

**LOBE SCIENCES LTD.**  
**DEFERRED SHARE UNIT PLAN**

**ARTICLE ONE**  
**DEFINITIONS AND INTERPRETATION**

- 1.1 **Definitions:** For the purposes of this Plan, unless the context requires otherwise, the following words and terms shall have the following meanings:
- (a) **“Affiliate”** means any entity that is an affiliate of the Company as defined in National Instrument 45-106 – *Prospectus Exemptions*, as may be amended from time to time;
  - (b) **“Associate”** where used to indicate a relationship with any person or company, is as defined in the *Securities Act* (Ontario), as may be amended from time to time;
  - (c) **“Blackout Period”** means any period imposed by the Company pursuant to its disclosure, confidentiality and trading policy or otherwise, during which its officers, directors, employees and Insiders may be restricted from trading in securities of the Company;
  - (d) **“Board”** means the board of directors of the Company;
  - (e) **“Change of Control”** means the occurrence of any one or more of the following events:
    - i. a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Company or any of its Affiliates and another company or other entity, as a result of which the holders of Common Shares prior to the completion of the transaction hold less than 50% of the outstanding shares of the successor company after completion of the transaction;
    - ii. the sale, lease, exchange or other disposition, in a single transaction or a series of related transactions, of assets, rights or properties of the Company and/or any of its Affiliates which have an aggregate book value greater than 50% of the book value of the assets, rights and properties of the Company and its Affiliates on a consolidated basis to any other person or entity, other than a disposition to a wholly-owned Affiliate in the course of a reorganization of the assets of the Company and its Affiliates;
    - iii. a resolution is adopted to wind-up, dissolve or liquidate the Company;
    - iv. any person, entity or group of persons or entities acting jointly or in concert (an **“Acquirer”**) acquires or acquires control (including, without limitation, the right to vote or direct the voting) of Voting Securities which, when added to the Voting Securities owned of record or beneficially by the Acquirer or which the Acquirer has the right to vote or in respect of which the Acquirer has the right to direct the voting, would entitle the Acquirer and/or Associates and/or Affiliates of the Acquirer to cast or to direct the casting of 50% or more of the votes attached to all of the Company’s outstanding Voting Securities which may be cast to elect directors of the Company or the successor Company (regardless of whether a meeting has been called to elect directors); or
    - v. the Board adopts a resolution to the effect that a Change of Control as defined herein has occurred or is imminent.

For the purposes of the foregoing, “**Voting Securities**” means Common Shares and any other shares entitled to vote for the election of directors and shall include any security, whether or not issued by the Company, which are not shares entitled to vote for the election of directors but are convertible into or exchangeable for shares which are entitled to vote for the election of directors including any options or rights to purchase such shares or securities;

- (f) “**Committee**” means the Compensation Committee of the Board or, if the Board so determines in accordance with Section 2.3 of the Plan<sup>1</sup>, a committee of the Board authorized to administer the Plan;
- (g) “**Common Shares**” means the common shares of the Company;
- (h) “**Company**” means Lobe Sciences Ltd., a company existing under the *Business Corporations Act* (British Columbia), and includes any successor, Affiliate or Associate thereof;
- (i) “**CSE**” means the Canadian Securities Exchange;
- (j) “**Deferred Share Unit**” or “**DSU**” means the agreement by the Company to pay, and the right of the Eligible Director to receive, a DSU Payment for each Deferred Share Unit held, evidenced by way of book-keeping entry in the books of the Company and administered pursuant to this Plan;
- (k) “**Director**” means a member of the Board from time to time;
- (l) “**DSU Grant Date**” means the date of grant of Deferred Share Units as recommended by the Committee and confirmed by the Board from time to time;
- (m) “**DSU Grant Letter**” has the meaning ascribed thereto in Section 3.3;
- (n) “**DSU Payment**” means, subject to any adjustment in accordance with Section 5.6, the issuance to an Eligible Director of one previously unissued Common Share or cash equivalent for each whole vested Deferred Share Unit credited to such Eligible Director as determined by the Board/Committee in its sole discretion;
- (o) “**Eligible Director**”<sup>2</sup> means a person who is a Director or a member of the board of directors of any Affiliate of the Company and who, at the relevant time, is not otherwise an employee or a consultant of the Company or of any Affiliate, and such person shall continue to be an Eligible Director for so long as such person continues to be a member of such board(s) of directors and is not otherwise an employee or a consultant of the Company or of any Affiliate;
- (p) “**Insider**” means: (i) an insider as defined in the *Securities Act* (Ontario), as may be amended from time to time, other than a person who is an Insider solely by virtue of being a director or senior officer of an Affiliate; and (ii) an Associate of any person who is an insider by virtue of (i);
- (q) “**Market Value**” means the last closing price of the Common Shares on the CSE immediately prior to the date as at which Market Value is determined. If the Common Shares are not trading on the CSE, then the Market Value shall be determined based on the last closing price of the Common Shares on such stock exchange or over-the-counter market on which

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<sup>1</sup> Lobe to confirm if Compensation Committee is administering the Plan. If so, this portion can be removed.

<sup>2</sup> Lobe to confirm if the Plan should apply to all independent and executive directors, or just independent directors (i.e. non-employee directors).

the Common Shares are listed and posted for trading as may be selected for such purpose by the Committee on the date as of which Market Value is determined. In the event that the Common Shares are not listed and posted for trading on any stock exchange or over-the-counter market, the Market Value shall be the fair market value of such Common Shares as determined by the Committee in its sole discretion;

- (r) **“Plan”** means this Deferred Share Unit plan, as the same may be amended from time to time;
- (s) **“Termination Date”** means the earlier of (a) the actual date of termination of the directorship of the Eligible Director, as applicable, and does not include any period during which the Eligible Director is in receipt of or is eligible to receive any statutory, contractual or common law notice or compensation in lieu thereof or severance payments following the actual date of termination or resignation, (b) the date of the death of the Eligible Director, or (c) the date on which the Eligible Director is determined to be totally disabled and is removed from the Board;
- (t) **“year”** means a calendar year unless otherwise specified.

- 1.2 **Headings:** The headings of all articles, sections, and paragraphs in the Plan are inserted for convenience of reference only and shall not affect the construction or interpretation of the Plan.
- 1.3 **Context, Construction:** Whenever the singular or masculine are used in the Plan, the same shall be construed as being the plural or feminine or neuter or vice versa where the context so requires.
- 1.4 **References to this Deferred Share Unit Plan:** The words “hereto”, “herein”, “hereby”, “hereunder”, “hereof” and similar expressions mean or refer to this Plan as a whole and not to any particular article, section, paragraph or other part hereof.
- 1.5 **Canadian Funds:** Unless otherwise specifically provided, all references to dollar amounts in the Plan are references to Canadian dollars.

## **ARTICLE TWO PURPOSE AND ADMINISTRATION OF THE DEFERRED SHARE UNIT PLAN**

- 2.1 **Purpose of the Deferred Share Unit Plan:** The purpose of this Plan is to strengthen the alignment of interests between the Eligible Directors and the shareholders of the Company by linking a portion of annual compensation, as determined by the Committee from time to time, to the future value of the Common Shares. In addition, the Plan has been adopted for the purpose of advancing the interests of the Company through the motivation, attraction and retention of directors of the Company and its Affiliates, it being generally recognized that the Plan aids in attracting, retaining and encouraging director commitment and performance due to the opportunity offered to them to receive compensation in line with the value of the Common Shares.
- 2.2 **Administration of the Deferred Share Unit Plan:** Subject to regulatory requirements, the Plan shall be administered by the Committee and the Committee shall have full discretionary authority to administer the Plan including the authority to interpret and construe any provision of the Plan and to adopt, amend and rescind such rules and regulations for administering the Plan as the Committee may deem necessary in order to comply with the requirements of the Plan. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and conclusive and shall be binding on the Eligible Director and the Company. No member of the Committee shall be personally liable for any action taken or determination or interpretation made in good faith in connection with the Plan and all members of the Committee shall, in addition to their rights as Directors, be fully protected, indemnified and held harmless by the

Company with respect to any such action taken or determination or interpretation made in good faith. The Committee is hereby authorized and empowered to do all things and execute and deliver all instruments, undertakings and applications and writings as they, in their absolute discretion, consider necessary for the implementation of the Plan and of the rules and regulations established for administering the Plan. All costs incurred in connection with the Plan shall be for the account of the Company.

- 2.3 **Delegation to Committee:** All of the powers exercisable hereunder by the Directors may, to the extent permitted by applicable law and as determined by resolution of the Directors, be exercised by a committee of the Board comprised of not less than three (3) Directors.
- 2.4 **Record Keeping:** The Company shall maintain a register in which the following shall be recorded for each Eligible Director:
- (a) the name and address of each Eligible Director in the Plan;
  - (b) the number of Deferred Share Units granted to each Eligible Director under the Plan;
  - (c) the number of Deferred Share Units credited to an Eligible Director pursuant to Section 3.4 hereof;
  - (d) the date on which Deferred Share Units were granted or credited to an Eligible Director; and
  - (e) the date of DSU Payment.
- 2.5 **Determination of Eligible Directors and Participation:** The Committee shall from time to time determine the persons who may participate in the Plan. The Committee shall from time to time determine the Eligible Directors to whom Deferred Share Units shall be granted and the provisions and restrictions with respect to such grant, all such determinations to be made in accordance with the terms and conditions of the Plan, and the Committee may take into consideration the present and potential contributions of and the services rendered by the particular Eligible Director to the success of the Company and any other factors which the Committee deems appropriate and relevant.

### **ARTICLE THREE DEFERRED SHARE UNIT PLAN**

- 3.1 **Deferred Share Unit Plan:** A Deferred Share Unit Plan is established for Eligible Directors.
- 3.2 **Grant of Deferred Share Units<sup>3</sup>:** Subject to the terms of this Plan and the compensation policies of the Company, a number of Deferred Share Units shall be granted to each Eligible Director, on each DSU Grant Date, which number shall be calculated by reference to (i) the dollar amount of the Eligible Director's remuneration as determined by the Committee for the upcoming year or portion of the year following the applicable DSU Grant Date that will be satisfied by such Deferred Share Units, and (ii) the Market Value of the Common Shares on the relevant DSU Grant Date. The Committee may, subject to applicable securities laws, also make additional determinations from time to time with respect to the number of Deferred Share Units to be granted, and the DSU Grant Date of Deferred Share Units to new Eligible Directors appointed from time to time. On each DSU Grant Date, the number of Deferred Share Units so determined by the Committee

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<sup>3</sup> Lobe to indicate if they want an "election" option whereby the Eligible Director can elect to have a portion of his/her remuneration to be in DSUs. As of right now, it is structured as a "top up" for directors and is solely in the discretion of the Committee.

shall be granted by the Company to such Eligible Director without any further action being required by the Committee or such Eligible Director.

Notwithstanding any of the foregoing, the Committee shall have the authority, subject to applicable securities laws and CSE policies, to make any special grant of Deferred Share Units to Eligible Directors in such numbers, and at any time as the Committee may deem appropriate.

- 3.3 **Deferred Share Unit Letter:** Each grant of Deferred Share Units under the Plan shall be evidenced by a letter of the Company, in the form attached as Appendix A hereto, signed in acknowledgement by the Eligible Director (a “**DSU Grant Letter**”). Such Deferred Share Units shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions which are not inconsistent with the Plan and which the Committee deems appropriate for inclusion in a DSU Grant Letter. The provisions of the various DSU Grant Letters entered into under the Plan need not be identical, and may vary for each Eligible Director. To the extent that there is any inconsistency between the Plan and the DSU Grant Letter or any other communications, the Plan shall prevail.
- 3.4 **Dividends:** Subject to the absolute discretion of the Committee, in the event that a dividend (other than stock dividend) is declared and paid by the Company on Common Shares, the Committee may elect to credit each Eligible Director with additional Deferred Share Units. The number of such additional Deferred Share Units will be calculated by dividing (i) the total amount of the dividends that would have been paid to the Eligible Director if the Deferred Share Units outstanding in the Eligible Director’s account on the dividend record date had been outstanding Common Shares (and the Eligible Director held no other Common Shares), by (ii) the Market Value of a Common Share on the date on which such dividends were paid by the Company.
- 3.5 **Payment Obligations with Respect to Deferred Share Units:**
- (a) As soon as practicable following the Termination Date for each Eligible Director, and subject to Section 4.1, the Company shall (i) issue to such Eligible Director one previously unissued Common Share for each vested outstanding Deferred Share Unit held by such Eligible Director on the Termination Date, or (ii) subject to the discretion of the Committee, an amount in cash equivalent to the number of outstanding Deferred Share Units held by such Eligible Director multiplied by the Market Value on the Termination Date, for such Eligible Director.
  - (b) Fractional Deferred Share Units shall be cancelled.
  - (c) Where Deferred Share Units have been granted to an Eligible Director with reference to his or her remuneration for a year, in the event such Eligible Director resigns or is otherwise no longer an Eligible Director, during such year, such Deferred Share Units will only partially vest and the Eligible Director will only be entitled to a pro-rated DSU Payment in respect of such Deferred Share Units based on the number of days in such year that the Eligible Director was an Eligible Director in such year.
- 3.6 **Settlement of DSUs following a Change of Control:** If there is a Change of Control that results in the termination of an Eligible Director’s directorship, all Deferred Share Units credited to such Eligible Director shall immediately vest on the date of such Change of Control notwithstanding any stated vesting period and shall be settled following such termination in accordance with Section 3.5. In any event, upon a Change of Control, Eligible Directors shall not be treated any more favourably than shareholders of the Company with respect to the consideration that the Eligible Directors would be entitled to receive for their Common Shares.

- 3.7 **Necessary Approvals:** The Plan shall be subject to the approval of the shareholders of the Company to be given by a resolution passed at a meeting of the shareholders of the Company and acceptance by the CSE or any regulatory authority or stock exchange having jurisdiction over the Company.<sup>4</sup>
- 3.8 **Blackout Period:** If the date on which the Company shall issue Common Shares to the Eligible Director in accordance with Section 3.5 occurs during a Blackout Period applicable to the Eligible Director, the Company shall issue or deliver such Common Shares to the Eligible Director on or as soon as practicable after the 10th trading day following the end of the Blackout Period.

#### **ARTICLE FOUR WITHHOLDING TAXES**

- 4.1 **Withholding Taxes:** The Company or any of its Affiliates may take such steps as are considered necessary or appropriate for the withholding of any taxes which the Company or any of its Affiliates are required to withhold by any law or regulation of any governmental authority whatsoever, and, without limiting the generality of the foregoing, may effect such withholding through (i) the withholding of all or any portion of any payment due to the applicable Eligible Director; (ii) the withholding and sale, for and on behalf of the applicable Eligible Director, of the minimum number of Common Shares to be issued under the Plan sufficient to satisfy such withholding obligation of the Company's or the Affiliate; or (iii) withholding of all or any portion of any issuance of Common Shares to be made to the Eligible Director, until such time as the Eligible Director has paid the Company or its Affiliates any amount which the Company and its Affiliates are required to withhold with respect to such taxes.

#### **ARTICLE FIVE GENERAL**

- 5.1 **Effective Time of Deferred Share Unit Plan:** The Plan shall remain in effect until it is terminated by the Committee.
- 5.2 **Suspension of the Deferred Share Unit Plan:** Subject to Section 5.2(2), the Committee may, at any time, and from time to time, and without shareholder approval, amend any provision of the Plan, subject to any regulatory or stock exchange requirement at the time of such amendment, including without limitation:
- (1) amendments to the termination provisions of Section 5.3; amendments necessary or advisable because of any change in applicable securities laws; amendments to Section 2.2 relating to the administration of the Plan; any other amendment, fundamental or otherwise, not requiring shareholder approval under applicable laws or rules of the CSE, including amendments of a "clerical" or "housekeeping" nature;
  - (2) any amendment shall not alter the terms or conditions of any Deferred Share Unit or impair any right of any holder of Deferred Share Units pursuant to any Deferred Share Unit grant prior to such amendment; and
  - (3) no amendment shall be made which prevents the Plan from continuously meeting the requirements of paragraph 6801(d) of the regulations under the *Income Tax Act* (Canada) or any successor provision thereto.

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<sup>4</sup> Lobe to confirm if they will pursue shareholder approval. Note that this is not required pursuant to the CSE rules.

### 5.3 **Plan Termination.**

The Committee may decide to discontinue granting awards under the Plan at any time in which case no further Deferred Share Units shall be awarded or credited under Section 3.2 of the Plan. Any Deferred Share Units which remain outstanding in an Eligible Director's account at that time shall continue to be dealt with according to the terms of the Plan. For greater certainty, dividend equivalents may continue to be awarded, as appropriate, in respect of such outstanding Deferred Share Units pursuant to Section 3.4 of the Plan. The Plan shall terminate when all payments owing pursuant to Section 3.5 of the Plan have been made and all Deferred Share Units have been cancelled in all Eligible Directors' accounts.

5.4 **General Restrictions and Assignment:** Except as required by law, the rights of an Eligible Director under the Plan are not capable of being anticipated, assigned, transferred, alienated, sold, encumbered, pledged, mortgaged or charged and are not capable of being subject to attachment or legal process for the payment of any debts or obligations of the Eligible Director.

5.5 **Rights as a Director:** No holder of any Deferred Share Units shall have any rights as a shareholder of the Company at any time. Nothing in the Plan shall confer on any Eligible Director the right to continue as a Director of the Company or as a Director of any Affiliate of the Company or interfere with the right to remove such Director.

5.6 **Adjustment in Number of Shares Underlying the Deferred Share Units:** In the event there is any change in the Common Shares, whether by reason of a stock dividend, stock split, consolidation, subdivision, reclassification or otherwise, an appropriate adjustment shall be made by the Committee in the number of Common Shares subject to or underlying any Deferred Share Units. If the foregoing adjustment shall result in a fractional Common Share, the fraction shall be disregarded. All such adjustments shall be conclusive, final and binding for all purposes of the Plan.

However, if there is an increase in the number of Common Shares outstanding for any reason other than by reason of a stock dividend, stock split, consolidation, subdivision or reclassification as described above (for example, as a result of a private placement of Common Shares or the issuance of Common Shares in connection with the acquisition of an asset) there will be no adjustment to the number of Common Shares that an Eligible Director may receive under his or her DSU Grant Letter and no adjustment to the number of Common Shares available under the Plan.

5.7 **Unfunded Plan:** The Plan shall be unfunded and unsecured. The Company's obligations hereunder shall constitute a general, unsecured obligation, payable solely out of its general assets, and no holder of any Deferred Share Units or other person shall have any right to any specific assets that may at any time be represented by the amounts credited with respect to Deferred Share Units hereunder. Neither the Company nor the Committee shall be deemed to be a trustee of any amounts to be distributed or paid pursuant to the Plan. No liability or obligation of the Company pursuant to the Plan shall be deemed to be secured by any pledge of, or encumbrance on, any property of the Company or any Affiliate.

5.8 **No Representation or Warranty:** The Company makes no representation or warranty as to the future market value of any Deferred Share Units issued in accordance with the provisions of the Plan. No amount will be paid to, or in respect of, an Eligible Director under this Plan or pursuant to any other arrangement, and no additional Deferred Share Units will be granted to such Eligible Director to compensate for a downward fluctuation in the price of the Common Shares, nor will any other form of benefit be conferred upon, or in respect of, an Eligible Director for such purpose.

- 5.9 **Compliance with Applicable Law:** If any provision of the Plan or any Deferred Share Unit contravenes any law or any order, policy, by-law or regulation of any regulatory body having jurisdiction, then such provision shall be deemed to be amended to the extent necessary to bring such provision into compliance therewith.
- 5.10 **DSU Payments:** Notwithstanding anything to the contrary in this Plan, all DSU Payments to be made to an Eligible Director pursuant to Section 3.5 shall be made following the Eligible Director's Termination Date and before December 31<sup>st</sup> of the calendar year following the year in which the Eligible Director's Termination Date occurs.
- 5.11 **Governing Law:** This Plan shall be governed by and construed in accordance with the laws in force in the Province of [British Columbia] and the federal laws of Canada applicable therein.



**APPENDIX A  
DEFERRED SHARE UNIT GRANT LETTER**

This Deferred Share Unit grant letter is entered into between Lobe Sciences Ltd. (the “**Company**”) and the Eligible Director named below pursuant to the Company’s deferred share unit plan (the “**Plan**”), a copy of which is incorporated by reference herein, and confirms the following Deferred Share Unit grant on the terms set out below and as further set out in the Plan:

**Eligible Director:**

**Address of Eligible Director:**

**Deferred Share Unit Grant:**

**Grant Date:**

**Vesting:**

**Conditions, Restrictions, Performance, Objectives  
and/or Limitations, if any:**

By receiving and accepting the Deferred Share Unit award, the Eligible Director:

1. Confirms that he or she has read and understands the Plan and agrees to the terms and conditions of the Plan and this Deferred Share Unit grant letter; and
2. Consents to the collection, use and disclosure of personal information of the Eligible Director by the CSE and all other regulatory authorities in accordance with their requirements, from time to time.

All capitalized terms used herein but not otherwise defined shall have the meaning given to them in the Plan.

Effective as of the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_.

**LOBE SCIENCES LTD.**

By: \_\_\_\_\_

Authorized Signing Officer

If Eligible Director is an individual:

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Name of Individual Eligible Director: