Moller LLP
#1000 – 925 West Georgia Street
Vancouver, British Columbia
V6C 3L2

Attention: Gary S. Gill
Facsimile: (604) 669-8803
E-mail: ggill@sangramoller.com

and any such notice delivered on a Business Day in accordance with the foregoing will be deemed to have been received on the date of delivery.

- 9.6 This Agreement and the rights and obligations of the Parties hereunder will be governed by and construed according to the laws of the Province of British Columbia.
- 9.7 This Agreement will enure to the benefit of and be binding upon the Parties hereto and their heirs, administrators and successors.
- 9.8 This Agreement constitutes the entire agreement among the parties hereto and supersedes all other prior agreements, understandings, negotiations and discussions, whether oral or written among the parties hereto with respect to the matters hereof and thereof.

[Remainder of this page intentionally left blank.]

9.9 This Agreement may be executed in counterparts with the same effect as if the Parties had signed the same document. All of these counterparts will for all purposes constitute one agreement, binding on the parties, notwithstanding that all Parties are not signatories to the same counterpart.

IN WITNESS WHEREOF the Parties hereto have executed this Agreement as of the year and day set out on first page hereof.

MICROCOAL TECHNOLOGIES INC.

By: /s/ Lawrence Siegel
Name: Lawrence Siegel
Title: Chief Executive Officer

TARGETED MICROWAVE SOLUTIONS INC.

By: /s/ Lawrence Siegel
Name: Lawrence Siegel
Title: Chief Executive Officer

9286390 CANADA INC.

By: /s/ Stan Lis
Name: Stan Lis
Title: Director

9286420 CANADA INC.

By: /s/ Stan Lis
Name: Stan Lis
Title: Director

SCHEDULE "A"

PLAN OF ARRANGEMENT

UNDER Section 192 OF PART XV OF
THE CANADA BUSINESS CORPORATIONS ACT (CANADA)
R.S.C. 1985, c. C-44

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 **Definitions:** In this plan of arrangement, unless there is something in the subject matter or context inconsistent therewith, the following capitalized words and terms shall have the following meanings:

- (a) "**Acquisition Company**" means La Jolla Capital Inc., MTI after giving effect to the Arrangement;
- (b) "**Acquisition Swap Shares**" means the new class of common shares without par value which Amalco plans to create pursuant to Section 3.1(d)(ii) of this Plan of Arrangement and which, immediately at the Effective Time, will be, except as set forth in Appendix I hereto, identical in every material respect to the MTI Shares;
- (c) "**Amalco**" means the amalgamated corporate entity to be formed by the amalgamation of MTI, Subco1 and Subco2 pursuant to the Arrangement;
- (d) "**Amalgamation**" has the meaning set forth in Section 3.1(b) of this Plan of Arrangement;
- (e) "**Arrangement**" means the arrangement under the Arrangement Provisions pursuant to which the Company is proposing to reorganize its business and assets, and which is set out in this Plan of Arrangement, subject to any amendments or variations thereto made in accordance with Article 6, the Arrangement Agreement or made at the direction of the Court in the Final Order;
- (f) "**Arrangement Agreement**" means the arrangement agreement dated April 13, 2015 between MTI and Target Company, as it may be amended, amended and restated or supplemented from time to time in accordance with its terms;
- (g) "**Arrangement Provisions**" means Section 192 of Part XV – *Fundamental Changes* of the CBCA;
- (h) "**Arrangement Resolution**" means the special resolution approving the Arrangement presented to the MTI Shareholders at the Meeting;
- (i) "**Asset Purchase Agreement**" means the asset purchase agreement to be entered into between Amalco and Target Company pursuant to the Arrangement Agreement;
- (j) "**BCBCA**" means the *Business Corporations Act* (British Columbia), S.B.C. 2002, c.57, as may be amended, restated or replaced from time to time;
- (k) "**Business Day**" means a day which is not a Saturday, Sunday or statutory holiday in Vancouver, British Columbia or Toronto, Ontario;
- (l) "**CBCA**" means the *Canada Business Corporations Act* (Canada), R.S.C. 1985 c. C-44, as may be amended, restated or replaced from time to time;
- (m) "**Circular**" means the notice of the Meeting and accompanying management information circular, including all schedules, appendices and exhibits thereto and enclosures therewith, to be sent to the MTI Shareholders in connection with the Meeting, as amended, supplement or otherwise modified from time to time;

- (n) "**Court**" means the Supreme Court of the British Columbia;
- (o) "**CSE**" means the Canadian Securities Exchange;
- (p) "**Depository**" means: (i) in respect of the Acquisition Swap Shares and Target Shares, Computershare Investor Services Inc., or such other depository as MTI may determine; and (ii) in respect of the Target Warrants, Target Company or its duly appointed agent;
- (q) "**Dissent Rights**" means the rights of dissent granted in favour of MTI Shareholders as set out in Article 4 of this Plan of Arrangement;
- (r) "**Dissenting Shareholders**" means an MTI Shareholder who has duly and validly exercised his, her or its Dissent Rights in respect of the Arrangement in strict compliance with the Dissent Rights and who has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights;
- (s) "**Effective Date**" means the date upon which the Arrangement becomes effective, which date shall be shown on the certificate of arrangement issued pursuant to Section 192(7) of the CBCA and shall be the second Business Day following the date on which all of the conditions precedent to the completion of the Arrangement contained in Article 4 of the Arrangement Agreement have been satisfied or waived in accordance with the Arrangement Agreement (other than those conditions which cannot, by their terms, be satisfied until the Effective Date, but subject to satisfaction or waiver of such conditions as of the Effective Date), or such other date as may be mutually agreed by MTI and Target Company;
- (t) "**Effective Time**" means 12:01 a.m. (Vancouver time) on the Effective Date (or such other time on the Effective Date as may be mutually agreed by MTI and Target Company);
- (u) "**Excluded Assets**" has the meaning set forth in the Asset Purchase Agreement;
- (v) "**Liens**" means any hypothecs, mortgages, pledges, assignments, liens, charges, security interests, encumbrances and adverse rights or claims, other third party interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;
- (w) "**Meeting**" means the annual and special meeting of MTI Shareholders, and any adjournment(s) or postponement(s) thereof, held in order to, among other things consider and, if thought fit, approve the Arrangement;
- (x) "**MicroCoal Technology**" means the patented MicroCoal® technology of MTI and/or its direct or indirect wholly-owned subsidiaries;
- (y) "**MTI**" or the "**Company**" means MicroCoal Technologies Inc., a company existing under the CBCA;
- (z) "**MTI Assets**" has the meaning set forth in the Asset Purchase Agreement;
- (aa) "**MTI Business**" means the business being conducted by MTI as a going concern as at the Effective Time, and including, for greater certainty, substantially all of the assets and property of MTI, including the MicroCoal Technology;
- (bb) "**MTI Class A Shares**" means the renamed and redesignated MTI Shares described in Section 3.1(d)(i) of this Plan of Arrangement;
- (cc) "**MTI Class B Preferred Shares**" means the class "B" preferred shares without par value in the capital of Amalco which will be created and issued pursuant to Section 3.1(d)(iii) of this Plan of Arrangement;
- (dd) "**MTI Shareholder**" means a holder of MTI Shares as at the Effective Time;

- (ee) "**MTI Shares**" means the common shares without par value in the authorized share structure of the Company, as constituted immediately prior to the Effective Time;
- (ff) "**MTI Warrants**" mean common share or unit purchase warrants of MTI outstanding at the Effective Time entitling the holder thereof to acquire MTI Shares or units, as applicable, at a specified price per MTI Share or unit, as applicable;
- (gg) "**MTI Warrantholder**" means a holder of MTI Warrants as at the Effective Time;
- (hh) "**Plan of Arrangement**" means this Plan of Arrangement, as may be amended or restated from time to time;
- (ii) "**Shareholder Letter of Transmittal**" means the letter of transmittal to be forwarded by MTI to MTI Shareholders together with the Circular;
- (jj) "**Subco1**" means 9286390 Canada Inc. (formerly Carbon Friendly Solutions Inc.), a company continued under the CBCA and, as of the date hereof, a wholly-owned subsidiary of MTI;
- (kk) "**Subco2**" means 9286420 Canada Inc. (formerly MicroCoal International Inc.), a company continued under the CBCA and, as of the date hereof, a wholly-owned subsidiary of MTI;
- (ll) "**Target Business**" means the business to be carried on by Target Company on completion of the Arrangement, being the MTI Business;
- (mm) "**Target Company**" means Targeted Microwave Solutions Inc., a company incorporated under the BCBCA and, as of the date hereof, a wholly-owned subsidiary of MTI;
- (nn) "**Target Shares**" means common shares without par value in the authorized share structure of Target Company, as constituted immediately after the Effective Time;
- (oo) "**Target Warrants**" means common share or unit purchase warrants of Target Company to be issued to MTI Warrantholders in exchange for the MTI Warrants held by them at the Effective Time, all of which will: (i) have an exercise price equal to the existing exercise price of the MTI Warrants exchanged; and (ii) have a term equal to the term remaining on the MTI Warrants exchanged, subject, in each case, to any Target Warrants Amendments;
- (pp) "**Target Warrants Amendments**" means the proposed amendments to the MTI Warrants to: (a) extend the expiry date thereof by a period of one year and (b) reduce the exercise price thereof to the lowest exercise price permitted by the rules and policies of the CSE;
- (qq) "**Tax Act**" means the *Income Tax Act* (Canada), as may be amended, restated or replaced from time to time; and
- (rr) "**Warrantholder Letter of Transmittal**" means the letter of transmittal to be forwarded by MTI to MTI Warrantholders together with the Circular.

1.2 **Interpretation Not Affected by Headings:** The division of this Plan of Arrangement into articles, sections, subsections, paragraphs and subparagraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement. Unless otherwise specifically indicated, the terms "this Plan of Arrangement", "hereof", "hereunder" and similar expressions refer to this Plan of Arrangement as a whole and not to any particular article, section, subsection, paragraph or subparagraph and include any agreement or instrument supplementary or ancillary hereto.

1.3 **Number and Gender:** Unless the context otherwise requires, words importing the singular shall include the plural and vice versa, words importing the use of either gender shall include both genders and neuter, and words importing a person shall include a partnership or corporation.

1.4 **Meaning:** Undefined words and phrases used herein that are defined in the CBCA shall have the same meaning herein as in the CBCA unless the context otherwise requires.

1.5 **Date for any Action:** If the date on which any action is required to be taken hereunder is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

1.6 **Time:** Time shall be of the essence in every matter or action contemplated hereunder. All times expressed herein are local time in Vancouver, British Columbia unless otherwise stipulated herein.

1.7 **Governing Law:** This Plan of Arrangement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

ARTICLE 2 ARRANGEMENT AGREEMENT

2.1 **Arrangement Agreement:** This Plan of Arrangement is made pursuant and subject to the Arrangement Agreement, except in respect of the sequence of the steps comprising the Arrangement, which shall occur in the order set forth herein and on the terms and conditions set forth herein.

2.2 **Binding Effect:** At the Effective Time, this Plan of Arrangement shall be binding on:

- (a) MTI;
- (b) Target Company;
- (c) Subco1;
- (d) Subco2;
- (e) all registered and beneficial MTI Shareholders, including Dissenting Shareholders; and
- (f) all registered and beneficial holders of MTI Warrants.

ARTICLE 3 THE ARRANGEMENT

3.1 **The Arrangement:** At the Effective Time, the following shall occur and be deemed to occur in the following chronological order without further act or formality, notwithstanding anything contained in the provisions attaching to any of the securities of MTI:

- (a) each MTI Share in respect of which a Dissenting Shareholder has validly exercised his, her or its Dissent Rights shall be deemed to be directly transferred and assigned by such Dissenting Shareholder to MTI (free and clear of any Liens) in accordance with Article 4 hereof;
- (b) MTI, Subco1 and Subco2 shall amalgamate (the "**Amalgamation**") to form one corporate entity, Amalco, under the CBCA in accordance with the following:
 - (i) **Name:** The name of Amalco shall be "MicroCoal Technologies Inc.";
 - (ii) **Registered Office:** The registered office of Amalco shall be located in the City of Vancouver in the Province of British Columbia. The address of the registered office of Amalco shall be 1000 Cathedral Place, 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2;
 - (iii) **Restrictions on Business:** None;
 - (iv) **Articles:** The articles of the Company shall be deemed to be the articles of amalgamation of Amalco;

- (v) **Restrictions on Transfer:** None;
- (vi) **Number of Directors:** Amalco shall have a minimum of three directors and a maximum of ten directors, until changed in accordance with the CBCA;
- (vii) **First Directors:** The first directors of Amalco shall be James Young, Ian Hume, William Hudson and Stan Lis;
- (viii) **Authorized Capital:** Amalco shall be authorized to issue an unlimited number of common shares;
- (ix) **Shares:** All shares of Subco1 and Subco2 shall be cancelled without any repayment of capital in respect thereof; no shares will be issued by Amalco in connection with the Amalgamation and all shares of MTI prior to the Amalgamation, being the MTI Shares, shall be unaffected and shall survive and continue as shares of Amalco;
- (x) **Stated Capital:** The stated capital account of the common shares of Amalco will be equal to the stated capital account in respect of the MTI Shares immediately prior to the Amalgamation;
- (xi) **Other Provisions:** The directors of Amalco may appoint one or more directors, who shall hold office for a term expiring not later than the close of the next annual meeting of shareholders, but the total number of directors so appointed may not exceed 1/3 of the number of directors elected at the previous annual meeting of shareholders;
- (xii) **By-laws:** The by-laws of Amalco shall be the same as those of MTI;
- (xiii) **Effect of Amalgamation:** The provisions of subsections 186(a) to 186(g) of the CBCA shall apply to the amalgamation with the result that:
 - A) the Amalgamation of the amalgamating corporations and their continuance as one corporation becomes effective;
 - B) the property of each amalgamating corporation continues to be the property of the amalgamated corporation;
 - C) the amalgamated corporation continues to be liable for the obligations of each amalgamating corporation;
 - D) an existing cause of action, claim or liability to prosecution is unaffected;
 - E) a civil, criminal or administrative action or proceeding pending by or against an amalgamating corporation may be continued to be prosecuted by or against the amalgamated corporation;
 - F) a conviction against, or ruling, order or judgment in favour of or against, an amalgamating corporation may be enforced by or against the amalgamated corporation; and
 - G) the Articles of Arrangement are deemed to be the articles of incorporation of the amalgamated corporation and the Certificate of Arrangement is deemed to be the certificate of incorporation of the amalgamated corporation;
- (c) Amalco will transfer all of the MTI Assets to Target Company in consideration for that number of Target Shares as is equal to the number of MTI Shares issued and outstanding immediately prior to the Effective Time less the number of MTI Shares transferred to MTI pursuant to paragraph (a) above, all in accordance with the Asset Purchase Agreement, and Amalco will be added to the central securities register of Target Company in respect of such Target Shares;

- (d) in the course of a reorganization of Amalco's authorized and issued share capital, the articles of Amalco shall be amended to:
- (i) alter the identifying name of the MTI Shares to class A common shares without par value, being the "MTI Class A Shares";
 - (ii) create a new class consisting of an unlimited number of common shares without par value, having the rights and restrictions described in Appendix "I" hereto, being the "Acquisition Swap Shares"; and
 - (iii) create a new class consisting of an unlimited number of class B preferred shares without par value, having the rights and restrictions described in Appendix "II" hereto, being the "MTI Class B Preferred Shares";
- (e) each issued MTI Class A Share (other than any MTI Shares held by Amalco and any MTI Shares in respect of which a Dissenting Shareholder has validly exercised his, her or its Dissent Rights) will be exchanged for one Acquisition Swap Share and one MTI Class B Preferred Share, and the holders of the MTI Class A Shares will be removed from the central securities register of Amalco and will be added to the central securities register as the holders of the number of Acquisition Swap Shares and MTI Class B Preferred Shares that they have received on the exchange;
- (f) all of the issued MTI Class A Shares will be cancelled with the appropriate entries being made in the central securities register of Amalco, and the aggregate paid-up capital (as that term is used for purposes of the Tax Act) of the MTI Class A Shares immediately prior to the Effective Time will be allocated between the Acquisition Swap Shares and the MTI Class B Preferred Shares so that the aggregate paid-up capital of the MTI Class B Preferred Shares is equal to the aggregate fair market value of the Target Shares as at the Effective Time, and each MTI Class B Preferred Share so issued will be issued by Amalco at an issue price equal to such aggregate fair market value divided by the number of issued MTI Class B Preferred Shares, such aggregate fair market value of the Target Shares to be determined as at the Effective Time by the board of directors of Amalco;
- (g) Amalco will redeem the issued MTI Class B Preferred Shares for consideration consisting solely of the Target Shares such that each holder of MTI Class B Preferred Shares will, subject to the exercise of rights of dissent, receive that number of Target Shares that is equal to the number of MTI Class B Preferred Shares held by such holder;
- (h) the name of each holder of MTI Class B Preferred Shares will be removed as such from the central securities register of Amalco, and all of the issued MTI Class B Preferred Shares will be cancelled with the appropriate entries being made in the central securities register of Amalco;
- (i) the Target Shares transferred to the holders of the MTI Class B Preferred Shares pursuant to step (g) above will be registered in the names of the former holders of MTI Class B Preferred Shares, and Amalco will provide Target Company and its registrar and transfer agent notice to make the appropriate entries in the central securities register of Target Company;
- (j) the Target Share(s) held by MTI immediately prior to the Effective Time will be cancelled without further consideration therefor with the appropriate entries being made in the central securities register of Target Company;
- (k) the MTI Class A Shares and the MTI Class B Preferred Shares, none of which will be allotted or issued once the steps referred to in steps (e) to (i) above are completed, will be cancelled and the authorized share structure of Amalco will be changed by eliminating the MTI Class A Shares and the MTI Class B Preferred Shares therefrom;
- (l) the articles and by-laws of Amalco will be amended to reflect the changes to its authorized share structure made pursuant to this Arrangement;

- (m) each MTI Warrant held by a MTI Warrantholder will be exchanged for one (1) Target Warrant and the MTI Warrants shall be cancelled and terminated and cease to represent any right or claim whatsoever;
- (n) Amalco will consolidate the Acquisition Swap Shares on a 50:1 basis such that each holder of Acquisition Swap Shares shall receive one (1) consolidated Acquisition Swap Share for each 50 Acquisition Swap Shares held immediately prior to such consolidation, subject to the rounding of fractions;
- (o) Amalco will change its name to "La Jolla Capital Inc.", or such other name as determined by the directors of Amalco; and
- (p) the stated capital of the Acquisition Swap Shares shall be reduced to an amount equal to the net realizable value of the assets of Acquisition Company determined immediately following the completion of steps (a) to (n), above, by the board of directors of Acquisition Company.

3.2 **No Fractional Shares:** Notwithstanding Section 3.1, no fractional Acquisition Swap Shares shall be distributed to the MTI Shareholders and, as a result, all fractional amounts arising under such sections shall be rounded down to the next whole number and such MTI Shareholder shall not receive cash or any other compensation in lieu of such fractional share. Any Acquisition Swap Shares not distributed as a result of this rounding down shall be dealt with as determined by the board of directors of MTI in its absolute discretion.

3.3 **Deemed Time for Redemption:** In addition to the chronological order in which the transactions and events set out above shall occur and shall be deemed to occur, the time on the Effective Date for the exchange of the MTI Class B Preferred Shares set out in Section 3.1(g) above shall occur and shall be deemed to occur immediately after the time of listing of the MTI Class B Preferred Shares on the CSE on the Effective Date.

3.4 **Deemed Fully Paid and Non-Assessable Shares:** All Acquisition Swap Shares, Target Shares and MTI Class B Preferred Shares issued pursuant to this Plan of Arrangement shall be deemed to be validly issued and outstanding as fully paid and non-assessable shares for all purposes of the CBCA or BCBCA, as applicable.

3.5 **Arrangement Effectiveness:** The Arrangement shall become final and conclusively binding on the MTI Shareholders, Target Company, the Company, Subco1 and Subco2 at the Effective Time.

3.6 **Supplementary Actions:** Notwithstanding that the transactions and events set out in Section 3.1 shall occur and shall be deemed to occur in the chronological order therein set out without any act or formality, the Company shall be required to make, do and execute or cause and procure to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may be required to give effect to, or further document or evidence, any of the transactions or events set out in Section 3.1, including, without limitation, any resolutions of directors authorizing the issue, transfer or redemption of shares, any share transfer powers evidencing the transfer of shares and any receipt therefore, and any necessary additions to or deletions from share registers.

ARTICLE 4 RIGHTS OF DISSENT

4.1 **Dissent Rights:** Each MTI Shareholder shall have the right to exercise Dissent Rights with respect to the Arrangement in accordance with Section 190 of the Act, as modified by the Interim Order provided that the notice of dissent is received by the Company no later than 9:00 a.m. (Vancouver time) on the date which is 48 hours (excluding Saturdays, Sundays and holidays) prior to the date of the Meeting. The fair value of the MTI Shares shall be determined as at the close of business on the Business Day immediately preceding the date on which the Arrangement Resolution is approved by MTI Shareholders, but in no event shall the Company or Target Company be required to recognize such Dissenting Shareholders as shareholders of the Company after the Effective Date, and the names of such Dissenting Shareholders shall be removed from the register of shareholders at the time and in the manner set forth herein. For greater certainty, in addition to any other restrictions in Section 190 of the Act, no person who has voted in favour of the Arrangement shall be entitled to dissent with respect to the Arrangement.

4.2 **Rights of Dissenting Shareholders:** Any holder of MTI Shares may exercise rights of dissent with respect to such MTI Shares pursuant to and in the manner set forth in Section 190 of the Act in connection with the

Arrangement, as the same may be modified by the Interim Order or the Final Order as if that section (as modified) was applicable to such MTI Shareholders. Any:

- (a) MTI Shareholders who are ultimately entitled to be paid fair value, which fair value, notwithstanding anything to the contrary contained in Part XV of the CBCA, shall be determined as of the close of business on the Business Day before the Arrangement Resolution is approved, for their MTI Shares in respect of which they dissent shall be deemed to have transferred such MTI Shares to MTI (free and clear of any Liens) on the Effective Date at the same time as the events described in Section 3.1 of this Plan of Arrangement occur and such holders thereof shall be entitled to receive an amount equal to the fair value for their MTI Shares from MTI; or
- (b) MTI Shareholders who are ultimately not entitled, for any reason, to be paid fair value for their MTI Shares in respect of which they dissent, shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting MTI Shareholder, and shall be entitled to receive the Target Shares and Acquisition Swap Shares that such non-dissenting MTI Shareholders are entitled to receive, on the basis set forth in Section 3.1 of this Plan of Arrangement.

For greater certainty, in no circumstances shall the Company, Target Company or any other person be required to recognize: (i) a person exercising Dissent Rights unless such person is a registered MTI Shareholder in respect of which such rights are sought to be exercised; or (ii) a Dissenting Shareholder after the Effective Time, and the name of each Dissenting Shareholder shall be deleted from the register of shareholders on the Effective Date at the same time as the events described in Section 3.1 of this Plan of Arrangement occur. In addition to any other restrictions under section 190 of the CBCA: (i) MTI Shareholders who voted, or instructed a proxyholder to vote, in favour of the Arrangement Resolution, shall not be entitled to exercise Dissent Rights; and (ii) MTI Warrantholders shall not be entitled to exercise Dissent Rights.

ARTICLE 5 CERTIFICATES

5.1 **MTI Class A Shares:** Recognizing that the MTI Shares shall be renamed and redesignated as MTI Class A Shares pursuant to Section 3.1(d)(i) and that the MTI Class A Shares shall be exchanged partially for Acquisition Swap Shares pursuant to Section 3.1(e), Amalco shall not issue replacement share certificates representing the MTI Class A Shares.

5.2 **Target Shares:** Recognizing that the Target Shares shall be transferred to the MTI Shareholders as consideration for the redemption of the MTI Class B Preferred Shares pursuant to Section 3.1(g), the Company will provide Target Company and its registrar and transfer agent notice to make the appropriate entries in the central securities register of Target Company. As soon as practicable after the Effective Date, Target Company shall deliver or shall cause to be delivered to the Depository certificates representing the Target Shares required to be issued to registered holders of MTI Shares as at the Effective Time in accordance with the provisions of Section 3.1(i) hereof, which certificates shall be held by the Depository as agent and nominee for such holders for distribution thereto in accordance with the provisions of Section 6.1 hereof.

5.3 **MTI Class B Preferred Shares:** Recognizing that all of the MTI Class B Preferred Shares issued to the MTI Shareholders pursuant to Section 3.1(e) will be redeemed by Amalco as consideration for the distribution and transfer of the Target Shares under Section 3.1(g), Amalco shall issue one share certificate representing all of the MTI Class B Preferred Shares issued pursuant to Section 3.1(e) in the name of the Depository, to be held by the Depository for the benefit of the MTI Shareholders until such MTI Class B Preferred Shares are redeemed, and such certificate shall then be cancelled.

5.4 **Target Warrants:** As soon as practicable after the Effective Date, Target Company (or its duly appointed agent) shall deliver certificates representing the Target Warrants required to be issued to registered holders of MTI Warrants as at the Effective Time in accordance with the provisions of Section 3.1(m) hereof, which certificates shall be held by the Target Company (or its duly appointed agent) as agent and nominee for such holders for distribution thereto in accordance with the provisions of Section 6.2 hereof.

5.5 **Acquisition Swap Shares:** As soon as practicable after the Effective Date, Acquisition Company shall deliver or shall cause to be delivered to the Depository certificates representing the consolidated Acquisition Swap

Shares required to be issued to registered holders of MTI Shares as at the Effective Time in accordance with the provisions of Section 3.1(n) hereof, which certificates shall be held by the Depositary as agent and nominee for such holders for distribution thereto in accordance with the provisions of Section 6.1 hereof.

ARTICLE 6 DELIVERY OF SHARES AND WARRANTS

6.1 Delivery of Target Shares and Acquisition Swap Shares:

- (a) Upon surrender to the Depositary for cancellation of a certificate that immediately before the Effective Time represented one or more outstanding MTI Shares, together with a duly completed and executed Shareholder Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require, the holder of such surrendered certificate will be entitled to receive in exchange therefor, and the Depositary shall deliver to such holder following the Effective Time, a certificate representing the Target Shares and a certificate representing the consolidated Acquisition Swap Shares that such holder is entitled to receive in accordance with Section 3.1 hereof.
- (b) After the Effective Time and until surrendered for cancellation as contemplated by Section 6.1(a) hereof, each certificate that immediately prior to the Effective Time represented one or more MTI Shares shall be deemed at all times to represent only the right to receive in exchange therefor a certificate representing the Target Shares and a certificate representing the consolidated Acquisition Swap Shares that such holder is entitled to receive in accordance with Section 3.1 hereof.

6.2 Delivery of Target Warrants:

- (a) Upon surrender to the Depositary for cancellation of a certificate that immediately before the Effective Time represented one or more outstanding MTI Warrants, together with a duly completed and executed Warrantholder Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require, the holder of such surrendered certificate will be entitled to receive in exchange therefor, and the Depositary shall deliver to such holder following the Effective Time, a certificate representing the Target Warrants that such holder is entitled to receive in accordance with Section 3.1 hereof.
- (b) After the Effective Time and until surrendered for cancellation as contemplated by Section 6.2(a) hereof, each certificate that immediately prior to the Effective Time represented one or more MTI Warrants shall be deemed at all times to represent only the right to receive in exchange therefor a certificate representing the Target Warrants that such holder is entitled to receive in accordance with Section 3.1 hereof.

6.3 **Lost Certificates:** If any certificate that immediately prior to the Effective Time represented one or more outstanding MTI Shares or MTI Warrants that were exchanged for the Target Shares and Acquisition Swap Shares or Target Warrants, as applicable, in accordance with Section 3.1 hereof, shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the holder claiming such certificate to be lost, stolen or destroyed, the Depositary shall deliver in exchange for such lost, stolen or destroyed certificate, the Target Shares and Acquisition Swap Shares or Target Warrants, as applicable, that such holder is entitled to receive in accordance with Section 3.1 hereof. When authorizing such delivery of the Target Shares and Acquisition Swap Shares or Target Warrants, as applicable, that such holder is entitled to receive in exchange for such lost, stolen or destroyed certificate, the holder to whom such securities are to be delivered shall, as a condition precedent to the delivery of such Target Shares and Acquisition Swap Shares or Target Warrants, as applicable, give a bond satisfactory to Acquisition Company, Target Company and the Depositary in such amount as Acquisition Company, Target Company and the Depositary may direct, or otherwise indemnify Acquisition Company, Target Company and the Depositary in a manner satisfactory to Acquisition Company, Target Company and the Depositary, against any claim that may be made against Acquisition Company, Target Company or the Depositary with respect to the certificate alleged to have been lost, stolen or destroyed and shall otherwise take such actions as may be required by the articles and by-laws of Acquisition Company.

6.4 **Distributions with Respect to Unsurrendered Certificates:** No dividend or other distribution declared or made after the Effective Time with respect to Target Shares or Acquisition Swap Shares with a record date after the Effective Time shall be delivered to the holder of any unsurrendered certificate that, immediately prior to the Effective Time, represented outstanding MTI Shares unless and until the holder of such certificate shall have complied with the provisions of Section 6.1 or Section 6.3 hereof. Subject to applicable Law and to Section 6.6 hereof, at the time of such compliance, there shall, in addition to the delivery of the Target Shares and consolidated Acquisition Swap Shares to which such holder is thereby entitled, be delivered to such holder, without interest, the amount of the dividend or other distribution with a record date after the Effective Time theretofore paid with respect to such Target Shares and/or Acquisition Swap Shares, as applicable.

6.5 **Limitation and Proscription:** To the extent that a former MTI Shareholder or MTI Warrantholder shall not have complied with the provisions of Sections 6.1, 6.2 and/or 6.3 hereof, as applicable, on or before the date that is six (6) years after the Effective Date (the "**Final Proscription Date**"), then the Target Shares and Acquisition Swap Shares or Target Warrants, as applicable, that such former MTI Shareholder or MTI Warrantholder was entitled to receive shall be automatically cancelled without any repayment of capital in respect thereof and the Target Shares and Acquisition Swap Shares or Target Warrants, as applicable, to which such MTI Shareholder or MTI Warrantholder, as applicable, was entitled, shall be delivered to Acquisition Company (in the case of the Acquisition Swap Shares) or Target Company (in the case of the Target Shares or Target Warrants) by the Depositary and certificates representing such Target Shares and Acquisition Swap Shares or Target Warrants, as applicable, shall be cancelled by Acquisition Company and Target Company, as applicable, and the interest of the former MTI Shareholder or MTI Warrantholder in such Target Shares and Acquisition Swap Shares or Target Warrants, as applicable, to which it was entitled shall be terminated as of such Final Proscription Date.

6.6 **Withholding Rights:** Acquisition Company or Target Company, as applicable, and the Depositary shall be entitled to deduct and withhold from any consideration, dividend or other distribution otherwise payable to any holder of MTI Shares, Acquisition Swap Shares or Target Shares such amounts as the Company or the Depositary determines, acting reasonably, are required or permitted to be deducted and withheld with respect to such payment under Canadian or United States tax laws or any other applicable law. To the extent that the withheld amount may be reduced, the Company or the Depositary, as the case may be, acting reasonably, shall withhold on such lower amount. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the person in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing agency.

6.7 **No Liens:** Any exchange or transfer of securities pursuant to this Plan of Arrangement shall be free and clear of any Liens.

6.8 **Paramountcy:** From and after the Effective Time: (i) this Plan of Arrangement shall take precedence and priority over any and all MTI Shares and MTI Warrants issued prior to the Effective Time; (ii) the rights and obligations of the registered holders of MTI Shares and MTI Warrants and MTI, Target Company, the Depositary and any transfer agent or other depositary therefor in relation thereto, shall be solely as provided for in this Plan of Arrangement; and (iii) all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to any MTI Share or MTI Warrants shall be deemed to have been settled, compromised, released and determined without liability to Acquisition Company or Target Company except as set forth herein.

ARTICLE 7 AMENDMENTS

7.1 **Amendments to Plan of Arrangement:**

- (a) MTI and Target Company reserve the right to amend, modify or supplement this Plan of Arrangement at any time and from time to time, provided that each such amendment, modification or supplement must be: (i) set out in writing; (ii) agreed to in writing by MTI and Target Company; (iii) filed with the Court and, if made following the Meeting, approved by the Court; and (iv) communicated to the holders or former holders of MTI Shares and/or MTI Warrants if and as required by the Court.
- (b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by MTI at any time prior to the Meeting provided that Target Company shall have consented thereto

in writing, with or without any other prior notice or communication, and, if so proposed and accepted by the persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

- (c) Any amendment, modification or supplement to this Plan of Arrangement that is approved by the Court following the Meeting shall be effective only if: (i) it is consented to in writing by each of MTI and Target Company; (ii) it is filed with the Court; and (iii) if required by the Court, it is consented to by holders of the MTI Shares voting in the manner directed by the Court.
- (d) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective time by the written agreement of MTI and Target Company, provided that it concerns a matter that, in the reasonable opinion of each of MTI and Target Company, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the economic interest of any Target Shareholder, MTI Shareholder or former holder of MTI Warrants.
- (e) This Plan of Arrangement may be withdrawn prior to the Effective Time in accordance with the terms of the Arrangement Agreement.

ARTICLE 8 FURTHER ASSURANCES

8.1 **Further Assurances:** Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to further document or evidence any of the transactions or events set out therein.

APPENDIX "I"

SPECIAL RIGHTS OR RESTRICTIONS

Attaching to the Acquisition Swap Shares

The Common Shares shall have attached thereto, as a class, the following rights, privileges, restrictions and conditions:

1. Voting Rights

Subject to applicable law and the conditions attaching to the common shares without par value in the capital of the Corporation (the "Common Shares"), the holders of the Common Shares (the "Common Shareholders") shall be entitled to receive notice and to attend and vote at any meetings of shareholders of any class of common shares of the Corporation.

2. Liquidation, Dissolution or Winding-Up

In the event of any distribution of the assets of the Corporation on the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs (the "Liquidation Distribution"), the Common Shareholders shall be entitled to receive, before any Liquidation Distribution is made to the holders of the Class A Common Shares without par value in the capital of the Corporation but after any prior rights of any preferred shares, the stated capital with respect to each Common Share held by them, together with all declared and unpaid dividends (if any and if preferential) thereon, up to the date of such Liquidation Distribution, and thereafter the Common Shareholders shall rank *pari passu* with all other classes of common shares in connection with the Liquidation Distribution.

3. Pari Passu

Other than special rights and restrictions set out in section 2 above, the Common Shares shall rank *pari passu* with all other classes of common shares.

APPENDIX "II"

SPECIAL RIGHTS OR RESTRICTIONS

Attaching to the Class B Preferred Shares

The Class B Preferred Shares shall have attached thereto, as a class, the following rights, privileges, restrictions and conditions:

1. Voting Rights

Subject to applicable law, the holders (the "Class B Shareholders") of the class B preferred shares without par value in the Capital of the Corporation (the "Class B Shares") shall not be entitled to receive notice and to attend and vote at any meetings of the shareholders of the Corporation.

2. Issue Price

The issue price for each of the Class B Shares shall be an amount equal to the fair market value of one common share (each, a "TMS Share") in the capital of Targeted Microwave Solutions Inc. (the "Redemption Amount").

3. Dividends

The holders of Class B Shares shall be entitled to receive non-cumulative cash dividends if, as and when declared by the board of directors of the Corporation out of the assets of the Corporation lawfully applicable to the payment of dividends in such amounts and payable in such manner as the board of directors may from time to time determine. Subject to the rights of the holders of any other class of shares of the Corporation entitled to receive dividends in priority to or concurrently with the holders of the Class B Shares, the board of directors may, in its sole discretion, declare dividends on the Class B Shares to the exclusion of any other class of shares of the Corporation.

4. Liquidation, Dissolution or Winding-Up

In the event of any distribution of the assets of the Corporation on the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs (the "Liquidation Distribution"), the Class B Shareholders shall be entitled to receive, before any Liquidation Distribution is made to the holders of any class of common shares of the Corporation, the stated capital with respect to each Class B Share held by them, together will all declared and unpaid dividends (if any and if preferential) thereon, up to the date of such Liquidation Distribution. Except as aforesaid, the Class B Shareholders shall not as such be entitled to receive or participate in any distribution of the property and assets of the Corporation among its shareholders.

5. Redemption

Subject to the provisions of the *Canada Business Corporations Act*, the Corporation may at any time and from time to time redeem all or any part of the Class B Shares at an amount per share (which shall be paid in money or, at the discretion of the Corporation, by the distribution in specie of TMS Shares) equal to the Redemption Amount.

6. Retraction

Subject to the provisions of the *Canada Business Corporations Act*, every registered holder of Class B Shares may at any time, at the option of such holder, require the Corporation to redeem the whole or any part of the Class B Shares registered in such holder's name by depositing with the Corporation an irrevocable written request for the same, together with the share certificate or certificates, if any, representing the Class B Shares to be redeemed. Upon receipt of such request and certificate or certificates the Corporation shall, subject to the provisions of the *Canada Business Corporations Act*, redeem such Class B Shares and pay such holder the Redemption Amount (which shall be paid in money or, at the discretion of the Corporation, by the distribution in specie of TMS Shares) for each Class B Share so redeemed.

7. Cancellation

Any Class B Shares that are redeemed by the Corporation pursuant to any of the provisions hereof shall for all purposes be considered to have been redeemed on, and shall be cancelled concurrently with, the payment by the Corporation to or to the benefit of the holder thereof of the Redemption Amount (whether paid in money or by the distribution in specie of TMS Shares).