

**CANNARA BIOTECH INC.
MANAGEMENT INFORMATION CIRCULAR**

All information as at December 19, 2022, except where indicated.

VOTING INFORMATION

This Management Information Circular (“Circular”) is provided in connection with the solicitation of proxies (“Proxies”) by the management of Cannara Biotech Inc. (the “Corporation”) from the holders of common shares of the Corporation (“Common Shares”) in respect of the annual general and special meeting (the “Meeting”) of shareholders (the “Shareholders”) of the Corporation to be held on January 25, 2023, at the time and place and for the purposes set out in the accompanying notice of meeting (the “Notice of Meeting”).

While it is expected that the solicitation will be made primarily by mail, Proxies may be solicited personally or by telephone by directors, officers, agents and employees of the Corporation. All costs of this solicitation will be borne by the Corporation. All amounts in this document are in \$CDN unless otherwise noted.

In light of ongoing concerns related to the spread of COVID-19, and in order to mitigate potential risks to the health and safety of the Corporation’s Shareholders, employees, communities and other stakeholders, Meeting participants will not be able to attend in person. Rather, Shareholders are encouraged to vote on the matters before the Meeting by proxy and/or to join the Meeting by webcast. Those who attend the Meeting by teleconference are requested to read the notes to the enclosed form of proxy and then to, complete, sign and mail the enclosed form of proxy in accordance with the instructions set out in the Proxies and herein.

You can join the Meeting virtually by:

AUDIENCE WEBCAST URL:

<https://cannarabiotechquebecinc.my.webex.com/cannarabiotechquebecinc.my/j.php?MTID=m3ef972472499c07f65a0cbd5204e29a0>

Meeting Number: 2631 540 4694

Passcode: LOVE2023 (56832023 from phones and video systems)

JOIN BY VIDEO SYSTEM

Dial 26315404694@webex.co

OR dial [173.243.2.68](tel:173.243.2.68) and enter meeting number 2631 540 4694

TELECONFERENCE DIAL-IN:

US Toll +1-650-479-3208

Access code: 2631 540 4694

***Note re Teleconference:** Shareholders accessing the Meeting via Teleconference will not be able to vote or speak at the Meeting. In order to vote or speak at the Meeting, Shareholders will need to join the webcast and utilize the chat function during the Meeting. A moderator will be present to allow Shareholders to vote or speak at the Meeting at the appropriate time.

Voting

At the Meeting, each registered Shareholder and each proxyholder (the “**Proxyholder**”) (representing a registered or non-registered Shareholder) is entitled to one vote, unless a poll is required or requested, whereupon each such Shareholder and Proxyholder is entitled to one vote for each share held or represented, respectively. To approve a motion proposed at the Meeting a majority of greater than 50% of the votes cast will be required (an “**ordinary resolution**”) unless the motion requires a “special resolution” in which case a majority of 66 2/3% of the votes cast will be required.

Appointment of Proxyholders

A Shareholder has the right to appoint a person (who need not be a Shareholder) to represent the Shareholder at the Meeting other than the persons named in the Proxy as Proxyholders. To exercise this right, the Shareholder must insert the name of the Shareholder’s nominee in the space provided or complete another Proxy.

The persons named in the accompanying Proxy as Proxyholders are our directors or officers.

A Shareholder completing the enclosed Proxy may indicate the manner in which the persons named in the Proxy are to vote with respect to any matter by marking an “X” in the appropriate space. On any poll required (for the reason described above) or requested, those persons will vote or withhold from voting the shares in respect of which they are appointed in accordance with the directions, if any, given in the Proxy, provided such directions are certain.

If a Shareholder wishes to confer a discretionary authority with respect to any matter, then the space should be left blank. **In such instance, the Proxyholder, if nominated by management, intends to vote the shares represented by the Proxy in favour of the motion.**

The enclosed Proxy, when properly signed, confers discretionary authority with respect to amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters which may be properly brought before the Meeting. At the time of printing of this Circular, our management is not aware that any such amendments, variations or other matters to be presented for action at the Meeting. If, however, other matters which are not now known to the management should properly come before the Meeting, the Proxies hereby solicited will be exercised on such matters in accordance with the best judgment of the nominees.

The Proxy must be dated and signed by the Shareholder or the Shareholder’s attorney authorized in writing. In the case of a corporation, the Proxy must be dated and duly executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation.

The completed Proxy, together with the power of attorney or other authority, if any, under which it was signed or a notarially certified copy thereof, must be deposited with our transfer agent in accordance with the instructions and before the time set out in the Proxy. Proxies received after such time may be accepted or rejected by the Chair of the Meeting at the Chair’s discretion. Non-

registered Shareholders that are OBOs (as defined below under “Non-registered Shareholders”) must deliver their completed Proxies in accordance with the instructions given by their financial institution or other intermediary that forwarded the Proxy to them.

Registered Shareholders

Only Shareholders registered as Shareholders (“**Registered Shareholders**”) in our shareholder registry maintained by our registrar and transfer agent or duly appointed Proxyholders (except as discussed below under “Non-registered Shareholders”) will be recognized to make motions or vote at the Meeting.

Non-registered Shareholders

Many Shareholders are “non-registered” Shareholders because the Common Shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the Common Shares. More particularly, a person is not a Registered Shareholder in respect of Common Shares which are held on behalf of that person (the “**Non-Registered Shareholder**”) but which are registered either: (a) in the name of an intermediary (an “**Intermediary**”) that the Non-Registered Shareholder deals with in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSP’s, RRIF’s, RESP’s, TFSA’s and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant.

There are two kinds of Non-Registered Shareholders: those who object to their name being made known to the issuers of securities which they own (called ‘**OBOs**’ for Objecting Beneficial Owners) and those who do not object to the issuers of the securities they own knowing who they are (called ‘**NOBOs**’ for Non-Objecting Beneficial Owners). Subject to the provisions of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of Reporting Issuers* (“**NI 54-101**”), issuers can request and obtain a list of their NOBOs from intermediaries via their transfer agents and use the NOBO list for distribution of proxy-related materials directly to NOBOs. We are not using the notice and access provisions of NI 54-101 this year.

Solicitation of Proxies

The enclosed form of proxy is being solicited by the management of the Corporation for use at the Meeting. While it is expected that the solicitation will be primarily by mail, Proxies may be solicited personally or by telephone or electronically by the directors and regular employees of the Corporation or other proxy solicitation services. All costs of solicitation will be borne by the Corporation.

Non-Objecting Beneficial Owners

Under the provisions of NI 54-101, we will be directly delivering proxy-related materials to our NOBOs who have not waived the right to receive them. As a result, NOBOs can expect to receive a Voting Instruction Form (“**VIF**”), together with the Notice of Meeting, this Circular and related documents from our transfer agent, Computershare Investor Services Inc. These VIFs are to be completed and returned to Computershare Investor Services Inc. in the envelope provided, or by facsimile, or voted using the telephone or internet alternatives included on the VIF. In this regard, Computershare Investor Services Inc. is required to follow the voting instructions properly received from NOBOs.

Our transfer agent will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the Meeting with respect to the Common Shares represented by the VIFs they receive. **NOBOs should carefully follow the instructions of Computershare Investor Services Inc., including those regarding when and where to complete the VIFs that are to be returned to Computershare Investor Services Inc.**

Should a NOBO wish to vote at the Meeting, the NOBO must insert the name of the NOBO (or the name of the person that the NOBO wants to attend and vote on the NOBO's behalf) in the space provided on the VIF and return it to Computershare Investor Services Inc. If Computershare Investor Services Inc. or the Corporation receives a written request that the NOBO or its nominee be appointed as Proxyholder, and if management is holding a Proxy with respect to Common Shares beneficially owned by such NOBO, we will arrange, without expense to the NOBO, to appoint the NOBO or its nominee as proxy holder in respect of those Common Shares. Under NI 54-101, unless corporate law does not allow it, if the NOBO or its nominee is appointed as proxy holder by the Corporation in this manner, the NOBO or its nominee, as applicable, must be given the authority to attend, vote and otherwise act for and on behalf of management in respect of all matters that come before the meeting and any adjournment or postponement of the meeting. If we receive such instructions at least one business day before the deadline for submission of proxies, we are required to deposit the proxy within that deadline, in order to appoint the NOBO or its nominee as proxy holder. **If a NOBO requests that the NOBO or its nominee be appointed as Proxyholder, the NOBO or its appointed nominee, as applicable, will need to attend the meeting in order for the NOBOs vote to be counted.**

NOBOs that wish to change their vote must, at least two business days in advance of the Meeting, contact Computershare Investor Services Inc. to arrange to change their vote.

These securityholder materials are being sent to both Registered Shareholders and Non-Registered Shareholders. If you are a Non-Registered Shareholder and we (or our agent) have sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf.

By choosing to send these materials to you directly, we (and not the Intermediary holding on your behalf) have assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions. **We do not intend to pay the costs of Intermediaries forwarding the securityholder materials to OBOs. In the case of an OBO, the OBO will only receive the securityholder materials where the Intermediary has assumed such costs.**

In accordance with the requirements of NI 54-101, we have distributed copies of the Notice of Meeting, this Circular, the form of proxy and related documents (collectively, the "**Meeting Materials**") to the clearing agencies and Intermediaries for onward distribution to OBOs. Intermediaries are required to forward the Meeting Materials to OBOs unless in the case of certain proxy-related materials the OBO has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to OBOs. With those Meeting Materials, Intermediaries or their service companies should provide OBOs of Common Shares with a "request for voting instruction form" which, when properly completed and signed by such OBO and **returned to the Intermediary or its service company**, will constitute voting instructions which the Intermediary must follow. The purpose of this procedure is to permit OBOs of Common Shares to direct the voting of the Common Shares that they beneficially own.

Should an OBO of Common Shares wish to vote at the Meeting in person, insert the OBO's name (or the name of the person the OBO wants to attend and vote on the OBO's behalf) in the space provided for that purpose on the request for voting instructions form and return it to the OBO's Intermediary or send your Intermediary another written request that the OBO or its nominee be appointed as proxy holder. The Intermediary is required under NI 54-101 to arrange, without expense to the OBO, to appoint the OBO or its nominee as proxy holder in respect of the OBO's Common Shares. Under NI 54-101, unless corporate law does not allow it, if the Intermediary makes an appointment in this manner, the OBO or its nominee, as applicable, must be given authority to attend, vote and otherwise act for and on behalf of the Intermediary (who is the Registered Shareholder) in respect of all matters that come before the meeting and any adjournment or postponement of the meeting. An Intermediary who receives such instructions at least one business day before the deadline for submission of proxies is required to deposit the proxy within that deadline, in order to appoint the OBO or its nominee as proxy holder. **If an OBO requests that the Intermediary appoint the OBO or its nominee as proxyholder, the OBO or its appointed nominee, as applicable, will need to attend the meeting in order for the OBO's vote to be counted.**

OBOs should carefully follow the instructions of their Intermediary, including those regarding when and where the completed request for voting instructions is to be delivered. Only Registered Shareholders have the right to revoke a proxy. OBOs of Common Shares who wish to change their vote must, at least two business days in advance of the Meeting, arrange for their respective Intermediaries to change their vote and if necessary revoke their proxy in accordance with the revocation procedures set out above.

Shareholders with questions respecting the voting of Common Shares held through a stockbroker or other financial Intermediary should contact that stockbroker or other Intermediary for assistance.

Revocation of Proxies

Shareholders have the power to revoke Proxies previously given by them. Revocation can be effected by an instrument in writing (which includes a Proxy bearing a later date) signed by a Shareholder or the Shareholder's attorney authorized in writing and in the case of a corporation, duly executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation, and either delivered to our registered office at 200-333 Décarie Blvd., Montreal, Quebec H4N 3M9, or to our transfer agent, Computershare Investor Services Inc. by mail to the Proxy Department, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, by telephone at 1-866-732-8683 or by going to the website www.investorvote.com at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, or deposited with the Chair of the Meeting on the day of the Meeting.

Exercise of Discretion

If the instructions in a Proxy are certain, the Common Shares represented thereby will be voted on any poll by the persons named in the Proxy, and, where a choice with respect to any matter to be acted upon has been specified in the Proxy, the Common Shares represented thereby will, on a poll, be voted or withheld from voting in accordance with the specifications so made.

Where no choice has been specified by the Shareholder, and the management Proxyholders have been appointed, such Common Shares will, on a poll, be voted in accordance with the notes to the form of Proxy.

The enclosed Proxy, when properly completed and delivered and not revoked, confers discretionary authority upon the persons appointed Proxyholder thereunder to vote with respect to any amendments or variations of matters identified in the Notice of Meeting and this Circular and with respect to other matters which may properly come before the Meeting.

Interest of Certain Persons in Matters to be Acted Upon

To the knowledge of the directors and executive officers of the Corporation, except as disclosed herein, no Person has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in matters to be acted upon at the Meeting other than the election of directors, the approval of the Stock Option Plan, the approval of the RSU Plan (as defined below) in the case of the directors and certain executive officers, and the creation of a new control person, in which Derek Stern has an interest as a signification stakeholder of Olymbec Investments Inc. For the purpose of this paragraph, "Person" shall include each person or company: (a) who has been a director or executive officer of the Corporation at any time since the commencement of the Corporation's last financial year; (b) who is a proposed nominee for election as a director of the Corporation; and (c) who is an associate or affiliate of a person or company included in subparagraphs (a) or (b).

Indebtedness of Directors and Executive Officers

As at the date of this Circular, no executive officer, director, employee or former executive officer, director or employee of the Corporation or any of its subsidiaries is indebted to the Corporation, or any of its subsidiaries, nor are any of these individuals indebted to another entity which indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation, or any of its subsidiaries.

Interest of Certain Persons in Material Transactions

Except as disclosed herein or in the Corporation's audited financial statements, since the commencement of the Corporation's most recently completed financial year, no informed person of the Corporation, nominee for director or any associate or affiliate of an informed person or nominee, had any material interest, direct or indirect, in any transaction or any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries. An "informed person" means: (a) a director or executive officer of the Corporation; (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Corporation; (c) any person or company who beneficially owns, directly or indirectly, voting securities of the Corporation or who exercises control or direction over voting securities of the Corporation or a combination of both carrying more than 10% of the voting rights other than voting securities held by the person or company as underwriter in the course of a distribution; and (d) the Corporation itself, if and for so long as it has purchased, redeemed or otherwise acquired any of its Common Shares.

Voting Securities and Principal Holders of Voting Securities

Our authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

As at December 12, 2022, the record date for this Meeting (the "**Record Date**"), we have issued and outstanding 877,481,321 fully paid and non-assessable Common Shares, each share carrying the right to one vote.

Any Shareholder of record at the close of business on the Record Date is entitled to vote in person or by proxy at the Meeting. The quorum for the transaction of business at a meeting of Shareholders is one person who is, or who represents by proxy, Shareholders who, in the aggregate, hold at least 5% of the issued Common Shares entitled to be voted at the meeting.

To the best of the knowledge of our directors and senior officers, there are no Persons who, or corporations which, beneficially owns, or controls or directs, directly or indirectly, Common Shares carrying 10% or more of the voting rights attached to all of our outstanding Common Shares, other than:

Name of Shareholder	Number of Shares	Percentage
Javaa Private Equity Inc. ⁽¹⁾	242,167,820	27.60%
Olymbec Investments Inc./Derek Stern ⁽²⁾	166,781,584	19.01%

(1) Javaa Private Equity Inc. is owned and controlled by Zohar Krivorot.

(2) 163,650,184 Common Shares are held by Olymbec Investments Inc., a company in which Mr. Stern holds a significant interest. Mr Stern also personally holds 3,131,400 Common Shares.

Normal Course Issuer Bid

On November 30, 2022, the Corporation filed with the TSX Venture Exchange (the “**TSX-V**”) notice in respect of a normal course issuer bid (the “**NCIB**”) to acquire up to an aggregate of 15,000,000 Common Shares over a 12-month period, representing approximately 1.7% of the 877,481,321 Common Shares issued and outstanding as of November 30, 2022. All Common Shares purchased under the NCIB will be returned to treasury and cancelled. The Corporation commenced the NCIB on December 3, 2022 and the NCIB will terminate on December 2, 2023, unless earlier completed or terminated by the Corporation.

Purchases pursuant to the NCIB are expected to be made pursuant to open market transactions through the facilities of the TSX-V at prevailing market prices. The Corporation has engaged Raymond James Ltd. to conduct the NCIB on behalf of the.

Shareholders may obtain, without charge, a copy of the “Notice of Intention to Make a Normal Course Issuer Bid” filed by the Corporation with the TSX-V by contacting the Corporation.

PARTICULARS OF MATTERS TO BE ACTED UPON

Number of Directors

The board of directors of the Corporation (the “**Board of Directors**” or the “**Board**”) presently consists of five (5) directors. Shareholders will be asked at the Meeting to approve an ordinary resolution to set the number of directors elected for the ensuing year at five (5), subject to such increases and changes as may be permitted by the articles of the Corporation and the provisions of the Business Corporations Act (British Columbia) (“**Business Corporations Act**”).

The Board of Directors recommends a vote “FOR” the approval of the resolution setting the number of directors at five (5). In the absence of a contrary instruction, the persons designated by management of the Corporation in the enclosed form of proxy intend to vote FOR the approval of the resolution setting the number of directors at five (5).

Election of Directors

The Board of Directors currently consists of five directors, being Zohar Krivorot, Mary Durocher, Donald Olds, Jack M. Kay and Derek Stern. The term of office of each of the present directors expires at the Meeting. **The persons named below will be presented for election at the Meeting as management's nominees.** Management does not contemplate that any of these nominees will be unable to serve as a director.

Each director elected will hold office until our next annual meeting of Shareholders or until his or her successor is elected or appointed, unless his or her office is earlier vacated in accordance with our Articles or with the provisions of the Business Corporations Act.

At the Meeting, we will ask Shareholders to vote for the election of the five nominees proposed by us as directors. Each holder of Common Shares will be entitled to cast their votes for or withhold their votes from the election of each director.

Nominees

The following table provides information on the five nominees proposed for election as directors, the province or state and country in which each is ordinarily resident and the period during which each has served as a director.

The table also details the principal occupation of each nominee during the last five years as well as the nominees' current equity ownership consisting of Common Shares beneficially owned, directly or indirectly, or controlled or directed, options and warrants (each equivalent in value to a common share) credited to each nominee as at the date hereof.

Name, position and place of residence	Principal occupation or employment during the past five years	Director since	Number of securities beneficially owned, controlled or directed, directly or indirectly⁽¹⁾
Mary Durocher, Director South Woodlee, Ontario	President and Chief Consultant at Fox D Consulting Incorporated (2012- Present)	May 25, 2020	250,000 Options
Jack M. Kay, Director Toronto, Ontario	President and CEO of Apotex Pharmaceuticals (1982-2019)	May 25, 2019,	2,190,000 Common Shares 200,000 Options
Zohar Krivorot, Director Montreal, Québec	CEO of the Corporation (2019-Present) CEO of Connexion Telecom (2006-Present)	December 31, 2018	242,167,820 Common Shares ⁽²⁾ 6,000,001 Options
Donald Olds, Director Montreal, Québec	Consultant (June 2019-Present) President and CEO of NEOMED Institute (November 2017- May 2019) Chief Operating Officer of Telesta Therapeutics Inc. (January 2014- September 2017)	November 10, 2020	1,676,440 Common Shares ⁽³⁾ 500,000 Options
Derek Stern, Director Montreal, Québec	Vice President at Olymbec Development Inc. (real estate developer) (1990-Present)	December 31, 2018	166,781,584 Common Shares ⁽⁴⁾ 100,000 Options

- (1) The information as to Common Shares beneficially owned, not being within the knowledge of the Corporation, has been obtained from SEDI or furnished by the proposed directors individually.
- (2) All of the Common Shares are held by Javaa Private Equity Inc., a company owned by Zohar Krivorot.
- (3) 581,270 of the Common Shares are held indirectly by Donald Olds' spouse.
- (4) 163,650,184 of the Common Shares are held by Olymbec Investments Inc., a company in which Mr. Stern has a significant interest. Mr. Stern also personally holds 3,131,400 Common Shares.

Each of Mary Durocher, Jack Kay, Zohar Krivorot, Donald Olds and Derek Stern have served as directors of the Corporation since the date of last year's management information circular.

To the best of management's knowledge, other than described herein, no proposed director is, or has been within the last ten years, a director or executive officer of any company that:

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

To the best of management's knowledge, no proposed director has, within the ten years before the date of this Circular, 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.

None of our directors has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

The Board of Directors recommends a vote "FOR" the appointment of each of the nominees as directors. In the absence of a contrary instruction, the persons designated by management of the Corporation in the enclosed Proxy intend to vote FOR the election of the directors set out in the table above.

Appointment and Remuneration of Auditor

Shareholders will be asked to approve the appointment of KPMG LLP, Chartered Professional Accountants, as our auditor to hold office until the next annual meeting of the Shareholders at remuneration to be fixed by the directors.

KPMG LLP was appointed as the Corporation's auditor on September 7, 2018.

The Board of Directors recommends a vote “FOR” the appointment of KPMG LLP as our auditor to hold office until the next annual meeting of the Shareholders, at a remuneration to be fixed by the directors.

Stock Option Plan and Other Incentive Plans

The Corporation currently has in place a stock option plan (the “**Option Plan**”), and has approved a form of restricted share unit compensation plan (the “**RSU Plan**”). The Corporation is seeking Shareholder approval of an amendment to the Option Plan and the adoption and implementation of the RSU Plan. We note for clarity that the RSU Plan also remains subject to acceptance by the TSX-V.

The following is a summary of the material terms of the Option Plan and the RSU Plan and the resolutions proposed relating thereto.

Approval of Stock Option Plan

On December 16, 2022, the Board approved certain amendments to the Stock Option Plan, subject to receipt of shareholder approval, to comply with TSX-V Policy 4.4 – “*Security Based Compensation*” (“**TSX-V Policy 4.4**”) and reflect the creation of the RSU Plan, such that the maximum number of Common Shares issuable pursuant to the Option Plan, when combined with all other Common Shares subject to grants made under the Corporation’s other share compensation arrangements (including the RSU Plan) would not exceed 10% of the outstanding Common Shares.

Description of Stock Option Plan

The Option Plan provides for the issuance of stock options (an “**Option**”) to acquire at any time up to a maximum of the lesser of (i) 10% of the Corporation’s issued and outstanding Common Shares, including previously granted stock options; and (ii) such number of Common Shares as, when combined with all other Common Shares subject to grants made under the Corporation’s other share compensation arrangements (including the RSU Plan) would not exceed 10% of the outstanding Common Shares. The Option Plan is considered a “rolling” stock option plan as the number of Shares reserved under the Option Plan increases with the number of the Corporation’s issued and outstanding Shares.

The purpose of the Option Plan is to provide certain directors, officers and key employees of, and certain other persons who provide services to, the Corporation and its subsidiaries with an opportunity to purchase Shares of the Corporation and benefit from any appreciation in the value of such Shares. This will provide an increased incentive for these individuals to contribute to the future success and prosperity of the Corporation, thus enhancing the value of the Shares for the benefit of all the Shareholders and increasing the ability of the Corporation and its subsidiaries to attract and retain skilled and motivated individuals in the service of the Corporation.

Under the Option Plan, an Option must be exercised within a period of 10 years from the date of grant. Within this 10-year period, the Board may determine a shorter period during which an Option can be exercised. Any amendment to the Option Plan may require Shareholder approval. If ratification of the Plan or a modified version thereof is not obtained, the Corporation will not proceed to grant options under the Plan.

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

Eligible Participants

The Option Plan provides that stock options may be granted to the Corporation's directors, officers, employees and consultants (and those of its subsidiaries).

Shares Available for Issuance

The Option Plan is considered a "rolling" stock option plan, as the number of shares available for issue under the Option Plan increases with the number of the Corporation's issued and outstanding shares. The maximum number of Common Shares that may be issuable under the Option Plan is a number equal to the lesser of (i) 10% of the Corporation's issued and outstanding Common Shares, including previously granted stock options; and (ii) such number of Common Shares as, when combined with all other Common Shares subject to grants made under the Corporation's other share compensation arrangements (including the RSU Plan) would not exceed 10% of the outstanding Common Shares.

The Option Plan is also considered an "evergreen" stock option plan, as when an option is exercised or expires or otherwise terminates for any reason, the number of Shares reserved for issuance under that expired or terminated stock option again become available for the purposes of the Option Plan. Any stock option outstanding when the Option Plan is terminated will remain in effect until such Option is exercised or it expires.

Limitations on the Grant of Options

The Option Plan provides that it is solely within the discretion of the Board to determine who should receive stock options, in what amounts and for what term, subject to the following conditions:

- (a) The maximum number of Shares which may be reserved for issuance under the Plan shall be lesser of (i) 10% of the Corporation's issued and outstanding Common Shares, including previously granted stock options; and (ii) such number of Common Shares as, when combined with all other Common Shares subject to grants made under the Corporation's other share compensation arrangements (including the RSU Plan) would not exceed 10% of the outstanding Common Shares;
- (b) The maximum number of Shares which may be reserved for issuance to any one Option Holder under the Plan shall be 5% of the Corporation's issued and outstanding Common Shares;
- (c) The maximum number of Options which may be granted in any 12-month period shall be 10% of the Corporation's issued and outstanding Common Shares;
- (d) The maximum number of Options which may be granted to any one Option Holder in any 12-month period shall be 5% of the Corporation's issued and outstanding Common Shares; and
- (e) The expiry date of an Option shall be no later than the tenth anniversary of the grant date of such option.

Exercise Price

The price at which an Option holder may purchase a Common Share upon the exercise of an Option will be as set out in the option certificate issued in respect of the Option. In no case will a stock option be

exercisable at a price less than the minimum prescribed by the TSX-V or the applicable regulatory authorities that would apply to the award of the stock option in question.

Expiration or Termination

Under the Option Plan, 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. The expiry date of an Option shall be the date so fixed by the Board at the time the Option is granted as set out in the option certificate or, if no such date is set out in for the option certificate, the date established, as applicable, in paragraphs (a) or (b) below:

- (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 expressly provided for in the Option Certificate, the 90th 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) ceasing to meet the qualifications set forth in the corporate legislation applicable to the Corporation;
 - (ii) a special resolution having been passed by the Shareholders of the Corporation removing the Option holder as a director of the Corporation or any subsidiary; 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; 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, other than an Option holder who is engaged in investor relations activities, 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 expressly provided for in the Option Certificate, the 90th day following the date the Option holder ceases to hold such position, or, in the case of an Option holder that is engaged in investor relations activities, the 30th day after the date such 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 or terminating 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 Board 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. Notwithstanding anything else contained herein, in no case will an Option be exercisable later than the expiry date of the Option.

Vesting

Stock options granted to executives, employees or consultants will vest as determined by the Board. The Board may elect, at any time, to accelerate the vesting schedule of one or more Options.

Amendments to the Plan

Subject to any required regulatory approvals, the Board of Directors of the Corporation may amend any existing Option or the Option 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 not:

- (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 the Option Plan, the Board of Directors 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 and the Option holder is an Insider of the Corporation, the Insider must not exercise the option at the reduced exercise price until the reduction in exercise price has been approved by disinterested Shareholders of the Corporation.

Shareholder Approval

The resolution respecting the re-approval and ratification of the Option Plan, as amended, and the grants of options thereunder (the "**Option Plan Resolution**") must be approved by a majority of the votes cast by Shareholders of the Corporation present or represented by proxy at the Meeting.

The text of the Option Plan Resolution is set out below.

Resolution Approving the Adoption of the Option Plan

The ordinary resolution to approve the Option Plan, as amended, which will be presented at the Meeting and, if deemed appropriate, adopted with or without variation is as follows:

"IT IS RESOLVED THAT:

1. The Option Plan be amended in accordance with TSX-V Policy 4.4 and to reflect the creation of the RSU Plan, such that the maximum number of Common Shares issuable pursuant to the Option Plan, when combined with all other Common Shares subject to grants made under the Corporation's other share compensation arrangements (including the RSU Plan) would not exceed 10% of the outstanding Common Shares.
2. Subject to the Corporation receiving any other regulatory approvals if so required, the Option Plan as described in the management information circular dated December 19, 2022, and all unallocated entitlements issuable pursuant to the Option Plan are hereby approved and ratified and authorized for issuance until the date that is one year from the date of the Meeting; and

3. Any one director or officer of the Corporation is authorized and directed on behalf of the Corporation to execute all documents and to do all such other acts and things as such director or officer may determine to be necessary or advisable to give effect to the foregoing provisions of this resolution.”

The Board of Directors recommends a vote “FOR” the Stock Option Plan Resolution. In the absence of a contrary instruction, the persons designated by management of the Corporation in the enclosed form of proxy intend to vote FOR the Stock Option Plan resolution set out above.

Approval of Restricted Share Unit Plan

On November 24th, 2022 the Board approved the form of RSU Plan for adoption by the Corporation, with the implementation of such plan being remaining subject to obtaining Shareholder approval and acceptance by the TSX-V, which acceptance is not guaranteed. The RSU Plan, as proposed, is designed to provide certain directors, officers, consultants and other key employees (an “**Eligible Person**”) of the Corporation and its related entities with the opportunity to acquire restricted share units (“**RSUs**”) of the Corporation, thereby offering an Eligible Person potential to receive certain discretionary bonuses and similar awards as an incentive and reward for selected Eligible Persons related to the achievement of long-term financial and strategic objectives of the Corporation and the resulting increases in shareholder value. The RSU Plan is intended to promote a greater alignment of interests between the Shareholders and the selected Eligible Persons by providing an opportunity to participate in increases in the value of the Corporation. Below is a summary of the key components of the RSU Plan, as proposed:

The RSU Plan allows the Corporation to grant RSUs, under and subject to the terms and conditions of the RSU Plan, which may be exercised to purchase up to a number not exceeding the lesser of (i) such number of Common Shares as is equal to 10% of the aggregate number of Common Shares issued and outstanding from time to time; and (ii) such number of Common Shares as, when combined with all other Common Shares subject to grants made under the Corporation’s other share compensation arrangements (including the Option Plan) would not exceed 10% of the outstanding Common Shares.

At the Meeting, the Shareholders will be asked to consider and, if deemed advisable, to approve the adoption of the RSU Plan. The following summary assumes that the RSU Plan will be approved by the Shareholders at the Meeting and is subject to the specific provisions of the RSU Plan.

Benefits of the RSU Plan

The RSU Plan is designed to be a long term incentive for the directors, officers, consultants and other key employees of the Corporation. RSUs provide the Corporation with an additional compensation tool to help retain and attract highly qualified directors, officers, consultants and employees.

Nature and Administration of the RSU Plan

Eligible Persons are eligible to participate in the RSU Plan (as “**Recipients**”), and the Corporation reserves the right to restrict eligibility or otherwise limit the number of persons eligible for participation as Recipients in the RSU Plan. Eligibility to participate as a Recipient 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 maintained for each Recipient on the books of the Corporation as of the award date. The number of RSUs to be credited to each Recipient's account shall be

determined at the discretion of the Board and pursuant to the terms of the RSU Plan.

Each award of RSUs vests on the date(s) that is the later of the Trigger Date (as defined in the RSU Plan) and the date upon which the relevant performance condition or other vesting condition set out in the award has been satisfied, subject to the requirements of the RSU Plan.

RSUs and all other rights, benefits or interests in this Plan are non-transferable and may not be pledged or assigned or encumbered in any way and are not subject to attachment or garnishment, except that if a Recipient dies the legal representatives of the Recipient will be entitled to receive the amount of any payment otherwise payable to the Recipient hereunder in accordance with the provisions hereof.

Credit for Dividends

A Recipient's account will be credited with additional RSUs as of each dividend payment date in respect of which cash dividends are paid on Common Shares. The number of additional RSUs to be credited to a Recipient's account is computed by multiplying the amount of the dividend per Common Share by the aggregate number of RSUs that were credited to the Recipient's account as of the record date for payment of the dividend, and dividing that number by the Fair Market Value (as defined in the RSU Plan) on the date on which the dividend is paid. Note that the Corporation is not obligated to pay dividends on Common Shares.

Resignation, Termination, Leave of Absence or Death

If the Recipient voluntarily resigns from employment with the Corporation, then any RSUs credited to him or her under the RSU Plan which have not vested on or before the separation date for the Recipient are forfeited, cancelled and terminated without payment.

In the event a Recipient ceases to be an Eligible Person due to the death or Total Disability (as defined in the RSU Plan), unvested RSUs will remain outstanding and vest in accordance with the terms of the RSU plan as if such person was an Eligible Person, unless decided otherwise by the Board.

Adjustments

In the event of any dividend paid in shares, share subdivision, combination or exchange of shares, merger, consolidation, spin-off or other distribution of Corporation assets to shareholders, or any other change in the capital of the Corporation affecting Common Shares, the Board will make adjustments with respect to the number of RSUs outstanding and any proportional adjustments as it, in its discretion, considers appropriate to reflect the change.

Vesting

The Board has discretion to grant RSUs to Eligible Persons as it determines is appropriate, and can impose conditions on vesting as it sees fit in addition to the Performance Conditions (as defined in the RSU Plan) if any. Vesting occurs on the date set by the Board at the time of the grant or if no date is set then December 31 of the fourth calendar year following the date of the grant (the "**Trigger Date**"), and the date upon which the relevant Performance Condition or other vesting condition has been satisfied, subject to the limitations of the RSU Plan.

The Board may accelerate the Trigger Date of any RSU at its election.

Limitations under the RSU Plan

Unless disinterested Shareholder Approval is obtained (or unless permitted otherwise by the rules of the TSX-V):

- (a) the maximum number of Common Shares that may be issued to an Eligible Person pursuant to RSUs under the Plan may not exceed the lesser of (i) such number of Common Shares as is equal to 10% of the issued Common Shares calculated on the date of grant of such RSUs (each a "**Grant Date**") (on a non-diluted basis); and (ii) such number of Common Shares as, when combined with all other Shares subject to grants made under the Company's other share compensation arrangements (including the Company's stock option plan) would not exceed 10% of the outstanding Common Shares;
- (b) the maximum number of Common Shares which may be reserved for issuance to Insiders (as a group) under the RSU Plan and under other share compensation arrangement may not exceed 10% of the issued Common Shares calculated on the Grant Date (on a non-diluted basis);
- (c) the maximum number of Common Shares that may be issued to any one Eligible Person pursuant to RSUs under the Plan and under any other share compensation arrangement, may not exceed 5% of the issued Shares calculated on the Grant Date (on a non-diluted basis); and
- (d) the maximum number of Shares that may be issued to an Eligible Person who is a Consultant or a Person retained to provide Investor Relations Activities pursuant to RSUs under the RSU Plan and under any other share compensation arrangement, may not exceed 2% of the issued Shares calculated on the Grant Date (on a non-diluted basis).

Amendment or Termination of the RSU Plan

Subject to all necessary approvals of the TSX-V, the Board may amend or terminate the RSU Plan at any time, but the consent of the Recipient is required for any such amendment that adversely affects the rights of the Recipient, unless the amendment or termination is required by law. A termination of the RSU Plan will not accelerate the vesting of RSUs or the time which a Recipient would otherwise be entitled to receive payment in respect of the RSUs.

Approval of the RSU Plan

At the Meeting, the Corporation will ask the Shareholders to consider and, if deemed advisable, to approve the following ordinary resolution to approve the adoption and implementation of the RSU Plan (the "**RSU Plan Shareholder Resolution**"):

"RESOLVED THAT, as an ordinary resolution, with or without variation, subject to the acceptance by the TSX-V:

1. the RSU Plan described in the Corporation's management information circular dated December 19, 2022, reviewed by the Board of Directors, be and is hereby approved for adoption and implementation;
2. the effective date of the RSU Plan shall be January 25, 2023;

3. subject to all required regulatory approvals, including approval of the TSX-V, if required, and shareholder approval, the RSU Plan be and is hereby approved, and the RSU Plan be forthwith adopted and implemented by the Corporation, with such further deletions, additions and other amendments as are required by any securities regulatory authority or which are not substantive in nature and the Board of Directors deems necessary or desirable;
4. subject to all required regulatory approvals all Restricted Share Units granted by the Corporation to Eligible Persons under the RSU Plan prior to the date of this resolution, be and are hereby ratified, confirmed and approved;
5. the Board be and is hereby appointed to be the administrator under the RSU Plan, such appointment to be effective until revoked by resolution of the Board;
6. the Corporation be and is hereby authorized to grant Restricted Share Units (“**RSUs**”) under and subject to the terms and conditions of the RSU Plan;
7. the Board be and is hereby authorized and directed to execute on behalf of the Corporation, the form of share unit grant agreement attached as a Schedule to the RSU Plan, providing for the grant of RSUs to Eligible Persons under the RSU Plan; and
8. the Corporation be and is hereby authorized to allot and issue as fully paid and non-assessable that number of Common Shares specified in the restricted share unit agreement of RSUs granted to Eligible Persons; and that any authorized person of the Corporation be authorized to execute such treasury order or treasury orders as may be necessary to effect said Common Share issuance.”

The resolution for shareholder approval of the RSU Plan will be an ordinary resolution, which is a resolution passed by a simple majority of the votes cast in person or by proxy by the shareholders of the Corporation at a general meeting. The resolution must also be approved by a simple majority of votes of disinterested shareholders only.

The Board of Directors recommends a vote “FOR” the RSU Plan Resolution. In the absence of a contrary instruction, the persons designated by management of the Corporation in the enclosed form of proxy intend to vote FOR the RSU Plan resolution set out above.

Creation of Control Person

Under the policies of the TSX-V, a “Control Person” is defined as any person that holds or is one of a combination of persons that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of the issuer, or that holds more than 20% of the outstanding voting shares of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer. Pursuant to the policies of the TSX-V, if a transaction will result in the creation of a new Control Person, the TSX-V requires the Corporation to obtain Shareholder approval of the transaction on a disinterested basis excluding any shares held by the proposed new Control Person and its associates and affiliates.

In July of 2021, the Corporation converted an outstanding \$5 million credit facility with Olymbec Investments Inc. (“**Olymbec**”, a company in which Derek Stern, currently a member of the Board of Directors of the

Corporation, holds a significant interest), bearing interest at a rate of 13% per annum, into a convertible debenture bearing interest at a rate at 4% per annum and convertible into Common Shares of the Corporation at a conversion price of \$0.18 per share, resulting in the potential issuance to Olymbec, of an additional 27,777,778 Common Shares (the “**Debenture**”). The Debenture entails a suspended right of conversion, pending the obtaining the consent of disinterested shareholders.

If such conversion option is exercised and consent is obtained, a new Control Person of the Corporation would be created, resulting from the conversion of the Debenture described above, as well as a separate \$5,700,000 convertible debenture previously issued to Olymbec as part of a private placement raise in connection with the Corporation’s acquisition of its Valleyfield facility in June of 2021, such debenture also bearing interest at a rate at 4% per annum and convertible into Common Shares at a conversion price of \$0.18 per share, resulting in the potential issuance of 31,666,667 Common Shares to Olymbec (the “**Valleyfield Debenture**” and together with the Debenture, collectively the “**Debentures**”). The conversion of such Debentures and the resulting issuance of an aggregate of 59,444,445 additional Common Shares to Olymbec would increase the number of Common Shares owned and controlled by Olymbec to 223,094,628, or approximately 23.81% of the Corporation’s issued and outstanding Common Shares.

Shareholders will be asked at the Meeting to consider and, if thought fit, to approve the following resolution (the “**Control Person Resolution**”), which must be approved by at least a simple majority of the votes cast by disinterested Shareholders represented in person or by proxy at the Meeting (with Derek Stern, Olymbec and its associates and affiliates abstaining from voting on the Control Person Resolution):

“BE IT RESOLVED THAT:

1. The creation of a new Control Person (as such term is defined in the policies of the TSX Venture Exchange) of the Corporation, being Olymbec Investments Inc. (“**Olymbec**”), resulting from the issuance of 59,444,445 Common Shares in the capital of the Corporation to be issued as a result of certain convertible debentures issued to Olymbec, is hereby authorized and approved; and
2. Any one director or officer of the Corporation is hereby authorized and directed on behalf of the Corporation to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things that may be necessary or desirable to give effect to the foregoing resolutions.”

In order for the Control Person Resolution to be effective, it must be approved by a resolution passed by a majority of the votes cast by disinterested Shareholders present in person or represented by proxy at the Meeting.”

The Board of Directors recommends a vote “FOR” the Control Person Resolution. In the absence of a contrary instruction, the persons designated by management of the Corporation in the enclosed form of proxy intend to vote FOR the Control Person Resolution set out above.

Consolidation of Common Shares

To assist the Corporation in attracting future equity financing, the Board of Directors proposes to consolidate the share capital of the Corporation. At the Meeting, Shareholders will be asked to consider and, if thought advisable, pass without or without amendment a special resolution (the “**Consolidation Resolution**”)

authorizing the Board of Directors to elect, in its discretion, to direct the Corporation to file articles of amendment (the "**Articles of Amendment**") to amend the Corporation's articles in order to consolidate all of the Corporation's issued Common Shares on the basis of ten (10) pre-consolidation Common Shares for every one (1) post-consolidation Common Shares or such other number of pre-consolidation Common Shares that the Board of Directors, in their sole discretion, determines to be appropriate, and as acceptable to the TSX-V.

The proposed Consolidation will not alter or change in any way any Shareholder's proportion of votes to total votes, however, the total votes capable of being cast by Shareholders at a general meeting of the Corporation in the future will be reduced if the resolution is passed. Any resulting fractional share will be dealt with by rounding up to the nearest whole in the event that the former holder of Common Shares is entitled to receive a fractional share representing 0.5 or more of a Common Share and rounding down to the nearest whole number in the event that the former holder of Common Shares is entitled to receive a fractional share representing less than 0.5 of Common Share.

In the event that the proposed Consolidation Resolution is not approved by the Shareholders, the Corporation will not proceed with the Consolidation.

The Corporation currently has an unlimited number of Common Shares available for issuance and the Consolidation will not have any effect on the number of Common Shares that remain available for future issuance. The exercise or conversion price and the number of Common Shares issuable under any convertible securities of the Corporation, including incentive stock options, will be proportionately adjusted if the Consolidation is approved by Shareholders at the Meeting and put into effect.

The Consolidation is subject to receipt of all required regulatory approvals, including approval from the TSX-V, and to the approval of the Consolidation by the Shareholders at the Meeting. If these approvals are received, the Consolidation will be effected at a time determined by the Board of Directors and announced by a press release of the Corporation. Notwithstanding if the approvals are received, the Corporation may determine not to proceed with the Consolidation at the discretion of the Board of Directors.

The text of the Consolidation Resolution to be considered and, if thought fit, approved at the Meeting as a special resolution is as follows:

BE IT RESOLVED, AS A SPECIAL RESOLUTION THAT:

1. The issued and outstanding Common Shares of the Corporation be consolidated on the basis of every ten (10) pre-consolidation Common Shares for one (1) post-consolidation Common Share, or such other consolidation ratio to be determined in the sole discretion of the Board of Directors and as may be approved by the TSX-V (the "**Consolidation**").
2. No fractional Common Shares shall be issued in connection with the Consolidation and, in the event a Shareholder would otherwise be entitled to receive a fractional Common Share in connection with the Consolidation, the number of Common Shares to be received by such Shareholder shall be rounded up to the nearest whole in the event that the former holder of Common Shares is entitled to receive a fractional share representing 0.5 or more of a Common Share, and be rounded down to the nearest

whole number in the event that the former holder of Common Shares is entitled to receive a fractional share representing less than 0.5 of a Common Share.

3. Notwithstanding the passage of this special resolution, the directors of the Corporation be and are hereby authorized and empowered to revoke this special resolution at any time without further approval of the Shareholders.
4. Any one director or officer of the Corporation is authorized to set the record date to give effect to the Consolidation and the resolution described herein shall be deposited at the Corporation's registered and records office.
5. Any one director or officer of the Corporation be and is hereby authorized and directed to execute all documents and instruments and take all such other actions as may be necessary or desirable to implement this special resolution and the matters authorized hereby.

In order to be duly passed, the special resolution must be approved by two-thirds (2/3) of the votes cast at the Meeting in person or by proxy.

The Board of Directors recommends a vote "FOR" the Consolidation. In the absence of a contrary instruction, the persons designated by management of the Corporation in the enclosed form of proxy intend to vote FOR the Consolidation Resolution set out above.

EXECUTIVE COMPENSATION

Unless otherwise noted, the following information is for the Corporation's last completed financial year ended August 31, 2022.

Named Executive Officers

For the purposes of this Circular, a Named Executive Officer ("NEO") of the Corporation means each of the following individuals:

- (a) the Chief Executive Officer ("CEO") of the Corporation;
- (b) the Chief Financial Officer ("CFO") of the Corporation;
- (c) the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year and whose total compensation was, individually, more than \$150,000 per year; and
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of the most recently completed financial year.

Director and Named Executive Office Compensation

The following table sets forth a summary of the compensation paid to the NEOs and the Directors for the most recently completed financial year:

TABLE OF COMPENSATION EXCLUDING COMPENSATION SECURITIES							
Name and Position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Zohar Krivorot CEO/Director	2022	75,000	Nil	Nil	Nil	Nil	75,000
Nicholas Sosiak CFO	2022	215,000	Nil	Nil	Nil	Nil	215,000
Avi Krivorot CTO	2022	236,250	Nil	Nil	Nil	Nil	236,250
Mary Durocher Director	2022	Nil	Nil	17,500	Nil	Nil	17,500
Jack M. Kay Director	2022	Nil	Nil	20,000	Nil	Nil	20,000
Donald Olds Director	2022	Nil	Nil	32,500	Nil	Nil	32,500
Derek Stern Director	2022	Nil	Nil	Nil	Nil	Nil	Nil

None of the NEOs receives perquisites or personal benefits worth in aggregate 10% or more of their total salary, or any post-retirement benefits (including insurance).

The Corporation has entered into an employment agreement with Zohar Krivorot to act as the CEO of the Corporation. Pursuant to the terms of such agreement, the Corporation may terminate the employment of Mr. Krivorot without cause at any time by notice in writing. In such event, the Corporation shall pay Mr. Krivorot an amount equal to 12 months of his then-current monthly salary, plus one additional month for each year served after the first anniversary. If the Corporation terminates Mr. Krivorot with cause, Mr. Krivorot is not entitled to any termination payment from the Corporation.

The Corporation has also entered into an employment agreement with Nicholas Sosiak to act as the CFO of the Corporation. Pursuant to the terms of such agreement, the Corporation may terminate the employment of Mr. Sosiak without cause at any time by notice in writing. In such event, the Corporation shall pay Mr. Sosiak an amount equal to 12 months of his then-current monthly salary, and all stock options granted to Mr. Sosiak will continue to vest as scheduled. If the Corporation terminates Mr. Sosiak with cause, Mr. Sosiak is not entitled to any termination payment from the Corporation.

Stock Options and Other Compensation Securities

The following table sets out for each NEO and Director of the Corporation all compensation securities granted or issued to each for services provided or to be provided, directly or indirectly, to the Corporation as at the Record Date of December 12, 2022:

COMPENSATION SECURITIES							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities and percentage of class ⁽¹⁾	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
Zohar Krivorot CEO/Director	Stock options	6,000,001 stock options 0.65% of class	2018-06-01	0.10	N/A ⁽²⁾	0.135	2023-06-01
Nicholas Sosiak CFO	Stock options	500,000 stock options	2019-05-01	0.18	0.175	0.135	2024-05-01
		3,000,000 stock options	2020-07-24	0.18	0.095		2025-07-24
		2,500,000 stock options	2021-12-07	0.18	0.13		2026-12-07
		7,500,000 stock options	2022-09-29	0.10	0.115		2027-09-29
		12,500,000 stock options 2.82% of class	2022-09-29	0.18	0.115		2027-09-29
Avi Krivorot CTO	Stock Options	50,000 stock options	2018-12-17	0.18	N/A ⁽²⁾	0.135	2023-12-17
		50,000 stock options	2021-02-01	0.18	0.105		2026-02-01
		200,000 stock options	2021-07-27	0.18	0.175		2026-07-27
		125,000 stock options 0.05% of class	2022-09-29	0.18	0.115		2027-09-29
Mary Durocher Director	Stock options	150,000 stock options	2020-07-24	0.18	0.095	0.135	2025-07-24
		50,000 stock options	2021-12-07	0.18	0.13		2026-12-07
		50,000 stock options 0.02% of class	2022-09-29	0.18	0.115		2027-09-29
Jack M. Kay Director	Stock options	100,000 stock options	2019-04-25	0.18	0.18	0.135	2024-04-25
		50,000 stock options	2021-12-07	0.18	0.13		2026-12-07
		50,000 stock options 0.02% of class	2022-09-29	0.18	0.115		2027-09-29
Donald Olds Director	Stock options	250,000 stock options	2020-11-10	0.18	0.085	0.135	2025-11-10

		125,000 Stock Options	2021-12-07	0.18	0.13		2027-09-29
		125,000 Stock Options 0.05% of class	2022-09-29	0.18	0.115		
Derek Stern Director	Stock options	100,000 stock options 0.01% of class	2018-12-17	0.18	N/A ⁽²⁾	0.135	2023-12-17

(1) The percentage of class is based on the total number of Common Shares and options outstanding as at the Record Date: 877,481,321 Common Shares and 45,107,450 stock options.

(2) Options granted prior to the Corporation being listed on a public exchange.

Other than as disclosed above, there were no compensation securities exercised by any NEO during the year ended August 31, 2022.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets out, as at the Record Date, information regarding outstanding options, warrants and rights granted by the Corporation under its equity compensation plans.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by Shareholders	45,107,450	0.15	47,151,427
Equity compensation plans not approved by Shareholders	Nil	Nil	N/A
Total	45,107,450	0.15	47,151,427

Oversight and Description of Director and Named Executive Officer Compensation

The Corporation's human resources and governance committee (the "**HR/Governance Committee**") assists in the oversight of compensation programs and determining compensation of the Corporation's directors and executive officers.

The HR/Governance Committee's responsibilities include with respect to compensation, but are not limited to:

- Evaluating and providing recommendations to the Board of Directors regarding the equity-based and incentive compensation plans and programs of the Corporation;

- Evaluating and providing recommendations to the Board of Directors regarding compensation, incentive compensation and equity-based plans and programs for the executive officers and directors of the Corporation;
- Evaluating and providing recommendations to the Board regarding executive development and succession planning for senior executives of the Corporation; and
- Evaluating and providing recommendations to the Board concerning employment contracts and/or separation agreements involving the executives of the Corporation.

In determining compensation for executive officers, the HR/Governance Committee considers industry standards and the Corporation's financial situation. In particular, the HR/Governance Committee seeks to accomplish the following goals:

- To recruit and subsequently retain highly qualified executive officers by offering competitive overall compensation;
- To motivate executives to achieve important corporate and personal performance objectives and reward them when such objectives are met;
- To align the interests of executive officers with the long-term interests of Shareholders through participation in the Option Plan; and
- To reward performance, both on an individual basis and with respect to operations generally.

Director Compensation

The Corporation has adopted a director remuneration policy with a view to (a) attracting and retaining the services of the most qualified individuals, (b) compensating the directors in a manner that is commensurate with the risks and responsibilities assumed in board and board committee membership, and (c) align the interests of the directors with those of the long-term shareholders. In addition, each independent director, if any, may be entitled to participate in any security based compensation arrangement or other plan adopted by the Corporation with the approval of the Board and/or Shareholders, as may be required by applicable law or TSX-V policies.

Directors' and Officers' Liability Insurance

Directors and officers participate in the Corporation's directors and officers' liability insurance program. The Corporation pays for the entire premium for this policy.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

The Board of Directors is committed to ensuring that the Corporation identifies and implements effective corporate governance practices, which are both in the interest of its Shareholders and contribute to effective and efficient decision making.

In accordance with National Instrument 58-101 - *Disclosure of Corporate Governance Practices* (the "**Disclosure Instrument**") and National Policy 58-201 - *Corporate Governance Guidelines* (the "**Guidelines**") the Corporation is required to disclose, on an annual basis, its approach to corporate governance. In addition, the Corporation is subject to National Instrument 52-110 - *Audit Committees* ("**NI 52-110**"), which prescribes certain requirements in relation to audit committees and defines the meaning of independence with respect to directors. These reflect current regulatory guidelines of the Canadian Securities Administrators.

In light of these guidelines, the HR/Governance Committee serves to assist the Board in implementing corporate governance principles and best practices. The HR/Governance Committee's approach to significant issues of corporate governance is designed to ensure that the business and affairs of the Corporation are effectively managed to enhance Shareholder value.

As part of its duties, the HR/Governance Committee shall make a statement in the annual report about its role and activities, the process used for appointments, the membership of the committee, the number of committee meetings held throughout the year and attendance at those meetings.

Importantly, the HR/Governance Committee shall keep under review the leadership needs of the Corporation with a view to ensuring the continued ability of the Corporation to compete effectively in the marketplace.

Board of Directors and Directorships

The Board of Directors is ultimately responsible for the governance of the Corporation. It establishes the policies and standards of the Corporation with the assistance of the HR/Governance Committee. The Board meets on a regularly scheduled basis. In addition to these meetings the directors are kept informed of operations through regular reports and analyses by, and discussions with, management.

The Board of Directors of the Corporation is currently comprised of five directors, each of whom are proposed to be nominated for election as set out in pages 8 through 10 of this Circular.

NI 52-110 defines an "independent" director as one who has no direct or indirect "material relationship" with the Corporation. A "material relationship" is defined as a relationship that could, in the view of the Board of Directors, reasonably be expected to interfere with the exercise of a director's independent judgement. NI 52-110 also sets out certain situations where a director will automatically be considered to have a material relationship with the Corporation.

Applying the definition set out in NI 52-110, four of the five members of the Board are independent, namely: Mary Durocher, Jack Kay, Donald Olds and Derek Stern. Zohar Krivorot is not independent by virtue of the fact that he is an executive officer of the Corporation.

The Board meets quarterly, as necessary when operations warrant, and following an annual meeting of Shareholders of the Corporation. In carrying out its responsibilities, the Board requires management of the Corporation to prepare and submit budgets and programs for approval of the Board. These budgets and programs, and any updates, are to be reviewed at the Board's quarterly meetings.

In addition to their position on the Board, the following director also serves as director of the following reporting issuers or reporting issuer equivalent(s):

Name of Director	Reporting Issuer(s) or Equivalent(s)
Donald Olds	Goodfood Markets (TSX:FOOD) Agrinam Acquisition Corp. (TSX: AGRI-U) Acasti Pharma (NASDAQ:ACST)

Orientation and Continuing Education

Upon election or appointment of new directors, the HR/Governance Committee will provide new directors with an information package of the Corporation, including, among other things, its policies, procedures and disclosures. Generally, the Corporation expects that the board members have a familiarity with the business of cannabis. Professional advisors may be invited to attend Board meetings, as needed. The Corporation also relies on the relatively straightforward nature of its business and the established qualifications and expertise of its board members.

Ethical Business Conduct

The Board has adopted a written Code of Conduct (the “**Code**”). The Code is available from the Corporation upon request.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of a company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, if a director of a company also serves as a director or officer of another company engaged in similar business activities to the first company, that director must comply with the conflict of interest provisions of the Business Corporations Act, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgement in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors that evoke such a conflict.

The audit committee of the Corporation (the “**Audit Committee**”) will monitor compliance with the Code by receiving reports from management as to any actual or alleged violations, as appropriate. In accordance with the provisions of the Code and applicable corporate law, any director or executive officer who holds a material interest in a proposed transaction or agreement involving the Corporation will be required to disclose that interest to the Audit Committee and abstain from voting on approval of such transactions as appropriate.

Nomination of Directors & Compensation

At present, the Corporation does not have a Nomination and Compensation Committee. Instead, the HR/Governance Committee is responsible for screening nominees to the Board and annually assessing the skills and qualifications of directors and nominees to ensure the Board members have the skills and qualifications appropriate to the current needs of the Corporation.

The HR/Governance Committee is also responsible for reviewing and approving directors’ and executive compensation based on the Corporation’s goals and objectives, reviewing and approving the Corporation’s incentive compensation and equity-based plans and arrangements, and reporting regularly to the Board on the activities of the committee.

The HR/Governance Committee conducts reviews regarding the directors’ and the Chief Executive Officer’s compensation once a year. To make its recommendation on directors’ and the Chief Executive Officer’s compensation, this committee takes into account the types of compensation and the amounts paid to directors and chief executive officers of comparable publicly-traded Canadian companies.

Audit Committee

The Audit Committee is currently composed of three independent directors: Jack M. Kay, Mary Durocher and Donald Olds, with Donald Olds assuming the role of Chair.

All members of the Audit Committee have a broad understanding of the accounting principles that are applied to the preparation of financial statements. All members of the Audit Committee are financially literate in accordance with NI 52-110. The full text of the Audit Committee Charter is attached as Schedule "A" to this Circular.

Mandate and responsibilities of the Audit Committee

The Audit Committee's mandate and responsibilities are detailed in its charter and include: (i) reviewing and recommending for approval to the Board the financial statements, accounting policies that affect the statements, annual MD&A and associated press releases; (ii) being satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assessing those procedures; (iii) establishing and maintaining complaint procedures regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters; (iv) overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing such other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting; (v) pre-approving all non-audit services to be provided to the Corporation or its subsidiary entities by the external auditor; (vi) reviewing and monitoring the processes in place to identify and manage the principal risks that could impact the financial reporting of the Corporation; and (vii) reviewing and approving the Corporation's hiring policies regarding partners, employees, and former partners and employees of the present and former external auditor of the Corporation.

The Audit Committee is to meet at least quarterly to review financial statements and MD&A and to meet with the Corporation's external auditor at least once a year. Directors are invited to hold in-camera sessions at any time, including after Board and committee meetings. During these in-camera sessions, members of management are not present. The Corporation believes that these in-camera sessions contribute to the Board's independent oversight.

Complaints

The Audit Committee has established a "Whistleblower Policy" which outlines procedures for the confidential, anonymous submission by employees regarding the Corporation's compliance with all applicable government laws, rules and regulations, corporate reporting and disclosure, accounting practices, accounting controls, auditing practices and other matter relating to fraud against shareholders (the "**Accounting Concerns**"), without fear of retaliation of any kind. If an applicable individual has any concerns about any of the Accounting Concerns which they consider to be questionable, incorrect, misleading or fraudulent, the applicable individual is urged to come forward with any such information, complaints or concerns, without regard to the position of the person or persons responsible for the subject matter of the relevant complaint or concern.

The applicable individual may report their concern in writing, by telephone or e-mail and forward it to the Chairman of the Audit Committee. All submissions will be treated on a confidential and anonymous basis,

except when the Accounting Concerns refer to violation of any applicable law, rule or regulation that relates to the corporate reporting and disclosure, and to violation of the Corporation's Code, when the person making the submission must be identified for purposes of performing the investigation. Further, the Corporation will not discharge, discipline, demote, suspend, threaten or in any manner discriminate against any person who submits in good faith an Accounting Concern.

Promptly following the receipt of any complaints submitted to it, the Audit Committee will investigate each complaint and take appropriate corrective actions. The "Whistleblower Policy" is to be reviewed by the Audit Committee on an annual basis.

Audit Committee Oversight

Since the commencement of the Corporation's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor that was not adopted by the Board of Directors.

Reliance on Exemptions in NI 52-110 regarding De Minimis Non-audit Services or on a Regulatory Order Generally

In respect of the Corporation's most recently completed financial year, the Corporation has not relied on the exemption in section 2.4 (*De Minimis Non-audit Services*) of NI 52-110 or an exemption from NI 52-110, in whole or in part, granted by a securities regulator under Part 8 (*Exemptions*) of NI 52-110.

In respect of the most recently completed financial year, the Corporation is relying on the exemption set out in section 6.1 of NI 52-110 with respect to compliance with the requirements of Part 5 (*Reporting Obligations*) of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Audit Committee Charter.

External Auditor Service Fees (By Category)

The following table discloses the fees billed to the Corporation by its external auditor during the two last financial years.

Financial Year Ending	Audit Fees⁽¹⁾	Audit Related Fees⁽²⁾	Tax Fees⁽³⁾	All Other Fees⁽⁴⁾
August 31, 2022	214,000	64,200	29,227	2,140
August 31, 2021	205,000	51,360	10,540	21,699

(1) The aggregate fees billed by the Corporation's auditor for audit fees.

(2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not disclosed in the "Audit Fees" column.

(3) The aggregate fees billed for professional services rendered by the Corporation's auditor for tax compliance, tax advice, and tax planning.

(4) All other fees billed by the auditor for products and services not included in the foregoing categories.

Other Committees Of The Board

The Audit Committee and the HR/Governance Committee are the only standing committees of the Corporation.

HR/Governance Committee

The members of the HR/Governance Committee are: Donald Olds, Jack M. Kay and Derek Stern, with Derek Stern assuming the role of Chair. All members of the HR/Governance Committee are independent.

The Board established the HR/Governance Committee on November 10, 2020. The HR/Governance Committee oversees the nomination and compensation of directors. See also “Nomination of Directors and Compensation” above for further particulars regarding the role of this Committee.

Assessments

It is the responsibility of the HR/Governance Committee to ensure that the strategic direction of the Corporation is reviewed annually and that the Board and each of its committees carry out their respective functions in accordance with an appropriate process. The committee is also responsible for assessing the effectiveness of individual directors and the Board as a whole, and recruiting and nominating new directors as needed.

OTHER BUSINESS

While there is no other business other than that business mentioned in the Notice of Meeting to be presented for action by the Shareholders at the Meeting, **it is intended that the Proxies hereby solicited will be exercised upon any other matters and proposals that may properly come before the Meeting or any adjournment or adjournments thereof, in accordance with the discretion of the persons authorized to act thereunder.**

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found under the Corporation’s profile on SEDAR at www.sedar.com. Financial information about the Corporation may be found in the Corporation’s financial statements and Management’s Discussion and Analysis for its most recently completed financial year and may be viewed on the SEDAR website at the location noted above.

Shareholders may contact the Corporation by mail at 333 Décarie Blvd. Suite 200, Saint-Laurent, Quebec H4N 3M9 or by telephone at (514) 543-4200 to request copies of the Corporation’s financial statements and Management’s Discussion and Analysis.

APPROVAL BY BOARD OF DIRECTORS

The Board has approved the contents of this Circular and has authorized its delivery.

DATED this December 19, 2022.

ON BEHALF OF THE BOARD OF DIRECTORS

/s/ Zohar Krivorot

Zohar Krivorot
Chief Executive Officer and Chairman

SCHEDULE A**CANNARA BIOTECH INC.
AUDIT COMMITTEE CHARTER****I. PURPOSE AND AUTHORITY OF THE COMMITTEE**

The members of the audit committee (the “**Audit Committee**”) shall be appointed by the board of directors (the “**Board**”) of Cannara Biotech Inc. (the “**Company**”) and shall report to the Board. The Audit Committee shall be responsible to:

- (a) assist the Board in fulfilling its oversight of the Company’s financial integrity, specifically by assisting the Board’s oversight of:
 - (i) the integrity of the Company’s financial statements and other financial reporting;
 - (ii) the qualifications and independence of any independent auditor and/or registered public accounting firm engaged by the Company for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (the “**External Auditor**”);
 - (iii) the performance of the Company’s internal audit functions and internal auditor, if and when one is appointed;
 - (iv) the Company’s compliance with legal and regulatory requirements;
 - (v) the process by which the Company assesses and manages risk; and
 - (vi) any other matters as defined by the Board;
- (b) manage, on behalf of the shareholders, the relationship between the Company and the External Auditor by:
 - (i) having direct responsibility for appointing, retaining and determining the compensation of the External Auditor (in the Audit Committee’s capacity as a committee of the Board and subject to the rights of shareholders and applicable law);
 - (ii) overseeing the work of the External Auditor, including the resolution of any disagreements between management and the External Auditor regarding financial reporting, as well as;
 - (iii) reviewing with the External Auditor any audit problems or difficulties and management’s response, including any restrictions on the scope of the External Auditor’s activities or on access to requested information
 - (iv) determining and approving compensation for all audit and audit-related services and pre-approving all audit and permitted non-audit services to be provided to the Company or its subsidiaries by the Company’s External Auditor;

- (v) ensuring that the External Auditor report directly to the Audit Committee and meets with the Audit Committee or the Board without management present at each regularly scheduled meeting of the Audit Committee and at least annually with the full Board;
- (vi) facilitating communication between the Company and the External Auditor; and

This Charter and any subsequent revisions thereto require the approval of the Board.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has unrestricted access to communicate directly with the internal and External Auditor, management, members of the Board, employees of, or consultants to, the Company and any relevant information. The Audit Committee has the authority to retain independent legal, accounting or other advisers, consultants or experts it deems necessary in the performance of its duties, and the Audit Committee shall have the authority to set the compensation for any such advisors subject to a budget approved by the Board.

Subject to a budget approved by the Board, the Company shall provide appropriate funding, as determined by the Audit Committee, for payment of (i) compensation to the External Auditor to prepare and issue an audit report or perform other audit, review or attest services for the Company, (ii) compensation to any outside advisers, consultants or experts employed by the Audit Committee, and (iii) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out the Audit Committee's duties.

II. **COMPOSITION OF THE AUDIT COMMITTEE**

The Audit Committee shall be composed of at least three non-management directors of the Company who are appointed by the Board (and may be removed or replaced by the Board at any time as needed), annually at the meeting of the Board immediately following the annual general shareholders meeting. A Member shall cease to be a Member upon ceasing to be a member of the Board, or once their qualified successor is appointed, as the case may be. The Board will fill vacancies on the Committee by the appointment of other qualified directors, subject to satisfying all applicable independence requirements. The Chairman of the Audit Committee shall be designated by the full Board, or if the Board does not do so, the members of the Audit Committee, by majority vote, may designate a Chairman.

Each member shall be neither an officer nor employee of the Company or any of its affiliates. Each member shall be independent of management and must be free from any direct or indirect relationship which could, or, in the view of the Board, could reasonably be perceived to, interfere with the exercise of that member's independent judgement in carrying out the responsibilities as a member. No member may have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the previous three years. No member may, other than in his or her capacity as a member of the Audit Committee, the Board of Directors, or any other Board committee, accept directly or indirectly any consulting, advisory, or other "compensatory fee" (as such term is defined under applicable securities laws and stock exchange rules) from, or be an "affiliated person" (as such term is defined under applicable securities laws and stock exchange rules) of, the Company or any subsidiary of the Company unless approved by the Board.

All members of the Audit Committee shall be financially literate at the time of their election to the Audit Committee, which means that they will have the ability to read and understand fundamental financial statements (including a balance sheet, income statement and cash flow statement), including a set of financial statements that present a breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Ideally at least one member of the Audit Committee shall be an "audit committee financial expert" as such term is defined by the Regulations of the Quebec Securities Commission and the rules of the Securities and Exchange Commission. At least one member of the Audit Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individuals financial sophistication, including but not limited to being or having been a chief executive officer, chief financial officer, other senior officer with financial oversight responsibilities. The Board shall make determinations as to whether any particular member of the Audit Committee satisfies these requirements.

A quorum of any Audit Committee meeting will be a majority of the members of the Audit Committee. The Secretary of the Audit Committee shall be such person as nominated by the Chairman of the Audit Committee.

III. **MEETINGS OF THE AUDIT COMMITTEE**

The Audit Committee shall meet as frequently as it deems necessary to carry out its duties and responsibilities but no less than four times per year. The External Auditor shall receive notice of every meeting of the Audit Committee and shall be invited to attend and participate in such meetings. The Audit Committee, in its discretion, may also ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary.

The Audit Committee Chairman shall approve an agenda in advance of each meeting and shall cause that agenda and related materials to be distributed to members and the External Auditor in advance of said meeting. The Audit Committee shall maintain minutes of its meetings and records relating to those meetings and the Audit Committee's activities and provide copies of such minutes to the Board. The Audit Committee may also meet by telephone conference call or by virtual teleconference or by any other means permitted by law or by the Company's by-laws.

The Audit Committee shall also meet separately with management as it deems appropriate.

The Secretary shall circulate the minutes of the meetings to members of the Board, members of the Audit Committee and the head of the External Auditor.

IV. **REMUNERATION OF AUDIT COMMITTEE MEMBERS**

No member of the Audit Committee may, other than in his or her capacity as a member of the Audit Committee, the Board of Directors, or any other Board committee, accept directly or indirectly any consulting, advisory, or other "compensatory fee" (as such term is defined under applicable securities laws and stock exchange rules) from the Company or any subsidiary of the Company unless approved by the Board.

V. **DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE**

(a) **Selection and Evaluation of External Auditor**

The Audit Committee is responsible for selecting and evaluating the External Auditor, and for managing, on behalf of the Company's shareholders, the relationship between the Company and its External Auditor. In furtherance of this responsibility, as delegated by the Board, the Audit Committee shall

- (i) review and recommend to the Board, subject to the rights of shareholders, for the selection, appointing, retaining and determining the compensation of the External Auditor. The External Auditor must be a top tier national firm with operations across Canada and the United States.
- (ii) review and approve the External Auditor's annual engagement letter, including the proposed audit plan and fees contained therein.
- (iii) oversee the work of the External Auditor, including the resolution of disagreements between management and the External Auditor regarding financial reporting.
- (iv) receive the report from the External Auditor covering the outcome of their annual audit of the Company.
- (v) review the performance of the External Auditor and, if warranted recommend replacement or termination the External Auditor to the full Board.
- (vi) oversee the qualifications and independence of the External Auditor by, among other things:
 - A. at least on an annual basis, evaluating the qualifications, performance and independence of the External Auditor and the senior audit partners having primary responsibility for the audit.
 - B. obtaining and reviewing a report from the External Auditor at least annually regarding: (i) the External Auditor's internal quality-control procedures, (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or raised by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (iii) any steps taken to deal with any issues, (iv) all relationships between the External Auditor and the Company, and (v) the independence of the External Auditor as required by applicable law.
 - C. establish and periodically assess policies and procedures for the review and pre-approval of all audit and permitted non-audit services to be provided by the External Auditor to the Company or its subsidiaries.
 - D. review and, if deemed desirable, pre-approve all audit and permitted non-audit services to be provided by the External Auditor to the Company or its subsidiaries which pre-approval may be delegated to one or more members in accordance with applicable law.

- E. requiring the External Auditor to deliver to the Audit Committee, at least annually, a formal written statement delineating all relationships between the External Auditor and the Company and confirming their independence from the Company.
- F. actively engaging in a dialogue with the External Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the External Auditor and taking, or recommending that the Board take, appropriate action to satisfy itself of the auditor's independence.

(b) Financial Statements and Reports

The Audit Committee is responsible for overseeing the accounting and financial reporting process of the Company and the audits of the financial statements of the Company. In furtherance of this responsibility, as delegated by the Board, the Audit Committee shall:

- (i) review and approve the External Auditor's annual audit plan, including the scope of the External Auditor's quarterly reviews and all related fees.
- (ii) confirm through private discussions with the External Auditor that no restrictions are being placed on either the scope or the effectiveness of the External Auditor's work.
- (iii) review all material written communications between the External Auditor and management, including post audit or management letters containing recommendations of the External Auditor, management's response and follow up with respect to the identified weaknesses.
- (iv) as part of the Audit Committee's review of the Company's quarterly audited annual financial statements, review and discuss with management and the External Auditor:
 - A. the External Auditor's report on the audited annual financial statements.
 - B. the quality of, and any major issues regarding, the Company's accounting principles and financial statement presentations, including all critical accounting policies, accounting practices and financial disclosure practices used and any significant changes in the Company's selection or application of accounting principles.
 - C. all significant issues and judgements made in connection with the preparation of the financial statements to determine if and how they should be reported or disclosed.
 - D. any problems experienced by the External Auditor in performing audits.
 - E. The use of any "pro forma" or "adjusted" information not in accordance with generally acceptable accounting principles;

- F. Any earnings press releases and press releases containing financial information extracted from the financial statements of the Company, as well as financial information and earnings guidance, if any, provided to analysts and ratings agencies, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or instance in which the Company gives earnings guidance;
- G. Any Company disclosure containing “financial outlooks” or “future oriented financial information”, each as defined in National Instrument 51-102 – Continuous Disclosure Obligations, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or instance in which the Company gives earnings guidance; the content and presentation of sales or earnings press releases and any financial information or earnings guidance (if any) provided to analysts and rating agencies.
- H. any outstanding or anticipated litigation or legal claims or actions which may materially affect the financial position of the Company.

(c) **Financial Reporting Process and Internal Controls**

The Audit Committee is responsible for overseeing the design, implementation and on-going effectiveness of policies and procedures for providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, including those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements (“**Internal Controls**”). In furtherance of this responsibility, as delegated by the Board, the Committee shall:

- (i) establish (under the supervision of the Company’s Chief Financial Officer, and President and Chief Executive Officer), monitor and review a system of Internal Controls.
- (ii) consult with the External Auditor regarding the adequacy of Internal Controls and review any significant findings concerning the adequacy of Internal Controls raised by the External Auditor in its report on the Internal Controls.

- (iii) review management's report on its assessment of the Internal Controls of the Company and the steps taken to monitor, control and report financial risks and exposures.
- (iv) consider the effectiveness of the Internal Controls, and review with the President and Chief Executive Officer, the Chief Financial Officer, and the External Auditor: (A) all significant deficiencies and material weaknesses in the design or operation of the Company's Internal Controls that could adversely affect the Company's ability to record, process, summarize and report financial information required to be disclosed by the Company in the reports that it files or submits with applicable securities regulators within the required time periods, and (B) any fraud, whether or not material, that involves management of the Company or other employees who have a significant role in the Company's Internal Controls.
- (v) address, on a regular basis, any perceived shortcomings in the Company's Internal Controls.

(d) **Risk Management**

The Audit Committee is responsible for overseeing the process by which the Company assesses and manages risk, including the relationship of the Company's compensation policies and practices to risk management. In furtherance of this responsibility, as delegated by the Board, the Audit Committee shall:

- (i) identify risks inherent in the Company's business;
- (ii) maintain policies and procedures that address such risks on a reasonable, cost-effective basis;
- (iii) in conjunction with management, review, on an annual basis, all aspects of the Company's risk management program, including all significant policies and procedures relating to insurance coverage, foreign exchange exposures and investments (including the Company's use of financial risk management instruments);
- (iv) review the involvement of officers and directors in any matter related to business ethics or potential conflict of interest and advise the Board on the appropriate course of action;
- (v) review policies and practices with respect to off-balance sheet transactions and trading and hedging activities, and consider the results of any review of these areas by the External Auditor; and
- (vi) review management's processes in place to prevent and detect fraud.

(e) **Compliance with Laws and Regulations**

The Audit Committee shall:

- (i) review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.
- (ii) obtain regular updates from management and the Company's legal counsel regarding compliance matters that may have a material impact on the Company's financial statements or compliance policies.
- (iii) obtain from management adequate assurances that all statutory payments and withholdings have been in compliance with relevant laws and regulations; and
- (iv) review the findings of any examinations by regulatory agencies and any correspondence with, or published reports by, regulators or governmental agencies which raise material issues regarding the Company's financial statements or accounting policies.

(f) **Related Party Transactions and Off-Balance Sheet Structure**

The Audit Committee shall:

- (i) review all proposed related-party transactions for potential conflicts of interest, including those between the Company and its officers or directors and, if deemed appropriate, recommend to the Board an appropriate course of action with respect to any particular transaction (including approval, rejection or ratification);
- (ii) annually review any ongoing related party transactions and report to the Board thereon; and
- (iii) review all material off-balance sheet structures to which the Company is a party.

A "**related party**" is a director or officer of the Company, or an immediate family member of a director or officer of the Company (which means any spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, and anyone who resides in such person's home (other than domestic employees)).

(g) **Hiring Policies**

The Audit Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and any former External Auditor of the Company.

(h) **Complaint Procedure**

The Audit Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters, and monitor compliance with the Company's Whistleblower Protection Policy on Financial Matters and oversee, coordinate and review all investigations undertaken thereunder.

VI. CHAIRPERSON

The Chairperson's primary role is to ensure that the Audit Committee functions properly, meets its obligations and responsibilities, fulfills its purpose and that its organisation and mechanisms are in place and are working effectively. More specifically, the Chairperson shall:

- (a) chair meetings of the Audit Committee;
- (b) in consultation with the Chairperson of the Board, the Lead Director (if one is elected), the members of the Audit Committee, the CFO and Corporate Secretary, as necessary, set the agendas for the meetings of the Audit Committee;
- (c) in collaboration with the Chairperson of the Board, the Lead Director (if one is elected), the CEO, the CFO and the Corporate Secretary, ensure that agenda items for all Audit Committee meetings are ready for presentation and that adequate information is distributed to members of the Audit Committee in advance of such meetings to allow the members to properly inform themselves on matters to be acted upon;
- (d) assign work to members of the Audit Committee;
- (e) approve the expense report of the Chairperson of the Board and CEO of the Company;
- (f) act as liaison and maintain communication with the Chairperson of the Board, the Lead Director (if one is elected) and the Board to optimize and coordinate input from directors, and to optimize the effectiveness of the Audit Committee;
- (g) provide leadership to the Audit Committee with respect to its functions as described in this Charter and as otherwise may be appropriate; and
- (h) be available to the CFO one full business day per calendar quarter to provide advice and guidance if necessary..

VII. EVALUATION OF AUDIT COMMITTEE CHARTER AND COMMITTEE PERFORMANCE

Annually, the Audit Committee shall review and assess the adequacy of the Audit Committee charter, report to the Board on the results of such assessment, and recommend any proposed changes to the Board for approval.

The Audit Committee shall also perform an annual evaluation of the performance of the Audit Committee and report to the Board on the results of such evaluation.

While the Audit Committee has the oversight duties and responsibilities set forth in this charter, the Audit Committee is not responsible for planning or conducting the audit or for determining whether the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management has the responsibility for preparing the financial statements and implementing internal controls and the External Auditor has the responsibility of auditing the financial statements.

In discharging its duties, each member of the Audit Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter, including designating any member of the Audit Committee as an “audit committee financial expert” is intended, or should be determined to impose on any member of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all members of the Board are subject.

The essence of the Audit Committee’s responsibilities is to monitor and review the activities described in this Charter to gain reasonable assurance (but not to ensure) that such activities are being conducted properly and effectively by the Company.

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