



AUXLY CANNABIS GROUP INC.

NOTICE OF MEETING

AND

MANAGEMENT INFORMATION CIRCULAR

FOR THE

**ANNUAL GENERAL AND SPECIAL MEETING
OF SHAREHOLDERS**

TO BE HELD ON

AUGUST 26, 2019

DATED AS OF JULY 30, 2019

AUXLY CANNABIS GROUP INC.

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual general and special meeting (the "**Meeting**") of holders ("**Shareholders**") of common shares ("**Common Shares**") of Auxly Cannabis Group Inc. (the "**Company**") will be held at the offices of McCarthy Tétrault LLP, Suite 5300, TD Bank Tower, Toronto, Ontario M5K 1E6 at 2:00 p.m. (Toronto time) on August 26, 2019, for the following purposes:

1. to receive the audited financial statements of the Company for the year-ended December 31, 2018 and the report of the auditor thereon;
2. to elect directors of the Company for the ensuing year, as more particularly described in the management information circular (the "**Information Circular**") accompanying this Notice;
3. to appoint the auditor of the Company for the ensuing year and to authorize the directors to fix the remuneration of the auditor;
4. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution re-approving the equity incentive plan of the Company, as more particularly described in the accompanying Information Circular;
5. to consider and, if deemed advisable, to pass, with or without variation, a special resolution authorizing and approving the continuance of the Company from the *Business Corporations Act* (British Columbia) to the *Business Corporations Act* (Ontario), as more particularly described in the accompanying Information Circular; and
6. to transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

The accompanying Information Circular provides additional information relating to the business to be dealt with at the Meeting and is deemed to form part of this Notice. Additional information relating to the Company is available on SEDAR at www.sedar.com, including financial information and management discussion and analysis in respect of the Company's most recently completed financial year.

It is important that you read and follow the instructions on how to vote by proxy included in the accompanying Information Circular or the instructions on your voting instruction form in order to have your vote count.

Shareholders who are unable to attend the Meeting in person and who wish to appoint, as their proxy, the officers of the Company, whose names appear on the proxy form, are requested to complete, date and sign the enclosed form of proxy and return it to the Company's transfer agent and registrar, Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. In order to be valid, proxies must be received by the transfer agent not less than 48 hours prior to the commencement of the Meeting or any adjournment(s) thereof, excluding Saturdays, Sundays and holidays.

DATED this 30th day of July, 2019.

**BY ORDER OF THE BOARD OF DIRECTORS
AUXLY CANNABIS GROUP INC.**

"Chuck Rifici"

Chuck Rifici

Chairman of the Board and Chief Executive Officer

AUXLY CANNABIS GROUP INC.



MANAGEMENT INFORMATION CIRCULAR

FOR THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON AUGUST 26, 2019

PURPOSE OF SOLICITATION

This Management Information Circular ("Information Circular") is furnished in connection with the solicitation of proxies by the management of Auxly Cannabis Group Inc. ("Auxly" or the "Company") for use at the annual general and special meeting (the "Meeting") of the holders ("Shareholders") of common shares ("Common Shares") of the Company.

The Meeting will be held at the offices of McCarthy Tétrault LLP, Suite 5300, TD Bank Tower, Toronto, Ontario M5K 1E6 at 2:00 p.m. (Toronto time) on August 26, 2019 or at any adjournments or postponements thereof for the purposes set forth in the Notice of Annual General and Special Meeting of Shareholders (the "**Notice of Meeting**") accompanying this Information Circular. Information contained herein is given as of July 26, 2019, unless otherwise specifically stated.

Solicitation of proxies will be primarily by mail but may also be by telephone, facsimile, email or in person by directors, officers and employees of the Company who will not be additionally compensated therefor. Brokers, nominees or other persons holding Common Shares in their names for others shall be reimbursed for their reasonable charges and expenses in forwarding proxies and proxy material to the beneficial owners of such Common Shares. The costs of soliciting proxies will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The information in this section applies to Shareholders who hold their own Common Shares in their own name and have a share certificate or direct registration system (DRS) statement (a "Registered Shareholder"). As a Registered Shareholder, you are identified on the share register maintained by the Company's register and transfer agent, Computershare Investor Services Inc., as being a Shareholder.

Enclosed herewith is a form of proxy for use at the Meeting. The persons named in the form of proxy are directors and/or officers of the Company. **A Registered Shareholder submitting a proxy has the right to appoint a nominee (who need not be a Shareholder) to represent such Registered Shareholder at the Meeting other than the persons designated in the enclosed form of proxy by inserting the name of the chosen nominee in the space provided for that purpose on the form of proxy and by striking out the printed names.**

A form of proxy will not be valid for the Meeting or any adjournment or postponement thereof unless it is signed by the Registered Shareholder or by the Registered Shareholder's attorney authorized in writing or, if the Registered Shareholder is a corporation, it must be executed by a duly authorized officer or attorney thereof. The proxy, to be acted upon, must be dated, completed, signed and deposited with the Company's

transfer agent, Computershare Investor Services Inc.: (i) by mail using the enclosed return envelope or one addressed to Computershare Investor Services Inc., Proxy Department, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1; (ii) by hand delivery to Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1; (iii) by facsimile to 1-866-249-7775; or (iv) by telephone at 1-866-732-8683, by no later than 2:00 p.m. (Toronto time) on August 22, 2019, or two business days preceding the date of any adjournment or postponement of the Meeting.

A Registered Shareholder who has given a proxy may revoke it prior to its use, in any manner permitted by law, including by an instrument in writing executed by the Registered Shareholder or by his, her or its attorney authorized in writing or, if the Registered Shareholder is a corporation, executed by a duly authorized officer or attorney thereof and deposited at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment or postponement thereof, at which the proxy is to be used or with the chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof.

ADVICE TO BENEFICIAL HOLDERS OF COMMON SHARES

The information set forth in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not hold Common Shares in their own name. Shareholders who do not hold their Common Shares in their own name (referred to in this Information Circular as "**Beneficial Shareholders**") should note that only proxies deposited by Registered Shareholders can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder's name in the Company's records. Such Common Shares will more likely be registered under the names of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting Common Shares for the broker's clients. **Therefore, Beneficial Shareholders should contact their broker or other intermediary as soon as practicable to ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.**

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to Registered Shareholders; however, its purpose is limited to instructing the Registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Services, Inc. ("**Broadridge**"). Broadridge typically mails a scanable voting instruction form in lieu of the form of proxy. The Beneficial Shareholder is requested to complete and return the voting instruction form to them by mail or facsimile. Alternatively, the Beneficial Shareholder can call a toll-free telephone number or visit www.proxyvote.com to vote the Common Shares held by the Beneficial Shareholder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Common Shares directly at the Meeting as the voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Common Shares voted.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his, her or its broker (or agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for a Registered Shareholder and vote the Common Shares in that capacity. Beneficial Shareholders who wish to attend at the Meeting and indirectly vote their Common Shares as proxyholder for a Registered Shareholder should enter their own names in the blank space on the instrument of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

VOTING OF PROXIES

All Common Shares represented at the Meeting by properly executed proxies will be voted on any matter that may be called for and, where a choice with respect to any matter to be acted upon has been specified in the accompanying form of proxy, the Common Shares represented by the proxy will be voted in accordance with such instructions. **In the absence of any such instructions, the persons whose names appear on the printed form of proxy will vote in favour of all the matters set out thereon.**

The enclosed form of proxy confers discretionary authority upon the persons named therein. If any other business or amendments or variations to matters identified in the Notice of Meeting properly comes before the Meeting, then discretionary authority is conferred upon the person appointed in the proxy to vote in the manner they see fit, in accordance with their best judgment.

At the time of the printing of this Information Circular, management of the Company knew of no such amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED ON

Except as disclosed in this Information Circular, management of the Company is not aware of any material interest of any director or executive officer or any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The board of directors of the Company (the "**Board**") has fixed July 22, 2019 as the record date for the meeting (the "**Record Date**"). Shareholders at the close of business on the Record Date are entitled to receive notice of the Meeting and to vote thereat or at any adjournments or postponements thereof on the basis of one vote for each Common Share held, except to the extent that: (i) a Registered Shareholder has transferred the ownership of any Common Shares subsequent to the Record Date; and (ii) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that he, she or it owns the Common Shares and demands, not later than 10 days before the Meeting, that his, her or its name be included on the list of persons entitled to vote at the Meeting, in which case, the transferee shall be entitled to vote such Common Shares at the Meeting. The transfer books will not be closed.

The authorized capital of the Company consists of an unlimited number of Common Shares. As of the Record Date, there were 606,672,075 Common Shares outstanding. The Shareholders are entitled to one vote per Common Share at all meetings of the Shareholders either in person or by proxy. The Shareholders are also entitled to dividends, if and when declared by the directors of the Company, and the distribution of the residual assets of the Company in the event of a liquidation, dissolution or winding up of the Company.

To the knowledge of the Company, no person beneficially owns, controls, or directs, indirectly or directly, more than 10% of the issued and outstanding Common Shares as of the date of this Information Circular.

BUSINESS TO BE TRANSACTED AT THE MEETING

The following business will be transacted at the Meeting:

Receive the Financial Statements

The audited financial statements of the Company for the period ended December 31, 2018 and the report of the auditors thereon will be received at the Meeting. The audited financial statements of the Company and the report of the auditors were previously provided to each Shareholder entitled to receive a copy of the Notice of Meeting and this Information Circular and who requested a copy of the audited financial statements and the report of the auditors thereon. The financial statements are also available on SEDAR at www.sedar.com.

Election of Directors

At the Meeting, a board of four directors will be proposed for election. Management has been informed that each of the proposed nominees listed below is willing to serve as a director if elected.

The term of office for each director is from the date of the Meeting at which he or she is elected until the next following annual meeting or until his or her successor is elected or appointed.

The following table sets forth certain information regarding the nominees, their respective positions with the Company, principal occupations or employment during the last five years, the dates on which they became directors of the Company and the approximate number of Common Shares beneficially owned by them, directly or indirectly, or over which control or direction is exercised by them as of the Record Date.

Name and Residence	Position held with the Company	Director Since	Principal Occupation for the Previous Five Years	Common Shares Beneficially Owned Directly or Indirectly
Chuck Rifici ⁽¹⁾ Ottawa, Ontario	Chairman of Board and CEO	May 5, 2017	Chief Executive Officer of the Company since May 5, 2017. Chief Executive Officer of Nesta Holding Co. Ltd., since October 2015; and Chief Executive Officer of Tweed Marijuana Inc., December 2012 – August 2014.	50,544,184 ⁽²⁾
Hugo Alves Toronto, Ontario	Director and President	August 10, 2017	President of the Company since August 10, 2017. Formerly, senior corporate and commercial Partner at Bennett Jones LLP where he founded and led the firm's cannabis group, September 2014 – July 2017.	25,645,902 ⁽³⁾

Name and Residence	Position held with the Company	Director Since	Principal Occupation for the Previous Five Years	Common Shares Beneficially Owned Directly or Indirectly
Genevieve Young ⁽⁴⁾ Ottawa, Ontario	Director	December 27, 2018	President and Chief Operating Officer of Global Public Affairs since January 2017, Chief Operating Officer of Global Public Affairs since January 2015, and SVP, Ottawa/Practice lead, Global Public Affairs January 2008 – December 2014.	Nil.
Troy Grant ⁽⁵⁾ Bedford, Nova Scotia	Director	December 21, 2016	Chief Executive Officer of Elcora Advanced Materials Corp., a TSXV listed graphene materials company, since June 2011.	11,250

Notes:

- (1) Proposed member of the Audit Committee.
- (2) Includes: (i) 14,312,908 Common Shares held through Chuck Rifici Holdings Inc., and (ii) 36,231,276 Common Shares held through Nesta Holding Co. Ltd., a private company of which Mr. Rifici is the CEO and owns 52.8% of its common shares.
- (3) Includes 12,000,000 Common Shares held through Grandville Asset Management Limited, a private company wholly owned by Mr. Alves.
- (4) Current Chair of the Audit Committee.
- (5) Current member of the Audit Committee.

Corporate Cease Trade Orders or Bankruptcies

No director or executive officer of the Company is, or has been, within the past 10 years before the date hereof, a director or executive officer of any issuer that, while that person was acting in that capacity: (i) was the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation for a period of more than 30 consecutive days; or (ii) was subject to an event that resulted, after the person ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation for a period of more than 30 consecutive days.

No director or executive officer of the Company is, or has been, within the past 10 years before the date hereof, a director or executive officer of any issuer that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Personal Bankruptcies

No director of the Company has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

Penalties or Sanctions

No director of the Company has: (i) been subject to 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, other than penalties for late filing of insider reports; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable Shareholder in deciding whether to vote for a proposed director.

It is the intention of the persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, to vote such proxies FOR the election of each of the nominees specified above as directors of the Company. If, prior to the Meeting, any vacancies occur in the proposed nominees herein submitted, the persons named in the enclosed form of proxy intend to vote FOR the election of any substitute nominee or nominees recommended by management of the Company and FOR each of the remaining proposed nominees.

Appointment of Auditors

On June 1, 2018, MNP LLP ("MNP") was reappointed as auditor of the Company, having first been appointed November 30, 2012. At the Meeting, Shareholders will be requested to re-appoint MNP as auditor of the Company to hold office until the next annual meeting of Shareholders or until a successor is appointed, and to authorize the directors to fix the auditors' remuneration.

Absent contrary instructions, proxies given pursuant to this solicitation by the management of the Company will be voted "FOR" the appointment of MNP as the auditor of the Company to hold office until the next annual meeting of Shareholders or until a successor is appointed and the authorization of the directors to fix the remuneration of the auditor.

Approval of the Equity Incentive Plan

At the Meeting, Shareholders of the Company will be asked to consider and, if thought appropriate, to pass, with or without variation, an ordinary resolution in the form set out in Schedule "B" to this Information Circular, re-approving the rolling option plan of the Company (the "**Equity Incentive Plan**"). The Equity Incentive Plan was previously approved by the Shareholders at the Company's annual and special meeting held on June 1, 2018. The policies of the TSX Venture Exchange (the "**TSXV**") require that the Equity Incentive Plan be approved annually by the Shareholders.

The objective of the Equity Incentive Plan is to permit the directors, executive officers, employees, consultants and persons conducting Investor Relations Activities (as such term is defined in the policies of the TSXV) to participate in the growth and development of the Company through the grant of incentive stock awards. A copy of the Equity Incentive Plan is attached as Schedule "C" to this Information Circular. The Company will maintain the Equity Incentive Plan in accordance with Policy 4.4 – *Incentive Stock Options* of the Corporate Finance Manual of the TSXV.

Summary of the Equity Incentive Plan

The following is a summary of certain provisions of the Equity Incentive Plan. It does not purport to be complete and is subject to, and is qualified in its entirety by references to, all of the provisions of the proposed Equity Incentive Plan, which is attached to this Information Circular as Schedule "C".

Eligibility

The Equity Incentive Plan is a rolling option plan that provides for the grant of incentive stock awards, including incentive stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards and other awards based on Common Shares (collectively, the "**Stock Awards**"). Subject to the terms and conditions of the Equity Incentive Plan, Stock Awards are available to directors, officers, employees, consultants and persons conducting Investor Relations Activities for the Company (collectively, "**Eligible Persons**"). A "**Participant**" is an Eligible Person to whom a Stock Award has been granted under the Equity Incentive Plan.

The Equity Incentive Plan is administered by the Board, which has the authority to delegate administration of the Equity Incentive Plan to one or more of its committees.

Shares Reserved

Subject to the terms and conditions of the Equity Incentive Plan, the maximum number of Common Shares which may be reserved and set aside for issuance upon the grant or exercise of Stock Awards under the Equity Incentive Plan is 10% of the Company's issued and outstanding share capital at the time of any grant. The Equity Incentive Plan is a "rolling" maximum option plan, and any increase or decrease or reduction in the number of outstanding Common Shares will result in an increase or decrease, respectively, in the number of Common Shares that are available to be issued under the Equity Incentive Plan.

The maximum number of Common Shares reserved for issue pursuant to Stock Awards granted to Participants who are insiders of the Company in any 12-month period may not exceed, in the aggregate, 10% of the number of Common Shares then outstanding, unless disinterested shareholder approval is received in accordance with the policies of the TSXV. The maximum number of Common Shares reserved for issue to any one Participant upon the exercise of Options (as defined below) in any 12-month period may not exceed 5% of the number of Common Shares then outstanding, unless disinterested shareholder approval is received therefor in accordance with the policies of the TSXV.

Notwithstanding the foregoing, the maximum number of Common Shares reserved for issue to any one consultant upon the exercise of Options in any 12-month period shall not exceed 2% of the number of Common Shares then outstanding. The maximum number of Common Shares reserved for issue to all persons conducting Investor Relations Activities (as such term is defined in the policies of the TSXV) upon the exercise of Stock Awards in any 12-month period shall not exceed, in the aggregate, 2% of the number of Common Shares then outstanding.

Securities Issuable under the Equity Incentive Plan

Pursuant to and subject the terms of the Equity Incentive Plan, the Board may grant the following securities to Eligible Persons:

Options

The Board is authorized to grant stock options ("**Options**") to Eligible Persons, subject to the terms of the Equity Incentive Plan.

The exercise price per Common Share for Options shall not be less than the Discounted Market Price (as defined in the policies of the TSXV), or such other price as permitted pursuant to a waiver obtained from the TSXV, of the Common Shares on the effective date of grant of the Option.

The term of each Option shall be fixed by the Board, provided that in no circumstances shall the term of any Option granted exceed 10 years from the date the Option is granted.

Stock Appreciation Rights

The Board is authorized to grant stock appreciation rights ("**SARs**") to Eligible Persons, subject to the terms and conditions of the TSXV, including, in particular, that for so long as the Company's securities are listed on the TSXV, the Company shall only be permitted to grant SARs if the Company satisfies the requirements of, and is listed as, a "Tier 1 Issuer" (as such term is defined in the TSXV Corporate Finance Manual).

For SARs that may be granted under the Equity Incentive Plan, the Participant, upon exercise of the SAR, will have the right to receive, as determined by the Board, cash or a number of Common Shares equal to the excess of: (i) the fair market value of one Common Share on the date of exercise (or, if the Board so determines at any time during a specified period before or after the date of exercise); and (ii) the grant price of the SAR as determined by the Board, which grant price cannot be less than the Discounted Market Price of one Common Share on the date of grant of the SAR.

The term of each SAR shall be fixed by the Board, provided that in no circumstances shall the term of any SAR granted exceed 10 years from the date the SAR is granted.

Restricted Stock

The Board is authorized to grant restricted stock, in the form of Common Shares, to Eligible Persons subject to the terms and conditions of the Equity Incentive Plan ("**Restricted Stock**").

The Restricted Stock will be subject to such restrictions as the Board may impose and which comply with the requirements of the TSXV, which restrictions may lapse separately or in combination at such time or times, in such instalments or otherwise as the Board determines.

Subject to any restrictions imposed by the TSXV, holders of Restricted Stock shall have all rights of a shareholder of record with respect to such Common Shares (including the right to vote and receive dividends) upon the issuance of the certificate, certificates or written acknowledgment for the Common Shares of Restricted Stock. The Common Shares of Restricted Stock shall vest in the holder thereof when all vesting restrictions and vesting contingencies lapse, including the lapse of any rights of forfeiture. Until such time, the Board may require that such Common Shares be held by the Company together with a stock power duly endorsed in blank by the holder.

Except as otherwise determined by the Board, upon a Participant ceasing to be an Eligible Person during the applicable restriction period, all applicable Common Shares of Restricted Stock at such time subject to restriction shall be forfeited and reacquired by the Company.

Restricted Stock Units

The Board is authorized to grant restricted stock units ("**RSUs**"), in the form of Common Shares, to Eligible Persons, subject to the terms and conditions of the Equity Incentive Plan and any requirements of the TSXV.

Each RSU issued under the Equity Incentive Plan confers on the holder the right to receive a Common Share (or cash payment equal to the fair market value of such Common Share if the Board so elects) at some future date, subject to the terms of an RSU award agreement as set by the Board and containing terms consistent with the provisions of the Equity Incentive Plan. The terms of an RSU award agreement will typically contain, among other things, provisions pertaining to vesting, settlement (including settlement price and manner of settlement), expiry and dividend equivalency rights. The Board may also, in its discretion, issue RSUs to a Participant in circumstances where such award is subject to one or more conditions subsequent or other criteria which must be satisfied before the actual number of RSUs remaining available for vesting or settlement to the benefit of such Participant can be determined and then "granted" to the Participant.

An RSU will also entitle the Participant to receive, commencing from such date as is specified by the Board in the RSU award agreement, a payment in cash or property equal to any dividend paid on the security underlying the RSU. Any amount so paid does not have to be repaid by the Participant if the RSU is terminated or cancelled.

Other Stock Awards

The Board is authorized to grant to an Eligible Person, subject to the terms of the Equity Incentive Plan and any requirements of the TSXV, such other awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Common Shares (including, without limitation, securities convertible into Common Shares) or other securities, as are deemed by the Board to be consistent with the purpose of the Equity Incentive Plan.

Vesting

All employee Stock Awards will be governed by an agreement and vest in accordance with the vesting schedule set forth in such agreement.

If Stock Awards are issued to persons performing Investor Relations Activities, then such Stock Award must vest in stages over no less than a 12-month period with no more than one-quarter of the Common Shares subject to such Stock Award vesting in each three-month period.

Expiry

In the event that a Participant's service with the Company is terminated or interrupted in the manner set out in the Equity Incentive Plan, except as set out in the Participant's applicable Stock Award agreement or other written agreement between a Participant and the Company:

- (a) in the case of Options or SARs awarded to a Participant, the Participant may exercise the Options or SARs until the period ending on the earlier of: (i) the date that is 90 days following the termination of the Participant's continuous service (or such longer period specified in the Stock Award agreement, provided such period is no longer than 12 months), and (ii) the expiration of the term of the Options or SARs under the Stock Award agreement;

- (b) in the case of Restricted Stock, the Company may receive through a forfeiture condition or a repurchase right any or all of the Common Shares held by the Participant that have not vested as of the date of such termination under the terms of the Restricted Stock award agreement; and
- (c) in the case of RSUs, any RSUs that have not vested as of the date of termination will be forfeited.

In the event that a Participant is terminated for cause, any Options or SARs granted to the Participant will terminate immediately. In the event of the death or disability of a Participant, Options or SARs must be exercised by a Participant or his or her respective estate, as applicable, on the earlier of (a) the date that is 12 months following the date of death or disability of the Participant; and (b) the expiration of the term of the Option or SAR.

Non-Transferability

All Stock Awards are non-assignable and non-transferable (other than by will or laws of descent and distribution). The Equity Incentive Plan provides that, during the lifetime of a Participant, an Option or SAR shall be exercisable only by a Participant or a Participant's guardian or legal representative.

Acceleration

Subject to the terms of the Equity Incentive Plan, the Board may, in its sole discretion, accelerate, in whole or in part, the time at which a Stock Award may be exercised or vest.

Capitalization Adjustments

Appropriate adjustments to the Stock Awards granted under the Equity Incentive Plan will be made by the Board to give effect to adjustments in the number and type of Common Shares (or other securities or other property) resulting from subdivisions, consolidations, substitutions, or reclassifications of Common Shares, payment of stock dividends or other changes in the Company's capital.

Change of Control

In the event of a change in control, the Board has the right, among other things: (a) to arrange for the surviving or acquiring Company to assume or continue the Stock Award or to substitute a similar Stock Award; (b) arrange for the assignment or reacquisition or repurchase rights held by the Company in respect of Common Shares issued pursuant to a Stock Award to the surviving corporation or acquiring corporation; (c) accelerate the vesting, in whole or in part, of the Stock Award to a date prior to the effective time of the Change in Control, with such Stock Award terminating if not exercised; (d) arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by the Company with respect to the Stock Award; (e) cancel or arrange for the cancellation of the Stock Award, to the extent not vested or not exercised prior to the effective time of the Change in Control, in exchange for such cash consideration (including no consideration) as the Board, in its sole discretion, may consider appropriate; and (f) make a payment, in such form as may be determined by the Board to be equal to the excess of the value of the property the Participant would have received upon the exercise of the Stock Award immediately prior to the effective time of the Change in Control over any exercise price payable by such Participant in connection with such exercise.

Amendments to the Equity Incentive Plan

The Board may, at any time, amend, suspend or terminate the Equity Incentive Plan. To the extent required under the rules of any securities exchange or market system on which the Common Shares are listed, amendments to the Equity Incentive Plan shall be subject to approval by the Shareholders entitled to vote at a meeting of Shareholders.

Shareholder Approval of the Equity Incentive Plan

At the Meeting, Shareholders of the Company will be asked to consider, and if deemed advisable, to pass, with or without variation, a resolution (the "**Equity Incentive Plan Resolution**") confirming and approving the Equity Incentive Plan, subject to such amendments as may be required by the TSXV or otherwise determined by the Board in accordance with the requirements of the TSXV. The full text of the Equity Incentive Plan Resolution is set out in Schedule "B" attached hereto.

In order to be passed, the Equity Incentive Plan Resolution requires the approval of a majority of the votes cast thereon by the Registered Shareholders present in person or represented by proxy at the Meeting. The Board unanimously recommends that Shareholders vote in favour of the Equity Incentive Plan Resolution.

Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote FOR the Equity Incentive Plan Resolution.

Continuance to Ontario

Shareholders will be asked to consider and, if deemed advisable, approve a special resolution (the "**Continuance Resolution**") authorizing the Board, in its sole discretion, to apply for continuance (the "**Continuance**") out of the Province of British Columbia under the provisions of the *Business Corporations Act* (British Columbia) (the "**BCBCA**") into the Province of Ontario under the provisions of the *Business Corporations Act* (Ontario) (the "**OBCA**"), as set out further below.

Introduction

The Company is currently incorporated under the BCBCA. The Board is of the view that it may be appropriate to continue the Company as an Ontario company for corporate and administrative reasons. The Company's head office is located in Toronto, Ontario, and its chief officers reside in Ontario.

The Continuance, if approved, will effect a change in the legal domicile of the Company as of the effective date and time thereof and will affect certain of the rights of Shareholders as they currently exist under the BCBCA. Management of the Company is of the view that the OBCA will provide to Shareholders substantively the same rights as are available to Shareholders under the BCBCA, including rights of dissent and appraisal and rights to bring derivative actions and oppression actions, and is consistent with corporate legislation in most other Canadian jurisdictions and that shareholders will not be adversely affected by the Continuance. **Shareholders should consult their legal advisors regarding implications of the Continuance which may be of particular importance to them.**

Upon the Continuance becoming effective, Shareholders will continue to hold one common share of the Company for each Common Share currently held. The principal attributes of the Common Shares after Continuance will be identical to the corresponding shares of the Company prior to the Continuance other than differences in shareholders' rights under the OBCA and the BCBCA, a summary of which is provided below.

The directors and officers of the Company immediately following the Continuance will be identical to the directors and officers of the Company immediately prior to the Continuance. As of the effective date of the Continuance, the election, duties, resignations and removal of the Company's directors and officers shall be governed by the OBCA and the Articles of Continuance and by-laws.

Procedure

Under the BCBCA, in order to effect the Continuance of the Company from British Columbia into Ontario, the Company must obtain the approval of the Shareholders by way of special resolution under the BCBCA, being a resolution passed by not less than 66 ²/₃% of the votes cast in person or by proxy at the Meeting. The Company must also make a written application to the Registrar of Companies appointed under the BCBCA (the "**Registrar of Companies**") for consent to continue.

If the Continuance Resolution is approved at the Meeting, it is proposed the Company may apply to and file all necessary documentation with the Registrar of Companies for authorization to continue into Ontario. Immediately following receipt of the authorization of the Registrar of Companies, it is proposed that the Company would apply for a Certificate of Continuance and file Articles of Continuance under the OBCA to continue the Company into Ontario.

Upon the issuance of a Certificate of Continuance by the Director appointed under the OBCA (the "**Director**"), the Continuance will become effective, whereupon the Company will become subject to the OBCA, as if it had been incorporated under the OBCA, and the Articles of Continuance will be deemed to be the articles of incorporation of the Company.

The Articles of Continuance will constitute the governing instrument of the continued Company under the OBCA and the Certificate of Continuance issued by the Director will be deemed to be the certificate of incorporation of the continued Company. Upon the Articles of Continuance becoming effective, the Company becomes a corporation to which the OBCA applies as if it had been incorporated under the OBCA.

Notwithstanding the Continuance of the Company from British Columbia into Ontario, the BCBCA and the OBCA provide that all the rights of creditors of the Company against the Company's property, rights and assets and all liens on the Company's property, rights and assets are unimpaired by the Continuance. All debts, contracts, liabilities and duties of the Company continue to attach to the Company upon being continued under the OBCA and continue to be enforceable against it as if the Company had remained incorporated under the BCBCA as well as any existing cause of action, claim or legal proceeding against the Company.

Notwithstanding the approval of the Continuance by special resolution of the Shareholders of the Company, the Board may, without further approval by the Company's Shareholders, abandon the application for the Continuance of the Company under the OBCA at any time prior to the issue of a Certificate of Continuance.

Corporate Governance Differences

In general terms, the OBCA provides to shareholders substantively the same rights as are available to shareholders under the BCBCA, including rights of dissent and appraisal and rights to bring derivative actions and oppression actions, and is consistent with corporate legislation in most other Canadian jurisdictions. There are, however, important differences concerning the qualifications of directors, location of shareholder meetings and certain shareholder remedies. The following is a summary comparison of certain provisions and the highlights of the BCBCA and the OBCA which pertain to rights of Shareholders.

This summary is not intended to be exhaustive and Shareholders should consult their legal advisers regarding all of the implications of the Continuance.

Charter Documents

Under the OBCA, the charter documents will consist of a Certificate and Articles of Continuance, which set forth, among other things, the name of the corporation and the amount and type of authorized capital, and by-laws, which govern the management of the Company following the Continuance. The Articles and the by-laws are kept at the Company's registered office, or such other place in Ontario designated by the directors.

Under the BCBCA, the charter documents consist of a Certificate of Incorporation and Notice of Articles, which sets forth the name of the corporation, its directors and the amount and authorized share structure, and Articles, which govern the management of the Company. The Notice of Articles is filed with the Registrar of Companies while the Articles are kept at the Company's records office.

A Continuance to Ontario and the adoption of the Articles of Continuance and by-laws will not result in any substantive changes to the constitution, powers or management of the Company, except as otherwise described herein.

Amendments to Charter Documents

Under the OBCA, certain fundamental changes require a special resolution passed by not less than two-thirds of the votes cast by the shareholders voting on the resolution authorizing the alteration at a special meeting of shareholders, and, in certain instances, where the rights of the holders of a class or series of shares are affected differently by the alteration than those of the holders of other classes or series of shares, a special resolution passed by not less than two-thirds of the votes cast by the holders of shares of each class or series so affected, whether or not they are otherwise entitled to vote. Authorization to amalgamate an OBCA corporation requires that a special resolution in respect of the amalgamation be passed by the holders of each class or series of shares entitled to vote thereon. The holders of a class or series of shares of an amalgamating corporation, whether or not they are otherwise entitled to vote, are entitled to vote separately as a class or series in respect of an amalgamation if the amalgamation agreement contains a provision that, if contained in a proposed amendment to the Articles, would entitle such holders to vote separately as a class or series under Section 170 of the OBCA.

Any substantive change to the charter documents of a company under the BCBCA, such as an alteration of the restrictions, if any, on the business carried on by a company, a change in the name of a company, an increase, reduction or elimination of the maximum number of shares that the company is authorized to issue out of any class or series of shares, an alteration of the special rights and restrictions attached to issued shares or continuance of a company out of the jurisdiction requires a resolution of the type specified in its Articles. If the Articles do not specify the type of resolution, a special resolution passed by the majority of votes that the Articles of the company specify is required, if that specified majority is at least two thirds and not more than three quarters of the votes cast on the resolution or, if the Articles do not contain such a provision, a special resolution passed by at least two thirds of the votes cast on the resolution. Other fundamental changes such as a proposed amalgamation or arrangement require a similar special resolution passed by holders of shares of each class or series entitled to vote at a general meeting of the company and the holders of all classes or series of shares adversely affected by such changes.

Sale of Undertaking

The OBCA requires approval by not less than two-thirds of the votes cast upon a special resolution at a duly called special meeting for a sale, lease or exchange of all or substantially all of the property of the corporation other than in the ordinary course of business of the corporation. If a sale, lease or exchange of all or substantially all of the property of the corporation other than in the ordinary course of business of the corporation would affect a particular class or series of shares of the corporation in a manner different from the shares of another class or series of the corporation entitled to vote on the sale, lease or exchange at the meeting, the holders thereof are entitled to vote separately as a class or series in respect to such sale, lease or exchange.

Under the BCBCA, a company may sell, lease or otherwise dispose of all or substantially all of the undertaking (as opposed to 'property' under the OBCA) of the company if it does so in the ordinary course of its business or if it has been authorized to do so by a special resolution passed by the majority of votes that the Articles of the company specify is required, if that specified majority is at least two-thirds and not more than three-quarters of the votes cast on the resolution or, if the Articles do not contain such a provision, a special resolution passed by at least two-thirds of the votes cast on the resolution.

Rights of Dissent and Appraisal

The OBCA provides a holder of shares of any class or series entitled to vote on a resolution may dissent to certain actions being taken by a company and require the company to purchase the shares held by such shareholder at the fair value of such shares, determined as of the close of business on the day before the resolution was adopted. The dissent right is applicable in respect of a resolution:

- (a) to amend its Articles to add, remove or change restrictions on the issue, transfer or ownership of shares of a class or series of the shares of the corporation;
- (b) to amend its Articles to add, remove or change any restriction upon the business or businesses that the corporation may carry on or upon the powers that the corporation may exercise;
- (c) to amalgamate with another corporation;
- (d) to be continued under the laws of another jurisdiction; or
- (e) to sell, lease or exchange all or substantially all the corporation's property.

Although the procedure under BCBCA for exercising rights of dissent differs from the procedure under the OBCA, the BCBCA also provides that shareholders of a company, whether or not such shareholder's shares carry the right to vote, are entitled to dissent to certain actions being taken by the company and require the company to purchase the shares held by such shareholder at the fair value of such shares, determined immediately before the passing of the resolution. A shareholder is entitled to dissent pursuant to the BCBCA in respect of:

- (a) a resolution to alter the company's Articles to alter restrictions on the powers of the company or on the business that the company is permitted to carry on;
- (b) a resolution to adopt an amalgamation agreement;
- (c) a resolution to approve an amalgamation into a foreign jurisdiction;

- (d) a resolution to approve an arrangement, the terms of which arrangement permit dissent;
- (e) a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of a company's undertaking;
- (f) a resolution to continue into a jurisdiction other than British Columbia;
- (g) any other resolution, if dissent is authorized by the resolution; or
- (h) any court order that permits dissent.

See "Shareholders' Rights of Dissent in Respect of the Continuance".

Oppression Remedies

Under the OBCA, a registered security holder, former registered security holder, beneficial security holder, former beneficial security holder, director, former director, officer, former officer of a corporation or any of its affiliates, or any other person who, in the discretion of a court, is a proper person to seek an oppression remedy may apply to a court for an order to rectify the matters complained of where, in respect of a corporation or any of its affiliates:

- (a) any act or omission of the corporation or its affiliates effects, or threatens to effect, a result;
- (b) the business or affairs of the corporation or its affiliates are, or have been or are threatened to be carried on or conducted in a manner; or
- (c) the powers of the directors of the corporation or any of its affiliates are, have been or are threatened to be exercised in a manner,

that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of, any security holder, creditor, director or officer of the corporation.

The OBCA contains rights that are substantially broader in that they are available to a larger class of complainants than the BCBCA. Under the BCBCA, a shareholder of a company has the right to apply to court on the ground that:

- (a) the affairs of the company are being or have been conducted, or that the powers of the directors are being or have been exercised, in a manner oppressive to one or more of the shareholders, including the applicant, or
- (b) some act of the company has been done or is threatened, or that some resolution of the shareholders or of the shareholders holding shares of a class or series of shares has been passed or is proposed, that is unfairly prejudicial to one or more of the shareholders, including the applicant.

On such an application, the court may make such order as it sees fit, including an order to prohibit any act proposed by the company.

Shareholder Derivative Actions

Under the BCBCA, a shareholder or director of a company may, with leave of the court, bring an action in the name and on behalf of the company to enforce a right, duty or obligation owed to the company that

could be enforced by the company itself or to obtain damages for any breach of such a right, duty or obligation.

A broader right to bring a derivative action is contained in the OBCA, and this right extends also to registered security holders, former registered security holders, beneficial security holders, former beneficial security holders, directors, former directors, officers and former officers of a corporation or any of its affiliates, and any other person who, in the discretion of the court, is a proper person to make an application to court to bring a derivative action. In addition, the OBCA permits derivative actions to be commenced in the name and on behalf of a corporation or any of its subsidiaries, or to intervene in an action to which any such body corporate is a party, for the purpose of prosecuting, defending or discontinuing the action on behalf of the body corporate.

Shareholder Proposals

Both the OBCA and the BCBCA contain provisions with respect to shareholder proposals.

Under the OBCA, a registered holder of shares entitled to vote or a beneficial owner of shares that are entitled to be voted at a meeting of shareholders may: (i) submit to the corporation notice of a proposal; and (ii) discuss at the meeting any matter in respect of which such shareholder would have been entitled to submit a proposal. A corporation that solicits proxies shall set out the proposal in the management information circular or attach the proposal to the circular. If requested by the shareholder, management must also include in the management information circular a statement by the shareholder in support of the proposal provided such statement meets certain criteria. A shareholder proposal may include nominations for the election of directors if the proposal is signed by one or more holders of shares representing in the aggregate not less than 5% of the shares or 5% of the shares of a class or series of shares of the corporation entitled to vote at the meeting to which the proposal is to be presented.

A corporation is not required to set out the proposal or statement in support of the proposal in a management information circular where:

- (a) notice of the proposal is submitted to the corporation less than 60 days before: (i) the anniversary date of the previous annual meeting, if the matter is proposed to be raised at an annual meeting; or (ii) the date of a meeting other than the annual meeting, if the matter is proposed to be raised at a meeting other than the annual meeting;
- (b) it clearly appears that the primary purpose of the proposal is to enforce a personal claim or redress a personal grievance against the corporation or its directors, officers or security holders;
- (c) it clearly appears that the proposal does not relate in a significant way to the business or affairs of the corporation;
- (d) within two years before the receipt by the corporation of a person's notice of proposal, the person failed to present, in person or by proxy, at a meeting of the corporation's shareholders, a proposal which had been submitted by the person and had been included in a management information circular or a notice of meeting relating to that shareholders' meeting; or
- (e) substantially the same proposal was submitted to shareholders in a management information circular, dissident's information circular, or notice of a meeting relating to a previous meeting of shareholders, such previous meeting was held within five years before the receipt by the corporation of the person's current notice of proposal, and at that previous meeting, the proposal did not receive the minimum amount of support.

Pursuant to the BCBCA, a proposal may only be submitted by qualified shareholders, which means a person who:

- (a) is a registered owner or beneficial owner of one or more shares of the company that carry the right to vote at general meetings; and
- (b) has been a registered owner or beneficial owner of one or more such shares for an uninterrupted period of at least two years before the date of the signing of the proposal;

provided that such shareholder has not, within two years before the date of the signing of the proposal, failed to present, in person or by proxy, at any annual general meeting, an earlier proposal submitted by such shareholder in respect of which the corporation complied with its obligations under the BCBCA.

A proposal pursuant to the BCBCA is valid if:

- (a) the proposal is signed by a submitter who is a qualified shareholder;
- (b) the proposal is signed by qualified shareholders who, together with the submitter, are, at the time of signing, registered owners or beneficial owners of shares that, in the aggregate: (i) constitute at least 1/100 of the issued shares of the company that carry the right to vote at general meetings, or (ii) have a fair market value in excess of \$2,000;
- (c) the proposal, and the declarations referred to in paragraph (d) below, are received at the registered office of the company at least three months before the anniversary of the previous year's annual reference date; and
- (d) the proposal is accompanied by a declaration from the submitter and each supporter, signed by the submitter or supporter, as the case may be, or, in the case of a submitter or supporter that is a corporation, by a director or senior officer of the signatory: (i) providing the name of and a mailing address for that signatory; (ii) declaring the number and class or series of shares carrying the right to vote at general meetings that are owned by that signatory as a registered owner or beneficial owner; and (iii) unless the name of the registered owner has already been provided under subparagraph (i), providing the name of the registered owner of those shares.

A corporation that receives a valid proposal must send the text of the proposal, the names and mailing addresses of the submitter and supporting shareholders, and the text of any supporting statement accompanying the proposal to all persons who are entitled to notice of the annual general meeting in relation to which the proposal is made. Such information must be sent in, or within the time for sending of, the notice of the applicable annual general meeting, or in the corporation's information circular, if any, sent in respect of the applicable annual general meeting. If the submitter is a qualified shareholder at the time of the annual general meeting to which its proposal relates, the corporation must allow the submitter to present the proposal, in person or by proxy, at such meeting. If two or more proposals received by the corporation in relation to the same annual general meeting are substantially the same, the corporation needs to comply with such requirements only in relation to the first proposal received and not any others.

Requisition of Meetings

Both the BCBCA and the OBCA provide that shareholders of a company holding not less than 5% of the issued voting shares of a company may give notice to the directors requiring them to call and hold a meeting.

Place of Meetings

Subject to the Articles or any unanimous shareholder agreement, the OBCA permits meetings of shareholders to be held inside or outside Ontario as the directors determine, or in the absence of such a determination, at the place where the registered office of the corporation is located.

Under the BCBCA, meetings of shareholders are required to be held in British Columbia unless:

- (a) a location outside of British Columbia is provided for in the Articles;
- (b) the Articles do not restrict the company from approving a location outside of British Columbia, the location is approved by the resolution required by the Articles for that purpose (in the case of the Company, the location may be approved by directors' resolution), or if no resolution is specified then approved by ordinary resolution before the meeting is held; or
- (c) the location for the meeting is approved in writing by the Registrar of Companies before the meeting is held.

Directors

The OBCA and BCBCA both provide that a public company must have a minimum of three directors. The OBCA does not have a provincial residency requirement for directors (although at least 25% must be resident Canadians) and the BCBCA has neither Canadian nor provincial residency requirements for directors.

Shareholders' Rights of Dissent in Respect of the Continuance

The following is a summary of the operation of the provisions of the BCBCA relating to a Registered Shareholder's dissent and appraisal rights in respect of the Continuance. Such summary is not a comprehensive statement of the procedures to be followed by a Shareholder who seeks such dissent and appraisal rights and is qualified in its entirety by reference to the full text of Part 8, Division 2 of the BCBCA which is attached to this Information Circular as Schedule "D".

Any Registered Shareholder considering the exercise of the right of dissent should seek legal advice, since failure to comply strictly with the provisions of the BCBCA may prejudice the Registered Shareholder's right of dissent. Persons who are beneficial owners of Common Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the registered holders of such shares are entitled to dissent. Accordingly, a beneficial owner of Common Shares desiring to exercise the right of dissent must make arrangements for the Common Shares beneficially owned to be registered in their name prior to the time the written objection to the Continuance Resolution is required to be received by the Company or, alternatively, make arrangements for the registered holder of such shares to dissent on their behalf.

Pursuant to Section 238 of the BCBCA, any Shareholder who dissents to the Continuance Resolution (a "**Continuance Dissenting Shareholder**") in compliance with Sections 237 to 247 of the BCBCA will be entitled to be paid by the Company the fair value of the Common Shares held by such Continuance Dissenting Shareholder determined as at the point in time immediately before the passing of the Continuance Resolution. A Continuance Dissenting Shareholder must dissent with respect to all Common Shares in which the holder owns a beneficial interest.

The filing of a notice of dissent deprives a Continuance Dissenting Shareholder of the right to vote at the Meeting, except if such Continuance Dissenting Shareholder ceases to be a Continuance Dissenting Shareholder in accordance with the Continuance Dissent Rights. For greater certainty, a Shareholder who wishes to exercise the Continuance Dissent Rights may not vote in favour of the Continuance.

A Shareholder who wishes to dissent must deliver written notice of dissent to the Company at its registered office, which is 1055 West Hastings Street, Suite 2200, Vancouver, B.C., V6E 2E9, at least two days before the date on which the Continuance Resolution is to be voted upon and such notice of dissent must strictly comply with the requirements of Section 242 of the BCBCA.

In particular, the written notice of dissent must set out the number of Common Shares in respect of which the notice of dissent is to be sent and:

- (a) if such Common Shares constitute all of the Common Shares of which the Shareholder is the registered and beneficial owner, a statement to that effect;
- (b) if such Common Shares constitute all of the Common Shares of which the Shareholder is both the registered and beneficial owner but if the Shareholder owns additional Common Shares beneficially, a statement to that effect and the names of the Registered Shareholders, the number of Common Shares held by such registered owners and a statement that written notices of dissent have or will be sent with respect to such Common Shares; or
- (c) if the dissent rights are being exercised by a registered owner who is not the beneficial owner of such Common Shares, a statement to that effect and the name of the beneficial owner and a statement that the registered owner is dissenting with respect to all Common Shares of the beneficial owner registered in such registered owner's name.

The Company is required promptly after the later of (i) the date on which the Company forms the intention to proceed with the Continuance; and (ii) the date on which the written notice of dissent was received, to notify each Continuance Dissenting Shareholder of its intention to act on the Continuance. Upon receipt of such notification, each Continuance Dissenting Shareholder is then required, if the Continuance Dissenting Shareholder wishes to proceed with the dissent, within one month after the date of such notice to send to the Company (a) a written statement that the Continuance Dissenting Shareholder requires the Company to purchase all of its Common Shares; (b) the certificates representing such Common Shares; and (c) if the dissent right is being exercised by the Continuance Dissenting Shareholder on behalf of a beneficial owner who is not the Continuance Dissenting Shareholder, a statement signed by the beneficial owner which sets out whether the beneficial owner is the beneficial owner of other Common Shares, and if so, (i) the names of the registered owners of such Common Shares; (ii) the number of such Common Shares; and (iii) that dissent is being exercised in respect of such Common Shares. A Shareholder who fails to send the Company, within the required time frame, the written statements described above and the certificates representing the Common Shares in respect of which the Continuance Dissenting Shareholder dissents, forfeits the Shareholder's right to dissent.

On sending the required documentation to the Company, the fair value for a Continuance Dissenting Shareholder's Common Shares will be determined as follows:

- (a) if the Company and a Continuance Dissenting Shareholder agree on the fair value of the Common Shares, then the Company must promptly pay that amount to the Continuance Dissenting Shareholder or promptly send notice to the Continuance Dissenting Shareholder that the Company is lawfully unable to pay the Continuance Dissenting Shareholders for their Common Shares; or

- (b) if a Continuation Dissenting Shareholder and the Company are unable to agree on a fair value, the Continuation Dissenting Shareholder may apply to the Supreme Court of British Columbia to determine the fair value of the Common Shares, and the Company must pay to the Continuation Dissenting Shareholder the fair value determined by such Court or promptly send notice to the Continuation Dissenting Shareholder that the Company is lawfully unable to pay the Continuation Dissenting Shareholders for their Common Shares.

The Company will be lawfully unable to pay the Continuation Dissenting Shareholder the fair value of their Common Shares if the Company is insolvent or would be rendered insolvent by making the payment to the Continuation Dissenting Shareholder. In such event, Continuation Dissenting Shareholders will have 30 days to elect to either (a) withdraw their dissent or (b) retain their status as a claimant and be paid as soon as the Company is lawfully able to do so or, in a liquidation, be ranked subordinate to its creditors but in priority to its shareholders.

If the Continuation is not implemented for any reason, Continuation Dissenting Shareholders will not be entitled to be paid the fair value for their Common Shares and the Continuation Dissenting Shareholders will be entitled to the return of any Common Share certificates delivered to the Company in connection with the exercise of the Continuation Dissent Rights.

The discussion above is only a summary of the Continuation dissent rights which are technical and complex. A Shareholder who intends to exercise Continuation dissent rights should carefully consider and comply with the provisions of Sections 237 to 247 of the BCBCA. Persons who are beneficial owners of Common Shares registered in the name of an intermediary such as a broker, custodian, nominee, other intermediary, or in some other name, who wish to dissent should be aware that only the registered owner of such shares is entitled to dissent. It is suggested that any Shareholder wishing to avail himself or herself of the Continuation dissent rights seek his or her own legal advice as failure to comply strictly with the applicable provisions of the BCBCA may prejudice the availability of such dissent rights. Continuation Dissenting Shareholders should note that the exercise of dissent rights can be a complex, time-consuming and expensive process.

Continuation Resolution

Shareholders will be asked at the Meeting to approve with or without variation the Continuation Resolution as follows:

"BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the continuance of Auxly Cannabis Group Inc. (the "**Company**") from the Province of British Columbia to the Province of Ontario, pursuant to the *Business Corporations Act* (British Columbia) ("**BCBCA**") and the *Business Corporations Act* (Ontario) (the "**OBCA**") is hereby authorized and approved;
2. the Company is hereby authorized to make an application to the Registrar of Companies appointed under the BCBCA, for authorization to continue out of British Columbia into Ontario;
3. the Company is hereby authorized to make an application to the Director appointed under the OBCA, pursuant to section 180 of the OBCA, for a Certificate of Continuation continuing the Company into Ontario under the OBCA;
4. subject to the issuance of such Certificate of Continuation and without affecting the validity of the Company and the existence of the Company by or under its Notice of Articles and Articles and any

act done thereunder, effective upon issuance of the Certificate of Continuance, the Company adopt the Articles of Continuance forming part of the said application for continuance and such bylaws as the directors of the Company may approve in substitution for the existing Notice of Articles and Articles of the Company;

5. the directors of the Company are hereby authorized, without further approval of the shareholders of the Company, to abandon the application for continuance of the Company under the OBCA at any time prior to the issue of a certificate of continuance by the Director appointed under the OBCA; and
6. any director or officer of the Company be and is hereby authorized, for and on behalf of the Company to execute and deliver all documents and instruments and take such other actions, including making all necessary filings with applicable regulatory bodies and stock exchanges, as such director or officer may determine to be necessary or desirable to implement this special resolution and the matter authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument and the taking of any such action.”

The Board has concluded that the Continuance is in the best interests of the Company and its Shareholders. Accordingly, the Board unanimously recommends that the Shareholders approve the Continuance Resolution, by voting for the Continuance Resolution at the Meeting.

STATEMENT OF EXECUTIVE COMPENSATION

The purpose of this Statement of Executive Compensation is to provide information about the Company's philosophy, objectives and processes regarding executive compensation. This disclosure is intended to communicate the compensation provided to each of the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), and the next most highly compensated executive officer of the Company, if any, whose individual total compensation was more than \$150,000 for the year ended December 31, 2018 (collectively, the "Named Executive Officers" or "NEOs"), and the directors of the Company. During the year ended December 31, 2018, the Named Executive Officers of the Company were Chuck Rifici, Jeff Tung, and Hugo Alves.

Director and named executive officer compensation, excluding compensation securities

The following table sets forth the compensation paid to the Company's Named Executive Officers and directors for the Company's financial years ending December 31, 2018 and December 31, 2017:

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
Chuck Rifici⁽¹⁾ CEO and Current Director	2018	\$300,000	\$31,250 ⁽²⁾	N/A	\$18,000	N/A	\$349,250
	2017	\$125,000 ⁽³⁾	\$50,000	N/A	\$7,500	N/A	\$182,500
Hugo Alves⁽⁴⁾ President and Current Director	2018	\$420,000	\$43,750 ⁽²⁾	N/A	\$18,000	N/A	\$481,750
	2017	\$175,000 ⁽³⁾	\$50,000	N/A	\$7,500	N/A	\$232,500

Jeff Tung ⁽⁵⁾ Former CFO and Current COO	2018	\$240,000	\$25,000 ⁽²⁾	N/A	\$12,000	N/A	\$277,000
	2017	\$100,000 ⁽³⁾	\$25,000	N/A	\$5,000	N/A	\$130,000
Troy Grant Current Director	2018	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.
	2017	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.
Genevieve Young ⁽⁶⁾ Current Director	2018	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.
	2017	N/A	N/A	N/A	N/A	N/A	N/A
Jean-Paul Gaillard ⁽⁶⁾ Current Director	2018	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.
	2017	N/A	N/A	N/A	N/A	N/A	N/A
Brandon Boddy ⁽⁷⁾ Former Director	2018	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.
	2017	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.
Ian McKay ⁽⁸⁾ Former Director	2018	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.
	2017	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.
Maurice Levesque Former President and Director ⁽⁹⁾	2018	N/A	N/A	N/A	N/A	N/A	N/A
	2017	\$335,904 ⁽¹⁰⁾	Nil.	\$1,500	Nil.	Nil.	\$337,404
Amelia Yeo Former CFO ⁽¹¹⁾	2018	N/A	N/A	N/A	N/A	N/A	N/A
	2017	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.
Stephen McCoach ⁽¹²⁾ Former Chairman	2018	N/A	N/A	N/A	N/A	N/A	N/A
	2017	\$509,789 ⁽¹³⁾	Nil.	\$1,500	Nil.	Nil.	\$511,289
Mark Lerohl ⁽¹⁴⁾ Former Director	2018	N/A	N/A	N/A	N/A	N/A	N/A
	2017	Nil.	Nil.	\$2,500	Nil.	Nil.	\$2,500
Mark Walker ⁽¹⁴⁾ Former Director	2018	N/A	N/A	N/A	N/A	N/A	N/A
	2017	Nil.	Nil.	\$2,500	Nil.	Nil.	\$2,500

Notes:

- (1) Mr. Rifici was appointed CEO of the Company on May 5, 2017. No compensation was paid to Mr. Rifici for his role as a director.
- (2) Reflects a prorated bonus paid in mid-2018 for services performed in the financial year ending December 31, 2017. No bonuses were paid to the NEOs for the financial year ending December 31, 2018.
- (3) Reflects salary paid from August to December 31, 2017.
- (4) Mr. Alves was appointed President of the Company on August 10, 2017. No compensation was paid to Mr. Alves for his role as a director.
- (5) Mr. Tung was appointed CFO and COO of the Company on May 5, 2017. On February 11, 2019, Brian Schmitt assumed the role of CFO of the Company and Mr. Tung's role changed to being solely the COO of the Company.
- (6) Ms. Young and Mr. Gaillard were appointed to the Board on December 27, 2018.
- (7) Mr. Boddy resigned from the Board on December 27, 2018.
- (8) Mr. McKay was appointed to the Board on April 26, 2017. Mr. McKay resigned from the Board on July 12, 2018.
- (9) Mr. Levesque resigned as President and as a director on May 5, 2017.
- (10) Mr. Levesque received fees of \$198,154 for consulting services in the financial year ended December 31, 2017. Elcyc Holdings Ltd., a company owned by Mr. Levesque, received fees of \$137,750 in the financial year ended December 31, 2017.
- (11) Ms. Yeo resigned as CFO on March 2, 2017.
- (12) Mr. McCoach resigned as Chairman of the Board and Secretary of the Company on May 5, 2017.
- (13) Mr. McCoach received fees of \$202,000 for consulting services in the financial year ended December 31, 2017. Canterra Capital Corp., a company owned by Mr. McCoach, received fees of \$307,789 in the financial year ended December 31, 2017.
- (14) Messrs. Lerohl and Walker resigned from the Board on April 26, 2017.

Stock options and other compensation securities

The following table sets forth information with respect to all compensation securities granted or issued to the Company's Named Executive Officers and directors by the Company in the most recently completed financial year for services provided or to be provided, directly or indirectly, to the Company:

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	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
Chuck Rifici CEO and Director	Options	150,000 ⁽¹⁾ 0.026% ⁽²⁾	March 27, 2018	1.80	1.56	0.91	March 27, 2028
Hugo Alves President and Director	Options	150,000 ⁽¹⁾ 0.026% ⁽²⁾	March 27, 2018	1.80	1.56	0.91	March 27, 2028
Jeff Tung Former CFO and Current COO	Options	150,000 ⁽¹⁾ 0.026% ⁽²⁾	March 27, 2018	1.80	1.56	0.91	March 27, 2028
Troy Grant Director	Options	90,000 ⁽¹⁾ 0.015% ⁽²⁾	March 27, 2018	1.80	1.56	0.91	March 27, 2028
Ian McKay Former Director	Options	90,000 ⁽¹⁾ 0.015% ⁽²⁾	March 27, 2018	1.80	1.56	0.91	Expired
Brandon Boddy Former Director	Options	90,000 ⁽¹⁾ 0.015% ⁽²⁾	March 27, 2018	1.80	1.56	0.91	Expired

Notes:

- (1) 25% of the optioned shares vested on date of grant and 25% will vest each year for the following 3 years.
- (2) Based on 584,769,404 Common Shares issued and outstanding as at December 31, 2018.

Exercises of compensation securities by the Company's Named Executive Officers and directors during the most recently completed financial year were as follows:

Exercise of Compensation Securities by Directors and NEOs							
Name and position	Type of compensation security	Number of underlying Securities exercised	Exercise price per security (\$)	Date of exercise	Closing price per security on date of exercise (\$)	Difference between exercise price and closing price on date of exercise (\$)	Total value on exercise date (\$)
Ian McKay Former Director	Options	200,000	1.00	October 4, 2018	1.11	0.11	22,000

Equity Incentive Plan

As described under the heading "Business to be Transacted at the Meeting – Approval of the Equity Incentive Plan", the Company is seeking to obtain re-approval from the Shareholders at the Meeting of the Equity Incentive Plan. For more information and a summary of the Equity Incentive Plan, please see under the heading "Business to be Transacted at the Meeting – Approval of the Equity Incentive Plan – Summary of the Equity Incentive Plan".

Employment, consulting and management agreements

The Company currently has employment agreements in place with the Named Executive Officers. The employment agreements provide for, among other things, the continuation of the employment for an indefinite term, subject to termination as provided for in the employment agreements.

Chuck Rifici

Pursuant to an employment agreement dated May 5, 2017 (the "**Rifici Agreement**") Mr. Rifici was retained as the Company's Chief Executive Officer at an annual base salary of \$300,000 per annum, and a minimum annual bonus of 25% of his annual base salary. In the event of a change of control as defined in the Rifici Agreement, Mr. Rifici may elect to terminate the agreement within 90 days of such change of control, and if he chooses to terminate then he shall be entitled to receive a payment equal to twenty-four months of Mr. Rifici's annual base salary and the aggregate of the minimal annual bonus and any discretionary bonus paid to Mr. Rifici in the preceding twelve month period multiplied by three, and where no discretionary bonus has been paid the minimum annual bonus multiplied by four. If Mr. Rifici is terminated by the Company without cause then Mr. Rifici shall be entitled to the same payments described above.

Hugo Alves

Pursuant to an employment agreement dated June 8, 2017 and effective as of August 10, 2017, (the "**Alves Agreement**") Mr. Alves was retained as the President of the Company at an annual base salary of \$420,000 per annum, and a minimum annual bonus of 25% of his annual base salary. In the event of a change of control as defined in the Alves Agreement, Mr. Alves may elect to terminate the agreement within 90 days of such change of control, and if he chooses to terminate then he shall be entitled to receive a payment equal to twenty-four months of Mr. Alves's annual base salary and the aggregate of the minimal annual bonus and any discretionary bonus paid to Mr. Alves in the preceding twelve month period multiplied by three, and where no discretionary bonus has been paid the minimum annual bonus multiplied by four. If Mr. Alves is terminated by the Company without cause then Mr. Alves shall be entitled to the same payments described above.

Jeff Tung

Pursuant to an employment agreement dated May 5, 2017, Mr. Tung was retained as the Company's Chief Financial Officer and Chief Operating Officer at an annual base salary of \$240,000 per annum. On February 11, 2019, Mr. Tung's role changed to solely be the Chief Operating Officer. Mr. Tung's agreement does not provide for a change of control. If Mr. Tung is terminated by the Company without cause then he shall be entitled to receive payment of twelve months of his annual base salary and an amount equal to any discretionary bonus paid in the preceding twelve months period, and where no discretionary bonus has been paid, Mr. Tung shall be entitled to the payment of fifteen months of his annual base salary.

Oversight and description of director and named executive officer compensation

At present, the Company does not have a Compensation Committee. The Board is responsible for determining the compensation for the directors and the executive officers. The Board seeks to ensure that the Company's compensation goals and objectives, as applied to the actual compensation paid to the Company's executive officers, are aligned with the Company's overall business objectives and Shareholder interests.

The Board is tasked with establishing an executive compensation program, which includes any share-based awards, option-based awards or the establishment of any non-equity incentive plans. The terms of any proposed compensation for the directors of the Company who are not also officers of the Company (including any options to be granted) is determined by the Board.

Compensation Objectives

The Company's compensation policies and programs are designed to be competitive with industry peers and to recognize and reward executive performance consistent with the success of the Company's business. These policies and programs are intended to attract and retain capable and experienced individuals. The Board reviews the adequacy of remuneration for its executives by evaluating their performance in light of the Company's goals and objectives, and by comparing with other reporting issuers of similar size in the same industry. The Board is also responsible for reviewing the executive compensation disclosure before the Company discloses this information publicly.

The Board considers a variety of factors when determining both compensation policies and programs and individual compensation levels. These factors include the long-range interests of the Company and Shareholders, overall financial and operating performance of the Company and the Board's assessment of each executive's individual performance and contribution toward meeting corporate objectives.

Elements of Executive Compensation

Executives of the Company currently receive compensation in the form of fixed compensation, short-term incentive compensation and long-term incentive compensation.

Fixed Compensation

Fixed compensation in the form of base salary is designed to provide income certainty and to attract and retain executives, and is therefore based on the assessment of a number of factors such as current competitive market conditions, compensation levels within similarly situated companies to the Company and factors particular to the executive, including individual performance, the scope of the executive's role with the Company and retention considerations. The Board considers available market data for companies in comparable industries and of a similar size, although a specific benchmark is not targeted and a formal peer group has not been established.

Short-term Incentive Compensation

In addition to base salary, the Company may award executives with short term incentive awards in the form of an annual bonus. Annual bonuses are intended to provide short-term incentives to executives and to reward them for their yearly individual contribution and performance of personal objectives in the context of overall annual corporate performance. Typically, the amount is not pre-established and is at the discretion of the Board. While there is no target amount for annual bonus, other than as may be set out in an executive's employment agreement, the Board review similar factors as those discussed above in relation to base salary.

Long-Term Incentive Compensation

Long-term incentive compensation may be provided through the grant of Stock Awards pursuant to the Equity Incentive Plan. The Company has the Equity Incentive Plan in place to provide effective incentives to directors, officers, senior management personnel and employees of the Company and to enable the Company to attract and retain experienced and qualified individuals in those positions by permitting such individuals to directly participate in an increase in per share value created for the Shareholders.

The size of Stock Award grants to Named Executive Officers is dependent on each officer's level of responsibility, authority and importance to the Company and the degree to which such officer's long-term contribution to the Company will be crucial to its long-term success. Previous grants are taken into account when considering new grants.

Named Executive Officers and directors are not prevented from purchasing financial instruments (including prepaid variable forward contracts, equity swaps, collars, or units of exchange funds) that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officer or director.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth the number of Common Shares to be issued upon exercise of outstanding Options, the weighted-average exercise price of such outstanding Options and the number of Common Shares remaining available for future issuance under equity compensation plans as at December 31, 2018.

Plan Category	Number of Common Shares to be issued upon exercise of outstanding Options	Weighted-average exercise price of outstanding Options	Number of Common Shares remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by Shareholders	41,052,053	\$0.89	17,424,887 ⁽¹⁾
Equity compensation plans not approved by Shareholders	Nil.	N/A	Nil.
Total	41,052,053	\$0.89	17,424,887⁽¹⁾

Note:

(1) Options remaining as at December 31, 2018, based on issued and outstanding number of Common Shares of 584,769,404.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director, proposed director, executive officer, nor any of their respective associates or affiliates, is or has been indebted to the Company or its subsidiaries since the beginning of the Company's most recently completed financial year.

CORPORATE GOVERNANCE AND AUDIT COMMITTEE DISCLOSURE

The Company's Statement of Corporate Governance Practices and audit committee disclosure required for venture issuers is set out in Schedule "A" to this Information Circular.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed in this Information Circular, neither the Company, nor any director or officer of the Company, nor any proposed nominee for election as a director of the Company, nor any other insider of the Company, nor any associate or affiliate of any one of them has or has had, at any time since the beginning of the year ended December 31, 2018, any material interest, direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect the Company.

OTHER BUSINESS

Management of the Company is not aware of any other business to come before the Meeting other than as set forth in the Notice of Meeting. If any other business properly comes before the Meeting, it is the intention of the persons named in the form of proxy to vote the Common Shares represented thereby in accordance with their best judgment on such matter.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com. Financial information is contained in the Company's consolidated financial statements and management's discussion and analysis for the year ended December 31, 2018. In addition, a Shareholder may obtain copies of the Company's financial statements and management's discussion and analysis, by contacting the Company by mail at 1055 West Hastings Street, Vancouver, BC V6E 2E9 or by telephone at 647-812-0121.

SCHEDULE "A"
STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Capitalized terms used in this Schedule "A" but not otherwise defined herein shall have the meanings ascribed thereto in the Information Circular to which this Schedule "A" is appended.

Set out below is a description of the Company's current corporate governance practices and other information relating to the Board, per National Instrument 58-101 – *Disclosure of Corporate Governance Practices* and related disclosure requirements.

The Board and senior management consider good corporate governance to be central to the effective and efficient operation of the Company. Listed below is a brief discussion of the Company's approach to corporate governance.

Board of Directors

The Board facilitates its exercise of independent supervision over management through the participation of directors. Currently, the Board has five directors of whom three are independent within the meaning of National Instrument 52-110 – *Audit Committees*. The Board members are Chuck Rifici, Hugo Alves, Troy Grant, Genevieve Young and Jean-Paul Gaillard. Chuck Rifici is the Chairman of the Board.

Troy Grant, Genevieve Young and Jean-Paul Gaillard are independent directors in that they do not have a direct or indirect material relationship with the Company which could, in the view of the Board, reasonably interfere with the exercise of the director's independent judgment. Chuck Rifici is not considered independent as he is the Chief Executive Officer of the Company. Hugo Alves is not considered independent as he is the President of the Company.

Directorships

The following directors are presently directors of other reporting issuers:

<u>Director</u>	<u>Name of Other Reporting Issuer</u>	<u>Stock Exchange</u>
Chuck Rifici	Buzz Capital Inc. Buzz Capital 2 Inc.	TSXA TSXA
Hugo Alves	Pasha Brands Ltd.	CSE
Troy Grant	Elcora Advanced Materials Corp.	TSXV

Orientation and Continuing Education

New directors will have orientation that includes meetings with management on business directions, operational issues and financial aspects of the Company. The Chairman meets with new directors to review and explain the role of the Board and the expectations of each individual in their role as a director.

Management updates the Board on a regular basis regarding the business and activities of the Company to ensure that the directors have the necessary knowledge to meet their obligations as directors. Directors are encouraged to communicate with management, the auditors and the Company's legal counsel to keep themselves current with the Company's business. Directors are also provided with full access to the Company's records.

Ethical Business Conduct

All Board members and employees are committed to maintaining the highest standards of integrity and ethical business conduct in the management of the Company and their interaction with all key securityholders. These standards can only be achieved by the Company adhering to the values and principles of conduct.

The Company expects all Board members and employees to conduct themselves in an ethical and law-abiding manner, in all areas, including but not limited to conflicts of interest and the protection and proper use of corporate assets, information and opportunities.

Conflicts of Interest

When faced with a conflict, it is required that business judgment of responsible persons, uninfluenced by considerations other than the best interests of the Company, will be exercised. Pursuant to the *Business Corporations Act* (British Columbia), any officer or director of the Company with a conflict of interest must disclose the nature and extent of such conflict to the Board and recuse themselves from a matter that materially conflicts with that individual's duty as a director or senior officer of the Company.

Protection and Proper Use of Corporate Assets, Information and Opportunities

Confidential information is not to be used for any purposes other than those of the Company. This requirement of confidentiality extends beyond the duty not to discuss private information, whether about the Company and/or its management and also applies to any asset of the Company, including trade secrets, customer lists, business plans, computer software, company records and other proprietary information.

In the situation of contracts with third parties such as suppliers and service providers, management is to share only that information which is needed to satisfy the conditions of the contract and only to those individuals who need to know.

The duty of confidentiality applies to all Board members and employees even after leaving the Company regardless of the reason for departing.

Compliance with Laws, Rules and Regulations

It is required that the Company is in compliance with all legislation applicable to the Company's business operations, including but not restricted to the *Cannabis Act* (Canada), the laws of the Province of British Columbia, all Canadian provincial laws and legislation, and any other similar legislation in jurisdictions where the Company operates.

All Board members and employees have a duty to know, understand and comply with any specific legislation pertaining to the business of the Company and any legislation applicable to their duties and responsibilities.

Nomination of Directors

At present, the Company does not have a Nominating Committee. The Board, however, reviews periodically the appropriate size of the Board and if necessary, identifies new candidates with qualified skills, appropriate experience and background, and necessary competencies that are consistent with the Company's goals and objectives.

Compensation

At present, the Company does not have a Compensation Committee. The Board is responsible for determining the compensation for the directors and the executive officers. The Board seeks to ensure that the Company's compensation goals and objectives, as applied to the actual compensation paid to the Company's executive officers, are aligned with the Company's overall business objectives and Shareholder interests.

The Board is tasked with establishing an executive compensation program, which includes any share-based awards, option-based awards or the establishment of any non-equity incentive plans. The terms of any proposed compensation for the directors of the Company who are not also officers of the Company (including any options to be granted) is determined by the Board.

The Company's compensation policies and programs are designed to be competitive with industry peers and to recognize and reward executive performance consistent with the success of the Company's business. These policies and programs are intended to attract and retain capable and experienced individuals. The Board reviews the adequacy of remuneration for its executives by evaluating their performance in light of the Company's goals and objectives, and by comparing with other reporting issuers of similar size in the same industry. The Board is also responsible for reviewing the executive compensation disclosure before the Company discloses this information publicly.

AUDIT COMMITTEE INFORMATION

The Audit Committee is governed by an Audit Committee Charter, a copy of which is attached hereto as Appendix 1 of Schedule "A".

Composition of the Audit Committee

As of the date of this Information Circular, the following were the members of the Audit Committee:

<u>Name</u>	<u>Independence</u>	<u>Financial Literacy</u>
Genevieve Young ⁽¹⁾	Yes	Yes
Troy Grant	Yes	Yes
Jean-Paul Gaillard ⁽²⁾	Yes	Yes

Notes:

- (1) Chairman of the Audit Committee.
- (2) It is anticipated that Chuck Rifici will be appointed to the Audit Committee following the Meeting, replacing Jean-Paul Gaillard.

Relevant Education and Experience

The Board believes that the composition of the Audit Committee reflects financial literacy and expertise. Currently, all members of the Audit Committee have been determined by the Board to be "independent" and "financially literate" as such terms are defined under National Instrument 52-110 – *Audit Committees*. The Board has made these determinations based on the education as well as breadth and depth of experience of each member of the Audit Committee.

All the members of the Audit Committee have the education and/or practical experience required to understand and evaluate financial statements that present a breadth and level of complexity of accounting

issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements. The following is a brief summary of the education and experience of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as an Audit Committee member:

Genevieve Young, Director

Genevieve Young is the President and Chief Operating Officer of Global Public Affairs, Canada's leading privately held strategic communications and government advocacy consultancy representing some of Canada's largest and most dynamic organizations. Ms. Young has two decades of experience in public affairs, leading national mandates and campaigns across jurisdictions and managing multiple stakeholders, government(s) and media. Ms. Young is responsible for all Global Public Affairs' corporate functions, driving an aggressive growth trajectory across all existing and potential markets, practice and service lines. She holds a Bachelor of Arts in Canadian Politics and an MBA from the Smith School of Business at Queen's University.

Troy Grant, Director

Troy Grant is a graduate of St. Francis Xavier University with a Bachelor of Business and has spent most of his working career in the brokerage business. As a result of his business and public company experience Mr. Grant has become familiar with public company financial statements and the accounting principles used in reading and preparing financial statements.

Jean-Paul Gaillard, Director

Jean-Paul Gaillard is a seasoned executive with more than 30 years of experience leading large organizations as Chief Executive Officer. Most recently, Mr. Gaillard was the Founder, Chairman and CEO of Ethical Coffee Company where he was instrumental in turning the single serve-coffee from a monopoly into a free-market, effectively launching the fastest growing segment in the food and beverages sector. Prior to Ethical Coffee, Mr. Gaillard was the CEO of Movenpick Foods where he was responsible for the successful reorganization and sale of the company to Nestlé. In addition, Mr. Gaillard spent 10 years as the CEO of Nespresso based in their global headquarters in Switzerland where he created and implemented the business model that has made Nespresso a world-renowned brand. Mr. Gaillard completed his studies in Business Administration at the University of California, Los Angeles in addition to the Lemania School of Business, Lausanne.

Pre-Approval Policies and Procedures

The Audit Committee of the Company has adopted specific policies and procedures for the engagement of audit and non-audit services. For all audit and non-audit services, management is required to seek pre-approval from the Audit Committee.

Audit Committee Oversight

At no time since the commencement of the most recently completed financial year of the Company was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the directors of the Company.

Reliance on Certain Exemptions

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

The Company is relying upon the exemption in section 6.1 of NI 52-110.

Auditors' Fees

MNP LLP served as the Company's auditors for the year ended December 31, 2018. Fees paid to the Company's auditors for the years ended December 31, 2018 and 2017 are detailed below:

Fee	For the year ended December 31, 2018	For the year ended December 31, 2017 ⁽⁵⁾
Audit Fees ⁽¹⁾	\$380,000	\$198,500
Audit-Related Fees ⁽²⁾	\$257,720	\$57,566
Tax Fees ⁽³⁾	\$19,025	\$21,400
All Other Fees ⁽⁴⁾	\$-	\$29,267
Total	\$656,745	\$306,733

Notes:

- (1) "Audit Fees" include the aggregate professional fees paid to the external auditors for the audit of the annual consolidated financial statements and other annual regulatory audits and filings.
- (2) "Audit Related Fees" includes the aggregate fees paid to the external auditors for services related to the audit services, including reviewing quarterly financial statements and management's discussion thereon and conferring with the Board and Audit Committee regarding financial reporting and accounting standards.
- (3) "Tax Fees" include the aggregate fees paid to external auditors for tax compliance, tax advice, tax planning and advisory services, including namely preparation of tax returns.
- (4) "Other Fees" include fees for assurance procedures in connection with filings statements and information circulars and services related to underwriter's due diligence.
- (5) Updated from figures previously disclosed to account for invoices received after April 27, 2018.

All permissible categories of non-audit services require pre-approval by the Audit Committee, subject to certain statutory exemptions.

APPENDIX 1 OF SCHEDULE "A"

AUDIT COMMITTEE CHARTER AUXLY CANNABIS GROUP INC.

Purpose and Objectives

The Audit Committee is a committee of the Board. Its primary functions are to assist the Board in fulfilling its oversight responsibilities relating to the integrity of the Company's financial statements, its management's discussion and analysis, material press releases, the engagement and recommendation of compensation of independent auditors, the evaluation of the independent auditors' qualifications, independence and performance, and the performance of the Company's internal accounting procedures. The Audit Committee also prepares reports, if and when required, for inclusion by the Audit Committee in the Company's disclosure documents and enhances communication between management, independent auditors and the Board.

Composition and Process

- The Board shall appoint members of the Audit Committee annually. The Audit Committee shall be composed of not less than three members of the Board, a majority of whom shall be, in the determination of the Board, "independent" as that term is defined by National Instrument 52-110 – *Audit Committees*, as amended from time to time. Members shall be appointed by the Board on an annual basis, shall serve a one-year term and may serve consecutive terms, which are encouraged to ensure continuity of experience. The Board shall fill any vacancy in the event the Audit Committee has less than three members and may remove members by resolution.
- Each member of the Audit Committee shall, by virtue of education or experience, be financially literate. Financial literacy is the ability to read and understand a balance sheet, income statement and cash flow statement that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.
- A quorum for a meeting of the Audit Committee shall be a majority of the members present in person or, by telecommunications device. The Audit Committee shall meet quarterly or more frequently at the discretion of the members of the Audit Committee as circumstances require.
- The Audit Committee shall select a Chairman from amongst their members. The Chair of the Committee shall be appointed by the Board for a one-year term, and may serve any number of consecutive terms. If the Chairman is not present at a meeting of the Audit Committee, a Chairman shall be selected from amongst the members present.
- The Audit Committee shall, as it determines necessary, have the authority to select, engage and remunerate independent counsel and other advisers to assist in carrying out the Audit Committee's duties at the expense of the Company.
- In discharging its duties under this Charter, the Audit Committee may investigate any matter brought to its attention and shall have access to all books, records, facilities and personnel of the Company, may conduct meetings or interview any officer or employee of the Company, the Company's legal counsel, independent auditors and consultants and may invite any such persons to attend any part of any meeting of the Audit Committee.

- The Audit Committee may designate one or more subcommittees consisting of at least one member to address specific issues on behalf of the Audit Committee.
- The Audit Committee shall regularly report to the Board on its activities.
- The Audit Committee shall review and reassess the adequacy of the Charter annually and submit any proposed changes to the Board for approval.
- The Audit Committee shall perform such other functions as are assigned by law and the, and on the instructions of the Board.
- The Audit Committee has neither the duty nor the responsibility to conduct audit, accounting or legal reviews. The Company's independent auditors are responsible for auditing those financial statements.

Functions

- Independent Auditor
 - The Audit Committee shall be directly responsible for the appointment, termination, compensation, retention and oversight of the work of the independent auditing firm employed by the Company (including resolution of disputes between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The Audit Committee's independent auditor is subject to shareholder approval as required by law.
 - The independent auditor shall report directly to the Audit Committee.
 - All auditing services and permitted non-audit services provided to the Company by the independent auditor shall be pre-approved by the Audit Committee and the Audit Committee shall consider whether the provision of any non-audit services is compatible with the auditor's independence.
 - The Audit Committee shall evaluate, at least annually, the auditor's qualifications, performance and independence. The Audit Committee shall present its conclusions with respect to the independent auditor to the Board.
 - Employees or former employees of the independent auditor shall not be hired by the Company without the prior approval of the Audit Committee.
- Authority
 - Primary responsibility for the Company's financial reporting, accounting systems and internal controls is vested in senior management and is overseen by the Board. The Audit Committee is a standing committee of the Board established to assist it in fulfilling its responsibilities in this regard. The Audit Committee shall have responsibility for overseeing management reporting on internal controls. While it is management's responsibility to design and implement an effective system of internal control, it is also the responsibility of the Committee to ensure that management has done so.

- The Audit Committee shall have unrestricted access to the Company's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.
- The Audit Committee shall have direct communication channels with the internal auditors (if any) and the external auditors to discuss and review specific issues as appropriate.
- The Audit Committee shall have the sole authority to retain (or terminate) advisors or consultants as it determines necessary to assist the Committee in discharging its functions hereunder. The Committee shall be provided with the necessary funding to compensate the advisors or consultants retained by the Committee.
- Accounting Systems, Internal Controls and Procedures
 - The Audit Committee shall obtain reasonable assurance from discussions with and/or reports from management, and reports from external auditors that accounting systems are reliable and that the prescribed internal controls are operating effectively for the Company and its subsidiaries and affiliates.
 - The Audit Committee shall review to ensure to its satisfaction that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements and will periodically assess the adequacy of those procedures.
 - The Audit Committee shall review with the external auditor the quality and not just the acceptability of the Company's accounting principles and direct the external auditor's examinations to particular areas.
 - The Audit Committee will review control weaknesses identified by the external auditors, together with management's response and review with external auditors their view of the qualifications and performance of the key financial and accounting executives.
 - The Audit Committee will review with management and with the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting.
 - 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 the confidential anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
 - The Audit Committee shall review and approve the Company's hiring policies regarding employees and employees of the present and former external auditor of the Company.

SCHEDULE "B"
EQUITY INCENTIVE PLAN RESOLUTION

"BE IT RESOLVED THAT:

1. the Equity Incentive Plan of the Company attached as Schedule "C" to the Management Information Circular dated July 30, 2019 of Auxly Cannabis Group Inc. (the "**Company**") be, and the same hereby is, confirmed and approved as the Equity Incentive Plan of the Company, subject to such amendments: (a) as may be required by the TSX Venture Exchange; or (b) that are consistent with the requirements of the TSX Venture Exchange as may be determined from time to time by the Company's Board of Directors.
2. Notwithstanding that this resolution has been passed by the shareholders of the Company, the Board of Directors of the Company may revoke such resolution at any time before it has been effected without further action by the shareholders of the Company.
3. Any director or officer of the Company be and is hereby authorized, for and on behalf of the Company to execute and deliver all documents and instruments and take such other actions, including making all necessary filings with applicable regulatory bodies and stock exchanges, as such director or officer may determine to be necessary or desirable to implement this ordinary resolution and the matter authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument and the taking of any such action."

SCHEDULE "C"

AUXLY CANNABIS GROUP INC. EQUITY INCENTIVE PLAN

1. GENERAL.

(a) **Eligible Stock Award Recipients.** Employees, Directors and Consultants are eligible to receive Stock Awards.

(b) **Available Stock Awards.** The Plan provides for the grant of the following types of Stock Awards: (i) Stock Options, (ii) subject to Section 1(c), Stock Appreciation Rights, (iii) Restricted Stock Awards, (iv) Restricted Stock Unit Awards, and (v) Other Stock Awards.

(c) **Restriction on Issue of SARs.** Notwithstanding anything to the contrary contained herein, if the Company's securities are listed on the TSX Venture Exchange, the Company shall only be permitted to grant Stock Appreciation Rights if the Company satisfies the requirements of, and is listed as, a "Tier 1 Issuer" (as such term is defined in the TSX Venture Exchange Corporate Finance Manual).

(d) **Purpose.** The Plan, through the grant of Stock Awards, is intended to help the Company secure and retain the services of eligible award recipients, provide incentives for such persons to exert maximum efforts for the success of the Company and any Affiliate, and provide a means by which the eligible recipients may benefit from increases in value of the Common Shares.

2. ADMINISTRATION.

(a) **Administration by the Board.** The Board will administer the Plan. The Board may delegate administration of the Plan to a Committee or Committees, as provided in Section 2(c).

(b) **Powers of the Board.** The Board will have the power, subject to, and within the limitations of, the express provisions of the Plan and any applicable laws or listing requirements:

(i) To determine (A) who will be granted Stock Awards; (B) when and how each Stock Award will be granted; (C) what type of Stock Award will be granted; (D) the provisions of each Stock Award (which need not be identical), including when a Participant will be permitted to exercise or otherwise receive cash or Common Shares under the Stock Award; (E) the number of Common Shares subject to, or the cash value of, a Stock Award; and (F) the Fair Market Value applicable to a Stock Award.

(ii) To construe and interpret the Plan and Stock Awards granted under it, and to establish, amend and revoke rules and regulations for administration of the Plan and Stock Awards. The Board, in the exercise of these powers, may correct any defect, omission or inconsistency in the Plan or in any Stock Award Agreement, in a manner and to the extent it will deem necessary or expedient to make the Plan or Stock Award fully effective.

(iii) To settle all controversies regarding the Plan and Stock Awards granted under it.

(iv) To accelerate, in whole or in part, the time at which a Stock Award may be exercised or vest (or the time at which cash or Common Shares may be issued in settlement thereof).

(v) To suspend or terminate the Plan at any time. Except as otherwise provided in the Plan or a Stock Award Agreement, suspension or termination of the Plan will not materially impair a Participant's rights under the Participant's then-outstanding Stock Award without the Participant's written consent except as provided in subsection (viii) below.

(vi) To amend the Plan in any respect the Board deems necessary or advisable; provided, however, that to the extent required by applicable law or listing requirements, and except as provided in Section 9(a) relating to Capitalization Adjustments, the Company will seek shareholder approval of any amendment of the Plan. Except as otherwise provided in the Plan or a Stock Award Agreement, no amendment of the Plan will materially impair a Participant's rights under an outstanding Stock Award without the Participant's written consent.

(vii) To submit any amendment to the Plan for shareholder approval.

(viii) To approve forms of Stock Award Agreements for use under the Plan and to amend the terms of any one or more Stock Awards, including, but not limited to, amendments to provide terms more favorable to the Participant than previously provided in the Stock Award Agreement, subject to any specified limits in the Plan that are not subject to Board discretion; *provided, however*, that a Participant's rights under any Stock Award will not be materially impaired by any such amendment unless (A) the Company requests the consent of the affected Participant, and (B) such Participant consents in writing. Notwithstanding the foregoing, (1) a Participant's rights will not be deemed to have been materially impaired by any such amendment if the Board, in its sole discretion, determines that the amendment, taken as a whole, does not materially impair the Participant's rights, and (2) subject to the limitations of applicable law, if any, the Board may amend the terms of any one or more Stock Awards without the affected Participant's consent to comply with other applicable laws or listing requirements.

(ix) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan or Stock Awards.

(x) To adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by Employees, Directors or Consultants who are foreign nationals or employed outside Canada or the United States (provided that Board approval will not be necessary for immaterial modifications to the Plan or any Stock Award Agreement that are required for compliance with the laws of the relevant foreign jurisdiction).

(xi) To effect, with the consent of any adversely affected Participant, (A) the reduction of the exercise, purchase or strike price of any outstanding Stock Award, provided that the requisite disinterested shareholder approval will be obtained for any reduction in the exercise, purchase or strike price of any outstanding Stock Award if the Participant is an Insider at the time of the proposed amendment; (B) the cancellation of any outstanding Stock Award and the grant in substitution therefor of a new (1) Option or SAR, (2) Restricted Stock Award, (3) Restricted Stock Unit Award, (4) Other Stock Award, (5) cash and/or (6) other valuable consideration determined by the Board, in its sole discretion, with any such substituted award (x) covering the same or a different number of Common Shares as the cancelled Stock Award and (y) granted under the Plan or another equity or compensatory plan of the Company; or (C) any other action that is treated as a repricing under generally accepted accounting principles.

(c) **Delegation to Committee.** The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee

of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board will thereafter be to the Committee or subcommittee, as applicable). Any delegation of administrative powers will be reflected in resolutions, not inconsistent with the provisions of the Plan, adopted from time to time by the Board or Committee (as applicable). The Board may retain the authority to concurrently administer the Plan with the Committee and may, at any time, revert in the Board some or all of the powers previously delegated.

(d) Delegation to an Officer. The Board may delegate to one or more Officers the authority to do one or both of the following: (i) designate Employees who are not Officers to be recipients of Options and SARs (and, to the extent permitted by applicable law, other Stock Awards) and, to the extent permitted by applicable law, the terms of such Stock Awards, and (ii) determine the number of Common Shares to be subject to such Stock Awards granted to such Employees; *provided, however*, that the Board resolutions regarding such delegation will specify the total number of Common Shares that may be subject to the Stock Awards granted by such Officer and that such Officer may not grant a Stock Award to himself or herself. Any such Stock Awards will be granted on the form of Stock Award Agreement most recently approved for use by the Committee or the Board, unless otherwise provided in the resolutions approving the delegation authority. The Board may not delegate authority to an Officer who is acting solely in the capacity of an Officer (and not also as a Director) to determine the Fair Market Value pursuant to Section 13(s).

(e) Effect of Board's Decision. All determinations, interpretations and constructions made by the Board in good faith will not be subject to review by any person and will be final, binding and conclusive on all persons.

(f) Investor Relations Activities.

(i) Notwithstanding anything in the Plan to the contrary, any Stock Award granted to any Person retained to provide Investor Relations Activities must vest in stages over a period of not less than 12 months with no more than 1/4 of the total number of Common Shares subject to such Stock Award vesting in any three month period.

(ii) The Board must, through the establishment of appropriate procedures, monitor the trading in the securities of the Company by all Participants performing Investor Relations Activities. Such procedures may include, for example, the establishment of a designated brokerage account through which the Participant conducts all trades in the securities of the Company or a requirement for such Participants to file insider trade reports with the Board.

3. SHARES SUBJECT TO THE PLAN.

(a) Share Reserve.

(i) Subject to Section 9(a) relating to Capitalization Adjustments,

(1) the aggregate number of Common Shares that may be issued pursuant to Options from and after the Effective Date, calculated together with any other type of Stock Awards that are then outstanding, will not exceed 10% of the Company's issued and outstanding Common Shares at the time of any grant (the "*Option Share Reserve*"); and

(2) Stock Awards, other than Options, shall not exceed 55,262,074 (together with the Option Share Reserve, the "*Share Reserve*").

(ii) For clarity, the Share Reserve in this Section 3(a) is a limitation on the number of Common Shares that may be issued pursuant to the Plan. Accordingly, this Section 3(a) does not limit the granting of Stock Awards except as provided in Section 7(a). Shares may be issued in connection with a merger or acquisition to the extent permitted by any applicable laws or listing requirements, and such issuance will not reduce the number of shares available for issuance under the Plan.

(b) **Reversion of Shares to the Share Reserve.** If a Stock Award or any portion thereof expires or otherwise terminates without having been exercised or without all of the shares covered by such Stock Award having been issued, such expiration or termination will not reduce (or otherwise offset) the number of Common Shares that may be available for issuance under the Plan.

(c) **Stock Award Limits.** Subject to the Share Reserve and Section 9(a) relating to Capitalization Adjustments:

(i) other than the Persons listed in Sections 3(c)(iii) and 3(c)(iv), the aggregate number of Common Shares subject to Stock Awards granted to any one Person (and Exchange Companies wholly owned by that Person) in a 12-month period must not exceed 5% of the number of Common Shares issued and outstanding (on a non-diluted basis), calculated on the date a Stock Award is granted to the Person (unless the Company has obtained the requisite disinterested shareholder approval);

(ii) the aggregate number of Common Shares subject to Stock Awards granted to Insiders of the Company in a 12-month period must not exceed 10% of the number of Common Shares issued and outstanding (on a non-diluted basis), calculated on the date a Stock Award is granted to the applicable Insider (unless the Company has obtained the requisite disinterested shareholder approval);

(iii) the aggregate number of Common Shares subject to Stock Awards granted to any one Consultant in a 12-month period must not exceed 2% of the number of Common Shares issued and outstanding (on a non-diluted basis), calculated on the date a Stock Award is granted to the Consultant;

(iv) the aggregate number of Common Shares subject to Stock Awards granted to all Persons retained to provide Investor Relations Activities must not exceed 2% of the number of Common Shares issued and outstanding (on a non-diluted basis) in any 12-month period, calculated on the date a Stock Award is granted to any such Person;

(v) the Company may not grant Restricted Stock to Persons retained to provide Investor Relations Activities; and

(vi) no amendment to or reduction in the exercise or strike price of a Stock Award will be permitted if the Participant is an Insider of the Company at the time of the proposed amendment or reduction (unless the Company has obtained the requisite disinterested shareholder approval).

(d) **Source of Shares.** The stock issuable under the Plan will be authorized but unissued or reacquired Common Shares, including shares repurchased by the Company on the open market or otherwise.

4. ELIGIBILITY.

For any Stock Award granted to an Employee, Consultant or Management Company Employee, the Company and the Participant are responsible for ensuring and confirming that the Participant is a bona fide Employee, Consultant or Management Company Employee, as the case may be.

5. PROVISIONS RELATING TO OPTIONS AND STOCK APPRECIATION RIGHTS.

Each Option or SAR will be in such form and will contain such terms and conditions as the Board deems appropriate. The provisions of separate Options or SARs need not be identical; *provided, however*, that each Stock Award Agreement will conform to (through incorporation of provisions hereof by reference in the applicable Stock Award Agreement or otherwise) the substance of each of the following provisions:

(a) **Term.** The Option Period for each Option or SAR shall be such period of time as shall be determined by the Board, subject to amendment by an employment contract, provided that in no event shall an Option Period exceed ten years. Notwithstanding the definition of Option Period contained herein or the foregoing, the expiration date of an Option or SAR will be the date fixed by the Board with respect to such Option or SAR unless such expiration date falls within a Blackout Period or within ten days after a Blackout Period Expiry Date, in which case the expiration date of the Option or SAR will be the date which is ten Business Days after the Blackout Period Expiry Date. Disinterested shareholder approval shall be required for the extension of any Option Period if the Optionee is an Insider of the Company at the time of the proposed amendment to the Option Period.

(b) **Exercise Price.** The price per share (the "**Exercise Price**") at which any Common Share which is the subject of an Option or SAR may be purchased shall be determined by the Committee or the Board at the time the Option or SAR is granted, provided that the Exercise Price shall be not less than the closing price of the Common Shares on the Stock Exchange on the last trading day immediately preceding the date of the grant of such Option or SAR less the maximum discount, if any, permitted by the Stock Exchange or, if the Common Shares are not then listed on any stock exchange, the Exercise Price shall not be less than the fair market value of the Common Shares as may be determined by the Board on the day immediately preceding the date of the grant of such Option or SAR. Each SAR will be denominated in Common Shares equivalents.

(c) **Purchase Price for Options.** The purchase price of Common Shares acquired pursuant to the exercise of an Option may be paid, to the extent permitted by any applicable laws and listing requirements, (i) by cash, cheque, bank draft or money order payable to the Company or (ii) in any other form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law and listing requirements.

(d) **Exercise and Payment of a SAR.** To exercise any outstanding SAR, the Participant must provide written notice of exercise to the Company in compliance with the provisions of the Stock Appreciation Right Agreement evidencing such SAR. The appreciation distribution payable on the exercise of a SAR will be not greater than an amount equal to the excess of (A) the aggregate Fair Market Value (on the date of the exercise of the SAR) of a number of Common Shares equal to the number of Common Share equivalents in which the Participant is vested under such SAR, and with respect to which the Participant is exercising the SAR on such date, over (B) the aggregate strike price of the number of Common Share equivalents with respect to which the Participant is exercising the SAR on such date. The appreciation distribution may be paid in Common Shares, in cash, in any combination of the two or in any other form of consideration, as determined by the Board and contained in the Stock Award Agreement evidencing such SAR.

(e) **Transferability of Options and SARs.** An Option or SAR will not be assignable or transferable except by will or by the laws of descent and distribution, and will be exercisable during the lifetime of the Participant only by the Participant. In the event of the death of the Participant, any person (or, if permitted under applicable law, any entity) who acquired the right to exercise the Participant's Option or SAR by bequest or inheritance or, in the absence of any such person or entity, the executor or

administrator of the Participant's estate will, subject to Section 5(j), be entitled to exercise the Participant's Option or SAR and receive the Common Shares or other consideration resulting from such exercise.

(f) Vesting. Except as otherwise specifically provided herein or in any employment contract, Options or SARs may be exercised by the Optionee in whole at any time, or in part from time to time (in each case to the nearest full Common Share), during the Option Period only in accordance with the vesting schedule, if any, determined by the Board, in its sole and absolute discretion, subject to the applicable requirements of the Stock Exchange, at the time of the grant of the Option or SAR, which vesting schedule may include performance vesting or acceleration of vesting in certain circumstances and which may be amended or changed by the Board from time to time with respect to a particular Option or SAR. If the Board does not determine a vesting schedule at the time of the grant of any particular Option or SAR, such Option or SAR shall be exercisable in whole at any time, or in part from time to time, during the Option Period, subject to the applicable requirements of the Stock Exchange. In the event that the Common Shares are listed on the TSX Venture Exchange, Options and SARs with an Exercise Price based on the Discounted Market Price (as such term is defined in the policies of the TSX Venture Exchange), and the Common Shares issuable upon the exercise thereof, shall be subject to the restricted period and legending requirements imposed by the policies of the TSX Venture Exchange.

(g) Termination of Continuous Service. Except as otherwise provided in the applicable Stock Award Agreement or other written agreement between a Participant and the Company or an Affiliate, if a Participant's Continuous Service terminates (other than for Cause and other than upon the Participant's death or Disability), the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Stock Award as of the date of termination of Continuous Service) within the period of time ending on the earlier of (i) the date that is 90 days following the termination of the Participant's Continuous Service (or such longer or shorter period specified in the Stock Award Agreement, which period will not be longer than 12 months following such termination of Continuous Service), and (ii) the expiration of the term of the Option or SAR as set forth in the Stock Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR (as applicable) within the applicable time frame, the Option or SAR will terminate.

(h) Extension of Termination Date. Except as otherwise provided in the applicable Stock Award Agreement or other written agreement between a Participant and the Company or an Affiliate, if the exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause and other than upon the Participant's death or Disability) would be prohibited at any time solely because the issuance of Common Shares would violate the registration requirements under any applicable securities laws, then the Option or SAR will terminate on the earlier of (i) the expiration of a total period of time (that need not be consecutive) equal to the applicable post-termination exercise period after the termination of the Participant's Continuous Service during which the exercise of the Option or SAR would not be in violation of such registration requirements, and (ii) the expiration of the term of the Option or SAR as set forth in the Stock Award Agreement. In addition, except as otherwise provided in the applicable Stock Award Agreement or other written agreement between a Participant and the Company or an Affiliate, if the sale of any Common Shares received upon exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause) would violate the Company's insider trading policy, then the Option or SAR will terminate on the earlier of (i) the expiration of the period of time (that need not be consecutive) equal to the applicable post-termination exercise period after the termination of the Participant's Continuous Service during which the sale of the Common Shares received upon exercise of the Option or SAR would not be in violation of the Company's insider trading policy, and (ii) the expiration of the term of the Option or SAR as set forth in the Stock Award Agreement.

(i) Disability of Participant. Except as otherwise provided in the applicable Stock Award Agreement or other written agreement between a Participant and the Company or an Affiliate, if a

Participant's Continuous Service terminates as a result of the Participant's Disability, the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Option or SAR as of the date of termination of Continuous Service), but only within such period of time ending on the earlier of (i) the date 12 months following such termination of Continuous Service (or such shorter period specified in the Stock Award Agreement), and (ii) the expiration of the term of the Option or SAR as set forth in the Stock Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the applicable time frame, the Option or SAR (as applicable) will terminate.

(j) Death of Participant. Except as otherwise provided in the applicable Stock Award Agreement or other written agreement between a Participant and the Company or an Affiliate, if (i) a Participant's Continuous Service terminates as a result of the Participant's death, or (ii) the Participant dies within the period (if any) specified in the Stock Award Agreement for exercisability after the termination of the Participant's Continuous Service (for a reason other than death), then the Participant's Option or SAR may be exercised (to the extent the Participant was entitled to exercise such Option or SAR as of the date of death) by the Participant's estate or by a person or entity who acquired the right to exercise the Option or SAR by bequest or inheritance, as applicable, but only within such period of time ending on the earlier of (i) the date 12 months following the date of death (or such shorter period specified in the Stock Award Agreement), and (ii) the expiration of the term of the Option or SAR as set forth in the Stock Award Agreement. If, after the Participant's death, the Option or SAR is not exercised within the applicable time frame, the Option or SAR (as applicable) will terminate.

(k) Termination for Cause. Except as explicitly provided otherwise in a Participant's Stock Award Agreement or other individual written agreement between a Participant and the Company or an Affiliate, if a Participant's Continuous Service is terminated for Cause, the Participant's Option or SAR will terminate immediately upon such termination of Continuous Service, and the Participant will be prohibited from exercising his or her Option or SAR from and after the time of such termination of Continuous Service.

6. PROVISIONS OF STOCK AWARDS OTHER THAN OPTIONS AND SARs.

(a) Restricted Stock Awards. Each Restricted Stock Award Agreement will be in such form and will contain such terms and conditions as the Board will deem appropriate. To the extent consistent with the Company's bylaws, at the Board's election, Common Shares underlying a Restricted Stock Award may be (i) held in book entry form subject to the Company's instructions until any restrictions relating to the Restricted Stock Award lapse; or (ii) evidenced by a certificate, which certificate will be held in such form and manner as determined by the Board. The terms and conditions of Restricted Stock Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Award Agreements need not be identical. Each Restricted Stock Award Agreement will conform to (through incorporation of the provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. A Restricted Stock Award may be awarded in consideration for (A) cash, cheque, bank draft or money order payable to the Company, or (B) any other form of legal consideration including future services that may be acceptable to the Board, in its sole discretion, and permissible under applicable law and listing requirements.

(ii) Vesting. Common Shares awarded under the Restricted Stock Award Agreement may be subject to forfeiture to or repurchase by the Company in accordance with a vesting schedule to be determined by the Board.

(iii) Termination of Participant's Continuous Service. If a Participant's Continuous Service terminates, the Company may receive through a forfeiture condition or a repurchase right any or all of the Common Shares held by the Participant that have not vested as of the date of such termination under the terms of the Restricted Stock Award Agreement.

(iv) Transferability. Rights to acquire Common Shares under the Restricted Stock Award Agreement will not be assignable or transferable except by will or by the laws of descent and distribution, and in all cases the Common Shares awarded under the Restricted Stock Award Agreement must remain subject to the terms of the Restricted Stock Award Agreement.

(v) Dividends. A Restricted Stock Award Agreement may provide that any dividends paid on shares subject to the Restricted Stock Award will be subject to the same vesting and forfeiture restrictions as apply to the shares subject to the Restricted Stock Award to which they relate.

(vi) Restriction on Issuance of Restricted Stock. Notwithstanding anything to the contrary in this Agreement, the Company is prohibited from issuing Restricted Stock to Persons retained by the Company for the purposes of conducting Investor Relations Activities.

(b) Restricted Stock Unit Awards. Each Restricted Stock Unit Award Agreement will be in such form and will contain such terms and conditions as the Board will deem appropriate. The terms and conditions of Restricted Stock Unit Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Unit Award Agreements need not be identical. Each Restricted Stock Unit Award Agreement will conform to (through incorporation of the provisions hereof by reference in the Agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. At the time of grant of a Restricted Stock Unit Award, the Board will determine the consideration, if any, to be paid by the Participant upon delivery of each Common Share subject to the Restricted Stock Unit Award. The consideration to be paid (if any) by the Participant for each Common Share subject to a Restricted Stock Unit Award may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law and listing requirements.

(ii) Vesting. At the time of the grant of a Restricted Stock Unit Award, the Board may impose such restrictions on or conditions to the vesting of the Restricted Stock Unit Award as it, in its sole discretion, deems appropriate.

(iii) Payment. A Restricted Stock Unit Award may be settled by the delivery of Common Shares, their cash equivalent, any combination thereof or in any other form of consideration, as determined by the Board and contained in the Restricted Stock Unit Award Agreement.

(iv) Additional Restrictions. At the time of the grant of a Restricted Stock Unit Award, the Board, as it deems appropriate, may impose such restrictions or conditions that delay the delivery of the Common Shares (or their cash equivalent) subject to a Restricted Stock Unit Award to a time after the vesting of such Restricted Stock Unit Award.

(v) Dividend Equivalents. Dividend equivalents may be credited in respect of Common Shares covered by a Restricted Stock Unit Award, as determined by the Board and contained in the Restricted Stock Unit Award Agreement. At the sole discretion of the Board, such dividend equivalents may be converted into additional Common Shares covered by the Restricted Stock Unit Award in such manner as determined by the Board. Any additional shares covered by the Restricted Stock Unit Award

credited by reason of such dividend equivalents will be subject to all of the same terms and conditions of the underlying Restricted Stock Unit Award Agreement to which they relate.

(vi) Termination of Participant's Continuous Service. Except as otherwise provided in the applicable Restricted Stock Unit Award Agreement or other written agreement between a Participant and the Company or an Affiliate, if a Participant's Continuous Service terminates, any portion of the Participant's Restricted Stock Unit Award that has not vested as of the date of such termination will be forfeited upon such termination.

(vii) Transferability. A Restricted Stock Unit Award will not be assignable or transferable except by will or by the laws of descent and distribution, and in all cases the Common Shares subject to the Restricted Stock Unit Award Agreement must remain subject to the terms of the Restricted Stock Unit Award Agreement.

(c) Other Stock Awards. Subject to any applicable laws or listing requirements, other forms of Stock Awards valued in whole or in part by reference to, or otherwise based on, Common Shares, including the appreciation in value thereof (e.g., options or stock rights with an exercise price or strike price less than 100% of the Fair Market Value of the Common Shares at the time of grant) may be granted either alone or in addition to Stock Awards provided for under Section 5 and the preceding provisions of this Section 6. Subject to the provisions of the Plan and any applicable laws or listing requirements, the Board will have sole and complete authority to determine the persons to whom and the time or times at which such Other Stock Awards will be granted, the number of Common Shares (or the cash equivalent thereof) to be granted pursuant to such Other Stock Awards and all other terms and conditions of such Other Stock Awards.

7. COVENANTS OF THE COMPANY.

(a) Availability of Shares. The Company will keep available at all times the number of Common Shares reasonably required to satisfy then-outstanding Stock Awards.

(b) Securities Law Compliance. The Company will seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell Common Shares upon exercise or settlement of the Stock Awards; *provided, however,* that this undertaking will not require the Company to register under any applicable law the Plan, any Stock Award or any Common Shares issued or issuable pursuant to any such Stock Award. If, after reasonable efforts and at a reasonable cost, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of Common Shares under the Plan, the Company will be relieved from any liability for failure to issue and sell Common Shares upon exercise or settlement of such Stock Awards unless and until such authority is obtained. A Participant will not be eligible for the grant of a Stock Award or the subsequent issuance of cash or Common Shares pursuant to the Stock Award if such grant or issuance would be in violation of any applicable securities law.

(c) No Obligation to Notify or Minimize Taxes. The Company will have no duty or obligation to any Participant to advise such holder as to the time or manner of exercising a Stock Award. Furthermore, the Company will have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of a Stock Award or a possible period in which the Stock Award may not be exercised. The Company has no duty or obligation to minimize the tax consequences of a Stock Award to the holder of such Stock Award.

8. MISCELLANEOUS.

(a) **Use of Proceeds from Sales of Common Shares.** Proceeds from the sale of Common Shares pursuant to Stock Awards will constitute general funds of the Company.

(b) **Corporate Action Constituting Grant of Stock Awards.** Corporate action constituting a grant by the Company of a Stock Award to any Participant will be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, or letter evidencing the Stock Award is communicated to, or actually received or accepted by, the Participant. In the event that the corporate records (e.g., Board consents, resolutions or minutes) documenting the corporate action constituting the grant contain terms (e.g., exercise price, vesting schedule or number of shares) that are inconsistent with those in the Stock Award Agreement or related grant documents as a result of a clerical error in the papering of the Stock Award Agreement or related grant documents, the corporate records will control and the Participant will have no legally binding right to the incorrect term in the Stock Award Agreement or related grant documents.

(c) **Shareholder Rights.** No Participant will be deemed to be the holder of, or to have any of the rights of a holder with respect to, any Common Shares subject to a Stock Award unless and until (i) such Participant has satisfied all requirements for exercise of, or the issuance of Common Shares under, the Stock Award pursuant to its terms, and (ii) the issuance of the Common Shares subject to the Stock Award has been entered into the books and records of the Company.

(d) **No Employment or Other Service Rights.** Nothing in the Plan, any Stock Award Agreement or any other instrument executed thereunder or in connection with any Stock Award granted pursuant thereto will confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Stock Award was granted or will affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate, or (iii) the service of a Director pursuant to the bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the jurisdiction in which the Company or the Affiliate is incorporated, as the case may be.

(e) **Change in Time Commitment.** In the event a Participant's regular level of time commitment in the performance of his or her services for the Company or any Affiliate is reduced (for example, and without limitation, if the Participant is an Employee of the Company and the Employee has a change in status from a full-time Employee to a part-time Employee or takes an extended leave of absence) after the date of grant of any Stock Award to the Participant, the Board has the right in its sole discretion to (x) make a corresponding reduction in the number of shares subject to any portion of such Stock Award that is scheduled to vest or become payable after the date of such change in time commitment, and (y) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Stock Award. In the event of any such reduction, the Participant will have no right with respect to any portion of the Stock Award that is so reduced or extended.

(f) **Investment Assurances.** The Company may require a Participant, as a condition of exercising or acquiring Common Shares under any Stock Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that the Participant is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Shares subject to the Stock Award for the Participant's own account and not with any present intention of selling

or otherwise distributing the Common Shares. The foregoing requirements, and any assurances given pursuant to such requirements, will be inoperative if (A) the issuance of the shares upon the exercise or acquisition of Common Shares under the Stock Award has been registered under a then currently effective registration statement under the Securities Act or any other applicable law, or (B) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Shares.

(g) Withholding Obligations. Unless prohibited by the terms of a Stock Award Agreement, the Company may, in its sole discretion, satisfy any federal, state, local or foreign tax withholding obligation relating to a Stock Award by any of the following means or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding Common Shares from the Common Shares issued or otherwise issuable to the Participant in connection with the Stock Award; *provided, however,* that no Common Shares are withheld with a value exceeding the maximum amount of tax that may be required to be withheld by law (or such other amount as may be permitted while still avoiding classification of the Stock Award as a liability for financial accounting purposes); (iii) withholding cash from a Stock Award settled in cash; (iv) withholding payment from any amounts otherwise payable to the Participant; or (v) by such other method as may be set forth in the Stock Award Agreement.

(h) Electronic Delivery. Any reference herein to a "written" agreement or document will include any agreement or document delivered electronically or posted on the Company's intranet (or other shared electronic medium controlled by the Company to which the Participant has access).

(i) Deferrals. To the extent permitted by applicable law, the Board, in its sole discretion, may determine that the delivery of Common Shares or the payment of cash, upon the exercise, vesting or settlement of all or a portion of any Stock Award may be deferred and may establish programs and procedures for deferral elections to be made by Participants. The Board is authorized to make deferrals of Stock Awards and determine when, and in what annual percentages, Participants may receive payments, including lump sum payments, following the Participant's termination of Continuous Service, and implement such other terms and conditions consistent with the provisions of the Plan and in accordance with applicable law.

(j) Clawback/Recovery. All Stock Awards will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any securities exchange or association on which the Company's securities are listed or as is otherwise required by applicable law. In addition, the Board may impose such other clawback, recovery or recoupment provisions in a Stock Award Agreement as the Board determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired Common Shares or other cash or property upon the occurrence of an event constituting Cause. No recovery of compensation under such a clawback policy will be an event giving rise to a right to resign for "good reason" or "constructive termination" (or similar term) under any agreement with the Company.

9. ADJUSTMENTS UPON CHANGES IN COMMON SHARES; OTHER CORPORATE EVENTS.

(a) Capitalization Adjustments. In the event of a Capitalization Adjustment, the Board will appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 3(a); (ii) the class(es) and maximum number of securities that are subject to the Stock Award limits described in Section 3(c); and (iii) the class(es) and number of securities and price per

share of stock subject to outstanding Stock Awards. The Board will make such adjustments, and its determination will be final, binding and conclusive.

(b) Dissolution or Liquidation. Except as otherwise provided in the applicable Stock Award Agreement or other written agreement between a Participant and the Company or an Affiliate, in the event of a dissolution or liquidation of the Company, all outstanding Stock Awards (other than Stock Awards consisting of vested and outstanding Common Shares not subject to a forfeiture condition or the Company's right of repurchase) will terminate immediately prior to the completion of such dissolution or liquidation, and the Common Shares subject to the Company's repurchase rights or subject to a forfeiture condition may be repurchased or reacquired by the Company notwithstanding the fact that the holder of such Stock Award is providing Continuous Service; *provided, however*, that the Board may, in its sole discretion, cause some or all Stock Awards to become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent such Stock Awards have not previously expired or terminated) before the dissolution or liquidation is completed but contingent on its completion.

(c) Change in Control. The following provisions will apply to Stock Awards in the event of a Change in Control unless otherwise provided in the instrument evidencing the Stock Award or any other written agreement between the Company or any Affiliate and the Participant or unless otherwise expressly provided by the Board at the time of grant of a Stock Award. In the event of a Change in Control, then, notwithstanding any other provision of the Plan, the Board may take one or more of the following actions with respect to Stock Awards, contingent upon the closing or completion of the Change in Control:

(i) arrange for the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) to assume or continue the Stock Award or to substitute a similar stock award for the Stock Award (including, but not limited to, an award to acquire the same consideration paid to the shareholders of the Company pursuant to the Change in Control);

(ii) arrange for the assignment of any reacquisition or repurchase rights held by the Company in respect of Common Shares issued pursuant to the Stock Award to the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company);

(iii) accelerate the vesting, in whole or in part, of the Stock Award (and, if applicable, the time at which the Stock Award may be exercised) to a date prior to the effective time of such Change in Control as the Board determines (or, if the Board does not determine such a date, to the date that is five days prior to the effective date of the Change in Control), with such Stock Award terminating if not exercised (if applicable) at or prior to the effective time of the Change in Control; *provided, however*, that the Board may require Participants to complete and deliver to the Company a notice of exercise before the effective date of a Change in Control, which exercise is contingent upon the effectiveness of such Change in Control;

(iv) arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by the Company with respect to the Stock Award;

(v) cancel or arrange for the cancellation of the Stock Award, to the extent not vested or not exercised prior to the effective time of the Change in Control, in exchange for such cash consideration (including no consideration) as the Board, in its sole discretion, may consider appropriate; and

(vi) make a payment, in such form as may be determined by the Board equal to the excess, if any, of (A) the value of the property the Participant would have received upon the exercise of the Stock Award immediately prior to the effective time of the Change in Control, over (B) any exercise price payable by such Participant in connection with such exercise. For clarity, this payment may be zero (\$0) if

the value of the property is equal to or less than the exercise price. Payments under this provision may be delayed to the same extent that payment of consideration to the holders of Common Shares in connection with the Change in Control is delayed as a result of escrows, earn outs, holdbacks or any other contingencies.

The Board need not take the same action or actions with respect to all Stock Awards or portions thereof or with respect to all Participants. The Board may take different actions with respect to the vested and unvested portions of a Stock Award.

10. TERMINATION OR SUSPENSION OF THE PLAN.

The Board may suspend or terminate the Plan at any time. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated. Suspension or termination of the Plan will not materially impair rights and obligations under any Stock Award granted while the Plan is in effect except with the written consent of the affected Participant or as otherwise permitted in the Plan.

11. EFFECTIVE DATE OF PLAN.

This Plan will become effective on the Effective Date.

12. CHOICE OF LAW.

The laws of the Province of Ontario will govern all questions concerning the construction, validity and interpretation of this Plan, without regard to that province's conflict of laws rules.

13. DEFINITIONS. As used in the Plan, the following definitions will apply to the capitalized terms indicated below:

(a) "**Affiliate**" means: (i) any entity that, directly or indirectly, controls (as well as is controlled by or under common or joint control with) the Company; or (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Board.

(b) "**Board**" means the Board of Directors of the Company.

(c) "**Blackout Period**" means a period of time during which:

(i) the trading guidelines of the Company, as amended or replaced from time to time, restrict one or more Participants from trading in securities of the Company; or

(ii) the Company has determined that one or more Participants may not trade any securities of the Company.

(d) "**Blackout Period Expiry Date**" means the date on which a Blackout Period expires;

(e) "**Business Day**" means a day on which the Stock Exchange is open for trading;

(f) "**Capitalization Adjustment**" means any change that is made in, or other events that occur with respect to, the Common Shares subject to the Plan or subject to any Stock Award after the Effective Date without the receipt of consideration by the Company through amalgamation, merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, reverse stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure, or any similar equity restructuring transaction.

Notwithstanding the foregoing, the conversion of any convertible securities of the Company will not be treated as a Capitalization Adjustment.

(g) "**Cause**" will have the meaning ascribed to such term in any written agreement between the Participant and the Company, or an Affiliate, defining such term and, in the absence of such agreement, such term means, with respect to a Participant, the occurrence of any of the following events: (i) such Participant's commission of any felony or any crime involving fraud, dishonesty or moral turpitude under the laws of Canada (or any province or territory thereof) or the United States (or any state thereof), as applicable; (ii) such Participant's attempted commission of, or participation in, a fraud or act of dishonesty against the Company or an Affiliate; (iii) such Participant's intentional, material violation of any contract or agreement between the Participant and the Company or an Affiliate, or of any statutory duty owed to the Company or an Affiliate; (iv) such Participant's unauthorized use or disclosure of the Company's or an Affiliate's confidential information or trade secrets; or (v) such Participant's gross misconduct. The determination that a termination of the Participant's Continuous Service is either for Cause or without Cause will be made by the Company, in its sole discretion. Any determination by the Company that the Continuous Service of a Participant was terminated with or without Cause for the purposes of outstanding Stock Awards held by such Participant will have no effect upon any determination of the rights or obligations of the Company or such Participant for any other purpose.

(h) "**Change in Control**" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) any individual, entity or group of individuals or entities acting jointly or in concert (other than the Company, its Affiliates or an employee benefit plan or trust maintained by the Company or its Affiliates, or any company owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of Shares of the Company) acquiring beneficial ownership, directly or indirectly, of more than 50% of the combined voting power of the Company's then outstanding securities (excluding any "person" who becomes such a beneficial owner in connection with a transaction described in clause (A) of paragraph (ii) below);

(ii) the consummation of (A) a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) more than 30% of the combined voting power or the total fair market value of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; provided, however, that a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no person (other than those covered by the exceptions in paragraph (i) of this definition) acquires more than 50% of the combined voting power of the Company's then outstanding securities shall not constitute a Change in Control of the Company; or

(iii) a sale or other disposition of all or substantially all, as determined by the Board in its sole discretion, of the consolidated assets of the Company and its Subsidiaries.

Notwithstanding the foregoing definition or any other provision of this Plan, (A) the term Change in Control will not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company, and (B) the definition of Change in Control (or any analogous term) in an individual written agreement between the Company or any Affiliate and the Participant will supersede the foregoing definition with respect to Stock Awards subject to such agreement; *provided*,

however, that if no definition of Change in Control or any analogous term is set forth in such an individual written agreement, the foregoing definition will apply.

(i) "**Committee**" means a committee of one or more Directors to whom authority has been delegated by the Board in accordance with Section 2(c).

(j) "**Common Share**" means a common share of the Company.

(k) "**Company**" means Auxly Cannabis Group Inc., a corporation formed under the laws of the Province of British Columbia.

(l) "**Consultant**" means an individual (other than an Employee or a Director) or Exchange Company that:

(i) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Company or to an Affiliate, other than services provided in relation to a "Distribution," as such term is defined in Policy 1.1 of the TSX Venture Exchange Corporate Finance Manual;

(ii) provides the services under a written contract between the Company or an Affiliate and the individual or Exchange Company, as the case may be;

(iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or an Affiliate; and

(iv) has a relationship with the Company or an Affiliate that enables the individual to be knowledgeable about the business and affairs of the Company.

Notwithstanding the foregoing, to the extent required under applicable law, a Consultant may not be a company.

(m) "**Continuous Service**" means that the Participant's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Director or Consultant or a change in the Entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant's service with the Company or an Affiliate, will not terminate a Participant's Continuous Service; *provided, however*, that if the Entity for which a Participant is rendering services ceases to qualify as an Affiliate, as determined by the Board in its sole discretion, such Participant's Continuous Service will be considered to have terminated on the date such Entity ceases to qualify as an Affiliate. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or to a Director will not constitute an interruption of Continuous Service. To the extent permitted by applicable law, the Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service will be considered interrupted in the case of (i) any leave of absence approved by the Board or chief executive officer, including sick leave, military leave or any other personal leave, or (ii) transfers between the Company, an Affiliate, or their successors. Notwithstanding the foregoing, a leave of absence will be treated as Continuous Service for purposes of vesting in a Stock Award only to such extent as may be provided in the Company's leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to the Participant, or as otherwise required by applicable law.

(n) "**Director**" means a director, senior officer or Management Company Employee of the Company, or a director, senior officer or Management Company Employee of any of the Company's subsidiaries.

(o) "**Disability**" means, with respect to a Participant, the inability of such Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months, which will be determined by the Board on the basis of such medical evidence as the Board deems warranted under the circumstances.

(p) "**Effective Date**" means the effective date of this Plan, which is June 12, 2018.

(q) "**Employee**" means:

(i) an individual who is considered an employee of the Company or its subsidiary under the *Income Tax Act* (Canada) (and for whom income tax, employment insurance and CPP deductions must be made at source);

(ii) an individual who works full-time for the Company or its subsidiary providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions are not made at source; or

(iii) an individual who works for the Company or its subsidiary on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions are not made at source.

(r) "**Entity**" means a corporation, partnership, limited liability company or other entity.

(s) "**Exchange Company**" means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

(t) "**Exchange Requirements**" means and includes the Articles, by-laws, policies, circulars, rules (including the Universal Market Integrity Rules adopted by the Exchange and as may be amended from time to time and administered and enforced by the Exchange or any Regulation Services Provider retained by the Exchange) guidelines, orders, notices, rulings, forms, decisions and regulations of the TSX Venture Exchange Inc. (the "**Exchange**") as from time to time enacted, any instructions, decisions and directions of a Regulation Services Provider or the Exchange (including those of any committee of the Exchange as appointed from time to time), the *Securities Act* (British Columbia) and rules and regulations thereunder as amended and any policies, rules, orders, rulings, forms or regulations from time to time enacted by the British Columbia Securities Commission and all applicable provisions of the Securities Laws of any other jurisdiction.

(u) "**Fair Market Value**" means, as of any date, the value of the Common Shares determined as follows:

(i) Unless otherwise provided by the Board, if the Common Shares are listed on any established stock exchange or traded on any established market, then the Fair Market Value of a Common Share will be the closing sales price for such stock as quoted on such exchange or market (or the exchange

or market with the greatest volume of trading in the Common Shares) on the last market trading day prior to the date of determination, as reported in a source the Board deems reliable.

(ii) In the absence of such markets for the Common Shares, the Fair Market Value of a Common Share will be determined by the Board in good faith.

(v) "*Insider*" means:

(i) a director or senior officer of the Company;

(ii) a director or senior officer of an Exchange Company that is an Insider or subsidiary of the Company;

(iii) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of the Company; or

(iv) the Company itself if it holds any of its own securities.

(w) "*Investor Relations Activities*" means any activities, by or on behalf of the Company or a registered or beneficial holder of shares or, if the context requires, other securities of the Company, that promote or reasonably could be expected to promote the purchase or sale of securities of the Company, but does not include:

(i) the dissemination of information provided, or records prepared, in the ordinary course of business of the Company

(1) to promote the sale of products or services of the Company, or

(2) to raise public awareness of the Company,

that cannot reasonably be considered to promote the purchase or sale of securities of the Company;

(ii) activities or communications necessary to comply with the requirements of: (1) applicable Securities Laws; (2) Exchange Requirements or the by-laws, rules or other regulatory instruments of any other self regulatory body or exchange having jurisdiction over the Company;

(iii) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if: (1) the communication is only through the newspaper, magazine or publication, and (2) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer; or

(iv) activities or communications that may be otherwise specified by the Exchange.

(x) "*Management Company Employee*" means an individual employed by a Person providing management services to the Company, which are required for the ongoing successful operation of the business enterprise of the Company, but excluding a Person engaged in Investor Relations Activities.

(y) "*Non-Employee Director*" means a member of the Board who either (i) is not a current employee or officer of the Company or an Affiliate, does not receive compensation, either directly or indirectly, from the Company or an Affiliate for services rendered as a consultant or in any capacity other

than as a member of the Board (except for an amount as to which disclosure would not be required under applicable securities laws.

(z) "**Officer**" means any person designated by the Company as an officer.

(aa) "**Option**" means a stock option to purchase Common Shares granted pursuant to the Plan.

(bb) "**Option Agreement**" means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an Option grant. Each Option Agreement will be subject to the terms and conditions of the Plan.

(cc) "**Optionholder**" means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(dd) "**Option Period**" means the period of time during which the particular Option may be exercised, including as extended in accordance with Section 5(a) hereof.

(ee) "**Other Stock Award**" means an award based in whole or in part by reference to the Common Shares which are granted pursuant to the terms and conditions of Section 6(c).

(ff) "**Other Stock Award Agreement**" means a written agreement between the Company and a holder of an Other Stock Award evidencing the terms and conditions of an Other Stock Award grant. Each Other Stock Award Agreement will be subject to the terms and conditions of the Plan.

(gg) "**Own,**" "**Owned,**" "**Owner,**" "**Ownership**" means that a person or Entity will be deemed to "Own," to have "Owned," to be the "Owner" of, or to have acquired "Ownership" of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

(hh) "**Participant**" means a person to whom a Stock Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(ii) "**Person**" means an Exchange Company or individual.

(jj) "**Plan**" means this Auxly Cannabis Group Inc. 2018 Equity Incentive Plan.

(kk) "**Regulation Services Provider**" has the meaning ascribed in National Instrument 21-101 *Marketplace Operation* and refers to the Investment Industry Regulatory Organization of Canada (or "**IIROC**") or any successor retained by the Exchange.

(ll) "**Restricted Stock Award**" means an award of Common Shares which is granted pursuant to the terms and conditions of Section 6(a).

(mm) "**Restricted Stock Award Agreement**" means a written agreement between the Company and a holder of a Restricted Stock Award evidencing the terms and conditions of a Restricted Stock Award grant. Each Restricted Stock Award Agreement will be subject to the terms and conditions of the Plan.

(nn) "**Restricted Stock Unit Award**" means a right to receive Common Shares which is granted pursuant to the terms and conditions of Section 6(b).

(oo) "*Restricted Stock Unit Award Agreement*" means a written agreement between the Company and a holder of a Restricted Stock Unit Award evidencing the terms and conditions of a Restricted Stock Unit Award grant. Each Restricted Stock Unit Award Agreement will be subject to the terms and conditions of the Plan.

(pp) "*Securities Laws*" means securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time that are applicable to the Company.

(qq) "*Stock Appreciation Right*" or "*SAR*" means a right to receive the appreciation on Common Shares that are granted pursuant to the terms and conditions of Section 5.

(rr) "*Stock Appreciation Right Agreement*" means a written agreement between the Company and a holder of a Stock Appreciation Right evidencing the terms and conditions of a Stock Appreciation Right grant. Each Stock Appreciation Right Agreement will be subject to the terms and conditions of the Plan.

(ss) "*Stock Award*" means any right to receive Common Shares granted under the Plan, including an Option, a Restricted Stock Award, a Restricted Stock Unit Award, a Stock Appreciation Right or any Other Stock Award.

(tt) "*Stock Award Agreement*" means a written agreement between the Company and a Participant evidencing the terms and conditions of a Stock Award grant. Each Stock Award Agreement will be subject to the terms and conditions of the Plan.

(uu) "*Stock Exchange*" means TSX Venture Exchange or, if the Common Shares are not then listed on the TSX Venture Exchange, such other principal market on which the Common Shares are then traded as designated by the Board from time to time;

(vv) "*Subsidiary*" means, with respect to the Company, (i) any corporation of which more than 50% of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation will have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (ii) any partnership, limited liability company or other entity in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than 50%.

(ww) "*Voting Shares*" means a security of the Company that (i) is not a debt security, and (ii) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

SCHEDULE "D"

SECTIONS 237-247 OF THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA)

SECTIONS 237- 247 OF THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA)

Division 2 — Dissent Proceedings

Definitions and application

237 (1) In this Division:

“**dissenter**” means a shareholder who, being entitled to do so, sends written notice of dissent when and as required by section 242;

“**notice shares**” means, in relation to a notice of dissent, the shares in respect of which dissent is being exercised under the notice of dissent;

“**payout value**” means,

- (a) in the case of a dissent in respect of a resolution, the fair value that the notice shares had immediately before the passing of the resolution,
- (b) in the case of a dissent in respect of an arrangement approved by a court order made under section 291 (2) (c) that permits dissent, the fair value that the notice shares had immediately before the passing of the resolution adopting the arrangement,
- (c) in the case of a dissent in respect of a matter approved or authorized by any other court order that permits dissent, the fair value that the notice shares had at the time specified by the court order, or
- (d) in the case of a dissent in respect of a community contribution company, the value of the notice shares set out in the regulations,
 - excluding any appreciation or depreciation in anticipation of the corporate action approved or authorized by the resolution or court order unless exclusion would be inequitable.

(2) This Division applies to any right of dissent exercisable by a shareholder except to the extent that

- (a) the court orders otherwise, or
- (b) in the case of a right of dissent authorized by a resolution referred to in section 238 (1) (g), the court orders otherwise or the resolution provides otherwise.

Right to dissent

238 (1) A shareholder of a company, whether or not the shareholder’s shares carry the right to vote, is entitled to dissent as follows:

- (a) under section 260, in respect of a resolution to alter the articles
 - (i) to alter restrictions on the powers of the company or on the business the company is permitted to carry on; or
 - (ii) without limiting subparagraph (i), in the case of a community contribution company, to alter any of the company's community purposes within the meaning of section 51.91;
- (b) under section 272, in respect of a resolution to adopt an amalgamation agreement;

- (c) under section 287, in respect of a resolution to approve an amalgamation under Division 4 of Part 9;
 - (d) in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent;
 - (e) under section 301 (5), in respect of a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company's undertaking;
 - (f) under section 309, in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;
 - (g) in respect of any other resolution, if dissent is authorized by the resolution;
 - (h) in respect of any court order that permits dissent.
- (2) A shareholder wishing to dissent must
- (a) prepare a separate notice of dissent under section 242 for
 - (i) the shareholder, if the shareholder is dissenting on the shareholder's own behalf, and
 - (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is dissenting,
 - (b) identify in each notice of dissent, in accordance with section 242 (4), the person on whose behalf dissent is being exercised in that notice of dissent, and
 - (c) dissent with respect to all of the shares, registered in the shareholder's name, of which the person identified under paragraph (b) of this subsection is the beneficial owner.
- (3) Without limiting subsection (2), a person who wishes to have dissent exercised with respect to shares of which the person is the beneficial owner must
- (a) dissent with respect to all of the shares, if any, of which the person is both the registered owner and the beneficial owner, and
 - (b) cause each shareholder who is a registered owner of any other shares of which the person is the beneficial owner to dissent with respect to all of those shares.

Waiver of right to dissent

- 239** (1) A shareholder may not waive generally a right to dissent but may, in writing, waive the right to dissent with respect to a particular corporate action.
- (2) A shareholder wishing to waive a right of dissent with respect to a particular corporate action must
- (a) provide to the company a separate waiver for
 - (i) the shareholder, if the shareholder is providing a waiver on the shareholder's own behalf, and
 - (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is providing a waiver, and
 - (b) identify in each waiver the person on whose behalf the waiver is made.
- (3) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on the shareholder's own behalf, the

shareholder's right to dissent with respect to the particular corporate action terminates in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and this Division ceases to apply to

- (a) the shareholder in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and
 - (b) any other shareholders, who are registered owners of shares beneficially owned by the first mentioned shareholder, in respect of the shares that are beneficially owned by the first mentioned shareholder.
- (4) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on behalf of a specified person who beneficially owns shares registered in the name of the shareholder, the right of shareholders who are registered owners of shares beneficially owned by that specified person to dissent on behalf of that specified person with respect to the particular corporate action terminates and this Division ceases to apply to those shareholders in respect of the shares that are beneficially owned by that specified person.

Notice of resolution

- 240** (1) If a resolution in respect of which a shareholder is entitled to dissent is to be considered at a meeting of shareholders, the company must, at least the prescribed number of days before the date of the proposed meeting, send to each of its shareholders, whether or not their shares carry the right to vote,
- (a) a copy of the proposed resolution, and
 - (b) a notice of the meeting that specifies the date of the meeting, and contains a statement advising of the right to send a notice of dissent.
- (2) If a resolution in respect of which a shareholder is entitled to dissent is to be passed as a consent resolution of shareholders or as a resolution of directors and the earliest date on which that resolution can be passed is specified in the resolution or in the statement referred to in paragraph (b), the company may, at least 21 days before that specified date, send to each of its shareholders, whether or not their shares carry the right to vote,
- (a) a copy of the proposed resolution, and
 - (b) a statement advising of the right to send a notice of dissent.
- (3) If a resolution in respect of which a shareholder is entitled to dissent was or is to be passed as a resolution of shareholders without the company complying with subsection (1) or (2), or was or is to be passed as a directors' resolution without the company complying with subsection (2), the company must, before or within 14 days after the passing of the resolution, send to each of its shareholders who has not, on behalf of every person who beneficially owns shares registered in the name of the shareholder, consented to the resolution or voted in favour of the resolution, whether or not their shares carry the right to vote,
- (a) a copy of the resolution,
 - (b) a statement advising of the right to send a notice of dissent, and
 - (c) if the resolution has passed, notification of that fact and the date on which it was passed.
- (4) Nothing in subsection (1), (2) or (3) gives a shareholder a right to vote in a meeting at which, or on a resolution on which, the shareholder would not otherwise be entitled to vote.

Notice of court orders

- 241** If a court order provides for a right of dissent, the company must, not later than 14 days after the date on which the company receives a copy of the entered order, send to each shareholder who is entitled to exercise that right of dissent
- (a) a copy of the entered order, and
 - (b) a statement advising of the right to send a notice of dissent.

Notice of dissent

- 242** (1) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (a), (b), (c), (d), (e) or (f) must,
- (a) if the company has complied with section 240 (1) or (2), send written notice of dissent to the company at least 2 days before the date on which the resolution is to be passed or can be passed, as the case may be,
 - (b) if the company has complied with section 240 (3), send written notice of dissent to the company not more than 14 days after receiving the records referred to in that section, or
 - (c) if the company has not complied with section 240 (1), (2) or (3), send written notice of dissent to the company not more than 14 days after the later of
 - (i) the date on which the shareholder learns that the resolution was passed, and
 - (ii) the date on which the shareholder learns that the shareholder is entitled to dissent.
- (2) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (g) must send written notice of dissent to the company
- (a) on or before the date specified by the resolution or in the statement referred to in section 240 (2) (b) or (3) (b) as the last date by which notice of dissent must be sent, or
 - (b) if the resolution or statement does not specify a date, in accordance with subsection (1) of this section.
- (3) A shareholder intending to dissent under section 238 (1) (h) in respect of a court order that permits dissent must send written notice of dissent to the company
- (a) within the number of days, specified by the court order, after the shareholder receives the records referred to in section 241, or
 - (b) if the court order does not specify the number of days referred to in paragraph (a) of this subsection, within 14 days after the shareholder receives the records referred to in section 241.
- (4) A notice of dissent sent under this section must set out the number, and the class and series, if applicable, of the notice shares, and must set out whichever of the following is applicable:
- (a) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner and the shareholder owns no other shares of the company as beneficial owner, a statement to that effect;

- (b) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner but the shareholder owns other shares of the company as beneficial owner, a statement to that effect and
 - (i) the names of the registered owners of those other shares,
 - (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
 - (iii) a statement that notices of dissent are being, or have been, sent in respect of all of those other shares;
 - (c) if dissent is being exercised by the shareholder on behalf of a beneficial owner who is not the dissenting shareholder, a statement to that effect and
 - (i) the name and address of the beneficial owner, and
 - (ii) a statement that the shareholder is dissenting in relation to all of the shares beneficially owned by the beneficial owner that are registered in the shareholder's name.
- (5) The right of a shareholder to dissent on behalf of a beneficial owner of shares, including the shareholder, terminates and this Division ceases to apply to the shareholder in respect of that beneficial owner if subsections (1) to (4) of this section, as those subsections pertain to that beneficial owner, are not complied with.

Notice of intention to proceed

- 243** (1) A company that receives a notice of dissent under section 242 from a dissenter must,
- (a) if the company intends to act on the authority of the resolution or court order in respect of which the notice of dissent was sent, send a notice to the dissenter promptly after the later of
 - (i) the date on which the company forms the intention to proceed, and
 - (ii) the date on which the notice of dissent was received, or
 - (b) if the company has acted on the authority of that resolution or court order, promptly send a notice to the dissenter.
- (2) A notice sent under subsection (1) (a) or (b) of this section must
- (a) be dated not earlier than the date on which the notice is sent,
 - (b) state that the company intends to act, or has acted, as the case may be, on the authority of the resolution or court order, and
 - (c) advise the dissenter of the manner in which dissent is to be completed under section 244.

Completion of dissent

- 244** (1) A dissenter who receives a notice under section 243 must, if the dissenter wishes to proceed with the dissent, send to the company or its transfer agent for the notice shares, within one month after the date of the notice,
- (a) a written statement that the dissenter requires the company to purchase all of the notice shares,
 - (b) the certificates, if any, representing the notice shares, and

- (c) if section 242 (4) (c) applies, a written statement that complies with subsection (2) of this section.
- (2) The written statement referred to in subsection (1) (c) must
 - (a) be signed by the beneficial owner on whose behalf dissent is being exercised, and
 - (b) set out whether or not the beneficial owner is the beneficial owner of other shares of the company and, if so, set out
 - (i) the names of the registered owners of those other shares,
 - (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
 - (iii) that dissent is being exercised in respect of all of those other shares.
- (3) After the dissenter has complied with subsection (1),
 - (a) the dissenter is deemed to have sold to the company the notice shares, and
 - (b) the company is deemed to have purchased those shares, and must comply with section 245, whether or not it is authorized to do so by, and despite any restriction in, its memorandum or articles.
- (4) Unless the court orders otherwise, if the dissenter fails to comply with subsection (1) of this section in relation to notice shares, the right of the dissenter to dissent with respect to those notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares.
- (5) Unless the court orders otherwise, if a person on whose behalf dissent is being exercised in relation to a particular corporate action fails to ensure that every shareholder who is a registered owner of any of the shares beneficially owned by that person complies with subsection (1) of this section, the right of shareholders who are registered owners of shares beneficially owned by that person to dissent on behalf of that person with respect to that corporate action terminates and this Division, other than section 247, ceases to apply to those shareholders in respect of the shares that are beneficially owned by that person.
- (6) A dissenter who has complied with subsection (1) of this section may not vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, other than under this Division.

Payment for notice shares

- 245** (1) A company and a dissenter who has complied with section 244 (1) may agree on the amount of the payout value of the notice shares and, in that event, the company must
- (a) promptly pay that amount to the dissenter, or
 - (b) if subsection (5) of this section applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.
- (2) A dissenter who has not entered into an agreement with the company under subsection (1) or the company may apply to the court and the court may
- (a) determine the payout value of the notice shares of those dissenters who have not entered into an agreement with the company under subsection (1), or order that the payout value of those notice shares be established by arbitration or by reference to the registrar, or a referee, of the court,

- (b) join in the application each dissenter, other than a dissenter who has entered into an agreement with the company under subsection (1), who has complied with section 244 (1), and
 - (c) make consequential orders and give directions it considers appropriate.
- (3) Promptly after a determination of the payout value for notice shares has been made under subsection (2)
- (a) of this section, the company must
 - (a) pay to each dissenter who has complied with section 244 (1) in relation to those notice shares, other than a dissenter who has entered into an agreement with the company under subsection (1) of this section, the payout value applicable to that dissenter's notice shares, or
 - (b) if subsection (5) applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.
- (4) If a dissenter receives a notice under subsection (1) (b) or (3) (b),
- (a) the dissenter may, within 30 days after receipt, withdraw the dissenter's notice of dissent, in which case the company is deemed to consent to the withdrawal and this Division, other than section 247, ceases to apply to the dissenter with respect to the notice shares, or
 - (b) if the dissenter does not withdraw the notice of dissent in accordance with paragraph (a) of this subsection, the dissenter retains a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the company but in priority to its shareholders.
- (5) A company must not make a payment to a dissenter under this section if there are reasonable grounds for believing that
- (a) the company is insolvent, or
 - (b) the payment would render the company insolvent.

Loss of right to dissent

246 The right of a dissenter to dissent with respect to notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares, if, before payment is made to the dissenter of the full amount of money to which the dissenter is entitled under section 245 in relation to those notice shares, any of the following events occur:

- (a) the corporate action approved or authorized, or to be approved or authorized, by the resolution or court order in respect of which the notice of dissent was sent is abandoned;
- (b) the resolution in respect of which the notice of dissent was sent does not pass;
- (c) the resolution in respect of which the notice of dissent was sent is revoked before the corporate action approved or authorized by that resolution is taken;
- (d) the notice of dissent was sent in respect of a resolution adopting an amalgamation agreement and the amalgamation is abandoned or, by the terms of the agreement, will not proceed;
- (e) the arrangement in respect of which the notice of dissent was sent is abandoned or by its terms will not proceed;
- (f) a court permanently enjoins or sets aside the corporate action approved or authorized by the resolution or court order in respect of which the notice of dissent was sent;

- (g) with respect to the notice shares, the dissenter consents to, or votes in favour of, the resolution in respect of which the notice of dissent was sent;
- (h) the notice of dissent is withdrawn with the written consent of the company;
- (i) the court determines that the dissenter is not entitled to dissent under this Division or that the dissenter is not entitled to dissent with respect to the notice shares under this Division.

Shareholders entitled to return of shares and rights

247 If, under section 244 (4) or (5), 245 (4) (a) or 246, this Division, other than this section, ceases to apply to a dissenter with respect to notice shares,

- (a) the company must return to the dissenter each of the applicable share certificates, if any, sent under section 244 (1) (b) or, if those share certificates are unavailable, replacements for those share certificates,
- (b) the dissenter regains any ability lost under section 244 (6) to vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, and
- (c) the dissenter must return any money that the company paid to the dissenter in respect of the notice shares under, or in purported compliance with, this Division.