

**NOTICE OF MEETING  
AND  
MANAGEMENT PROXY CIRCULAR  
FOR THE  
ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS  
OF AUSTRALIS CAPITAL INC.  
(DBA AUDACIOUS)**

**TO BE HELD AT 11:00 AM (PDT)  
ON DECEMBER 17, 2021**

**NOVEMBER 2, 2021**

**AUSTRALIS CAPITAL INC. (DBA AUDACIOUS)**  
**376 Warm Springs Road, Suite 190, Las Vegas, Nevada**  
**Telephone: 800 898-0648**  
**<https://ausa-corp.com/>**

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN THAT** the annual and special meeting (the "**Meeting**") of shareholders (the "**Shareholders**") of Australis Capital Inc. (DBA Audacious) (the "**Corporation**") will be held at 13135 St. Albert Trail NW, Edmonton, Alberta, Canada T5L 4H5, on Friday, December 17, 2021, at 11:00 AM (PDT), for the following purposes:

- (1) to receive the consolidated financial statements of the Corporation for its fiscal year ended March 31, 2021 and report of the auditor thereon and related management discussion and analysis;
- (2) to fix the number of directors of the Corporation for the ensuing year at six (6) persons;
- (3) to elect the directors of the Corporation for the ensuing year;
- (4) to appoint the auditor of the Corporation for the ensuing year and to authorize the directors to fix the auditor's remuneration;
- (5) to consider, and if thought advisable, to pass, with or without variation, an ordinary resolution, the full text of which is set forth in the accompanying Circular (as hereinafter defined), authorizing the adoption of an option plan of the Corporation and the ratification of certain grants thereunder;
- (6) to consider, and if thought advisable, to pass, with or without variation, an ordinary resolution, the full text of which is set forth in the accompanying Circular, authorizing the adoption of a restricted share unit plan of the Corporation; and
- (7) to transact such other business as may properly come before the Meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the management proxy circular (the "**Circular**") accompanying this Notice of Meeting.

**Notice-and-Access**

This year, as described in the notice and access notification mailed to Shareholders of the Corporation, the Corporation has decided to deliver the Meeting materials to Shareholders by posting the Meeting materials on the following website: <https://ausa-corp.com/news/> (the "**Website**"). The use of this alternative means of delivery is more environmentally friendly as it will help reduce paper use and it will also reduce the Corporation's printing and mailing costs. The Meeting materials will be available on the Website as of the day of mailing which is currently scheduled for November 17, 2021, and will remain on the Website for one full year thereafter. The Meeting materials will also be available on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders should review the Meeting materials before voting.

No Shareholders will receive paper copies of the Meeting materials unless they specifically request paper copies. Instead all Shareholders will receive a notice and access notification which will contain information on how to obtain electronic and paper copies of the Meeting materials in advance of the Meeting. Any Shareholder who wishes to receive a paper copy of the Circular should contact Odyssey Trust Company ("**Odyssey**") at by calling toll-free

at 1(888) 290-1175 (within North America) or 1(587) 885-0960 (outside of North America). A Shareholder may also request additional information about the Notice-and-Access provisions.

**A Shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting or any adjournment or postponement thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment or postponement thereof.** To be valid, the enclosed form of proxy must be received by Odyssey not later than 48 hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting or any adjournment thereof.: (i) by mail in the enclosed postage prepaid envelope; (ii) by internet at <https://login.odysseytrust.com/pxlogin>; or (iii) by delivery in person to 702-67 Yonge St., Toronto ON M5E 1J8. Notwithstanding the foregoing, the chair of the Meeting has the discretion to accept proxies received after such deadline. The time limit for deposit of proxies may be waived or extended by the chair of the Meeting at his or her discretion, without notice.

To mitigate risks related to the evolving global COVID-19 (coronavirus) public health emergency, the Corporation is providing access to the Meeting virtually via Cision Webcast. Shareholders who access the Meeting via Cision Webcast will be able listen to the Meeting and ask questions in an informal question and answer period regardless of their geographic location or particular circumstances they may be facing as a result of COVID-19. However, registered Shareholders and duly appointed proxyholders will not be able to vote via Cision Webcast. In light of COVID-19, we strongly encourage Shareholders to vote in advance of the Meeting with the instructions provided in the Circular, rather than appearing in person or appointing an alternate proxyholder to attend the Meeting in person.

Shareholders and proxyholders will be given the option to access the Meeting through the Cision Webcast application, which requires internet connectivity.

In order to access the Meeting through Cision Webcast, attendees will need to use the following link and register themselves for the meeting. Alternatively, attendees may utilize the conference call participation numbers:

**Webcast:**

[https://produceredition.webcasts.com/starthere.jsp?ei=1511685&tp\\_key=dd725cb5a9](https://produceredition.webcasts.com/starthere.jsp?ei=1511685&tp_key=dd725cb5a9)

**Conference Call Participation Numbers:**

Confirmation #: 7929618

Local: Toronto: 647-794-4605

North American Toll Free: 888-204-4368

It is the attendees' responsibility to ensure connectivity during the Meeting and the Corporation encourages its Shareholders to allow sufficient time to log in to the Meeting before it begins.

The Corporation reserves the right to take any additional precautionary measures it deems appropriate in relation to the Meeting in response to further developments in respect of the COVID-19 outbreak. Changes to the Meeting date and/or means of holding the Meeting may be announced by way of press release. The Corporation does not intend to prepare or mail an amended Notice and/or Circular in the event of changes to the Meeting date or format.

The Board of Directors has fixed November 2, 2021 as the record date (the "**Record Date**") for determination of persons entitled to receive notice of the Meeting. Only Shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their common shares of the Corporation ("**Common Shares**") voted at the Meeting, except to the extent that the Shareholder has transferred the ownership

of any such Common Shares after the Record Date and the transferee produces a properly endorsed share certificate for or otherwise establishes ownership of any of the transferred Common Shares and makes a demand to the Corporation's transfer agent and registrar, Odyssey no later than 10 days before the Meeting that the transferee's name be included in the list of Shareholders in respect thereof.

If you are a non-registered (beneficial) Shareholder located in the United States and wish to vote at the Meeting or, if permitted, appoint a third-party proxyholder, you must obtain a valid legal proxy from your intermediary. Follow the instructions from your intermediary included with the legal proxy form and the voting information form sent to you, or contact your intermediary to request a legal proxy form or a legal proxy if you have not received one. After obtaining a valid legal proxy from your intermediary, you must then submit such legal proxy to Odyssey. Requests for registration from non-registered (beneficial) Shareholders located in the United States that wish to vote at the Meeting or, if permitted, appoint a third-party proxyholder must be sent by e-mail or by courier to: [australiseodysseytrust.com](http://australiseodysseytrust.com) or Odyssey Trust Company Attn: Proxy Department, 702-67 Yonge St., Toronto, ON M5E 1J8 and received not later than at least 48 hours, excluding weekends and holidays, prior to any reconvened Meeting in the event of any adjournment or postponement of the Meeting.

If you are a non-registered Shareholder and receive these materials through your broker or another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or intermediary.

**DATED** at Toronto, Ontario this 2<sup>nd</sup> day of November, 2021.

**BY ORDER OF THE BOARD OF DIRECTORS**

*/s/ "Hanoz Kapadia"*

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Name: Hanoz Kapadia  
Title: Chairman of the Board

**AUSTRALIS CAPITAL INC. (DBA AUDACIOUS)**  
**376 Warm Springs Road, Suite 190, Las Vegas, Nevada**  
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## **MANAGEMENT PROXY CIRCULAR**

**As at November 2, 2021 (unless otherwise indicated)**

**This Management Proxy Circular ("Circular") is furnished in connection with the solicitation of proxies by management of Australis Capital Inc. (DBA Audacious) (the "Corporation") for use at the annual and special meeting (the "Meeting") of the holders ("Shareholders") of common shares of the Corporation ("Common Shares") to be held on Friday, December 17, 2021, at the time, place and for the purposes set forth in the accompanying Notice of the Meeting.**

### **REPORTING CURRENCY AND FINANCIAL INFORMATION**

Except as otherwise indicated in this Circular, references to "Canadian dollars", "C\$" and "\$" are to the currency of Canada and references to "U.S. dollars", "US\$" or "USD" are to the currency of the United States.

All financial statements and financial data derived therefrom included in this Circular pertaining to the Corporation has been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

### **COVID-19 PANDEMIC**

To mitigate risks related to the evolving global COVID-19 (coronavirus) public health emergency, the Corporation is providing access to the Meeting virtually via Cision Webcast. Shareholders who access the Meeting via Cision Webcast will be able listen to the Meeting and ask questions in an informal question and answer period regardless of their geographic location or particular circumstances they may be facing as a result of COVID-19. However, registered Shareholders and duly appointed proxyholders will not be able to vote via Cision Webcast. In light of COVID-19, we strongly encourage Shareholders to vote in advance of the Meeting with the instructions provided in the Circular, rather than appearing in person or appointing an alternate proxyholder to attend the Meeting in person.

Shareholders and proxyholders will be given the option to access the Meeting through the Cision Webcast application, which requires internet connectivity.

In order to access the Meeting through Cision Webcast, attendees will need to use the following link and register themselves for the meeting. Alternatively, attendees may utilize the conference call participation numbers:

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#### **Conference Call Participation Numbers:**

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It is the attendees' responsibility to ensure connectivity during the Meeting and the Corporation encourages its Shareholders to allow sufficient time to log in to the Meeting before it begins.

The ability of Shareholders and proxyholders to attend the Meeting in person is subject to any governmental orders applicable at the time of the Meeting which might prevent or restrict Shareholders and duly appointed proxyholders from attending in person.

The Corporation is monitoring developments regarding COVID-19. If the Corporation decides any changes to the date, time, location or format of the Meeting are necessary or appropriate due to difficulties arising from COVID-19, Shareholders will be promptly notified of the change through the issuance of a news release, a copy of which will be available on SEDAR at <http://www.sedar.com> and will be incorporated by reference herein.

## **NOTICE-AND-ACCESS**

The Corporation has elected to use the notice-and-access procedure ("**Notice-and-Access**") under National Instrument 51-102 – *Continuous Disclosure Obligations* ("**NI 51-102**") and National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**") for the delivery of the Meeting materials to all Shareholders for the Meeting.

Under the provisions of Notice-and-Access, all Shareholders will receive a Notice-and-Access Notice ("**Notice**") containing information on how they can access the Corporation's Meeting materials electronically (instead of receiving a printed copy) or, alternatively, how they can receive a printed copy of those materials. Shareholders will also receive a proxy or a voting instruction form enabling them to vote at the Meeting. The Meeting materials will be posted on the following website: <https://ausa-corp.com/news/> as of November 17, 2021, and will remain on the website for one (1) year thereafter.

The Meeting materials will also be available under the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com) as of November 17, 2021. The use of Notice-and-Access is an environmentally friendly and cost effective way to distribute the materials for the Meeting because it reduces printing, paper and postage.

## **Solicitation of Proxies**

The cost of solicitation by or on behalf of management will be borne by the Corporation. The Corporation may reimburse brokers, custodians, nominees and other fiduciaries for their reasonable charges and expenses incurred in forwarding the proxy material to beneficial owners of Common Shares. It is expected that such solicitation will be primarily by mail. In addition to solicitation by mail, certain officers, directors and employees of the Corporation may solicit proxies by telephone or personally. These persons will receive no compensation for such solicitation other than their regular salaries.

## **Appointment of Proxy Holders**

The Common Shares represented by the accompanying form of proxy (if the same is properly executed in favour of Terry Booth, Chief Executive Officer ("**CEO**") of the Corporation or failing him, Jason Dyck, Chief Science Officer of the Corporation, collectively the management nominees, and is received at the offices of Odyssey Trust Company ("**Odyssey**") not later than Wednesday, December 15, 2021, at 11:00AM (PDT) or, if the Meeting is adjourned, not later than 48 hours, excluding Saturdays, Sundays and holidays, preceding the time of such adjourned Meeting) will be voted at the Meeting, and where a choice is specified in respect of any matter to be acted upon, will be voted in accordance with the specifications made. In the absence of such a specification, such Common Shares will be voted in favour of such matter. The form of proxy sets out specific instructions for completing and returning the proxy in order to be properly counted at the Meeting.

The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the annexed notice of Meeting, and with respect to other matters which may properly come before the Meeting. At the date hereof, management of the Corporation knows of no such amendments, variations or other matters.

Each Shareholder has the right to appoint a person other than the persons named in the accompanying form of proxy, who need not be a Shareholder, to attend and act for him or her and on his or her behalf at the Meeting. Any Shareholder wishing to exercise such right may do so by inserting in the blank space provided in the accompanying form of proxy the name of the person whom such Shareholder wishes to appoint as proxy and by duly depositing such proxy, or by duly completing and depositing another proper form of proxy.

A Shareholder who has given a proxy may revoke it at any time insofar as it has not been exercised. A proxy may be revoked, as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by instrument in writing executed by the Shareholder or by his or her attorney authorized in writing or, if the Shareholder is a body corporate, by an officer or attorney thereof duly authorized, and deposited with the Corporation c/o Odyssey at the address set out in the proxy, at any time up to and including the close of business on December 16, 2021, or thereafter with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, and upon either of such deposits the proxy is revoked. A proxy may also be revoked in any other manner permitted by law.

### **Registered Shareholders**

If you are a registered Shareholder, you may wish to vote by proxy whether or not you attend the Meeting. Registered Shareholders electing to submit a proxy may do so by completing, dating and signing the enclosed form of proxy and returning it to the Corporation's transfer agent, Odyssey, not later than 48 hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting or any adjournment thereof.: (i) by mail in the enclosed postage prepaid envelope; (ii) by internet at <https://login.odysseytrust.com/pxlogin>; or (iii) by delivery in person to 702-67 Yonge St., Toronto ON M5E 1J8. Notwithstanding the foregoing, the chair of the Meeting has the discretion to accept proxies received after such deadline. The time limit for deposit of proxies may be waived or extended by the chair of the Meeting at his or her discretion, without notice.

In all cases, to be represented at the Meeting, proxies submitted must be received no later than 48 hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting or any adjournment thereof.

### **Beneficial Shareholders**

The information set forth in this section is of significant importance to many Shareholders as a substantial number of the Shareholders do not hold Common Shares in their own names. A Shareholder is a non-registered Shareholder (referred to in this Circular as "**Beneficial Shareholders**") if: (i) an intermediary (such as a bank, trust company, securities dealer or broker, trustee or administrator of a registered retirement savings plan, registered retirement income fund, deferred profit sharing plan, registered education savings plan, registered disability savings plan or tax-free savings account), or (ii) a clearing agency (such as CDS Clearing and Depository Services Inc.), of which the intermediary is a participant (in each case, an "**Intermediary**"), holds Common Shares on behalf of the Shareholder.

In accordance with NI 54-101, the Corporation is distributing copies of a voting instruction form in lieu of a proxy provided by the Corporation, to Intermediaries for distribution to Beneficial Shareholders and such Intermediaries are to forward a voting instruction form in lieu of a proxy provided by the Corporation, to each Beneficial Shareholder (unless the Beneficial Shareholder has declined to receive such materials). Applicable regulatory policy requires Intermediaries to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every Intermediary has its own mailing procedures and provides its own return instructions, which should

be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often the form of proxy supplied to a Beneficial Shareholder by its Intermediary is identical to the form of proxy provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholders how to vote on behalf of the Beneficial Shareholder.

Intermediaries often use a service company (such as Broadridge Financial Solutions Inc. ("**Broadridge**")), to permit the Beneficial Shareholders to direct the voting of the Common Shares held by the Intermediary on behalf of the Beneficial Shareholder. The Corporation is paying Broadridge to deliver, on behalf of the Intermediaries, a copy of a voting instruction form in lieu of a proxy provided by the Corporation, to each "non-objecting beneficial owner" and each "objecting beneficial owner" (as those terms are defined in NI 54-101). Broadridge mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. A Beneficial Shareholder cannot use the voting instruction form to vote shares directly at the Meeting. The voting instruction form must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted.

Since the Corporation does not have access to the names of its non-registered Shareholders, if a Beneficial Shareholder attends the Meeting, the Corporation will have no record of the Beneficial Shareholder's shareholdings or of its entitlement to vote unless the Beneficial Shareholder's nominee has appointed the Beneficial Shareholder as proxyholder. Therefore, a Beneficial Shareholder who wishes to vote by attending the Meeting must insert its own name in the space provided on the voting instruction form sent to the Beneficial Shareholder by its nominee, and sign and return the voting instruction form by following the signing and returning instructions provided by its nominee. By doing so, the Beneficial Shareholder will be instructing its nominee to appoint the Beneficial Shareholder as proxyholder. The Beneficial Shareholder should not otherwise complete the voting instruction form as its vote will be taken at the Meeting.

### **Notice-and-Access**

As noted above, the Corporation is utilizing the Notice-and-Access provisions under NI 54-101 and NI 51-102 for distribution to this Meeting materials to Beneficial Shareholders and for Registered Shareholders. The Notice-and-Access provisions allow reporting issuers to post electronic versions of proxy-related materials on-line, via the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and one other website, rather than mailing paper copies of such materials to Shareholders. Electronic copies of the Meeting materials may be found on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com) and on the following website: <https://ausa-corp.com/news/>.

The Corporation will not use procedures known as "stratification" in relation to the use of Notice-and-Access provisions. Stratification occurs when a reporting issuer using the Notice-and-Access provisions provides a paper copy of the Meeting materials to certain Shareholders with notice and access notice for other Shareholders. Shareholders are reminded to review this Circular before voting.

The Corporation anticipates that relying on the Notice-and-Access provisions will directly benefit the Corporation through a reduction in both postage and material costs, and also promote environmental responsibility by decreasing the large volume of paper documents generated by printing proxy-related materials.

Shareholders with questions about the Notice-and-Access provisions can call the Corporation's transfer agent, Odyssey, at by calling toll-free at 1(888) 290-1175 (within North America) or 1(587) 885-0960 (outside of North America).

Registered and beneficial Shareholders may obtain paper copies by calling Odyssey at by calling toll-free at 1(888) 290-1175 (within North America) or 1(587) 885-0960 (outside of North America).



A request for paper copies (which are required in advance of the Meeting) should be sent so that they are received by Odyssey by December 7, 2021 in order to allow sufficient time for Shareholders to receive their paper copies and to return (a) their form of proxy; or (b) their voting instruction form to their Intermediaries by the deadline for submitting their proxy or voting instruction form, as applicable.

### **Notice to Shareholders in the United States**

The solicitation of proxies involves securities of an issuer located in Canada and is being effected in accordance with the corporate laws of the *Business Corporations Act* (Alberta), and securities laws of the provinces of Canada. The proxy solicitation rules under the United States Securities Exchange Act of 1934, as amended, are not applicable to the Corporation or this solicitation, and this solicitation has been prepared in accordance with the disclosure requirements of the securities laws of the provinces of Canada. Shareholders should be aware that disclosure requirements under the securities laws of the provinces of Canada differ from the disclosure requirements under United States securities laws.

Canadian public companies are required to prepare financial statements in accordance with IFRS. Accordingly, the financial statements and related notes included herein for the Corporation have been prepared in accordance with IFRS and are subject to auditing and auditor independence standards in Canada, and thus are not comparable to financial statements and related notes of United States companies prepared in accordance with United States generally accepted accounting principles and the related rules and regulations of the Securities and Exchange Commission.

The enforcement by Shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Corporation is incorporated under the *Business Corporations Act* (Alberta), certain of its directors and its executive officers are residents of Canada and a substantial portion of its assets and the assets of such persons are located outside the United States. Shareholders may not be able to sue a foreign company or its officers or directors in a foreign court for violations of United States federal securities laws. It may be difficult to compel a foreign company and its officers and directors to subject themselves to a judgment by a United States court.

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

No director or executive officer of the Corporation, or any person who has held such a position since the beginning of the last completed financial year of the Corporation, nor any nominee for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors and the approval of the Option Plan and Restricted Share Unit Plan, described herein.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

The board of directors (the "**Board**") of the Corporation has fixed November 2, 2021 as the record date (the "**Record Date**") for determining persons entitled to receive notice and to vote at the Meeting. Only those Shareholders who are recorded as such holders as at the close of business on the Record Date may attend the Meeting or complete, sign and deliver a form of proxy in the manner and subject to the provisions described above and have their Common Shares voted at the Meeting.

The Common Shares of the Corporation are listed for trading on the Canadian Securities Exchange (the "**CSE**") and on the OTCQB Venture Market, which is operated by the OTC Markets Group Inc. The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares. As of November 2, 2021, there were 269,270,636 Common Shares issued and outstanding, each carrying the right to one (1) vote per Common Share. There are no Preferred Shares issued and outstanding. No group of Shareholders has

the right to elect a specified number of directors, nor are there cumulative or similar voting rights attached to the Common Shares or the Preferred Shares.

As at the Record Date, to the knowledge of directors and officers of the Corporation, the following persons beneficially owned, directly or indirectly, or exercised control or direction over, more than 10% of the Common Shares.

Name and place of business	Number of Common Shares held	Percentage
Terry Booth <sup>(1)</sup>	34,603,166	12.5%
Thomas Larssen	29,900,000	11.1%

Notes:

- (1) 2,916,872 Common Shares are held by Terry Booth directly and 30,686,294 Common Shares are held by Terry Booth indirectly through Lola Ventures Inc.

## VOTES NECESSARY TO PASS RESOLUTIONS

Unless otherwise stated, a simple majority of affirmative votes cast at the Meeting is required to pass the resolutions described herein. If there are more nominees for election as directors than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled.

## PRESENTATION OF FINANCIAL STATEMENTS

The annual financial statements of the Corporation for the financial year ended March 31, 2021, together with the auditor's report thereon and the related management's discussion and analysis, all of which may be obtained from SEDAR at [www.sedar.com](http://www.sedar.com), will be presented to Shareholders at the Meeting.

## PARTICULARS OF MATTERS TO BE ACTED UPON

### A. Election of Directors

At the Meeting, Shareholders of the Corporation will be asked to fix the number of directors of the Corporation at six (6).

The term of office of each of the current directors will end at the conclusion of the Meeting. Unless a director's office is earlier vacated in accordance with the provisions of the *Business Corporations Act* (Alberta), each director elected will hold office until the conclusion of the next annual meeting of the Corporation or, if no director is then elected, until a successor is elected.

### Advance Notice

Pursuant to the Corporation's Bylaws, nominations of persons for election to the Board may be made by a proposal made in accordance with the *Business Corporations Act* (Alberta) or a requisition of a Shareholder meeting by one or more of the Shareholders made in accordance with the provisions of the *Business Corporations Act* (Alberta) in circumstances where nominations of persons for election to the Board are made by Shareholders. Nominations of persons for election to the Board may also be made by any person (a "**Nominating Shareholder**") by giving timely notice in proper written form ("**Nominating Notice**") to the Corporation provided that such Nominating Shareholder is, at the close of business on the date of giving such Nominating Notice and at the close of business

on the Record Date, a registered or beneficial owner of one or more shares carrying the right to vote at such meeting. The information required in the Nominating Notice is set out in the Corporation's Bylaws.

For a nomination made by a Nominating Shareholder to be timely notice (a "**Timely Notice**"), the Nominating Shareholder's notice must be received by the secretary of the Corporation:

- (a) in the case of an annual meeting of Shareholders (including an annual and special meeting), not later than close of business on the 30th day prior to the date of the annual meeting of Shareholders; provided, however, that in the event that the annual meeting of Shareholders is to be held on a date that is less than 50 days after the date (the "**Notice Date**") on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the 10th day following the Notice Date; and
- (b) in the case of a special meeting (which is not also an annual meeting) of Shareholders called for any purpose which includes the election of directors, not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting is made by the Corporation;

provided that, in either instance, if notice-and-access (as defined in National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*) is used for delivery of proxy related materials in respect of a meeting, and the Notice Date in respect of the meeting is not less than 50 days prior to the date of the applicable meeting, the notice must be received not later than the close of business on the 40th day before the applicable meeting (but in any event, not prior to the Notice Date); provided, however, that in the event that the meeting is to be held on a date that is less than 50 days after the Notice Date, notice by the Nominating Shareholder shall be made, in the case of an annual meeting of Shareholders, not later than the close of business on the 10th day following the Notice Date and, in the case of a special meeting of Shareholders, not later than the close of business on the 15th day following the Notice Date.

In the event of an adjournment or postponement of an annual meeting or special meeting of Shareholders or any announcement thereof, a new time period shall commence for the giving of a Timely Notice.

The following table sets out the names of management's six (6) nominees for election as directors (the "**Proposed Directors**"), all major offices and positions with the Corporation and any of its significant affiliates each now holds, each nominee's principal occupation, business or employment (for the five (5) preceding years), the period of time during which each has been a director of the Corporation and that number of Common Shares beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at the Record Date.

Name and Residence of Proposed Directors	Principal Occupation and Present Offices Held	Director Since	Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly <sup>(4)</sup>
<b>Terry Booth</b> Alberta, Canada	CEO of the Corporation from March 9, 2021 to present  Chief Executive Officer and Co-Founder of Aurora Cannabis Inc. (October 2013 – February 2020)	March 9, 2021	34,603,166 <sup>(5)</sup>

Name and Residence of Proposed Directors	Principal Occupation and Present Offices Held	Director Since	Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly <sup>(4)</sup>
<b>Dr. Jason Dyck, PhD</b> <sup>(2)(3)</sup> Alberta, Canada	Chief Science Officer of the Corporation since April 12, 2021 Professor in the Department of Pediatrics and the Director of the Cardiovascular Research Centre at the University of Alberta since 1999.	November 17, 2020	1,691,375 <sup>(6)</sup>
<b>Hanoz Kapadia</b> <sup>(1)(3)</sup> Ontario, Canada	Managing Partner, Kapadia & Associates since 2003.	November 17, 2020	Nil
<b>Avi Geller</b> <sup>(1)(2)</sup> New York, USA	Interim Chief Executive Officer of Parkit Enterprise Inc. since October 30, 2018. Currently the Chief Investment Officer of Leonite Capital LLC since 2017. Chief Operating Officer of FirstFire Capital from 2015 to 2016.	November 17, 2020	Nil
<b>John Esteireiro</b> <sup>(1)(2)</sup> Ontario, Canada	Principal and Head of Equities at Eight Capital (formerly Dundee Securities Inc.) since September 2015.	November 17, 2020	800,000 <sup>(7)</sup>
<b>Duke Fu</b> <sup>(3)</sup> Nevada, USA	Chief Operating Officer since March 9, 2021. Interim CEO from November 17, 2020 to March 8, 2020. CEO and Founder, Green Therapeutics since March, 2015	November 17, 2020	16,328,505

Notes:

- (1) Member of the Audit Committee of the Board.
- (2) Member of the Compensation and Nominating Committee of the Board.
- (3) Member of the Governance Committee of the Board.
- (4) The information as to principal occupation and Common Shares beneficially owned or over which control or direction is exercised is not within the knowledge of the Corporation, and therefore has been sourced from SEDI filings and information provided by the respective director.
- (5) 2,916,872 Common Shares are held by Mr. Booth directly and 31,686,294 Common Shares are held by Mr. Booth indirectly through Lola Ventures Inc.
- (6) 377,270 Common Shares are held directly by Mr. Dyck and 1,314,105 Common Shares are held indirectly by 748086 Alberta Ltd.
- (7) 800,000 Common Shares are held by Elise Coppens (spouse of John Esteireiro).

## Director Biographies

### 1. Terry Booth

- One of the two founders of Aurora Cannabis Inc. in 2013 and was instrumental in Aurora's development from its infancy into one of the world's largest and fastest growing cannabis companies, valued at \$18B at its peak, with a focus on providing high-quality medical and adult usage cannabis.

- More than 25 years of experience in creating, growing and leading companies in highly regulated industries and was instrumental in Aurora receiving its initial licensing and approval from Health Canada to produce medical cannabis, as well as building the company's state of the art cultivation facility, Aurora Sky.
- Currently sits on the board of Psyched Wellness Ltd. and Binovi Technologies Corp. and has sat on the board of other organizations, including Radiant Technologies, Fiber Inc. and Alcanna (formerly Liquor Stores N.A.).
- Served as President/CEO of Superior Safety Codes Inc, which was recognized as one of Canada's top 50 fastest-growing companies.

2. Dr. Jason Dyck, PhD

- Professor in the Department of Pediatrics and the Director of the Cardiovascular Research Centre at the University of Alberta.
- Former Research and Science team lead at Aurora Cannabis Inc. (TSX: ACB)
- Canada Research Chair in Molecular Medicine, having published over 230 peer-reviewed research papers in this area.
- Extensive experience in the field of drug discovery and commercialization and co-founder of a successful University of Alberta spin-off company, currently holds more than 100 patents and has numerous collaborations with large pharmaceutical companies.
- Serves on the board of Nutritional High International Inc. (CSE: EAT), a U.S. multi-state cannabis company engaged in the manufacturing, branding and distribution of cannabis consumer products.
- Also served on the board of CTT Pharmaceutical Holdings, Inc., and is the Co-chairman of the National Research Council at Diabetes Canada.
- Received a PhD in Medical Sciences from the University of Alberta in 1995 and trained at Dartmouth Medical School (Hanover, New Hampshire) and Baylor College of Medicine (Houston, Texas).

3. Hanoz Kapadia

- Managing Partner at Kapadia & Associates and was formerly with PwC (PriceWaterhouseCoopers).
- Experienced entrepreneur, with over 23 years of experience advising on regulatory, tax and finance matters in public, private, and non-profit enterprises.
- Former Chair of Finance and Governance at the Ontario Cannabis Retail Corporation, Former Chair of the By-law review committee and has also previously served as interim Chairman of the Board of Directors at the Ontario Cannabis Retail Corporation.
- Serves on the Board at AI – LP, a firm focused on early stage technology start-ups, and is currently the Chair of the Advisory Board at Huex Labs, a leading artificial intelligence company.
- Former member of the Board at Optimal Research Corporation.
- Holds a Bachelor of Arts from the University of Waterloo and a Masters of Accounting from the University of Waterloo.

4. Avi Geller

- Extensive experience in the small and microcap markets and has worked on a variety of debt, equity and hybrid deals across all industries.
- Chief Investment Officer, Leonite Capital LLC, a diversified family office investment vehicle with extensive holdings in real estate, venture capital, private equity, public equities (with a focus on small-cap and micro-cap public companies), alternative lending, and hedge funds.
- Interim CEO and Executive Director, Parkit Enterprise Inc. (TSXV: PKT), a company engaged in the acquisition, optimization and asset management of income producing parking facilities across North America.
- Non-Executive Director, Nova Minerals Ltd. (ASX: NVA), a mining company based in Australia focused on gold exploration.
- Member, Board of Directors, DealFlow Financial Products Inc., an information services provider to investment banks, investment funds and financial services companies.

5. John Esteireiro

- Principal and Head of Equities at Eight Capital (formerly Dundee Securities Inc.), a leading independent full-service brokerage firm in Canada.
- Head of Canadian Institutional Equity Trading at Canaccord Genuity.
- Founding partner and Head of Equity Trading at Genuity Capital Markets, a firm Mr. Esteireiro helped develop into one of Canada's leading independent brokerage firms.
- Managing Director and Head of Institutional Equity Trading at CIBC World Markets.
- Director at Skyline Agricultural Financial Corp., a private corporation focused on helping to finance the next generation of farmers.
- Received a Bachelor of Commerce from the University of Toronto.

6. Duke Fu

- Extensive executive, management, and entrepreneurial experience from Fortune 500 to start-up companies. Successful skillset in large scale pharmaceutical manufacturing and brand building.
- Co-founder and current CEO of Green Therapeutics, a premier cannabis cultivation and manufacturing company operating in Nevada since 2015. Green Therapeutics has developed multiple High Times Cup award winning cannabis brands and products.
- Former President of MedMen Enterprises responsible for driving early strategic and operational direction for one of the best-known brands in cannabis.
- Holds a Doctor of Pharmacy and MBA from University of New Mexico and member of the Board-Certified Nuclear Pharmacists (BCNP) in the state of Nevada.
- Former Manager and Equity Partner of Biotech Pharmacy, one of the largest independent nuclear pharmacy chains in the Southwest of the United States. In 2009, Biotech Pharmacy exited to healthcare giant Cardinal Health (ranked 19th on the Fortune 500 list).

- Co-founder of Duopross, a large-scale FDA approved medical device manufacturer awarded the largest U.S. Department of Defence contract for syringes. Duopross manufactures devices for the largest pharmaceutical companies in the world such as GE, Pfizer, and Cardinal Health.
- Co-owner of lifestyle brand Crate and Secret Service. As manufactures and retailers of clothing and motorcycles, Crate was carried by retailers such as Barneys, Urban Outfitters, and Neiman Marcus. The company white labeled for high end designers such as Thom Browne.

#### *Corporate Cease Trade Orders*

Other than as set out below, to the best of the knowledge of the Corporation and based upon information provided to it by each of the Proposed Directors for election to the Board, no Proposed Director of the Corporation is, as at the date hereof, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

- (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued while the Proposed Director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued after the Proposed Director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

On August 5, 2021 the Corporation was subject to a cease trade order issued by the British Columbia Securities Commission as a result of the Corporation having not filed its audited annual financial statements and related management's discussion and analysis for the financial year ended March 31, 2021. The cease trade order was subsequently lifted by the British Columbia Securities Commission. At the time of the cease trade order, each of the Proposed Directors was a director of the Corporation.

#### *Bankruptcies and Other Proceedings*

No Proposed Director of the Corporation is, as at the date hereof, or has been within 10 years prior to the date hereof, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No Proposed Director of the Corporation has, within the 10 years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the Proposed Director.

#### *Penalties and Sanctions*

No Proposed Director of the Corporation has been subject to:

- (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

- (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important in deciding whether to vote for a Proposed Director.

**B. Appointment of Auditors and Fixing the Remuneration**

Unless authority to vote is withheld, the persons named in the accompanying form of proxy intend to vote for the appointment of Baker Tilly, formerly known as Squar Milner LLP, as the auditor of the Corporation, to hold office until the next annual meeting of the Shareholders, and to authorize the directors to fix the auditor's remuneration.

**Shareholders will be asked to approve the resolution appointing the auditors and authorizing the directors to fix their remuneration. To be approved, the resolution must be passed by the majority of the votes cast by the holders of Common Shares at the Meeting. Management recommends a vote FOR in respect of the resolution approving the appointment of the auditor and authorizing the directors to fix the auditor's remuneration.**

**C. Stock Option Plan**

Management of the Corporation is seeking Shareholder approval at the Meeting of the Option Plan of the Corporation (the "**Option Plan**"). A summary of the material terms of the Option Plan are set out under the heading "*Executive Compensation - Stock Options and Other Compensation*". A copy of the Option Plan is also attached as Schedule "A" to this Circular.

The purpose of the Option Plan is to provide the Corporation with a share related mechanism to enable the Corporation to attract, retain and motivate qualified directors, officers, employees and other service providers to reward directors, officers, employees and other service providers for their contribution toward the long term goals of the Corporation and to enable and encourage such individuals to acquire Common Shares of the Corporation as long term investments.

The Board has approved the following grants under the Option Plan, subject to ratification by the Shareholders at the Meeting.

<b>Name</b>	<b>Grant Date</b>	<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date (M/D/Y)</b>
Gordon Bonisteel	October 14, 2021	700,000	\$0.18	10/14/2026
Joanna Dooley	September 7, 2021	150,000	\$0.30	9/7/2026
Anthony Bendana	July 19, 2021	350,000	\$0.29	7/19/2026
Ben Koppel	July 19, 2021	250,000	\$0.29	7/19/2026
Marc Lakmaaker	July 9, 2021	1,000,000	\$0.28	7/9/2026
Vince Fields	July 7, 2021	125,000	\$0.32	7/7/2026
Johannes van der Knaap	June 28, 2021	1,000,000	\$0.25	6/28/2026
Maximilian Weinberg	June 21, 2021	350,000	\$0.25	6/21/2026
Joseph Fiorentino	June 07, 2021	300,000	\$0.30	6/07/2026
Leah Bailey	May 17, 2021	1,800,000	\$0.28	5/17/2026
Angie Lim	March 24, 2021	300,000	\$0.50	3/24/2026
Chad Carlton	March 24, 2021	250,000	\$0.50	3/24/2026



<b>Name</b>	<b>Grant Date</b>	<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date (M/D/Y)</b>
Duke Fu	March 24, 2021	1,600,000	\$0.50	3/24/2026
Jesse Bostic	March 24, 2021	600,000	\$0.50	3/24/2026
Kevin Roblek	March 24, 2021	250,000	\$0.50	3/24/2026
Michael Cchum	March 24, 2021	300,000	\$0.50	3/24/2026
Ronald Gertz	March 24, 2021	300,000	\$0.50	3/24/2026
Waldo Aguinaldo	March 24, 2021	300,000	\$0.50	3/24/2026
Paul Larsen	March 15, 2021	600,000	\$0.50	3/15/2026
Terry Booth	March 8, 2021	2,500,000	\$0.50	3/8/2026
Roger Sykes	March 8, 2021	1,380,000	\$0.50	3/8/2026
David Chuong	March 8, 2021	920,000	\$0.50	3/8/2026
Jeremy Kamenschik	March 8, 2021	460,000	\$0.50	3/8/2026
Christine Warren	March 8, 2021	920,000	\$0.50	3/8/2026
Whitney Montgomery	March 8, 2021	460,000	\$0.50	3/8/2026
Thomas Larssen	March 8, 2021	2,500,000	\$0.50	3/8/2026
David Riseborough	March 8, 2021	1,200,000	\$0.50	3/8/2026
Joel Fuzat	March 8, 2021	1,200,000	\$0.50	3/8/2026
Paul Haskins	March 8, 2021	900,000	\$0.50	3/8/2026
Rani Sammour	March 8, 2021	900,000	\$0.50	3/8/2026
Chirag Soni	March 8, 2021	900,000	\$0.50	3/8/2026
Pete vander Lugt	March 8, 2021	600,000	\$0.50	3/8/2026
Brooke Turner	March 8, 2021	300,000	\$0.50	3/8/2026
Ryan McEachran	March 8, 2021	300,000	\$0.50	3/8/2026
Stephanie Holder	March 8, 2021	300,000	\$0.50	3/8/2026
Taylor Mantel	March 8, 2021	300,000	\$0.50	3/8/2026
Steve Lambert	February 8, 2021	450,000	\$0.40	2/8/2026
Jon Paul	December 30, 2021	2,000,000	\$0.20	12/31/2023
Duke Fu	December 7, 2020	700,000	\$0.19	12/7/2025
Hanoz Kapadia	December 7, 2020	950,000	\$0.19	12/7/2025
Jason Dyck	December 7, 2020	700,000	\$0.19	12/7/2025
Avi Geller	December 7, 2020	500,000	\$0.19	12/7/2025
John Esteireiro	December 7, 2020	500,000	\$0.19	12/7/2025
Adam Szweras	December 7, 2020	500,000	\$0.19	12/7/2025

At the Meeting, the Shareholders will be asked to consider and, if deemed advisable, to pass an ordinary resolution to ratify and approve the Option Plan and the above noted grants thereunder, with or without variation, as follows:

**"BE IT HEREBY RESOLVED** by ordinary resolution of the Shareholders of Australis Capital Inc. (the "**Corporation**") that:

1. The Corporation's Option Plan in the form attached to the management information circular of the Corporation dated November 2, 2021, is hereby authorized, approved and adopted;
2. The grant of common share purchase options under the Option Plan enumerated under the heading "Stock Option Plan" in the management information circular of the Corporation dated November 2, 2021, is hereby ratified; and
3. Any one or more of the directors or officers of the Corporation be authorized to perform all such acts, deeds, and things and execute, under the corporate seal of the Corporation or otherwise, all such documents as may be required to give effect to this resolution."

The Board unanimously recommends Shareholders vote **FOR** the above resolution approving the Corporation's Option Plan (the "**Option Plan Resolution**").

**Unless otherwise directed to the contrary, it is the intention of the persons named in the enclosed form of proxy to vote proxies IN FAVOUR of the ordinary resolution approving the Option Plan Resolution. The ordinary resolution must be approved by not less than a majority of the votes cast by Shareholders who are present in person or by proxy at the Meeting.**

#### **D. Restricted Share Unit Plan**

Management of the Corporation is seeking Shareholder approval at the Meeting of the Restricted Share Unit Plan ("**RSU Plan**"). A summary of the material terms of the RSU Plan are set out under the heading "*Executive Compensation - Stock Options and Other Compensation*". A copy of the RSU Plan is also attached as Schedule "B" to this Circular.

At the Meeting, the Shareholders will be asked to consider and, if deemed advisable, to pass an ordinary resolution to ratify and approve the RSU Plan, with or without variation, as follows:

**"BE IT HEREBY RESOLVED** by ordinary resolution of the Shareholders of Australis Capital Inc. (the "**Corporation**") that:

1. The Corporation's Restricted Share Unit Plan in the form attached to the management information circular of the Corporation dated November 2, 2021, is hereby authorized, approved and adopted; and
2. Any one or more of the directors or officers of the Corporation be authorized to perform all such acts, deeds, and things and execute, under the corporate seal of the Corporation or otherwise, all such documents as may be required to give effect to this resolution."

The Board unanimously recommends Shareholders vote **FOR** the above resolution approving the Corporation's RSU Plan (the "**RSU Plan Resolution**").

**Unless otherwise directed to the contrary, it is the intention of the persons named in the enclosed form of proxy to vote proxies IN FAVOUR of the ordinary resolution approving the RSU Plan Resolution. The ordinary resolution must be approved by not less than a majority of the votes cast by Shareholders who are present in person or by proxy at the Meeting.**

## **AUDIT COMMITTEE**

National Instrument 52-110 -*Audit Committees* ("**NI 52-110**") requires the Corporation, as a venture issuer, to disclose annually in its management proxy circular certain information concerning the constitution of its Audit Committee and its relationship with its independent auditor all as set forth herein below.

### ***The Audit Committee's Charter***

The Corporation's Audit Committee (the "**Audit Committee**") has a Charter. A copy of the Audit Committee Charter is attached as Schedule "C" to this Circular.

### ***Composition of the Audit Committee***

The current members of the Corporation's Audit Committee are Hanoz Kapadia (Chair), Avi Geller and John Esteireiro. All Audit Committee members are considered to be "independent" and "financially literate" within the meaning of NI 52-110.

An Audit Committee member is independent if the member has no direct or indirect material relationship with the Corporation that could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

An Audit Committee member is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

### ***Relevant Education and Experience***

See the disclosure under the heading "*Particulars of Matters to be Acted Upon – Election of Directors*" above pertaining to relevant education and experience of the Corporation's Audit Committee members.

Each member of the Audit Committee has adequate education and experience that is relevant to their performance as an Audit Committee member and, in particular, the requisite education and experience that have provided the member with:

- (i) an understanding of the accounting principles used by the issuer to prepare its financial statements and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;
- (ii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer's financial statements, or experience actively supervising individuals engaged in such activities; and
- (iii) an understanding of internal controls and procedures for financial reporting.

### ***Audit Committee Oversight***

The Audit Committee has not made any recommendations to the Board to nominate or compensate any auditor other than its current auditor, Baker Tilly LLP, or its former auditor, MNP LLP.

### ***Reliance on Certain Exemptions***

Neither the Corporation's current auditor, Baker Tilly LLP, nor the Corporation's former auditor, MNP LLP, has provided any material non-audit services to the Corporation, therefore the Corporation has not relied on any exemption in Section 2.4 of NI 52-110.

### ***Pre-Approval Policies and Procedures***

See the Corporation's Audit Committee Charter for policies and procedures for the engagement of non-audit services.

### ***External Auditor Service Fees***

The Audit Committee reviewed the nature and amount of the non-audit services provided by Baker Tilly LLP and MNP LLP to the Corporation to ensure auditor independence. On November 9, 2019 MNP LLP was removed as auditors of the Corporation and Baker Tilly LLP were appointed auditors of the Corporation. Fees incurred with Baker Tilly LLP and MNP LLP for audit and non-audit services in the last two fiscal years for audit fees are outlined in the following table:

<b>Nature of Services</b>	<b>Fees Paid to Auditor in Year Ended March 31, 2021</b>	<b>Fees Paid to Auditor in Year Ended March 31, 2020</b>
Audit Fees <sup>(1)</sup>	US\$172,000	US\$90,000
Audit-Related Fees <sup>(2)</sup>	Nil	Nil
Tax Fees <sup>(3)</sup>	Nil	Nil
All Other Fees <sup>(4)</sup>	Nil	US\$25,000
<b>Total</b>	<b>US\$172,000</b>	<b>US\$115,000</b>

Notes:

(1) "**Audit Fees**" include fees necessary to perform the annual audit of the Corporation's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) "**Audit-Related Fees**" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

(3) "**Tax Fees**" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions and requests for rulings or technical advice from tax authorities.

(4) "**All Other Fees**" include all other non-audit services. The fees related to consultation on the *United States Investment Company Act of 1940*.

### **Exemption**

Under National Instrument 52-110 - *Audit Committees* ("**NI 52-110**") the Corporation is a "venture issuer", however, the Corporation is not relying upon the exemption pursuant to section 6.1 relating to Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations) of NI 52-110 as all three members of the Corporation's Audit Committee are independent.

## **EXECUTIVE COMPENSATION**

### **General**

The following compensation information is provided as required under Form 51-102F6V for Venture Issuers (the "**Form**"), as such term is defined in NI 51-102.

For the purposes of this Statement of Executive Compensation:

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

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

- (a) each individual who, in respect of the Corporation, during any part of the most recently completed financial year, served as chief executive officer ("**CEO**"), including an individual performing functions similar to a CEO;
- (b) each individual who, in respect of the Corporation, during any part of the most recently completed financial year, served as chief financial officer ("**CFO**"), including an individual performing functions similar to a CFO;
- (c) in respect of the Corporation and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000 for that financial year;
- (d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the Corporation, requirements and was not acting in a similar capacity, at the end of that financial year.

During the financial year ended March 31, 2021, based on the definition above, the NEOs of the Corporation were

Terry Booth, current CEO; Jon Paul, current CFO; Duke Fu, current Chief Operations Officer, former CEO; Harry DeMott, former CEO; Cleve Tzung, former CEO; Alex Han, former CFO; and Scott Dowty, former CEO.

### Director and NEO compensation

The following table sets forth all annual and long term compensation for services paid to or earned by each of the NEOs and directors during the Corporation's two most recent financial years ended March 31, 2021 and 2020. The compensation set out below is only in respect of compensation earned by an NEO while they were serving as an NEO, notwithstanding that they may have held different positions with the Corporation prior to or after serving as an NEO.

Table of compensation excluding compensation securities					
Name and position	Year Ended March 31	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)
Terry Booth <sup>(1)</sup> CEO and Director	2021	CA\$10,385	Nil	Nil	Nil
	2020	N/A	N/A	N/A	N/A
Jon Paul <sup>(2)</sup>	2021	US\$43,077	Nil	Nil	Nil

CFO	2020	N/A	N/A	N/A	N/A
Duke Fu <sup>(3)</sup>	2021	US\$61,235	Nil	US\$35,000	Nil
Chief Operations Officer, Director and former CEO	2020	N/A	N/A	N/A	N/A
Jason Dyck <sup>(4)</sup>	2021	N/A	Nil	CA\$35,000	Nil
Director and Chief Science Officer	2020	N/A	N/A	N/A	N/A
Avi Geller <sup>(5)</sup>	2021	Nil	Nil	US\$35,000	Nil
Director	2020	N/A	N/A	N/A	N/A
Hanoz Kapadia <sup>(6)</sup>	2021	Nil	Nil	CA\$35,000	Nil
Director	2020	N/A	N/A	N/A	N/A
John Esteireiro <sup>(7)</sup>	2021	Nil	Nil	CA\$35,000	Nil
Director	2020	N/A	N/A	N/A	N/A
Harry DeMott <sup>(8)</sup>	2021	US\$26,308	Nil	Nil	Nil
Former Director and former CEO	2020	N/A	US\$40,000	N/A	N/A
Cleve Tzung <sup>(9)</sup>	2021	US\$168,945	Nil	Nil	Nil
Former CEO	2020	US\$270,536	US\$242,697	N/A	N/A
Alex Han <sup>(10)</sup>	2021	US\$152,225	Nil	Nil	Nil
Former CFO	2020	US\$230,034	US\$198,767	N/A	N/A
Scott Dowty <sup>(11)</sup>	2021	US\$109,108	Nil	Nil	Nil
Former CEO	2020	US\$332,557	US\$297,511	N/A	N/A
Roger Swainson <sup>(12)</sup>	2021	Nil	Nil	Nil	Nil
Former Director	2020	Nil	Nil	Nil	Nil
John Dover <sup>(13)</sup>	2021	Nil	Nil	Nil	Nil
Former Director	2020	Nil	Nil	Nil	Nil

Notes:

- (1) Mr. Booth was appointed CEO and became a director of the Corporation on March 9, 2021. Mr. Booth received nil compensation for his role as director of the Corporation in the fiscal year 2021.
- (2) Mr. Paul was appointed as the CFO on January 1, 2021.
- (3) Dr. Fu was appointed as a Director on November 18, 2020. Mr. Fu served as CEO from December 18, 2020 to March 9 2021. Mr. Fu was appointed Chief Operating Officer on March 9, 2021 and his compensation in respect of such position has been excluded from the table. Mr. Fu received \$35,000 compensation for his role as director of the Corporation in the fiscal year 2021.
- (4) Mr. Dyck was appointed as a Director on November 18, 2020. Mr. Dyck was appointed Chief Science Officer on April 12, 2021.
- (5) Mr. Geller was appointed as a Director on November 18, 2020.
- (6) Mr. Kapadia was appointed as a Director on November 18, 2020.
- (7) Mr. Esteireiro was appointed as a Director on November 18, 2020.
- (8) Mr. DeMott served as a Director from April 13, 2019 to November 18, 2020 and as the CEO from September 30, 2020 to December 18, 2020. Mr. DeMott received nil compensation for his role as director of the Corporation in the fiscal year 2021 and nil compensation for his role as director of the Corporation in the fiscal year 2020.

- (9) Mr. Tzung served as CEO from June 25, 2020 to September 30, 2020.  
(10) Ms. Han served as CFO from January 15, 2020 to December 18, 2020.  
(11) Mr. Dowty acted as CEO from June 15, 2018 to June 25, 2020.  
(12) Mr. Swainson served as a Director from June 15, 2018 to November 18, 2020.  
(13) Mr. Dover served as a Director from June 15, 2018 to October 2, 2020.

## **Stock Options and Other Compensation Securities**

### ***Option-Based Awards***

At the Meeting, the Corporation will seek approval of a "rolling" stock option plan (the "**Option Plan**"), under which the Board may from time to time in its discretion, grant to directors, officers, employees and consultants of the Corporation non-transferable stock options (each, a "**Option**") to purchase Common Shares. A copy of the Option Plan is also attached as Schedule "A" to this Circular.

The Option Plan provides that the number of Common Shares available for purchase under Options granted pursuant to the Option Plan, plus any other outstanding incentive stock options of the Corporation granted pursuant to a previous stock option plan or agreement plus any RSUs granted pursuant to the Corporation's Restricted Share Unit Plan (as the same may be amended from time to time), will not exceed 10% of the issued and outstanding Common Shares of the Corporation. If any Option expires or otherwise terminates for any reason without having been exercised in full, the number of Common Shares in respect of such expired or terminated Option shall again be available for the purposes of granting Options pursuant to the Option Plan.

The principal purpose of the Option Plan is to advance the interests of the Corporation by encouraging the directors, employees and consultants of the Corporation and of its subsidiaries or affiliates, if any, by providing them with the opportunity, through options, to acquire Common Shares in the share capital of the Corporation, thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of its affairs.

### ***Material Terms of the Option Plan***

The following is a summary of the material terms of the Option Plan:

- (a) persons who are consultants to the Corporation or its affiliates, or who are providing services to the Corporation or its affiliates, are eligible to receive grants of Options under the Option Plan;
- (b) Options granted under the Option Plan are non-assignable, and non-transferable;
- (c) an Option granted to any consultants will expire within 30 days after the date the Option Holder (as defined in the Option Plan) ceases to be employed by or provide services to the Corporation unless the Option Holder ceases to hold such position as a result of (i) termination for cause; (ii) resigning his or her position; or (iii) an order made by any regulatory authority having jurisdiction to so order, in which case the expiry date of the date the Option Holder ceases to hold such position;
- (d) if an Option Holder dies, any Options held by such Option Holder shall pass to the personal representative of the Option Holder and shall be exercisable by the personal representative on or before the date which is the earlier of one year following the date of death and the applicable expiry date;
- (e) the exercise price of each Option will be set by the Board on the effective date of the Option and will not be less than the Market Value (as defined in the Option Plan);
- (f) the vesting schedule for an option, if any, shall be determined by the Board and shall be set out in the Option Certificate (as defined in the Option Plan) issued in respect of the option; and

- (g) the Board reserves the right in its absolute discretion to amend, suspend, terminate or discontinue the Option Plan with respect to all Option Plan Common Shares in respect of options which have not yet been granted under the Option Plan.

### ***Restricted Share Unit Plan***

At the Meeting, the Corporation will seek approval for a restricted share unit plan (the "**RSU Plan**"), which provides that the maximum number of Common Shares made available for issuance pursuant to the RSU Plan shall be determined from time to time by the Board, but in any case, shall not exceed 10% of the Common Shares issued and outstanding from time to time, less any Common Shares reserved for issuance under all other share compensation arrangements, subject to adjustments as provided in the RSU Plan. The RSU Plan is a "rolling plan" and therefore when RSUs are cancelled (whether or not upon payment with respect to vested RSUs) or terminated, Common Shares shall automatically be available for issuance pursuant to the RSU Plan. A copy of the RSU Plan is also attached as Schedule "B" to this Circular.

### ***Nature and Administration of the RSU Plan***

All Directors, Officers, Consultants and Employees (as defined in the RSU Plan) of the Corporation and its related entities ("**Eligible Persons**") are eligible to participate in the RSU Plan (as "**Participants**"), and the Corporation reserves the right to restrict eligibility or otherwise limit the number of persons eligible for participation as Participants in the RSU Plan. Eligibility to participate as a Participant in the RSU Plan does not confer upon any person a right to receive an award of RSUs.

Subject to certain restrictions, the Board or its appointed committee, can, from time to time, award RSUs to Eligible Persons. RSUs will be credited to an account (an "**Account**") maintained for each Participant on the books of the Corporation as of the award date. The number of RSUs to be credited to each Participant's Account shall be determined at the discretion of the Board and pursuant to the terms of the RSU Plan.

RSUs and all other rights, benefits or interests in the RSU Plan are not transferable or assignable otherwise than by will or the laws of descent and distribution, and shall be exercisable during the lifetime of the Participant only by the Participant and after death only by the Participant's legal representative.

### ***Credit for Dividends***

A Participant's Account will be credited with additional RSUs (the "**Dividend RSUs**") as of each dividend payment date in respect of which cash dividends are paid on Common Shares. The number of Dividend RSUs credited to a Participant's Account in connection with the payment of dividends on Common Shares will be based on the actual amount of cash dividends that would have been paid to such Participant had he or she been holding such number of Common Shares equal to the number of RSUs credited to the Participant's Account on the date on which cash dividends are paid on the Common Shares and the market price of the Common Shares on the payment date. The Corporation is not obligated to pay dividends on Common Shares.

### ***Resignation, Termination, Leave of Absence or Death***

Generally, if a Participant's employment or service is terminated, or if the Participant resigns from employment with the Corporation, then all RSUs held by the Participant (whether vested or unvested) shall terminate automatically upon the termination of the Participant's service or employment.

In the event a Participant is terminated by reason of (i) termination by the Corporation other than for cause or (ii) the Participant's death, the Participant's unvested RSUs shall vest automatically as of such date. In the event the termination of the Participant's services by reason of voluntary resignation, only the Participant's unvested RSUs shall terminate automatically as of such date.



### *Change of Control*

In the event of a change of control, the Board may, in its discretion, without the necessity or requirement for the agreement or consent of any Participant: (i) accelerate, conditionally or otherwise, on such terms as it sees fit, the vesting date of any RSU; (ii) permit the conditional settlement of any RSU, on such terms as it sees fit; (iii) otherwise amend or modify the terms of the RSU, including for greater certainty permitting Participants to settle any RSU, to assist the Participants to tender the underlying Common Shares to, or participate in, the actual or potential Change of Control Event (as defined in the RSU Plan) or to obtain the advantage of holding the underlying Common Shares during such Change of Control Event; and (iv) terminate, following the successful completion of such Change of Control Event, on such terms as it sees fit, the RSUs not settled prior to the successful completion of such Change of Control Event, including, without limitation, for no payment or other compensation. The determination of the Board in respect of any such Change of Control Event shall for the purposes of this RSU Plan be final, conclusive and binding.

### *Adjustments*

In the event there is a change in the outstanding Common Shares by reason of any stock dividend or split, recapitalization, amalgamation, consolidation, combination or exchange of shares, or other corporate change, the Board shall make, subject to the prior approval of the CSE where necessary, appropriate substitution or adjustment in (i) the number or kind of Common Shares or other securities reserved for issuance pursuant to the RSU Plan, and (ii) the number and kind of Common Shares or other securities subject to unsettled and outstanding RSUs granted pursuant to the RSU Plan.

### *Vesting*

Each award of RSUs vests on the date(s) specified by the Board on the award date, and reflected in the applicable RSU agreement certificate.

### *Limitations under the RSU Plan*

The maximum number of Common Shares made available for issuance pursuant to the RSU Plan shall be determined from time to time by the Board, but in any case, shall not exceed 10% of the Common Shares issued and outstanding from time to time, less any Common Shares reserved for issuance under all other share compensation arrangements, subject to adjustments as provided in the RSU Plan.

### **Outstanding Compensation Securities**

The following table sets forth all compensation securities granted or issued to each director and NEO by the Corporation in the financial year ended March 31, 2021, for services provided or to be provided, directly or indirectly, to the Corporation, or a subsidiary of the Corporation.

Compensation Securities							
Name and position	Type of compensation security(1)	Number of compensation securities, number of underlying securities, and percentage of class(2)	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry date
Terry Booth <sup>(1)</sup> CEO and Director	Stock Options	2,500,000 9.04%	3/9/2021	CD\$0.50	CD\$0.46	CD\$0.40	3/9/2024
	Common	200,000 0.08%	3/9/2021	CD\$0.46	CD\$0.46	CD\$0.40	N/A
Jon Paul <sup>(2)</sup> CFO	Stock Options	2,000,000 7.23%	12/30/2020	CD\$0.20	CD\$0.17	CD\$0.40	N/A
	Common	318,300 0.13%	2/22/2021	CD\$0.52	CD\$0.52	CD\$0.40	N/A
Duke Fu <sup>(3)</sup> Chief Operations Officer and Director	Stock Options	700,000 2.53%	12/07/20	CD\$0.19	CD\$0.175	CD\$0.40	12/07/25
		1,600,000 5.78%	3/11/2021	CD\$0.50	CD\$0.455	CD\$0.40	3/11/2026
	Common	48,000 0.02%	3/23/2021	CD\$0.46	CD\$0.46	CD\$0.40	N/A
Jason Dyck <sup>(4)</sup> Director	Stock Options	700,000 2.53%	12/07/20	CD\$0.19	CD\$0.175	CD\$0.40	12/07/25
Avi Geller <sup>(5)</sup> Director	Stock Options	500,000 1.81%	12/07/20	CD\$0.19	CD\$0.175	CD\$0.40	12/07/25
Hanoz Kapadia <sup>(6)</sup> Director	Stock Options	950,000 3.43%	12/07/20	CD\$0.19	CD\$0.175	CD\$0.40	12/07/25
John Esteireiro <sup>(7)</sup> Director	Stock Options	500,000 1.81%	CD\$0.19	12/07/20	CD\$0.175	CD\$0.40	12/07/25

Notes:

- (1) As of March 31, 2021, Mr. Booth held Nil RSUs and 2,500,000 Options.  
(2) As of March 31, 2021, Mr. Paul held Nil RSUs and 2,000,000 Options.  
(3) As of March 31, 2021, Mr. Fu held Nil RSUs and 700,000 Options.  
(4) As of March 31, 2021, Mr. Dyck held Nil RSUs and 700,000 Options.  
(5) As of March 31, 2021, Mr. Geller held Nil RSUs and 500,000 Options.  
(6) As of March 31, 2021, Mr. Kapadia held Nil RSUs and 950,000 Options.  
(7) As of March 31, 2021, Mr. Esteireiro held Nil RSUs and 500,000 Options.

## Exercise of Compensation Securities by Directors and NEOs

The following table provides a summary of each exercise of compensation securities granted pursuant to the RSU Plan and Option Plan by each Named Executive Officer and director of the Corporation for the fiscal year ended March 31, 2021.

Exercise of Compensation Securities by Directors and Named Executive Officers							
Name and position	Type of compensation security	Number of underlying securities exercised	Exercise price per security (\$)	Date of exercise	Closing price per security on date of exercise (\$)	Difference between exercise price and closing price on date of exercise (\$)	Total value on exercise date (\$)
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

## Employment, Consulting and Management Agreements

As at March 31, 2021, there were no written contracts or agreements that provide for payment to a director or Named Executive Officer at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Corporation or a change in a director or Named Executive Officer's responsibilities other than below.

### *Harry DeMott Employment Agreement*

The Corporation entered into an employment agreement dated October 5, 2020 with Harry DeMott (the "**DeMott Employment Agreement**"), whereby the Corporation agreed to employ Mr. DeMott in the position of CEO. Pursuant to the DeMott Employment Agreement, Harry DeMott is paid an annual base salary of US\$120,000 and is eligible for an additional discretionary bonus as determined by the Compensation and Nominating Committee, which may be payable in Common Shares or RSUs, as determined by the Compensation and Nominating Committee.

If the DeMott Employment Agreement is terminated for any reason other than "with cause", the Corporation is required to pay to Mr. DeMott:

- (a) twelve (12) months' annual salary and any salary earned, but not yet paid, to the date of termination;
- (b) a lump sum equal to the average of the prior two year-end bonuses;
- (c) twelve (12) months' continued group medical insurance benefits or the lump sum cash equivalent;
- (d) benefits to the date of termination; and
- (e) the Corporation will accelerate the vesting of any unvested Options and extend the exercise date for all Options and RSUs for one year.

On December 18, 2020, Mr. Demott was terminated by acting CEO, Duke Fu "for cause", for which Mr. Demott demanded arbitration seeking enforcement of the severance provisions of the DeMott Employment Agreement. That arbitration has not been completed, and the arbitration proceedings are scheduled to continue into early 2022.

### *Cleve Tzung Employment Agreement*

The Corporation entered into an employment agreement dated October 7, 2020 to be effective October 12, 2020 with Cleve Tzung (the "**Tzung Employment Agreement**") whereby the Corporation agreed to employ Mr. Tzung in the position of Chief Operating Officer. Pursuant to the Tzung Employment Agreement, Cleve Tzung is paid an annual base salary of US\$180,000 and is eligible for additional discretionary bonus as determined by the Compensation and Nominating Committee, which may be payable in Common Shares or RSUs, as determined by the Compensation and Nominating Committee.

If the Tzung Employment Agreement is terminated for any reason other than "with cause", the Corporation is required to pay to Mr. Tzung:

- (a) twelve (12) months' annual salary and any salary earned, but not yet paid, to the date of termination;
- (b) a lump sum equal to the average of the prior two year-end bonuses;
- (c) twelve (12) months' continued group medical insurance benefits or the lump sum cash equivalent;
- (d) benefits to the date of termination; and
- (e) the Corporation will accelerate the vesting of any unvested Options and extend the exercise date for all Options and RSUs for one year.

On December 18, 2020, Mr. Tzung was terminated by acting CEO Duke Fu "for cause", for which Mr. Tzung demanded arbitration seeking enforcement of the severance provisions of the Tzung Employment Agreement. That arbitration resulted in a settlement, in which Mr. Tzung was paid 1,450,000 Common Shares as severance.

#### *Alex Han Employment Agreement*

The Corporation entered into an employment agreement dated October 7, 2020 to be effective October 12, 2020 with Jungah "Alex" Han (the "**Han Employment Agreement**") whereby the Corporation agreed to employ Ms. Han in the position Chief Financial Officer. Pursuant to the Han Employment Agreement, Alex Han is paid an annual base salary of US\$180,000 and is eligible for an additional discretionary bonus as determined by the Compensation and Nominating Committee, which may be payable in Common Shares or RSUs, as determined by the Compensation and Nominating Committee.

If the Han Employment Agreement is terminated for any reason other than "with cause", the Corporation is required to pay to Ms. Han:

- (a) twelve (12) months' annual salary and any salary earned, but not yet paid, to the date of termination;
- (b) a lump sum equal to the average of the prior two year-end bonuses;
- (c) twelve (12) months' continued group medical insurance benefits or the lump sum cash equivalent;
- (d) benefits to the date of termination; and
- (e) the Corporation will accelerate the vesting of any unvested Options and extend the exercise date for all Options and RSUs for one year.

On December 18, 2020, Ms. Han was was terminated by acting CEO Duke Fu "for cause", for which Ms. Han demanded arbitration seeking enforcement of the severance provisions of the Han Employment Agreement. That arbitration resulted in a mutual settlement, in which Ms. Han was paid one year's salary of \$220,000 and 237,000 Common Shares as severance.

#### *Scott Dowty Employment Agreement*

The Corporation entered into an employment agreement dated June 25, 2018 (the "**Dowty Employment Agreement**") with Scott Dowty, whereby the Corporation agreed to employ Mr. Dowty in the position of CEO. His position subsequently changed from CEO to Executive Chairman on June 25, 2020 and he subsequently resigned as Executive Chairman and director on September 3, 2020. Pursuant to the Dowty Employment Agreement, Scott Dowty was paid an annual base salary of USD\$240,000 and was eligible for a target year-end bonus equal to (50%), to a maximum of (80%), of the annual salary.

If the Dowty Employment Agreement was terminated for any reason the Corporation was required to pay to Mr. Dowty:

- (a) twenty-four (24) months annual salary and any salary earned, but not yet paid, to the date of termination;
- (b) continuing medical coverage for Mr. Dowty and his family for one year;
- (c) an amount equal to the sum of the year-end bonuses received by Mr. Dowty for the prior two fiscal years divided by two;
- (d) reimbursement for any unreimbursed business expenses incurred by Mr. Dowty prior to the date his termination; and
- (e) benefits to the date of termination.

(collectively, the "**Dowty Termination Payments**").

In the event Mr. Dowty was terminated without cause or the Dowty Employment Agreement was terminated by Mr. Dowty with good reason, in addition to the Dowty Termination Payments, the Corporation was required to pay to Mr. Dowty an amount equal to one and one half times the annual salary at the time of termination (which is equal to one year's annual salary and the minimum target year-end bonus, Mr. Dowty would have been eligible to receive) and any vested stock awards or grants. In the event that the Dowty Employment Agreement was terminated by death or total disability, for cause or if the Dowty Employment Agreement was terminated by Mr. Dowty not for good reason, the Corporation had no obligation to Mr. Dowty except for the Dowty Termination Payments.

On September 3, 2020, the Corporation entered into a severance agreement with Mr. Dowty (the "**Dowty Severance Agreement**") in connection with his resignation as a director and Executive Chairman of the Corporation. Pursuant to the Dowty Severance Agreement, Mr. Dowty agreed to forgo all cash severance and to surrender his unvested Options. Mr. Dowty retained his 1,554,896 previously awarded RSUs, which were deemed fully vested and settled through the issuance of 1,554,896 Common Shares and the Corporation also issued to Mr. Dowty 4,250,000 Common Shares. The Corporation also agreed to provide medical insurance coverage for Mr. Dowty and his family until the first anniversary of the date of the Dowty Severance Agreement.

#### *Terry Booth Employment Agreement*

The Corporation entered into an employment agreement dated March 8, 2021 to be effective on that date, 2020 with Terry Booth (the "**Booth Employment Agreement**") whereby the Corporation agreed to employ Mr. Booth in the position of Chief Executive Officer. Pursuant to the Booth Employment Agreement, Mr. Booth is paid an annual base salary of CDN\$300,000 (with a one-time bonus of CDN\$100,000 payable in Common Shares of the Corporation at a deemed issue price of CDN\$0.50 per Common Share) and is eligible for additional discretionary bonus as determined by the Compensation and Nominating Committee, which may be payable in Common Shares or RSUs, as determined by the Compensation and Nominating Committee.

If the Booth Employment Agreement is terminated for any reason other than "with cause", the Corporation is required to pay to Mr. Booth:

- (a) twelve (12) months' annual salary and any salary earned, but not yet paid, to the date of termination;
- (b) an amount equivalent to twelve (12) months annual salary;
- (c) twelve (12) months' continued group medical insurance benefits or the lump sum cash equivalent;
- (d) unused vacation accrued to the date of termination;
- (e) all bonuses earned for performance in the calendar year prior to the year in which the termination occurs, but not yet paid, and all pro-rated bonuses earned for performance in the calendar year in which the termination occurs;
- (f) reimbursement for any unreimbursed business expenses incurred prior to the date of termination;  
and
- (g) benefits to the date of termination.

*Jon Paul Employment Agreement*

The Corporation entered into an employment agreement dated December 20, 2020 to be effective January 1, 2021 with Jon Paul (the "**Paul Employment Agreement**") whereby the Corporation agreed to employ Mr. Paul in the position of Chief Financial Officer. Pursuant to the Paul Employment Agreement, Mr. Paul is paid an annual base salary of US\$200,000 (with a one-time bonus of US\$50,000 payable in Common Shares of the Corporation at a deemed value of the US dollar equivalent of CDN\$0.20 per Common Share) and is eligible for additional discretionary bonus as determined by the Compensation and Nominating Committee, which may be payable in Common Shares or RSUs, as determined by the Compensation and Nominating Committee.

If the Paul Employment Agreement is terminated for any reason other than "with cause", the Corporation is required to pay to Mr. Paul:

- (a) unused vacation at the time of termination;
- (b) annual salary earned, but not yet paid, at time of termination;
- (c) all earned but unpaid bonuses at time of termination;
- (d) reimbursement of expenses not yet reimbursed at time of termination;
- (e) benefits to the date of termination;
- (f) severance pay in the amount of two (2) months' annual salary (plus a pro rate percentage of anticipated bonus) if termination shall occur prior to the six month of employment, six months of salary (plus a pro rata share of anticipated bonus) if termination shall occur between the sixth and twenty fourth month of employment; and twelve months' salary and bonus if termination occurs after the second year of employment; and
- (g) any vested stock awards or grants.

*Duke Fu Employment Agreement*

The Corporation entered into an employment agreement dated March 23, 2021 to be effective that date, with Duke Fu (the "**Fu Employment Agreement**") whereby the Corporation agreed to employ Mr. Fu in the position of Chief Operating Officer. Pursuant to the Fu Employment Agreement, Mr. Fu is paid an annual base salary of US\$160,000 (with a one-time bonus of US\$25,000 payable in Common Shares of the Corporation at a deemed fair market value at time of issuance) and is eligible for additional discretionary bonus as determined by the Compensation and

Nominating Committee, which may be payable in Common Shares or RSUs, as determined by the Compensation and Nominating Committee.

If the Fu Employment Agreement is terminated for any reason other than "with cause", the Corporation is required to pay to Mr. Fu:

- (a) severance pay in the amount of three (3) months' annual salary if termination shall occur in the first year of employment, six months annual salary if termination occurs in the second year of employment, or twelve months' salary if termination occurs in the third year of employment or thereafter; and
- (b) accrued obligations and benefits to the date of termination.

## **CORPORATE GOVERNANCE**

Corporate governance refers to the policies and structure of the board of directors of a company whose members are elected by and are accountable to the Shareholders of the company. Corporate governance encourages establishing a reasonable degree of independence of the board of directors from executive management and the adoption of policies to ensure the board of directors recognizes the principles of good management. The Board is committed to sound corporate governance practices as such practices are both in the interests of Shareholders and help to contribute to effective and efficient decision-making.

### ***Board of Directors***

Directors are considered to be independent if they have no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship which could, in the view of the Corporation's Board, be reasonably expected to interfere with the exercise of a director's independent judgment or which is deemed to be a material relationship under NI 52-110.

The Board facilitates its independent supervision over management by holding regular meetings at which members of management or non-independent directors are not in attendance and by retaining independent consultants where it deems necessary.

The independent directors of the Corporation are Hanoz Kapadia, Avi Geller and John Esteireiro. The non-independent directors are Terry Booth, the CEO; Duke Fu, the Chief Operations Officer; and Jason Dyck, the Chief Science Officer.

### ***Directorships***

The following table provides a list of the Corporation's Proposed Directors who are presently serving as directors of other reporting issuers and the names of such reporting issuers.

<b>Name of Director</b>	<b>Name of Reporting Issuer</b>	<b>Exchange</b>
Terry Booth	Binovi Technologies Corp. Psyched Wellness Ltd.	TSX Venture Exchange Canadian Securities Exchange
Jason Dyck	Nutritional High International Inc.	Canadian Securities Exchange

Name of Director	Name of Reporting Issuer	Exchange
Avi Geller	Parkit Enterprise Inc. Nova Minerals Ltd.	TSX Venture Exchange Australian Securities Exchange Ltd

### ***Orientation and Continuing Education***

When new directors are appointed they receive orientation commensurate with their previous experience on the Corporation's properties and on the responsibilities of directors.

Board meetings may also include presentations by the Corporation's management and employees to give the directors additional insight into the Corporation's business.

### ***Ethical Business Conduct***

The Board has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual directors' participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation. Further, the Corporation's auditor has full and unrestricted access to the Audit Committee at all times to discuss the audit of the Corporation's financial statements and any related findings as to the integrity of the financial reporting process.

### ***Nomination of Directors***

Nomination of directors is the responsibility of the Compensation and Nominating Committee. The Board size is considered each year when it determining the number of directors to be recommend to the shareholders for election at the annual meeting of Shareholders taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience.

### ***Compensation***

The Compensation and Nominating Committee is responsible for determining compensation for the officers, employees and non-executive directors of the Corporation. The Compensation and Nominating Committee annually reviews all forms of compensation paid to officers, employees and non-executive directors both with regards to the expertise and experience of each individual and in relation to industry peers.

### ***Other Board Committees***

Other than the Audit Committee, the Corporation has a Compensation and Nominating Committee which consists of Jason Dyck (Chair), John Esteireiro and Avi Geller and a Governance Committee that consists of Duke Fu (Chair), Hanoz Kapadia and Jason Dyck.

The Compensation and Nominating Committee's responsibility is to formulate and make recommendations to the directors of the Corporation in respect of compensation issues relating to directors and officers of the Corporation.

The Corporate Governance Committee's responsibility is to assist the Board in fulfilling its oversight responsibilities in the following principal areas: (i) developing a set of corporate governance rules; (ii) reviewing and recommending the compensation of the Corporation's directors; (iii) facilitating the evaluation of the Board and committees of the Board.



## Assessments

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

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out, as at fiscal year ended March 31, 2021, information with respect to the Corporation's compensation plans under which equity securities are authorized for issuance:

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Option plan approved by securityholders	Nil	Nil	Nil
RSU Plan approved by security holders	Nil	Nil	Nil
Option Plan not approved by security holders <sup>(1)</sup>	27,665,946	CAD \$0.43	N/A
RSU Plan not approved by security holders <sup>(2)</sup>	160,034	N/A	N/A
Total	27,825,980		N/A

Notes:

- (1) The Option Plan was not approved at the last meeting of the Shareholders of the Corporation held on November 17, 2020; however, approval of the Option Plan will be sought at the Meeting.
- (2) The RSU Plan was not approved at the last meeting of the Shareholders of the Corporation held on November 17, 2020; however, approval of the RSU Plan will be sought at the Meeting.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the Corporation's directors, executive officers or employees, or former directors, executive officers or employees, nor any associate of such individuals, is as at the date hereof, indebted to the Corporation or any of its subsidiaries in connection with a purchase of securities or otherwise.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set out in the below list of transactions, none of the persons who were directors or executive officers of the Corporation or a subsidiary of the Corporation at any time since the commencement of the Corporation's most recently completed fiscal year, the proposed nominees for election to the board of directors of the Corporation, any person or Corporation who beneficially owns, directly or indirectly, or who exercises control or direction over

(or a combination of both) more than 10% of the issued and outstanding Common Shares, nor any associate or affiliate of any such person, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction, or has any such interest in any proposed transaction, which has materially affected or would materially affect the Corporation.

The corporation completed the first stage of the transaction to acquire Green Therapeutics LLC ("**GT**") in March of 2021. The transaction is being completed in two parts, the first, which has now closed, being the acquisition of a subsidiary of GT (the "**Subsidiary**") containing a number of unregulated assets including the GT brands and certain ancillary agreements including brand licensing and management agreements. Subsequently, subject to regulatory approval, the Corporation will complete the acquisition of GT itself. In conjunction with the completion of the acquisition of the Subsidiary, the parties settled a previously announced legal dispute.

Consideration for the transaction payable to the holders of the GT membership interests is between C\$8 million and C\$10 million for 100% of the outstanding membership interests of both GT and the Subsidiary. The consideration will be paid as set out below.

1. C\$7,500,000 has been paid through the issuance of units ("**Buyer Units**") of GT Acquisition LLC, a wholly owned subsidiary of the Corporation formed for the acquisition, at a deemed price of C\$0.20 per Buyer Unit. Each Buyer Unit will be exchangeable on a one-for-one basis into Common Shares at the option of the holder.
2. C\$500,000 as an indemnity holdback (the "**Indemnity Holdback**"), which will be payable on the day that is the later of the subsequent closing or 18 months after the initial closing and such amount shall be reduced dollar for-dollar by the amount of any indemnity claim made by the Corporation;
3. C\$2,000,000 (the "**Contingent Payment**"), which will be payable in two (2) equal installments payable on the later of the subsequent closing or the first and second anniversary of initial closing respectively, provided that Duke Fu continues to be employed by the Corporation on each such applicable payment date.

The Indemnity Holdback and the Contingent Payments may be paid in either cash, the issuance of Buyer Units, or both, at the election of the Corporation, with any Buyer Units so issued at a deemed price per Buyer Unit equal to the greater of (i) the VWAP of the Common Shares on the CSE for the 10 trading days immediately prior to the payment date of such payment; and (ii) \$0.14625. GT and its affiliates have also dismissed their legal action against the Corporation with prejudice and has returned for cancellation all Common Shares issued to them in May 2019, being 11,417,376 Common Shares. In addition, the Corporation has returned all of the assets it purchased from GT in May 2019, and the GT members will retain certain redundant licenses not required by the Corporation, including a non-operational grow and processing licenses. Furthermore, land in North Las Vegas purchased from an affiliate company of GT ("**Meridian**") will be sold and the proceeds will be divided between Meridian and the Corporation whereby USD\$2.93 million will be paid to Meridian, USD\$1.02 million will be paid to the Corporation, and any remaining proceeds will be split 55% for the Corporation and 45% for Meridian. The Corporation anticipates total proceeds from this land transaction to be approximately \$2.0 million. The acquisition of GT is contingent on approval by the State of Nevada's Cannabis Control Board and subsequent local approval by Clark County Department of Business License. This transaction was negotiated by the independent Special Committee formed by the board of the Corporation to settle outstanding litigation with GT.

Duke Fu, who resides in Nevada, USA, was a director and the CEO of the Corporation as well as a principal of GT at the time of the transaction.

On March 8, 2021, the Corporation acquired 51% of the issued and outstanding shares of 2750176 Ontario Inc. ("**ALPS**"), with an option to purchase the remaining 49%. ALPS, formerly Aurora Larssen Projects, is a global leader in facility design, construction management and (post) commissioning services to the horticultural sector

across a wide variety of commercial crops. As a condition of the transaction, Terry Booth, a principal of ALPS, became CEO of the Corporation, taking over from Dr. Duke Fu, who was serving as Interim CEO since November 17, 2020. At the time of closing, Dr. Fu assumed the role of Chief Operations Officer of the Corporation.

50,000,000 Common Shares were issued as consideration at a deemed value of \$10,000,000 fair value based on a CD\$0.20 market price at time of signing a letter of intent. Pursuant to contractual (non-security) trading restrictions 25% of the Common Shares become free trading on issuance and 25% at each six-month interval thereafter. Terry Booth received 25,000,000 Common Shares as part of his 50% ownership of ALPS. There was also \$2,000,000 in cash paid of which Terry Booth received \$1,000,000. There was also a \$1,700,000 indemnity holdback, of which Terry Booth also shares 50%. In addition, there are various milestone incentives payable on meeting revenue and EBITDA targets over the next three years.

## **EVENTS SUBSEQUENT TO YEAR END RESULTS**

Subsequent to year end, the Corporation has continued to execute at a rapid pace. The Corporation is focused on achieving rapid, outsized growth in the U.S. and international cannabis market. To this end, the Corporation is executing on a strategy that at the same time is differentiated from its peers and de-risked. The AUDACIOUS strategy is built on the following pillars:

- Develop a capital light infrastructure that delivers high-quality cannabis at low cost
- Apply high-end and proprietary processing and manufacturing capabilities to deliver high-quality, award-winning products
- Create strong brand awareness organically and by creating partnerships, as well as through leveraging key industry and lifestyle influencers
- Achieve distribution through retail ownership, retail partnerships, delivery, and online sales (where permissible)
- Leverage the ALPS brand to deliver on a rapidly growing number of projects in the horticulture space to develop a diversified revenue stream to support growth of the cannabis business

The Corporation continues to deliver against all these pillars, as the following subsequent events testify to:

- PBR Wreck Relief
  - The Corporation signed an agreement with the Professional Bull Riders ("**PBR**") association and is now the official CBD partner of the PBR. AUDACIOUS PBR Wreck Relief, a topical that contains traditional pain relief medication as well as a generous 500mg of CBD will be sold online. Under the terms of the agreement, AUDACIOUS will be highly visible at PBR events, and will benefit from gaining access to the PBR's committed 83 million strong fan base who generate over 2 billion social media hits per annum.
  - The Corporation officially launched its Wreck Relief brand at the PBR world finals in Las Vegas in November.
- Thailand
  - The Corporation signed an agreement to enter acquire up to 25% of Golden Triangle Health ("**GTH**"), a spin-off from NR Instant Produce PCL ("**NRF**"), a \$400 million public company in Thailand. Continuing to execute on its capital light expansion strategy, the Corporation will not be required to invest any capital, while providing services to GTH to improve cultivation, processing, and manufacturing capabilities. GTH and its parent company NRF are exceptionally well connected within Thailand and Asia with multiple distribution agreements and access to large international

produce retailers and manufacturers. This partnership is the Corporation's first foray into the international arena. As one of the first movers in Thailand, the Corporation is now very well positioned to capitalize on the large CBD and, later, the THC opportunity in Asia.

- Achieve series

- The Corporation launched a turn-key facility offering. Powered by ALPS, companies looking to build new facilities or expand/upgrade existing capacity, can now purchase a full turnkey package that includes all design services, equipment, construction management and (post) commissioning services. The advantages of the GROWQUICK and Achieve series of facilities are:

- **Quick to market**

- The GROWQUICK facilities are based on fully equipped, quasi prefabricated modular units that can be combined to meet varying output requirements.
- This offering enables companies to commence cultivation almost immediately, enabling them to start generating revenues even while construction of the main facility is still in progress.

- **Low operating costs**

- ALPS facilities are known to deliver high-quality products at exceptionally low operating costs, enabling its customers to be competitive in any market.

- **Bankability**

- AUDACIOUS and ALPS are two exceptionally bankable names. To this end, AUDACIOUS can, if required, offer assistance to its customers towards securing financing (on a case-by-case basis).

- **Enhanced economic returns through elevated flower quality**

- Products grown in ALPS facilities are known to be of high quality, enabling cultivators to command higher pricing. Combined with low operating costs, this results in enhanced facility economics.

- **Regulatory compliance**

- Based on close to 8 years of experience in the cannabis industry across multiple global jurisdictions, including Canada and the EU, ALPS-designed facilities are compliant with regulations from the start.

- **Future-forward, fully integrated design**

- The Achieve series of designs is optimized for current use while retaining the flexibility to adapt to future developments, further de-risking the nature of the project.

- **Inherent sustainability**

- Sustainability is an inherent feature of all ALPS designs, with reduced water, energy and labor use ensuring optimized economics without sacrificing quality.

- **Cannabis-specific Maintenance System, Operational Metrics, and KPI reporting**

- Through its APIS CMMS system, APIS OPE and KPI modules are designed specifically to deliver optimized controlled environment agriculture.

- **Crop Consulting**
    - Crop consultants drawing from deep horticultural knowledge and cannabis-specific experience increase yields, improve plant health, and implement full integrated pest management strategies.
  - **Operational Support**
    - Through a multifaceted and interdisciplinary approach, Operational Support provides guidance and support resources to strengthen internal processes and facilitate alignment between key process owners and stakeholders. Using tools designed for increasing transparency and cooperation between Operations, Quality and Management, Operational Support services work to create and maintain a quality culture, with a key outcome of business excellence.
  - **Risk Mitigation**
    - ALPS's proven track record in delivering high-performance facilities underpins the ACHIEVE offering, expected to result in a near elimination of project risks.
    - Further project de-risking is achieved as the ALPS partners, from contracting to equipment supply, installation, and commissioning, are highly renowned operators with a reputation based on delivering against expectations.
    - Post-construction services de-risk operations: Crop Consulting, CMMS, APIS Software, and Operational Support.
- MJBizCon
  - The Corporation officially launched its AUDACIOUS brand at MJBizCon. The Corporation hosted a highly successful booth at the event, with a large number of leads developed to pursue for commercial and strategic partnership ends. Together with its Massachusetts partner Belle Fleur, AUDACIOUS held a roll-up party, co-hosted by Machine Gun Kelly. The event was characterized by the presence of many key cannabis industry and capital markets professionals, further cementing the name of AUDACIOUS as a rapidly emerging and important player in the international cannabis space
- \$1.4M facility contract
  - The Corporation's subsidiary ALPS signed a \$1.4 million facility services contract with Pure Harvest, who in turn is partnered with TCS in Kuwait, the region's largest public food retailer.
  - The new facility plays into important market dynamics related to the drive for increased food safety and environmental sustainability, two core competencies of ALPS. The Corporation anticipates that its partnership with Pure Harvest will lead to further opportunities in the region.
- DelMorgan
  - The Corporation appointed DelMorgan, a U.S. investment bank, to help it raise up to \$15 million in capital, earmarked largely for expansion purposes.
- Herbs/Eaze
  - AUDACIOUS acquired its first fully operational retail store in San Jose, the 10th largest city in the U.S. with a population of over 1 million. San Jose currently only has 16 licensed dispensaries. For context Edmonton, a city similar in size, has over 200 dispensaries.

- While the dispensary provides direct access to end customers in the San Jose area, the acquisition brings further important added value through a partnership with Eaze, the largest legal delivery service in the U.S. Under the terms of the agreement, Eaze will carry 20 AUDACIOUS SKUs on its local menu, with a further 15 SKUs carried throughout all distribution hubs in California. The Corporation has commenced selling its first products through EAZE, in particular its newly launched 1g Provisions cartridges and its loose line of cannabis infused shots (2 ounces with 100mg of THC).

AUDACIOUS continues to focus on delivering rapid growth. At any given time, the Corporation has over 40 opportunities in its pipeline, including technology, distribution, and retail partnerships, as well as supply arrangements, facility contracts, and potential acquisitions and other transaction-based partnerships. The Corporation is well positioned to take its award-winning brands across the U.S. and deliver outside growth as it expands its footprint across the globe in a capital light fashion that is aimed at establishing profitable operations.

### **ADDITIONAL INFORMATION**

Financial information is provided in the Corporation's comparative annual financial statements and management's discussion and analysis. Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Upon request to the CFO of the Corporation, it will provide (to any person) a copy of the comparative financial statements of the Corporation filed with the applicable securities regulatory authorities for the Corporation's most recently completed financial year, together with the report of the auditor, related management's discussion and analysis, and any interim financial statements of the Corporation filed with the applicable securities regulatory authorities subsequent to the filing of the annual financial statements. Registered and beneficial Shareholders may obtain paper copies by calling Odyssey toll-free at 1(888) 290-1175 (within North America) or 1(587) 885-0960 (outside of North America).

### **OTHER MATTERS**

As of the date of this Circular, the Board and management of the Corporation are not aware of any matters to come before the Meeting other than those matters specifically identified in the accompanying Notice of Meeting. However, if such other matters properly come before the Meeting or any adjournment(s) thereof, the persons designated in the accompanying form of proxy will vote thereon in accordance with their judgment, pursuant to the discretionary authority conferred by the form of proxy with respect to such matters.

### **BOARD APPROVAL**

The contents of this Circular and its distribution to Shareholders have been approved by the Board.

**DATED** this 2<sup>nd</sup> day of November, 2021.

### **BY ORDER OF THE BOARD OF DIRECTORS**

/s/ *"Hanoz Kapadia"*

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Hanoz Kapadia  
Chairman of the Board

**SCHEDULE "A"**

See attached.

**AUSTRALIS CAPITAL INC.**

**STOCK OPTION PLAN**

**DATED FOR REFERENCE DECEMBER 1, 2020**



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## STOCK OPTION PLAN

### ARTICLE 1 DEFINITIONS AND INTERPRETATION

#### 1.1 Definitions

As used herein, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the meanings set forth below:

- (a) "**Administrator**" means such Executive or Employee of the Company as may be designated as Administrator by the Committee from time to time, or, if no such person is appointed, the Committee itself.
- (b) "**Associate**" means, where used to indicate a relationship with any person:
  - (i) any relative, including the spouse of that person or a relative of that person's spouse, where the relative has the same home as the person;
  - (ii) any partner, other than a limited partner, of that person;
  - (iii) any trust or estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar capacity; and
  - (iv) any corporation of which such person beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the corporation.
- (c) "**Black-Out**" means a restriction imposed by the Company on all or any of its directors, officers, employees, insiders or persons in a special relationship whereby they are to refrain from trading in the Company's securities until the restriction has been lifted by the Company.
- (d) "**Board**" means the board of directors of the Company.
- (e) "**Change of Control**" means:
  - (i) the acquisition of a sufficient number of voting securities in the capital of the Company so that the acquiror, together with Persons or Entities acting jointly or in concert with the acquiror, becomes entitled, directly or indirectly, to exercise more than 50% of the voting rights attaching to the outstanding voting securities in the capital of the Company (provided that, prior to the acquisition, the acquiror was not entitled to exercise more than 50% of the voting rights attaching to the outstanding voting securities in the capital of the Company);

- (ii) the completion of a consolidation, merger, arrangement or amalgamation of the Company with or into any other entity whereby the voting securityholders of the Company immediately prior to the consolidation, merger, arrangement or amalgamation receive less than 50% of the voting rights attaching to the outstanding voting securities of the consolidated, merged, arranged or amalgamated entity;
  - (iii) the completion of a sale whereby all or substantially all of the Company's undertakings and assets become the property of any other entity and the voting securityholders of the Company immediately prior to the sale hold less than 50% of the voting rights attaching to the outstanding voting securities of that other entity immediately following that sale; or
  - (iv) an occurrence when a majority of the directors elected at any annual or extraordinary general meeting of shareholders of the Company are not individuals nominated by the Company's then-incumbent Board.
- (f) "**Committee**" means a committee of the Board to which the responsibility of approving the grant of stock options has been delegated, or if no such committee is appointed, the Board itself.
- (g) "**Company**" means Australis Capital Inc.
- (h) "**Consultant**" means an individual who:
- (i) is engaged to provide, on an ongoing *bona fide* basis, consulting, technical, management or other services to the Company or any Subsidiary other than services provided in relation to a "distribution" (as that term is described in the *Securities Act*);
  - (ii) provides the services under a written contract between the Company or any Subsidiary and the individual or a Consultant Entity (as defined in section (h)(v) below);
  - (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or any Subsidiary; and
  - (iv) has a relationship with the Company or any Subsidiary that enables the individual to be knowledgeable about the business and affairs of the Company or is otherwise permitted by applicable Regulatory Rules to be granted Options as a Consultant or as an equivalent thereof,

and includes:

- (v) a corporation of which the individual is an employee or shareholder or a partnership of which the individual is an employee or partner (a "**Consultant Entity**"); or

- (vi) an RRSP or RRIF established by or for the individual under which he or she is the beneficiary.
- (i) "**Disability**" means a medically determinable physical or mental impairment expected to result in death or to last for a continuous period of not less than 12 months, which causes an individual to be unable to engage in any substantial gainful activity, or any other condition of impairment which cannot be accommodated under applicable human rights laws without imposing undue hardship on the Company or any Subsidiary employing or engaging the Person, that the Committee, acting reasonably, determines constitutes a disability.
- (j) "**Employee**" means:
  - (i) an individual who works full-time or part-time for the Company or any Subsidiary and such other individual as may, from time to time, be permitted by applicable Regulatory Rules to be granted Options as an employee or as an equivalent thereto; or
  - (ii) an individual who works for the Company or any Subsidiary either full-time or on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Company or any Subsidiary over the details and methods of work as an employee of the Company or any Subsidiary, but for whom income tax deductions are not made at source,and includes:
  - (i) a corporation wholly-owned by such individual; and
  - (ii) any RRSP or RRIF established by or for such individual under which he or she is the beneficiary.
- (k) "**Exchange**" means the stock exchange upon which the Company's shares principally trade.
- (l) "**Executive**" means an individual who is a director or officer of the Company or a Subsidiary, and includes:
  - (i) a corporation wholly-owned by such individual; and
  - (ii) any RRSP or RRIF established by or for such individual under which he or she is the beneficiary.
- (m) "**Exercise Notice**" means the written notice of the exercise of an Option, in the form set out as Schedule "B" hereto duly executed by the Option Holder.

- (n) "**Exercise Period**" means the period during which a particular Option may be exercised and is the period from and including the Grant Date through to and including the Expiry Time on the Expiry Date provided, however, that no Option can be exercised unless and until all necessary Regulatory Approvals have been obtained.
- (o) "**Exercise Price**" means the price at which an Option is exercisable as determined in accordance with section 5.3.
- (p) "**Expiry Date**" means the date the Option expires as set out in the Option Certificate or as otherwise determined in accordance with sections 5.4, 6.2, 6.3, 6.4 or 11.4.
- (q) "**Expiry Time**" means the time the Option expires on the Expiry Date, which is 4:00 p.m. local time in Toronto, Ontario on the Expiry Date.
- (r) "**Grant Date**" means the date on which the Committee grants a particular Option, which is the date the Option comes into effect provided however that no Option can be exercised unless and until all necessary Regulatory Approvals have been obtained.
- (s) "**Insider**" means an insider as that term is defined in the *Securities Act*.
- (t) "**Market Value**" means the market value of the Shares as determined in accordance with section 5.3.
- (u) "**Option**" means a share purchase option granted pursuant to this Plan entitling the Option Holder to purchase Shares of the Company.
- (v) "**Option Certificate**" means the certificate, in substantially the form set out as Schedule A hereto, evidencing the Option.
- (w) "**Option Holder**" means a Person or Entity who holds an unexercised and unexpired Option or, where applicable, the Personal Representative of such person.
- (x) "**Outstanding Issue**" means the number of Shares that are outstanding (on a non-diluted basis) immediately prior to the Share issuance or grant of Option in question.
- (y) "**Person or Entity**" means an individual, natural person, corporation, government or political subdivision or agency of a government, and where two or more persons act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of an issuer, such partnership, limited partnership, syndicate or group shall be deemed to be a Person or Entity.
- (z) "**Personal Representative**" means:

- (i) in the case of a deceased Option Holder, the executor or administrator of the deceased duly appointed by a court or public authority having jurisdiction to do so; and
  - (ii) in the case of an Option Holder who for any reason is unable to manage his or her affairs, the person entitled by law to act on behalf of such Option Holder.
- (aa) "**Plan**" means this stock option plan as from time to time amended.
- (bb) "**Regulatory Approvals**" means any necessary approvals of the Regulatory Authorities as may be required from time to time for the implementation, operation or amendment of this Plan or for the Options granted from time to time hereunder.
- (cc) "**Regulatory Authorities**" means all organized trading facilities on which the Shares are listed, and all securities commissions or similar securities regulatory bodies having jurisdiction over the Company, this Plan or the Options granted from time to time hereunder.
- (dd) "**Regulatory Rules**" means all corporate and securities laws, regulations, rules, policies, notices, instruments and other orders of any kind whatsoever which may, from time to time, apply to the implementation, operation or amendment of this Plan or the Options granted from time to time hereunder including, without limitation, those of the applicable Regulatory Authorities.
- (ee) "**Securities Act**" means the *Securities Act* (Ontario), as from time to time amended.
- (ff) "**Share**" or "**Shares**" means, as the case may be, one or more common shares without par value in the capital stock of the Company.
- (gg) "**Subsidiary**" means a wholly-owned or controlled subsidiary corporation of the Company.
- (hh) "**Triggering Event**" means:
  - (i) the proposed dissolution, liquidation or wind-up of the Company;
  - (ii) a proposed Change of Control of the Company; or
  - (iii) a proposed material alteration of the capital structure of the Company which, in the opinion of the Committee, is of such a nature that it is not practical or feasible to make adjustments to this Plan or to the Options granted hereunder to permit the Plan and Options granted hereunder to stay in effect.

- (ii) "Vest" or "Vesting" means that a portion of the Option granted to the Option Holder which is available to be exercised by the Option Holder at any time and from time to time.

## **1.2 Choice of Law**

The Plan is established under, and the provisions of the Plan shall be subject to and interpreted and construed solely in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein without giving effect to the conflicts of laws principles thereof and without reference to the laws of any other jurisdiction. The Company and each Option Holder hereby attorn to the jurisdiction of the Courts of Ontario.

## **1.3 Headings**

The headings used herein are for convenience only and are not to affect the interpretation of the Plan.

# **ARTICLE 2**

## **GRANT OF OPTIONS**

### **2.1 Grant of Options**

The Committee shall, from time to time in its sole discretion, grant Options to such Persons or Entities and on such terms and conditions as are permitted under this Plan.

### **2.2 Record of Option Grants**

The Committee shall be responsible to maintain a record of all Options granted under this Plan and such record shall contain, in respect of each Option:

- (a) the name and address of the Option Holder;
- (b) the category (Executive, Employee or Consultant) under which the Option was granted to him, her or it;
- (c) the Grant Date and Expiry Date of the Option;
- (d) the number of Shares which may be acquired on the exercise of the Option and the Exercise Price of the Option;
- (e) the vesting and other additional terms, if any, attached to the Option; and
- (f) the particulars of each and every time the Option is exercised.

### **2.3 Effect of Plan**

All Options granted pursuant to the Plan shall be subject to the terms and conditions of the Plan notwithstanding the fact that the Option Certificates issued in respect thereof do not expressly contain such terms and conditions but instead incorporate them by reference to the Plan. Each



Option will also be subject to, in addition to the provisions of the Plan, the terms and conditions contained in the schedules, if any, attached to the Option Certificate for such Option. In the case of a dispute with regard to any matter in respect thereof, the provisions of the Option Certificate shall prevail over the terms and conditions in the Plan.

### **ARTICLE 3**

#### **PURPOSE AND PARTICIPATION**

#### **3.1 Purpose of Plan**

The purpose of the Plan is to provide the Company with a share-related mechanism to attract, retain and motivate qualified Executives, Employees and Consultants to contribute toward the long term goals of the Company, and to encourage such individuals to acquire Shares of the Company as long term investments.

#### **3.2 Participation in Plan**

The Committee shall, from time to time and in its sole discretion, determine those Executives, Employees and Consultants to whom Options are to be granted.

#### **3.3 Notification of Grant**

Following the granting of an Option, the Administrator shall, within a reasonable period of time, notify the Option Holder in writing of the grant and shall enclose with such notice the Option Certificate representing the Option so granted. In no case will the Company be required to deliver an Option Certificate to an Option Holder until such time as the Company has obtained all necessary Regulatory Approvals for the grant of the Option.

#### **3.4 Copy of Plan**

Each Option Holder, concurrently with the notice of the grant of the Option, shall be provided with a copy of the Plan. A copy of any amendment to the Plan shall be promptly provided by the Administrator to each Option Holder.

#### **3.5 Limitation on Service**

The Plan does not give any Option Holder that is an Executive the right to serve or continue to serve as an Executive of the Company or any Subsidiary, nor does it give any Option Holder that is an Employee or Consultant the right to be or to continue to be employed or engaged by the Company or any Subsidiary.

#### **3.6 No Obligation to Exercise**

Option Holders shall be under no obligation to exercise Options.

### **3.7 Agreement**

The Company and every Option Holder granted an Option hereunder shall be bound by and subject to the terms and conditions of this Plan. By accepting an Option granted hereunder, the Option Holder has expressly agreed with the Company to be bound by the terms and conditions of this Plan. In the event that the Option Holder receives his, her or its Options pursuant to an oral or written agreement with the Company or a Subsidiary, whether such agreement is an employment agreement, consulting agreement or any other kind of agreement of any kind whatsoever, the Option Holder acknowledges that in the event of any inconsistency between the terms relating to the grant of such Options in that agreement and the terms attaching to the Options as provided for in this Plan, the terms provided for in this Plan shall prevail and the other agreement shall be deemed to have been amended accordingly.

### **3.8 Notice**

Any notice, delivery or other correspondence of any kind whatsoever to be provided by the Company to an Option Holder will be deemed to have been provided if provided to the last home address, fax number or email address of the Option Holder in the records of the Company and the Company shall be under no obligation to confirm receipt or delivery.

### **3.9 Representation**

As a condition precedent to the issuance of an Option, the Company must be able to represent to the Exchange as of the Grant Date that the Option Holder is a bona fide Executive, Employee or Consultant of the Company or any Subsidiary.

## **ARTICLE 4** **NUMBER OF SHARES UNDER PLAN**

### **4.1 Committee to Approve Issuance of Shares**

The Committee shall approve by resolution the issuance of all Shares to be issued to Option Holders upon the exercise of Options, such authorization to be deemed effective as of the Grant Date of such Options regardless of when it is actually done. The Committee shall be entitled to approve the issuance of Shares in advance of the Grant Date, retroactively after the Grant Date, or by a general approval of this Plan.

### **4.2 Number of Shares**

Subject to adjustment as provided for herein, the number of Shares which will be available for purchase pursuant to Options granted pursuant to this Plan, plus any other outstanding incentive stock options of the Company granted pursuant to a previous stock option plan or agreement and plus any restricted share units granted pursuant to the Company's Restricted Share Unit Plan (as the same may be amended from time to time), will not exceed 10% of the Outstanding Issue. If any Option expires or otherwise terminates for any reason without having been exercised in full, the number of Shares in respect of such expired or terminated Option shall again be available for the purposes of granting Options pursuant to this Plan.

### **4.3 Fractional Shares**

No fractional shares shall be issued upon the exercise of any Option and, if as a result of any adjustment, an Option Holder would become entitled to a fractional share, such Option Holder shall have the right to purchase only the next lowest whole number of Shares and no payment or other adjustment will be made for the fractional interest.

### **4.4 Limits on Option Grants for Investor Relations Activities**

The maximum number of Options which may be granted within any 12 month period to Employees or Consultants engaged in investor relations activities must not exceed 1% of the Outstanding Issue.

## **ARTICLE 5** **TERMS AND CONDITIONS OF OPTIONS**

### **5.1 Exercise Period of Option**

Subject to sections 5.4, 6.2, 6.3, 6.4 and 11.4, the Grant Date and the Expiry Date of an Option shall be the dates fixed by the Committee at the time the Option is granted and shall be set out in the Option Certificate issued in respect of such Option and may not exceed ten years from the Grant Date.

### **5.2 Number of Shares Under Option**

The number of Shares which may be purchased pursuant to an Option shall be determined by the Committee and shall be set out in the Option Certificate issued in respect of the Option.

### **5.3 Exercise Price of Option**

The Exercise Price at which an Option Holder may purchase a Share upon the exercise of an Option shall be determined by the Committee and shall be set out in the Option Certificate issued in respect of the Option. The Exercise Price shall not be less than the Market Value of the Shares. The Market Value of the Shares for a particular Grant Date shall be determined as follows:

- (a) for each organized trading facility on which the Shares are listed, Market Value will be the greater of the closing market price of the Shares on: (i) the trading day immediately preceding the Grant Date; and (ii) the Grant Date, and may be less than this price if it is within the discounts permitted by the applicable Regulatory Authorities;
- (b) if the Company's Shares are listed on more than one organized trading facility, the Market Value shall be the Market Value as determined in accordance with subparagraph (a) above for the primary organized trading facility on which the Shares are listed, as determined by the Committee, subject to any adjustments as may be required to secure all necessary Regulatory Approvals;

- (c) if the Company's Shares are listed on one or more organized trading facilities but have not traded during the ten trading days immediately preceding the Grant Date, then the Market Value will be, subject to any adjustments as may be required to secure all necessary Regulatory Approvals, such value as is determined by the Committee; and
- (d) if the Company's Shares are not listed on any organized trading facility, then the Market Value will be, subject to any adjustments as may be required to secure all necessary Regulatory Approvals, such value as is determined by the Committee to be the fair value of the Shares, taking into consideration all factors that the Committee deems appropriate, including, without limitation, recent sale and offer prices of the Shares in private transactions negotiated at arms' length. Notwithstanding anything else contained herein, in no case will the Market Value be less than the minimum prescribed by each of the organized trading facilities that would apply to the Company on the Grant Date in question.

#### 5.4 Termination of Option

Subject to such other terms or conditions that may be attached to Options granted hereunder, an Option Holder may exercise an Option in whole or in part at any time and from time to time during the Exercise Period. Any Option or part thereof not exercised within the Exercise Period shall terminate and become null, void and of no effect as of the Expiry Time on the Expiry Date. The Expiry Date of an Option shall be the earlier of the date so fixed by the Committee at the time the Option is granted as set out in the Option Certificate and the date established, if applicable, in paragraphs (a) or (b) below or sections 6.2, 6.3, 6.4, or 11.4 of this Plan:

- (a) **Ceasing to Hold Office** - In the event that the Option Holder holds his or her Option as an Executive and such Option Holder ceases to hold such position other than by reason of death or Disability, the Expiry Date of the Option shall be, unless otherwise determined by the Committee and expressly provided for in the Option Certificate, the 30th day following the date the Option Holder ceases to hold such position unless the Option Holder ceases to hold such position as a result of:
  - (i) termination for cause;
  - (ii) ceasing to meet the qualifications set forth in the corporate legislation applicable to the Company;
  - (iii) a special resolution having been passed by the shareholders of the Company removing the Option Holder as a director of the Company or any Subsidiary; or
  - (iv) an order made by any Regulatory Authority having jurisdiction to so order,

in which case the Expiry Date shall be the date the Option Holder ceases to hold such position; OR

- (b) **Ceasing to be Employed or Engaged** - In the event that the Option Holder holds his or her Option as an Employee or Consultant and such Option Holder ceases to hold such position other than by reason of death or Disability, the Expiry Date of the Option shall be, unless otherwise determined by the Committee and expressly provided for in the Option Certificate, the 30th day following the date the Option Holder ceases to hold such position, unless the Option Holder ceases to hold such position as a result of:
- (i) termination for cause;
  - (ii) resigning his or her position; or
  - (iii) an order made by any Regulatory Authority having jurisdiction to so order,

in which case the Expiry Date shall be the date the Option Holder ceases to hold such position.

In the event that the Option Holder ceases to hold the position of Executive, Employee or Consultant for which the Option was originally granted, but comes to hold a different position as an Executive, Employee or Consultant prior to the expiry of the Option, the Committee may, in its sole discretion, choose to permit the Option to stay in place for that Option Holder with such Option then to be treated as being held by that Option Holder in his or her new position and such will not be considered to be an amendment to the Option in question requiring the consent of the Option Holder under section 9.2 of this Plan. Notwithstanding anything else contained herein, in no case will an Option be exercisable later than the Expiry Date of the Option.

## **5.5 Vesting of Option and Acceleration**

The vesting schedule for an Option, if any, shall be determined by the Committee and shall be set out in the Option Certificate issued in respect of the Option. The Committee may elect, at any time, to accelerate the vesting schedule of one or more Options including, without limitation, on a Triggering Event, and such acceleration will not be considered an amendment to the Option in question requiring the consent of the Option Holder under section 9.2 of this Plan.

## **5.6 Additional Terms**

Subject to all applicable Regulatory Rules and all necessary Regulatory Approvals, the Committee may attach additional terms and conditions to the grant of a particular Option, such terms and conditions to be set out in a schedule attached to the Option Certificate. Each Option will also be subject to, in addition to the provisions of the Plan, the terms and conditions contained in the schedules, if any, attached to the Option Certificate for such Option. In the case of a dispute with regard to any matter in respect thereof, the provisions of the Option Certificate shall prevail over the terms and conditions in the Plan.

**ARTICLE 6**  
**TRANSFERABILITY OF OPTIONS**

**6.1 Non-transferable**

Except as provided otherwise in this Article 6, Options are non-assignable and non-transferable.

**6.2 Death of Option Holder**

In the event of the Option Holder's death, any Options held by such Option Holder shall pass to the Personal Representative of the Option Holder and shall be exercisable by the Personal Representative on or before the date which is the earlier of one year following the date of death and the applicable Expiry Date.

**6.3 Disability of Option Holder – Employee or Consultant**

If the employment or engagement of an Option Holder as an Employee or Consultant or the position of an Option Holder as a director or officer of the Company or a Subsidiary is terminated by the Company by reason of such Option Holder's Disability, any Options held by such Option Holder shall be exercisable by such Option Holder or by the Personal Representative on or before the date which is the earlier of one year following the termination of employment, engagement or appointment as a director or officer and the applicable Expiry Date.

**6.4 Disability and Death of Option Holder – Director or Officer**

If an Option Holder has ceased to be employed, engaged or appointed as a director or officer of the Company or a Subsidiary by reason of such Option Holder's Disability and such Option Holder dies within one year after the termination of such engagement, any Options held by such Option Holder that could have been exercised immediately prior to his or her death shall pass to the Personal Representative of such Option Holder and shall be exercisable by the Personal Representative on or before the date which is the earlier of one year following the death of such Option Holder and the applicable Expiry Date.

**6.5 Vesting**

Unless the Committee determines otherwise, Options held by or exercisable by a Personal Representative shall, during the period prior to their termination, continue to vest in accordance with any vesting schedule to which such Options are subject.

**6.6 Deemed Non-Interruption of Engagement**

Employment or engagement by the Company shall be deemed to continue intact during any military or sick leave or other bona fide leave of absence if the period of such leave does not exceed 90 days or, if longer, for so long as the Option Holder's right to re-employment or re-engagement by the Company is guaranteed either by statute or by contract. If the period of such leave exceeds 90 days and the Option Holder's re-employment or re-engagement is not so guaranteed, then his or her employment or engagement shall be deemed to have terminated on the ninety-first day of such leave.

**ARTICLE 7**  
**EXERCISE OF OPTION**

**7.1 Exercise of Option**

An Option may be exercised only by the Option Holder or the Personal Representative of any Option Holder. An Option Holder or the Personal Representative of any Option Holder may exercise an Option in whole or in part at any time and from time to time during the Exercise Period up to the Expiry Time on the Expiry Date by delivering to the Administrator the required Exercise Notice, the applicable Option Certificate and a certified cheque or bank draft or wire transfer payable to the Company or its legal counsel in an amount equal to the aggregate Exercise Price of the Shares then being purchased pursuant to the exercise of the Option. Notwithstanding anything else contained herein, Options may not be exercised during a Black-Out unless the Committee determines otherwise.

**7.2 Black Out Period**

If an Option expires, terminates or is cancelled (other than an expiry, termination or cancellation pursuant to section 5.4(a)(i), 5.4(a)(ii), 5.4(a)(iii) or 5.4(a)(iv) or section 5.4(b)(i), 5.4(b)(ii) or 5.4(b)(iii) above) within or immediately after a Black Out, the Holder may elect for the term of such Option to be extended to the date which is ten (10) business days after the last day of the Black Out; provided, that, the expiration date as extended by this section 7.2 will not in any event be beyond the later of: (i) December 31 of the calendar year in which the Option was otherwise due to expire; and (ii) the 15th day of the third month following the month in which the Option was otherwise due to expire.

**7.3 Issue of Share Certificates**

As soon as reasonably practicable following the receipt of the notice of exercise as described in section 7.1 and payment in full for the Optioned Shares being acquired, the Administrator will direct its transfer agent to issue to the Option Holder the appropriate number of Shares in either certificate form or at the election of the Option Holder, on an uncertificated basis pursuant to the instructions given by the Option Holder to the Administrator. If the number of Shares so purchased is less than the number of Shares subject to the Option Certificate surrendered, the Administrator shall also provide a new Option Certificate for the balance of Shares available under the Option to the Option Holder concurrent with delivery of the Shares.

**7.4 No Rights as Shareholder**

Until the date of the issuance of the certificate for the Shares purchased pursuant to the exercise of an Option, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to such Shares, notwithstanding the exercise of the Option, unless the Committee determines otherwise. In the event of any dispute over the date of the issuance of the Shares, the decision of the Committee shall be final, conclusive and binding.

## **7.5 Tax Withholding and Procedures**

Notwithstanding anything else contained in this Plan, the Company may, from time to time, implement such procedures and conditions as it determines appropriate with respect to the withholding and remittance of taxes imposed under applicable law, or the funding of related amounts for which liability may arise under such applicable law. Without limiting the generality of the foregoing, an Option Holder who wishes to exercise an Option must, in addition to following the procedures set out in section 7.1 and elsewhere in this Plan, and as a condition of exercise:

- (a) deliver a certified cheque, wire transfer or bank draft payable to the Company for the amount determined by the Company to be the appropriate amount on account of such taxes or related amounts; or
- (b) otherwise ensure, in a manner acceptable to the Company (if at all) in its sole and unfettered discretion, that the amount will be securely funded;
- (c) and must in all other respects follow any related procedures and conditions imposed by the Company.

## **ARTICLE 8 ADMINISTRATION**

### **8.1 Board or Committee**

The Plan shall be administered by the Administrator with oversight by the Committee.

### **8.2 Powers of Committee**

The Committee shall have the authority to do the following:

- (a) oversee the administration of the Plan in accordance with its terms;
- (b) appoint or replace the Administrator from time to time;
- (c) determine all questions arising in connection with the administration, interpretation and application of the Plan, including all questions relating to the Market Value;
- (d) correct any defect, supply any information or reconcile any inconsistency in the Plan in such manner and to such extent as shall be deemed necessary or advisable to carry out the purposes of the Plan;
- (e) prescribe, amend, and rescind rules and regulations relating to the administration of the Plan;



- (f) determine the duration and purposes of leaves of absence from employment or engagement by the Company which may be granted to Option Holders without constituting a termination of employment or engagement for purposes of the Plan;
- (g) do the following with respect to the granting of Options:
  - (i) determine the Executives, Employees or Consultants to whom Options shall be granted, based on the eligibility criteria set out in this Plan;
  - (ii) determine the terms of the Option to be granted to an Option Holder including, without limitation, the Grant Date, Expiry Date, Exercise Price and vesting schedule (which need not be identical with the terms of any other Option);
  - (iii) subject to any necessary Regulatory Approvals and section 9.2, amend the terms of any Options;
  - (iv) determine when Options shall be granted; and
  - (v) determine the number of Shares subject to each Option;
- (h) accelerate the vesting schedule of any Option previously granted; and
- (i) make all other determinations necessary or advisable, in its sole discretion, for the administration of the Plan.

### **8.3 Administration by Committee**

All determinations made by the Committee in good faith shall be final, conclusive and binding upon all persons. The Committee shall have all powers necessary or appropriate to accomplish its duties under this Plan.

### **8.4 Interpretation**

The interpretation by the Committee of any of the provisions of the Plan and any determination by it pursuant thereto shall be final, conclusive and binding and shall not be subject to dispute by any Option Holder. No member of the Committee or any person acting pursuant to authority delegated by it hereunder shall be personally liable for any action or determination in connection with the Plan made or taken in good faith and each member of the Committee and each such person shall be entitled to indemnification with respect to any such action or determination in the manner provided for by the Company.

**ARTICLE 9**  
**APPROVALS AND AMENDMENT**

**9.1 Shareholder Approval of Plan**

If required by a Regulatory Authority or by the Committee, this Plan may be made subject to the approval of the shareholders of the Company as prescribed by the Regulatory Authority. If shareholder approval is required, any Options granted under this Plan prior to such time will not be exercisable or binding on the Company unless and until such shareholder approval is obtained.

**9.2 Amendment of Option or Plan**

Subject to any required Regulatory Approvals, the Committee may from time to time amend any existing Option or the Plan or the terms and conditions of any Option thereafter to be granted provided that where such amendment relates to an existing Option and it would:

- (a) materially decrease the rights or benefits accruing to an Option Holder; or
- (b) materially increase the obligations of an Option Holder;

then, unless otherwise excepted out by a provision of this Plan, the Committee must also obtain the written consent of the Option Holder in question to such amendment. If at the time the Exercise Price of an Option is reduced the Option Holder is an Insider of the Company, the Insider must not exercise the option at the reduced Exercise Price until the reduction in Exercise Price has been approved by the disinterested shareholders of the Company, if required by the Exchange.

**ARTICLE 10**  
**CONDITIONS PRECEDENT TO ISSUANCE OF OPTIONS AND SHARES**

**10.1 Compliance with Laws**

An Option shall not be granted or exercised, and Shares shall not be issued pursuant to the exercise of any Option, unless the grant and exercise of such Option and the issuance and delivery of such Shares comply with all applicable Regulatory Rules, and such Options and Shares will be subject to all applicable trading restrictions in effect pursuant to such Regulatory Rules and the Company shall be entitled to legend the Option Certificates and the certificates for the Shares or the written notice in the case of uncertificated Shares representing such Shares accordingly.

**10.2 Regulatory Approvals**

In administering this Plan, the Committee will seek any Regulatory Approvals which may be required. The Committee will not permit any Options to be granted without first obtaining the necessary Regulatory Approvals unless such Options are granted conditional upon such Regulatory Approvals being obtained. The Committee will make all filings required with the Regulatory Authorities in respect of the Plan and each grant of Options hereunder. No Option

granted will be exercisable or binding on the Company unless and until all necessary Regulatory Approvals have been obtained. The Committee shall be entitled to amend this Plan and the Options granted hereunder in order to secure any necessary Regulatory Approvals and such amendments will not require the consent of the Option Holders under section 9.2 of this Plan.

### **10.3 Inability to Obtain Regulatory Approvals**

The Company's inability to obtain Regulatory Approval from any applicable Regulatory Authority, which Regulatory Approval is deemed by the Committee to be necessary to complete the grant of Options hereunder, the exercise of those Options or the lawful issuance and sale of any Shares pursuant to such Options, shall relieve the Company of any liability with respect to the failure to complete such transaction.

## **ARTICLE 11** **ADJUSTMENTS AND TERMINATION**

### **11.1 Termination of Plan**

Subject to any necessary Regulatory Approvals, the Committee may terminate or suspend the Plan. Unless earlier terminated as provided in this Article 11, the Plan shall terminate on, and no more Options shall be granted under the Plan after, the tenth anniversary of the date of the Exchange's acceptance of the Plan.

### **11.2 No Grant During Suspension of Plan**

No Option may be granted during any suspension, or after termination, of the Plan. Suspension or termination of the Plan shall not, without the consent of the Option Holder, alter or impair any rights or obligations under any Option previously granted.

### **11.3 Alteration in Capital Structure**

If there is a material alteration in the capital structure of the Company and the Shares are consolidated, subdivided, converted, exchanged, reclassified or in any way substituted for, the Committee shall make such adjustments to this Plan and to the Options then outstanding under this Plan as the Committee determines to be appropriate and equitable under the circumstances, so that the proportionate interest of each Option Holder shall, to the extent practicable, be maintained as before the occurrence of such event. Such adjustments may include, without limitation:

- (a) a change in the number or kind of shares of the Company covered by such Options; and
- (b) a change in the Exercise Price payable per Share provided, however, that the aggregate Exercise Price applicable to the unexercised portion of existing Options shall not be altered, it being intended that any adjustments made with respect to such Options shall apply only to the Exercise Price per Share and the number of Shares subject thereto.

For purposes of this section 11.3, and without limitation, neither:

- (c) issuance of additional securities of the Company in exchange for adequate consideration (including services); nor
- (d) the conversion of outstanding securities of the Company into Shares shall be deemed to be material alterations of the capital structure of the Company. Any adjustment made to any Options pursuant to this section 11.3 shall not be considered an amendment requiring the Option Holder's consent for the purposes of section 9.2 of this Plan.

#### **11.4 Triggering Events**

Subject to the Company complying with section 11.5 and any necessary Regulatory Approvals and notwithstanding any other provisions of this Plan or any Option Certificate, the Committee may, without the consent of the Option Holder or Holders in question:

- (a) cause all or a portion of any of the Options granted under the Plan to terminate upon the occurrence of a Triggering Event; or
- (b) cause all or a portion of any of the Options granted under the Plan to be exchanged for incentive stock options of another corporation upon the occurrence of a Triggering Event in such ratio and at such exercise price as the Committee deems appropriate, acting reasonably.

Such termination or exchange shall not be considered an amendment requiring the Option Holder's consent for the purpose of section 9.2 of the Plan.

#### **11.5 Notice of Termination by Triggering Event**

In the event that the Committee wishes to cause all or a portion of any of the Options granted under this Plan to terminate on the occurrence of a Triggering Event, it must give written notice to the Option Holders in question not less than 10 days prior to the consummation of a Triggering Event so as to permit the Option Holder the opportunity to exercise the vested portion of the Options prior to such termination. Upon the giving of such notice and subject to any necessary Regulatory Approvals, all Options or portions thereof granted under the Plan which the Company proposes to terminate shall become immediately exercisable notwithstanding any contingent vesting provision to which such Options may have otherwise been subject. Furthermore, if any of the Options granted under this Plan are cancelled prior to their Expiry Date, the Company shall not grant new Options to the same Persons or Entities until 30 days have lapsed from the date of cancellation.

#### **11.6 Determinations to be Made By Committee**

Adjustments and determinations under this Article 11 shall be made by the Committee, whose decisions as to what adjustments or determination shall be made, and the extent thereof, shall be final, binding, and conclusive.

## SCHEDULE "A"

[Include legends prescribed by Regulatory Authorities, if required.]

### AUSTRALIS CAPITAL INC. STOCK OPTION PLAN - OPTION CERTIFICATE

This Option Certificate is issued pursuant to the provisions of the Stock Option Plan (the "**Plan**") of Australis Capital Inc. (the "**Company**") and evidences that ► [Name of Option Holder] is the holder (the "**Option Holder**") of an option (the "**Option**") to purchase up to ► common shares (the "**Shares**") in the capital stock of the Company at a purchase price of Cdn.\$► per Share (the "**Exercise Price**"). This Option may be exercised at any time and from time to time from and including the following Grant Date through to and including up to 4:00 p.m. local time in Toronto, Ontario (the "**Expiry Time**") on the following Expiry Date:

- (a) the Grant Date of this Option is ►, 20►; and
- (b) subject to sections 5.4, 6.2, 6.3, 6.4 and 11.4 of the Plan, the Expiry Date of this Option is ►, 20►.

To exercise this Option, the Option Holder must deliver to the Administrator of the Plan, prior to the Expiry Time on the Expiry Date, an Exercise Notice, in the form provided in the Plan, which is incorporated by reference herein, together with the original of this Option Certificate and a certified cheque, bank draft or wire transfer payable to the Company or its legal counsel in an amount equal to the aggregate of the Exercise Price of the Shares in respect of which this Option is being exercised.

This Option Certificate and the Option evidenced hereby is not assignable, transferable or negotiable and is subject to the detailed terms and conditions contained in the Plan. This Option Certificate is issued for convenience only and in the case of any dispute with regard to any matter in respect hereof, the provisions of the Plan and the records of the Company shall prevail. This Option is also subject to the terms and conditions contained in the schedules, if any, attached hereto.

[Include legends on the certificate or the written notice in the case of uncertificated shares prescribed by Regulatory Authorities, if required.]

If the Option Holder is a resident or citizen of the United States of America at the time of the exercise of the Option, the certificate(s) representing the Shares will be endorsed with the following or a similar legend:

"The securities represented by this certificate have not been registered under the *Securities Act of 1933*, as amended, of the United States of America (the "**Act**") or the securities laws of any state ("**State**") of the United States of America and may not be sold, transferred, pledged, hypothecated or distributed, directly or indirectly, to a U.S. person (as defined in Regulation S adopted by the U.S. Securities and Exchange Commission under the Act) or within the United States unless such securities are (i) registered under the Act and any applicable State

securities act (a "**State Act**"), or (ii) exempt from registration under the Act and any applicable State Act and the Company has received an opinion of counsel to such effect reasonably satisfactory to it, or (iii) sold in accordance with Regulation S and the Company has received an opinion of counsel to such effect reasonably satisfactory to it."

**AUSTRALIS CAPITAL INC.**  
**by its authorized signatory:**

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The Option Holder acknowledges receipt of a copy of the Plan and represents to the Company that the Option Holder is familiar with the terms and conditions of the Plan, and hereby accepts this Option subject to all of the terms and conditions of the Plan. The Option Holder agrees to execute, deliver, file and otherwise assist the Company in filing any report, undertaking or document with respect to the awarding of the Option and exercise of the Option, as may be required by the Regulatory Authorities. The Option Holder further acknowledges that if the Plan has not been approved by the shareholders of the Company on the Grant Date, this Option is not exercisable until such approval has been obtained.

Signature of Option Holder:

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Witness

---

Date signed:

---

Signature

---

Print Name

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Address

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## OPTION CERTIFICATE – SCHEDULE

**[Complete the following additional terms and any other special terms, if applicable, or remove the inapplicable terms or this schedule entirely.]**

The additional terms and conditions attached to the Option represented by this Option Certificate are as follows:

1. The Options will not be exercisable unless and until they have vested and then only to the extent that they have vested. The Options will vest in accordance with the following:
  - (a) ► Shares (►%) will vest and be exercisable on or after the Grant Date;
  - (b) ► additional Shares (►%) will vest and be exercisable on or after ► [date];
  - (c) ► additional Shares (►%) will vest and be exercisable on or after ► [date];
  - (d) ► additional Shares (►%) will vest and be exercisable on or after ► [date];
2. Upon the Option Holder ceasing to hold a position with the Company, other than as a result of the events set out in paragraphs 5.4(a) or 5.4(b) of the Plan, the Expiry Date of the Option shall be ► **[Insert date desired that is longer or shorter than the standard 30 days as set out in the Plan]** following the date the Option Holder ceases to hold such position.

**SCHEDULE "B"**  
**AUSTRALIS CAPITAL INC.**  
**STOCK OPTION PLAN**

**NOTICE OF EXERCISE OF OPTION**

TO: The Administrator, Stock Option Plan  
Australis Capital Inc.  
[insert applicable address]  
(or such other address as the Company may advise)

The undersigned hereby irrevocably gives notice, pursuant to the Stock Option Plan (the "**Plan**") of Australis Capital Inc. (the "**Company**"), of the exercise of the Option to acquire and hereby subscribes for (**cross out inapplicable item**):

- (a) all of the Shares; or
- (b)  of the Shares;

which are the subject of the Option Certificate attached hereto (**attach your original Option Certificate**). The undersigned tenders herewith a certified cheque, bank draft or wire transfer (**circle one**) payable to the Company in an amount equal to the aggregate Exercise Price of the aforesaid Shares and directs the Company to issue a certificate OR a written notice in the case of uncertificated Shares evidencing said Shares in the name of the undersigned to be issued to the undersigned [**in the case of issuance of a share certificate, at the following address (provide full complete address)**]:

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The undersigned acknowledges the Option is not validly exercised unless this Notice is completed in strict compliance with this form and delivered to the required address with the required payment prior to 4:00 p.m. local time in Toronto, Ontario on the Expiry Date of the Option.

**DATED** the  day of , 20.

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Signature of Option Holder



**SCHEDULE "B"**

See attached.

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**AUSTRALIS CAPITAL INC.**

**RESTRICTED SHARE UNIT PLAN**

**EFFECTIVE AS OF DECEMBER 1, 2020**

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# **RESTRICTED SHARE UNIT PLAN**

## **ARTICLE 1** **PURPOSE AND INTERPRETATION**

### **1.1 Purpose**

The purpose of the Plan is to promote and advance the interests of the Corporation by providing Eligible Persons with additional incentive through an opportunity to receive discretionary bonuses in the form of Common Shares of the Corporation, (ii) encouraging stock ownership by such Eligible Persons, (iii) increasing the proprietary interest of Eligible Persons in the success of the Corporation, and (iv) increasing the ability to attract, retain and motivate Eligible Persons.

### **1.2 Definitions**

For the purposes of this Plan, the following terms shall have the following meanings:

- (a) "**Account**" means a notional account maintained for each Participant on the books of the Corporation which will be credited with Restricted Share Units and Dividend RSUs, in accordance with the terms of the Plan;
- (b) "**Affiliate**" means any person that controls or is controlled by the Corporation or that is controlled by the same person that controls the Corporation;
- (c) "**Associate**" has the meaning ascribed to that term under the *Securities Act* (Ontario) as may be amended from time to time;
- (d) "**Affiliated Companies**", "**Controlled Companies**" and "**Subsidiary Companies**" have the meanings ascribed to those terms under the *Securities Act* (Ontario) as may be amended from time to time;
- (e) "**Black-Out Period**" means the period during which designated directors, officers, employees and consultants of the Corporation and, if applicable, any Subsidiary Company, cannot trade Common Shares pursuant to the Corporation's insider trading policy which is in effect at that time (which, for certainty, does not include the period during which a cease trade order is in effect to which the Corporation, or in respect of a Reporting Insider, that Reporting Insider, is subject);
- (f) "**Board**" means the board of directors of the Corporation or such delegate as referred to by the term in Section 3.1(1);
- (g) "**Business Day**" means any day other than a Saturday, Sunday or a statutory or civic holiday in the City of Toronto, Ontario, on which the Stock Exchange is open for trading;
- (h) "**Cause**" means (i) if the Participant has a written agreement with the Corporation or a Subsidiary Company in which cause is defined, cause as defined therein; or

otherwise (ii) (A) the inability of the Participant to perform his or her duties due to a legal impediment such as an injunction, restraining order or other type of judicial judgment, decree or order entered against the Participant; (B) the failure of the Participant to follow the Corporation's reasonable instructions with respect to the performance of his or her duties; (C) any material breach by the Participant of his or her obligations under any code of ethics, any other code of business conduct or any lawful policies or procedures of the Corporation; (D) excessive absenteeism, flagrant neglect of duties, serious misconduct, or conviction of crime or fraud; and (E) any other act or omission of the Participant which would in law permit an employer to, without notice or payment in lieu of notice, terminate the employment of an employee;

- (i) "**Certificate**" has the meaning given to that term in Section 3.1(3);
- (j) "**Change of Control Event**" means:
  - (i) the acquisition of a sufficient number of voting securities in the capital of the Corporation so that the acquiror, together with Persons or Entities acting jointly or in concert with the acquiror, becomes entitled, directly or indirectly, to exercise more than 50% of the voting rights attaching to the outstanding voting securities in the capital of the Corporation (provided that, prior to the acquisition, the acquiror was not entitled to exercise more than 50% of the voting rights attaching to the outstanding voting securities in the capital of the Corporation);
  - (ii) the completion of a consolidation, merger, arrangement or amalgamation of the Corporation with or into any other entity whereby the voting securityholders of the Corporation immediately prior to the consolidation, merger, arrangement or amalgamation receive less than 50% of the voting rights attaching to the outstanding voting securities of the consolidated, merged, arranged or amalgamated entity;
  - (iii) the completion of a sale whereby all or substantially all of the Corporation's undertakings and assets become the property of any other entity and the voting securityholders of the Corporation immediately prior to the sale hold less than 50% of the voting rights attaching to the outstanding voting securities of that other entity immediately following that sale; or
  - (iv) an occurrence when a majority of the directors elected at any annual or extraordinary general meeting of shareholders of the Corporation are not individuals nominated by the Corporation's then-incumbent Board.
- (k) "**Common Shares**" means the common shares in the share capital of the Corporation;
- (l) "**Corporation**" means Australis Capital Inc.;

- (m) "**Consultant**" means a corporate entity or an individual, other than an employee, executive officer or director of the Corporation or of an Affiliate, that:
- (i) is engaged to provide services to the Corporation or an Affiliate, other than services provided in relation to a distribution of the Corporation's securities;
  - (ii) provides the services under a written contract with the Corporation or an Affiliate; and
  - (iii) spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliate; and includes, for an individual consultant, a corporation of which the individual consultant is an employee or shareholder, and a partnership of which the individual consultant is an employee or partner;
- (n) "**Dividend RSUs**" means a bookkeeping entry credited to a Participant's Account equivalent in value to the dividend, if any, paid on a Common Share in accordance with Section 4.2 of the Plan;
- (o) "**Eligible Person**" means:
- (i) any director, officer, employee or Consultant of the Corporation or any of its Subsidiary Companies; and
  - (ii) any Personal Holding Company of any of the persons listed in section 1.2(1)(o)(i) above;
- who is designated by the Board as eligible to participate in the Plan;
- (p) "**Expiry Date**" means the expiry date set out by the Board on the date of approval of a grant and as described in the applicable Certificate (which for greater certainty may vary between RSUs granted from time to time), following which an RSU is expired and is thereafter incapable of settlement, and is of no value whatsoever, provided however that in no event shall an Expiry Date be a date that is more than three years from the date of grant;
- (q) "**Market Price**" means, with respect to any particular date, the volume weighted average trading price of the Common Shares as reported on the Stock Exchange for the five (5) trading days immediately preceding that date;
- (r) "**Participant**" means an Eligible Person to whom RSUs have been granted and are outstanding;
- (s) "**Personal Holding Company**" means a personal holding corporation that is either wholly owned, or controlled by, any director, executive officer, employee or Consultant of the Corporation or its Affiliates, and the shares of which are held

directly or indirectly by any such person or the person's spouse, minor children and/or minor grandchildren;

- (t) "**Person or Entity**" means an individual, natural person, corporation, government or political subdivision or agency of a government, and where two or more persons act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of an issuer, such partnership, limited partnership, syndicate or group shall be deemed to be a Person or Entity;
- (u) "**Plan**" means this Restricted Share Unit plan of the Corporation, as amended from time to time;
- (v) "**Reporting Insider**" means a reporting insider as defined under National Instrument 55-104 as may be amended from time to time;
- (w) "**Restricted Share Unit**" or "**RSU**" means a bookkeeping entry equivalent in value to a Common Share credited to a Participant's Account and representing the right of a Participant to whom a grant of such restricted share units is made to receive one Common Share (or, pursuant to Section 4.3, an amount of cash equal to the Market Value thereof), pursuant and subject to the terms and conditions set forth in this Plan and in the applicable Certificate;
- (x) "**RSU Award**" means the number of RSUs determined by the Board to be awarded to the Participant and credited to a Participant's Account, as evidenced by a Certificate;
- (y) "**Settlement Date**" means the Business Day during the Settlement Period on which a Participant elects to settle an RSU in accordance with Section 4.3;
- (z) "**Settlement Notice**" has the meaning set out in Section 4.3;
- (aa) "**Settlement Period**" means the period starting on the Vesting Date and ending on the Expiry Date;
- (bb) "**Shareholder**" means a holder of a Common Share in the capital of the Corporation;
- (cc) "**Share Compensation Arrangement**" means any stock option, stock option plan, employee stock purchase plan, restricted share unit, or any other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares, including a share purchase from treasury which is financially assisted by the Corporation by way of a loan, guarantee or otherwise including, without limitation, this Plan;
- (dd) "**Stock Exchange**" means the Canadian Securities Exchange or if the Common Shares are not listed on the Canadian Securities Exchange, any stock exchange on which the Common Shares are listed or traded, as determined by the Board;

- (ee) **"Termination Date"** means the date on which a Participant ceases to be an Eligible Person. For greater certainty, in the case of a Participant whose employment or term of office with the Corporation or any Subsidiary Company terminates in the circumstances set out in Section 4.4(1)(a), Section 4.4(1)(b) or Section 4.4(1)(c), the date that is designated by the Corporation or any Subsidiary Company, as the last day of the Participant's employment or term of office with the Corporation or such Subsidiary Company, provided that in the case of termination of employment or term of office by voluntary resignation by the Participant, such date shall not be earlier than the date notice of resignation was given, and **"Termination Date"** specifically does not include any period of reasonable notice that the Corporation or any Subsidiary Company may be required at law to provide to the Participant; and
- (ff) **"Vesting Date"** means the date on which an RSU is vested for the purposes of the Plan.

### **1.3 Interpretation**

Words importing the singular number only shall include the plural and vice versa and words importing the masculine shall include the feminine.

### **1.4 Governing Law**

This Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

### **1.5 Severability**

The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision and any invalid or unenforceable provision shall be severed from the Plan.

## **ARTICLE 2** **SHARE CAPITAL**

### **2.1 Shares Reserved**

- (a) Subject to Section 5.3(1), the securities that may be acquired by Participants pursuant to RSUs granted under this Plan shall consist of authorized but unissued Common Shares.
- (b) The Corporation shall at all times during the term of this Plan ensure that the number of Common Shares it is authorized to issue shall be sufficient to satisfy the requirements of RSUs granted under this Plan.
- (c) The maximum number of Common Shares made available for issuance pursuant to the Plan shall be determined from time to time by the Board, but in any case,



shall not exceed 10% of the Common Shares issued and outstanding from time to time, less any Common Shares reserved for issuance under all other Share Compensation Arrangements, subject to adjustments as provided in the Plan.

- (d) The Plan shall be a "rolling plan" and therefore when RSUs are cancelled (whether or not upon payment with respect to vested RSUs) or terminated, Common Shares shall automatically be available for issuance pursuant to the Plan.

### **ARTICLE 3** **ADMINISTRATION**

#### **3.1 General**

- (a) This Plan shall be administered by the Board. Notwithstanding the foregoing or any other provision contained herein, the Board shall have the right to delegate the administration and operation of this Plan, in whole or in part, to a committee of the Board and/or to any member of the Board. Any delegation pursuant to this Section 3.1 shall be documented in a resolution of the Board.
- (b) Subject to the terms and conditions set forth herein, the Board is authorized to provide for the granting, vesting, settlement and method of settlement of RSUs , all on such terms (which may vary between RSUs granted from time to time) as it shall determine. In addition, the Board shall have the authority to:
  - (i) select any directors, officers, employees or Consultants of the Corporation or Subsidiary Companies of the Corporation to participate in this Plan; provided that RSUs granted to any Participant shall be approved by the Shareholders if the rules of the Stock Exchange require such approval;
  - (ii) construe and interpret this Plan and all agreements entered into hereunder;
  - (iii) prescribe, amend and rescind rules and regulations relating to this Plan; and
  - (iv) make all other determinations necessary or advisable for the administration of this Plan. All determinations and interpretations made by the Board shall be binding on all Participants and on their legal, personal representatives and beneficiaries.
- (c) An RSU Award shall be evidenced by an RSU agreement certificate ("**Certificate**"), signed on behalf of the Corporation, subject to amendment by the Board from time to time, and which shall specify:
  - (i) the number of RSUs subject to the RSU Award to be credited to the Participant's Account;
  - (ii) the date of grant of the RSU Award;

- (iii) the Vesting Date or Vesting Dates applicable to the RSUs subject to the RSU Award;
  - (iv) the Settlement Period and Expiry Date applicable to an RSU subject to the RSU Award;
  - (v) the nature and duration of the restrictions, if any, to be imposed upon the sale or other disposition of Common Shares acquired upon settlement of the RSU;
  - (vi) the nature of the events, if any, and the duration of the period in which any Participant's rights in respect of Common Shares acquired upon settlement of an RSU may be forfeited; and
  - (vii) such other terms, conditions and limitations permitted by and not inconsistent with this Plan as the Board may determine.
- (d) No member of the Board (or person acting under delegated authority), nor the Corporation, will be liable for any action or determination taken or made in the administration, interpretation, construction or application of this Plan, any Certificate or any RSU issued pursuant to this Plan, or otherwise in any way in respect of any Participant's participation in this Plan or the holding or settlement of RSUs.

### **3.2 Compliance with Legislation**

- (a) The Plan, the terms of the issue or grant and the settlement of RSUs hereunder and the Corporation's obligation to sell and deliver Common Shares upon settlement of RSUs shall be subject to all applicable federal, provincial and foreign laws, rules and regulations, the rules and regulations of the Stock Exchange and to such approvals by any regulatory or governmental agency as may, in the opinion of counsel to the Corporation, be required. The Corporation shall not be obliged by any provision of the Plan or the grant of any RSU hereunder to issue or sell Common Shares in violation of such laws, rules and regulations or any condition of such approvals.
- (b) No RSU shall be granted and no Common Shares issued or sold thereunder where such grant, issue or sale would require registration of the Plan or of Common Shares under the securities laws of any foreign jurisdiction and any purported grant of any RSU or issue or sale of Common Shares hereunder in violation of this provision shall be void.
- (c) The Corporation shall have no obligation to issue any Common Shares pursuant to the Plan unless such Common Shares shall have been duly listed, upon official notice of issuance, with the Stock Exchange. Common Shares issued and sold to Participants pursuant to the settlement of RSUs may be subject to restrictions or limitations on sale or resale under applicable securities laws.

- (d) If Common Shares cannot be issued to a Participant upon the settlement of an RSU due to legal or regulatory restrictions, the obligation of the Corporation to issue such Common Shares under the Plan shall terminate, at no cost to the Corporation nor obligation to otherwise compensate a Participant in any way.
- (e) If applicable, all certificates or other documents representing securities pursuant to the Plan issued to a "U.S. person" as defined in Rule 902(k) of Regulation S promulgated under the *United States Securities Act of 1933*, as amended (the "**U.S. Securities Act**") will bear the applicable restrictive legend referring to the U.S. Securities Act, which will state, without limitation, that such securities have not been registered under the Securities Act and will set forth or refer to the applicable restrictions on transferability and sale thereof.

In addition to the foregoing restrictive legends, certificates representing any securities issued pursuant to the Plan may bear such additional restrictive legends as the Board or Committee may in their sole discretion determine are required to comply with applicable securities laws or Stock Exchange requirements.

### **3.3 Miscellaneous**

- (a) Nothing contained herein shall prevent the Board from adopting other or additional compensation arrangements, subject to any required approval.
- (b) Nothing contained in the Plan nor in any RSU granted hereunder shall be deemed to give any Participant any interest or title in or to any Common Shares of the Corporation or any rights as a Shareholder or any other legal or equitable right against the Corporation whatsoever other than as set forth in the Plan and pursuant to the settlement of any RSU.
- (c) The Plan does not give any Participant or any employee of the Corporation or any of its Affiliated Companies, Subsidiary Companies or Controlled Companies the right or obligation to continue to serve as a Consultant, director, officer or employee, as the case may be, of the Corporation or any of its Affiliated Companies, Subsidiary Companies or Controlled Companies. The awarding of RSUs to any Eligible Person is a matter to be determined solely in the discretion of the Board. The Plan shall not in any way fetter, limit, obligate, restrict or constrain the Board with regard to the allotment or issue of any Common Shares or any other securities in the capital of the Corporation or any of its Subsidiary Companies other than as specifically provided for in the Plan.
- (d) The existence of any RSUs shall not affect in any way the right or power of the Corporation or its Shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in the Corporation's capital structure or its business, or any amalgamation, combination, merger or consolidation involving the Corporation or to create or issue any bonds, debentures, shares or other securities of the Corporation or the rights and conditions attaching thereto or to affect the dissolution or liquidation of the

Corporation or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.

- (e) No fractional Common Shares shall be issued upon the settlement of RSUs granted under the Plan and, accordingly, if a Participant would become entitled to a fractional Common Share upon the settlement of an RSU, or from an adjustment pursuant to Section 5.3(1) such Participant shall only have the right to receive the next lowest whole number of Common Shares and no payment or other adjustment will be made with respect to the fractional interest so disregarded.

#### **ARTICLE 4**

#### **RESTRICTED SHARE UNITS**

#### **4.1 Granting of RSUs**

- (a) Where the Board determines to grant an RSU Award to an Eligible Person and the terms and conditions applicable to such RSU Award, the Corporation shall deliver to the Eligible Person a Certificate, containing the terms and condition applicable to such RSU Award.
- (b) On the grant of an RSU Award, the Corporation will credit the Participant's Account with the number of RSUs granted to such Participant under the terms of the RSU Award.
- (c) The grant of an RSU Award shall entitle the Participant to the conditional right to receive for each RSU credited to the Participant's Account, at the election of the Corporation, either one Common Share or an amount in cash, net of applicable taxes and contributions to government sponsored plans, as determined by the Board, equal to the Market Price of one Common Share for each RSU credited to the Participant's Account on the Settlement Date, subject to the conditions set out in the Certificate and in the Plan, and subject to all other terms of this Plan.
- (d) An Eligible Person may receive an RSU Award on more than one occasion under the Plan and may receive separate RSU Awards on any one occasion.

#### **4.2 Dividends**

- (a) Unless the Board determines otherwise, additional RSUs ("**Dividend RSUs**") will be credited to a Participant's Account where the Corporation declares and pays a dividend on Common Shares. The number of Dividend RSUs credited to a Participant's Account in connection with the payment of dividends on Common Shares will be based on the actual amount of cash dividends that would have been paid to such Participant had he been holding such number of Shares equal to the number of RSUs credited to the Participant's Account on the date on which cash dividends are paid on the Shares and the Market Price of the Common Shares on the payment date.

- (b) Dividend RSUs credited to a Participant's Account shall vest and be settled in the same manner and on the same date as the RSUs to which they relate.

#### 4.3 Settlement of Restricted Share Units

- (a) Subject to the provisions of the Plan and in particular Section 4.4 and Section 5.2 and any vesting limitations imposed by the Board in its sole unfettered discretion at the time of grant, RSUs subject to an RSU Award may be settled by a Participant during the Settlement Period applicable to the RSU by delivery to the Corporation of a notice (the "**Settlement Notice**") in a form attached to the Certificate. As soon as practicable following the receipt of the Settlement Notice, RSUs will be settled by the Corporation through the delivery by the Corporation of such number of Common Shares equal to the number of RSUs then being settled or, at a Corporation's election, an amount in cash, net of applicable taxes and contributions to government sponsored plans, equal to the Market Price at the Settlement Date of one Common Share for each RSU then being settled. Where, prior to the Expiry Date, a Participant fails to elect to settle an RSU, the Participant shall be deemed to have elected to settle such RSUs on the day immediately preceding the Expiry Date.
- (b) Notwithstanding the foregoing, if the Corporation elects to issue Common Shares in settlement of RSUs:
  - (i) the Corporation may arrange for such number of the Common Shares to be sold as it deems necessary or advisable to raise an amount at least equal to its determination of such applicable taxes, with such amount being withheld by the Corporation; or
  - (ii) the Corporation may elect to settle for cash such number of RSUs as it deems necessary or advisable to raise funds sufficient to cover such withholding taxes with such amount being withheld by the Corporation; or
  - (iii) the Corporation may, as a condition of settlement in the form of Common Shares, require the Participant to pay the applicable taxes as determined by the Corporation or make such other arrangement acceptable to the Corporation in its discretion (if at all) as it deems necessary or advisable.
- (c) Subject to the terms of the Plan, as soon as practicable after receipt of any of the amount, undertaking or election listed in Section 4.3(2), the Corporation will forthwith cause the transfer agent and registrar of the Common Shares to deliver to the Participant a certificate or certificates in the name of the Participant or a statement of account, at the discretion of the Corporation, representing in the aggregate Common Shares issued to the Participant.
- (d) Notwithstanding any other provision of the Plan:
  - (i) no RSU shall be capable of settlement after the Expiry Date; provided, however, that if the Expiry Date in respect of an RSU falls on, or within

nine (9) Business Days immediately following, a date upon which such Participant is prohibited from exercising such RSU due to a Black-Out Period or other trading restriction imposed by the Corporation, then the Expiry Date of such RSU shall be automatically extended to the tenth (10th) Business Day following the date the relevant Black-Out Period or other trading restriction imposed by the Corporation is lifted, terminated or removed. The foregoing extension applies to all RSUs regardless of the date of grant and shall not be considered an extension of the term thereof as otherwise referred to in the Plan;

- (ii) the Settlement Period shall be automatically reduced in accordance with Section 4.4 upon the occurrence of any of the events referred to therein; and
- (iii) no RSU in respect of which Shareholder approval is required under the rules of the Stock Exchange shall be settled until such time as such RSU has been so approved.

#### **4.4 Termination of Service**

- (a) Except as otherwise determined by the Board:
  - (i) all RSUs held by the Participant (whether vested or unvested) shall terminate automatically upon the termination of the Participant's service with the Corporation or any Subsidiary Companies for any reason other than as set forth in paragraph (b) and (c) below;
  - (ii) in the case of a termination of the Participant's service by reason of (A) termination by the Corporation or any Subsidiary Companies other than for Cause, or (B) the Participant's death, the Participant's unvested RSUs shall vest automatically as of such date, and on the earlier of the original Expiry Date and any time during the ninety (90) day period commencing on the date of such termination of service (or, if earlier, the Termination Date), the Participant (or his or her executor or administrator, or the person or persons to whom the Participant's RSUs are transferred by will or the applicable laws of descent and distribution) will be eligible to request that the Corporation settle his or her vested RSUs. Where, prior to the 90th day following such termination of service (or, if earlier, the Termination Date) the Participant fails to elect to settle a vested RSU, the Participant shall be deemed to have elected to settle such RSU on such 90th day (or, if earlier, the Termination Date) and to receive Common Shares in respect thereof;
  - (iii) in the case of a termination of the Participant's services by reason of voluntary resignation, only the Participant's unvested RSUs shall terminate automatically as of such date, and any time during the ninety (90) day period commencing on the date of such termination of service (or, if

earlier, the Termination Date), the Participant will be eligible to request that the Corporation settle his vested RSUs. Where, prior to the 90th day following such termination of service (or, if earlier, the Termination Date) the Participant fails to elect to settle a vested RSU, the Participant shall be deemed to have elected to settle such RSU on such 90th day (or, if earlier, the Termination Date) and to receive Common Shares in respect thereof;

- (iv) for greater certainty, where a Participant's employment or term of office terminates by reason of termination by the Corporation or any Subsidiary Companies for Cause then any RSUs held by the Participant, whether or not vested at the Termination Date, immediately terminate and are cancelled on the Termination Date or at a time as may be determined by the Board, in its sole discretion;
- (v) a Participant's eligibility to receive further grants of RSUs under this Plan ceases as of the earliest of the date the Participant resigns from the Corporation or any Subsidiary Company and the date that the Corporation or any Subsidiary Company provides the Participant with written notification that the Participant's employment or term of office, as the case may be, is terminated, notwithstanding that such date may be prior to the Termination Date; and
- (vi) for the purposes of the Plan, a Participant shall not be deemed to have terminated service where: (i) the Participant remains in employment or office within or among the Corporation or any Subsidiary Company or (ii) the Participant is on a leave of absence approved by the Board.

#### **4.5 Non-transferability of RSUs**

- (a) RSUs shall not be transferable or assignable by the Participant otherwise than by will or the laws of descent and distribution, and shall be exercisable during the lifetime of a Participant only by the Participant and after death only by the Participant's legal representative.

### **ARTICLE 5** **TERMINATION, AMENDMENTS AND ADJUSTMENTS**

#### **5.1 Amendment and Termination**

- (a) The Board may amend, suspend or terminate the Plan or any portion thereof at any time in accordance with applicable law, and subject to any required regulatory approval.
- (b) No such amendment, suspension or termination shall alter or impair any RSUs or any rights pursuant thereto granted previously to any Participant without the consent of such Participant.

- (c) If the Plan is terminated, the provisions of the Plan and any administrative guidelines, and other rules and regulations adopted by the Board and in force at the time of the Plan termination shall continue in effect during such time as an RSU or any rights pursuant thereto remain outstanding.
- (d) With the consent of the affected Participant, the Board may amend or modify any outstanding RSU in any manner to the extent that the Board would have had the authority to initially grant such award as so modified or amended, including without limitation, to change the date or dates as of which the RSU becomes exercisable, subject to the prior approval of the Stock Exchange where necessary.

## **5.2 Change of Control**

- (a) Notwithstanding any other provision of this Plan, in the event of an actual or potential Change of Control Event, the Board may, in its discretion, without the necessity or requirement for the agreement or consent of any Participant: (i) accelerate, conditionally or otherwise, on such terms as it sees fit, the vesting date of any RSU; (ii) permit the conditional settlement of any RSU, on such terms as it sees fit; (iii) otherwise amend or modify the terms of the RSU, including for greater certainty permitting Participants to settle any RSU, to assist the Participants to tender the underlying Common Shares to, or participate in, the actual or potential Change of Control Event or to obtain the advantage of holding the underlying Common Shares during such Change of Control Event; and (iv) terminate, following the successful completion of such Change of Control Event, on such terms as it sees fit, the RSUs not settled prior to the successful completion of such Change of Control Event, including, without limitation, for no payment or other compensation.

The determination of the Board in respect of any such Change of Control Event shall for the purposes of this Plan be final, conclusive and binding.

## **5.3 Adjustments**

- (a) If there is a change in the outstanding Common Shares by reason of any stock dividend or split, recapitalization, amalgamation, consolidation, combination or exchange of shares, or other corporate change, the Board shall make, subject to the prior approval of the Stock Exchange where necessary, appropriate substitution or adjustment in
  - (i) the number or kind of Common Shares or other securities reserved for issuance pursuant to the Plan, and
  - (ii) the number and kind of Common Shares or other securities subject to unsettled and outstanding RSUs granted pursuant to the Plan;

provided, however, that no substitution or adjustment shall obligate the Corporation to issue fractional RSUs or shares. If the Corporation is reorganized, amalgamated with another corporation or consolidated, the Board shall make such



provisions for the protection of the rights of Participants as the Board in its discretion deems appropriate.

## **ARTICLE 6** **GENERAL**

### **6.1 Effective Date**

The Plan shall be effective upon the approval of the Plan by the Board.

### **6.2 Notice**

Any Notice required to be given by this Plan shall be in writing and shall be given by registered mail, postage prepaid, or delivered by courier or by facsimile transmission addressed, if to the Corporation, to the operations office of the Corporation in Las Vegas, Nevada, Attention: General Counsel; or if to a Participant, to such Participant at his address as it appears on the books of the Corporation or in the event of the address of any such Participant not so appearing, then to the last known address of such Participant; or if to any other person, to the last known address of such person.

### **6.3 Tax Withholdings**

The Corporation shall be entitled to withhold such number of Common Shares or amount of cash payable to a Participant, either under this Plan or otherwise, or make such other arrangement as are contemplated under Section 4.3(2), as it may deem necessary or advisable so as to ensure that the Corporation is in compliance with the applicable provisions of any federal, state, provincial or local law relating to the withholding or remittance of tax or other relevant amounts. It is the responsibility of the Participant to complete and file any tax returns which may be required within the periods specified under applicable laws as a result of the Participant's participation in the Plan. The Corporation shall not be responsible for any tax consequences to a Participant as a result of the Participant's participation in the Plan.

### **6.4 Rights of Participants**

No person entitled to settle any RSU granted under this Plan shall have any of the rights or privileges of a Shareholder in respect of any Common Shares issuable upon settlement of such RSU until such Common Shares have been issued to such person.

### **6.5 Right to Issue Other Shares**

The Corporation shall not by virtue of this Plan be in any way restricted from declaring and paying stock dividends, issuing further Common Shares, varying or amending its share capital or corporate structure or conducting its business in any way whatsoever.

## **6.6 Successors and Assigns**

The Plan shall be binding on all successors and assigns of the Corporation and a Participant, including without limitation, the legal representatives of such Participant or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

## **6.7 Funding of the Plan**

The Plan shall be unfunded. No funds will be set aside to guarantee the payment of RSUs, which will remain an unfunded liability recorded on the books of the Corporation.

## SCHEDULE "C"

See attached.

**AUSTRALIS CAPITAL INC.  
CHARTER OF THE AUDIT COMMITTEE**

**1. PURPOSE AND PRIMARY RESPONSIBILITY**

1.1 This charter sets out the Audit Committee’s purpose, composition, member qualification, member appointment and removal, responsibilities, operations, manner of reporting to the Board of Directors (the “**Board**”) of Australis Capital Inc. (the “**Company**”), annual evaluation and compliance with this charter.

1.2 The primary responsibility of the Audit Committee is that of oversight of the financial reporting process on behalf of the Board. This includes oversight responsibility for financial reporting and continuous disclosure, oversight of external audit activities, oversight of financial risk and financial management control, and oversight responsibility for compliance with tax and securities laws and regulations as well as whistle blowing procedures. The Audit Committee is also responsible for the other matters as set out in this charter and/or such other matters as may be directed by the Board from time to time. The Audit Committee should exercise continuous oversight of developments in these areas.

**2. MEMBERSHIP**

2.1 At least a majority of the Audit Committee must be comprised of independent directors of the Company as defined in sections 1.4 and 1.5 of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”), provided that should the Company become listed on a senior exchange, each member of the Audit Committee will also satisfy the independence requirements of such exchange.

2.2 The Audit Committee will consist of at least two members, all of whom shall be financially literate, provided that an Audit Committee member who is not financially literate may be appointed to the Audit Committee if such member becomes financially literate within a reasonable period of time following his or her appointment. Upon graduating to a more senior stock exchange, if required under the rules or policies of such exchange, the Audit Committee will consist of at least three members, all of whom shall meet the experience and financial literacy requirements of such exchange and of NI 52-110.

2.3 The members of the Audit Committee will be appointed annually (and from time to time thereafter to fill vacancies on the Audit Committee) by the Board. An Audit Committee member may be removed or replaced at any time at the discretion of the Board and will cease to be a member of the Audit Committee on ceasing to be an independent director.

2.4 The Chair of the Audit Committee will be appointed by the Board.

**3. AUTHORITY**

3.1 In addition to all authority required to carry out the duties and responsibilities included in this charter, the Audit Committee has specific authority to:

- (a) engage, set and pay the compensation for independent counsel and other advisors as it determines necessary to carry out its duties and responsibilities, and any such consultants or professional advisors so retained by the Audit Committee will report directly to the Audit Committee;

(b) communicate directly with management and any internal auditor, and with the external auditor without management involvement; and

(c) incur ordinary administrative expenses that are necessary or appropriate in carrying out its duties, which expenses will be paid for by the Company.

#### 4. DUTIES AND RESPONSIBILITIES

4.1 The duties and responsibilities of the Audit Committee include:

(a) recommending to the Board the external auditor to be nominated by the Board;

(b) recommending to the Board the compensation of the external auditor to be paid by the Company in connection with (i) preparing and issuing the audit report on the Company's financial statements, and (ii) performing other audit, review or attestation services;

(c) reviewing the external auditor's annual audit plan, fee schedule and any related services proposals (including meeting with the external auditor to discuss any deviations from or changes to the original audit plan, as well as to ensure that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditor or the reporting of their findings to the Audit Committee);

(d) overseeing the work of the external auditor;

(e) ensuring that the external auditor is independent by receiving a report annually from the external auditors with respect to their independence, such report to include disclosure of all engagements (and fees related thereto) for non-audit services provided to the Company;

(f) ensuring that the external auditor is in good standing with the Canadian Public Accountability Board by receiving, at least annually, a report by the external auditor on the audit firm's internal quality control processes and procedures, such report to include any material issues raised by the most recent internal quality control review, or peer review, of the firm, or any governmental or professional authorities of the firm within the preceding five years, and any steps taken to deal with such issues;

(g) ensuring that the external auditor meets the rotation requirements for partners and staff assigned to the Company's annual audit by receiving a report annually from the external auditors setting out the status of each professional with respect to the appropriate regulatory rotation requirements and plans to transition new partners and staff onto the audit engagement as various audit team members' rotation periods expire;

(h) reviewing and discussing with management and the external auditor the annual audited and quarterly unaudited financial statements and related Management Discussion and Analysis ("MD&A"), including the appropriateness of the Company's accounting policies, disclosures (including material transactions with related parties), reserves, key estimates and judgements (including changes or variations thereto) and obtaining reasonable assurance that the financial statements are presented fairly in accordance with IFRS and the MD&A is in compliance with appropriate regulatory requirements;

(i) reviewing and discussing with management and the external auditor major issues regarding accounting principles and financial statement presentation including any significant

changes in the selection or application of accounting principles to be observed in the preparation of the financial statements of the Company and its subsidiaries;

(j) reviewing and discussing with management and the external auditor the external auditor's written communications to the Audit Committee in accordance with generally accepted auditing standards and other applicable regulatory requirements arising from the annual audit and quarterly review engagements;

(k) reviewing and discussing with management and the external auditor all earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies prior to such information being disclosed;

(l) reviewing the external auditor's report to the shareholders on the Company's annual financial statements;

(m) reporting on and recommending to the Board the approval of the annual financial statements and the external auditor's report on those financial statements, the quarterly unaudited financial statements, and the related MD&A and press releases for such financial statements, prior to the dissemination of these documents to shareholders, regulators, analysts and the public;

(n) satisfying itself on a regular basis through reports from management and related reports, if any, from the external auditors, that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements that such information is fairly presented;

(o) overseeing the adequacy of the Company's system of internal accounting controls and obtaining from management and the external auditor summaries and recommendations for improvement of such internal controls and processes, together with reviewing management's remediation of identified weaknesses;

(p) reviewing with management and the external auditors the integrity of disclosure controls and internal controls over financial reporting;

(q) reviewing and monitoring the processes in place to identify and manage the principal risks that could impact the financial reporting of the Company and assessing, as part of its internal controls responsibility, the effectiveness of the over-all process for identifying principal business risks and report thereon to the Board;

(r) satisfying itself that management has developed and implemented a system to ensure that the Company meets its continuous disclosure obligations through the receipt of regular reports from management and the Company's legal advisors on the functioning of the disclosure compliance system, (including any significant instances of non-compliance with such system) in order to satisfy itself that such system may be reasonably relied upon;

(s) resolving disputes between management and the external auditor regarding financial reporting;

(t) establishing procedures for:

- (i) the receipt, retention and treatment of complaints received by the Company from employees and others regarding accounting, internal accounting controls or auditing matters and questionable practises relating thereto; and
- (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- (u) reviewing and approving the Company's hiring policies with respect to partners or employees (or former partners or employees) of either a former or the present external auditor;
- (v) pre-approving all non-audit services to be provided to the Company or any subsidiaries by the Company's external auditor;
- (w) overseeing compliance with regulatory authority requirements for disclosure of external auditor services and Audit Committee activities;
- (x) establishing procedures for:
  - (i) reviewing the adequacy of the Company's insurance coverage, including the Directors' and Officers' insurance coverage;
  - (ii) reviewing activities, organizational structure, and qualifications of the Chief Financial Officer ("CFO") and the staff in the financial reporting area and ensuring that matters related to succession planning within the Company are raised for consideration at the Board;
  - (iii) obtaining reasonable assurance as to the integrity of the Chief Executive Officer ("CEO") and other senior management and that the CEO and other senior management strive to create a culture of integrity throughout the Company;
  - (iv) reviewing fraud prevention policies and programs, and monitoring their implementation;
  - (v) reviewing regular reports from management and others (e.g., external auditors, legal counsel) with respect to the Company's compliance with laws and regulations having a material impact on the financial statements including:
    - (A) Tax and financial reporting laws and regulations;
    - (B) Legal withholding requirements;
    - (C) Environmental protection laws and regulations; and
    - (D) Other laws and regulations which expose directors to liability.

4.2 A regular part of Audit Committee meetings involves the appropriate orientation of new members as well as the continuous education of all members. Items to be discussed include specific business issues as well as new accounting and securities legislation that may impact the organization. The Chair of the Audit Committee will regularly canvass the Audit Committee members for continuous education needs and in conjunction with the Board education program, arrange for such education to be provided to the Audit Committee on a timely basis.

4.3 On an annual basis the Audit Committee shall review and assess the adequacy of this charter taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Company has a reporting relationship and, if appropriate, recommend changes to the Audit Committee charter to the Board for its approval.

## **5. MEETINGS**

5.1 The quorum for a meeting of the Audit Committee is a majority of the members of the Audit Committee.

5.2 The Chair of the Audit Committee shall be responsible for leadership of the Audit Committee, including scheduling and presiding over meetings, preparing agendas, overseeing the preparation of briefing documents to circulate during the meetings as well as pre-meeting materials, and making regular reports to the Board. The Chair of the Audit Committee will also maintain regular liaison with the CEO, CFO, and the lead external audit partner.

5.3 The Audit Committee will meet in camera separately with each of the CEO and the CFO of the Company at least annually to review the financial affairs of the Company.

5.4 The Audit Committee will meet with the external auditor of the Company in camera at least once each year, at such time(s) as it deems appropriate, to review the external auditor's examination and report.

5.5 The external auditor must be given reasonable notice of, and has the right to appear before and to be heard at, each meeting of the Audit Committee.

5.6 Each of the Chair of the Audit Committee, members of the Audit Committee, Chair of the Board, external auditor, CEO, CFO or secretary shall be entitled to request that the Chair of the Audit Committee call a meeting which shall be held within 48 hours of receipt of such request to consider any matter that such individual believes should be brought to the attention of the Board or the shareholders.

## **6. REPORTS**

6.1 The Audit Committee will report, at least annually, to the Board regarding the Audit Committee's examinations and recommendations.

6.2 The Audit Committee will report its activities to the Board to be incorporated as a part of the minutes of the Board meeting at which those activities are reported.

## **7. MINUTES**

7.1 The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

## **8. ANNUAL PERFORMANCE EVALUATION**

8.1 The Board will conduct an annual performance evaluation of the Audit Committee, taking into account the Charter, to determine the effectiveness of the Committee.