



NOTICE OF MEETING

AND

MANAGEMENT INFORMATION CIRCULAR

RELATING TO

AN ANNUAL GENERAL AND SPECIAL MEETING

OF SHAREHOLDERS OF

TARGETED MICROWAVE SOLUTIONS INC.

Date and Time: June 8, 2016 at 11:00 A.M. (EDT)

Place: 203 Perry Parkway
Gaithersburg, Maryland
20877

May 12, 2016



Suite 2300
1600 West Hastings Street
Vancouver, BC
V6E 3X2

www.tmsenergy.com
CSE:TMS

May 12, 2016

Dear Shareholder:

It is our pleasure to invite you to attend our annual general and special meeting of shareholders on Wednesday, June 8, 2016, beginning at 11:00 A.M. (EDT), at Targeted Microwave Solutions Inc.'s research and development office located at 203 Perry Parkway, Gaithersburg, Maryland 20877. At the meeting, you will be voting on a number of important matters, and you will have an opportunity to ask questions of your board of directors and management.

Your vote is important to us, and we hope that you will be able to attend the meeting. You may also vote over the Internet, by telephone, or by mailing a form of proxy or voting instruction form. Please review the instructions on each of your voting options described in the accompanying management information circular.

We thank you for your continued support and look forward to seeing you in Gaithersburg.

Very truly yours,

"James Young"
Dr. James Young
Chairman of the Board

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**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING
OF SHAREHOLDERS TO BE HELD ON JUNE 8, 2016**

TO THE HOLDERS OF COMMON SHARES OF TARGETED MICROWAVE SOLUTIONS INC.:

NOTICE IS HEREBY GIVEN that an annual general and special meeting (the "**Meeting**") of shareholders of Targeted Microwave Solutions Inc. ("**TMS**") will be held at 203 Perry Parkway, Gaithersburg, Maryland 20877, on June 8, 2016, at 11:00 A.M. (EDT) for the following purposes:

1. to receive and consider the audited financial statements of TMS for the period ended December 31, 2015, and the report of the auditors thereon;
2. to elect the directors of TMS for the ensuing year;
3. to re-appoint BDO Canada LLP, Chartered Professional Accountants, as the auditors of TMS for the fiscal year ending December 31, 2016, and to authorize the directors of TMS to fix the auditors' remuneration;
4. to consider, and if thought fit, to pass, with or without variation, an ordinary resolution, in the form attached as Schedule "A" to the accompanying management information circular (the "**Circular**"), approving certain amendments to the long-term performance incentive plan of TMS dated May 21, 2015, as more particularly described in the Circular; and
5. to transact such further or other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof.

The board of directors of TMS has fixed May 4, 2016 as the record date for determining shareholders who are entitled to attend and vote at the Meeting. Accompanying this Notice of Meeting are the Circular and a form of proxy. The accompanying Circular provides additional information relating to the matters to be dealt with at the Meeting.

If you are a registered shareholder of TMS, whether or not you are able to attend the Meeting, you are requested to complete, execute and deliver the enclosed form of proxy in accordance with the instructions set forth on the form to TMS, c/o Computershare Investor Services Inc., Attn.: Proxy Department, 8th floor – 100 University Avenue, Toronto, Ontario M5J 2Y1, by no later than 11:00 A.M. (EDT) on June 6, 2016 or, if the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to any adjournment(s) or postponement(s) thereof. The time limit for the deposit of proxies may be waived by the chair of the Meeting at his discretion without notice. Registered shareholders of TMS can also vote their proxies via telephone or the Internet in accordance with the instructions provided in the form of proxy.

If you are a non-registered holder of TMS common shares and you receive these materials through your broker, custodian, nominee or other intermediary, you should follow the instructions provided by your broker, custodian, nominee or other intermediary in order to vote your common shares.

DATED at Vancouver, British Columbia, this 12th day of May, 2016.

BY ORDER OF THE BOARD OF DIRECTORS

"James Young"
Dr. James Young
Chairman of the Board



MANAGEMENT INFORMATION CIRCULAR

INFORMATION CONTAINED IN THIS CIRCULAR

The information in this management information circular (the "**Circular**") is given as of May 12, 2016, unless otherwise noted.

This Circular is being furnished to holders ("**Shareholders**") of common shares ("**Shares**") in the capital of Targeted Microwave Solutions Inc. ("**TMS**") in connection with the solicitation of proxies by management of TMS for use at the annual general and special meeting of Shareholders to be held at 11:00 A.M. (EDT) on Wednesday, June 8, 2016, at 203 Perry Parkway, Gaithersburg, Maryland 20877, and any adjournment(s) or postponement(s) thereof (the "**Meeting**") for the purposes set forth in the accompanying notice of meeting dated May 12, 2016 (the "**Notice of Meeting**").

The Notice of Meeting, the form of proxy (the "**Proxy**") and this Circular (collectively, the "**Meeting Materials**") will be mailed to Shareholders commencing on or about May 18, 2016. All dollar amounts set forth in this Circular are expressed in United States dollars, unless otherwise indicated.

GENERAL PROXY INFORMATION

Solicitation of Proxies

The solicitation of proxies by management of TMS will be conducted by mail and may be supplemented by telephone or other personal contact, and such solicitation will be made without special compensation granted to the directors, officers, employees and consultants of TMS. The cost of solicitation, including for the mailing of the Meeting Materials, will be borne by TMS.

No person has been authorized to give any information or to make any representation other than as contained in this Circular in connection with the solicitation of proxies. If given or made, such information or representations must not be relied upon as having been authorized by TMS. This Circular does not constitute the solicitation of a proxy by anyone in any jurisdiction in which such solicitation is not authorized, in which the person making such solicitation is not qualified to do so, or to anyone to whom it is unlawful to make such an offer of solicitation.

Record Date

The board of directors of TMS (the "**Board**") has set the close of business on May 4, 2016, as the record date (the "**Record Date**") for determining which Shareholders shall be entitled to receive notice of and to vote at the Meeting. Only Shareholders of record ("**Registered Shareholders**") as of the Record Date are entitled to receive notice of and to vote at the Meeting.

Appointment of Proxyholders

The person(s) named in the accompanying Proxy as proxyholder(s) are management's representatives. A Shareholder wishing to appoint some other person or company (that need not be a Shareholder) to represent him, her or it at the Meeting may do so, either by striking out the printed name(s) and inserting the desired person or company's name in the blank space provided in the Proxy or by completing another Proxy and, in either case, delivering the completed Proxy to the office of Computershare Investor Services Inc., Attn.: Proxy Department, 8th floor – 100 University Avenue, Toronto, Ontario M5J 2Y1, or by fax to 1-866-249-7775 (North America) or 1-416-263-9524 (international)

not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time fixed for the Meeting or any adjournment(s) or postponement(s) thereof. The chair of the Meeting has the discretion to accept Proxies received after that time. Registered Shareholders may also vote their Proxies via telephone or the Internet in accordance with the instructions provided in the Proxy.

Voting of Proxies

If the Proxy is completed, signed and delivered to TMS, the person(s) named as proxyholders therein shall vote or withhold from voting Shares in respect of which they are appointed as proxyholders at the Meeting in accordance with the instructions of the Shareholder appointing them, on any show of hands and/or on any ballot that may be called for, and if the Shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the person(s) appointed as proxyholder(s) shall vote accordingly. The Proxy confers discretionary authority upon the person(s) named therein with respect to: (a) each matter or group of matters identified therein for which a choice is not specified; (b) any amendment to or variation of any matter identified therein; and (c) to transact such other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof. As of the date of this Circular, the Board knows of no such amendments, variations or other matters to come before the Meeting, other than matters referred to in the Notice of Meeting. However, if other matters should properly come before the Meeting, the Proxy will be voted on such matters in accordance with the best judgment of the person(s) voting the Proxy.

If no choice is specified by a Shareholder with respect to any matter identified in the Proxy or any amendment or variation to such matter, it is intended that the person(s) designated by management in the Proxy will vote the Shares represented thereby in favour of such matter.

Non-Registered Holders

Only Registered Shareholders as of the Record Date or duly appointed proxyholders are permitted to vote at the Meeting. Most Shareholders are "non-registered shareholders" because the Shares they own are not registered in their name but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased their Shares. More particularly, a person is not a Registered Shareholder in respect of Shares which are held on behalf of that person (the "**Non-Registered Holder**") but which are registered either: (a) in the name of an intermediary (an "**Intermediary**") that the Non-Registered Holder deals with in respect of the Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a depository (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with the requirements of applicable securities laws, TMS has distributed copies of the Meeting Materials to the depositories and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

- (a) be given a Proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. Because the Intermediary has already signed the Proxy, this Proxy is not required to be signed by the Non-Registered Holder when submitting the Proxy. In this case, the Non-Registered Holder who wishes to submit the Proxy should otherwise properly complete the Proxy and deliver it to the offices of TMS; or
- (b) more typically, be given a voting instruction form which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions (often called a proxy authorization form) which the Intermediary must follow.

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Shares which they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to vote at the Meeting in person, the Non-Registered Holder should strike out the names of the management proxyholder(s) and insert the Non-Registered Holder's name in the blank space provided or, in the case of a voting instruction form, follow the corresponding

instructions on the form. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the Proxy or voting instruction form is to be delivered.**

Revocability of Proxy

Any Shareholder returning the enclosed Proxy may revoke the same at any time insofar as it has not been exercised. In addition to revocation in any other manner permitted by law, a Proxy may be revoked by instrument in writing duly executed by the Shareholder or by the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and delivered either to Computershare or to the registered office of TMS at any time up to and including the last business day preceding the day of the Meeting, or any adjournment(s) or any postponement(s) thereof, or with the chair of the Meeting prior to the commencement of the Meeting. A revocation of a Proxy will not affect any matter on which a vote is taken before the revocation.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as disclosed herein, no Person has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than the election of directors or the appointment of auditors. For the purpose of this paragraph, "Person" shall include each person or company: (a) who is, or has served since the beginning of the period ended December 31, 2015, as a director or executive officer of TMS; (b) who is a Nominee (as defined below); and (c) who is an associate or affiliate of a person or company included in the foregoing.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

TMS's authorized capital consists of an unlimited number of Shares. As at the Record Date, there were a total of 36,820,010 Shares outstanding. Each Share entitles the holder thereof to one vote.

The following table lists, to the knowledge of the directors and executive officers of TMS, based on public information, those persons or companies who beneficially own, directly or indirectly, or exercise control or direction over, voting securities carrying 10% or more of all voting rights of TMS, as of the date hereof:

Name	Number of Shares	Percentage of Issued and Outstanding Shares
SOHL, Inc. ⁽¹⁾	15,809,333	42.9%

Note:

(1) The reported Shares are controlled and directed by Satellite Overseas (Holdings) Limited ("SOHL").

ELECTION OF DIRECTORS

The Board is recommending five persons (the "**Nominees**") for election as directors at the Meeting. Each of the five persons whose name appears below is proposed by the Board to be nominated for election as a director of TMS to serve until the next annual general meeting of shareholders or until the director sooner ceases to hold office.

The following table (and notes thereto) states the name and province or state and country of residence of each Nominee, all offices of TMS now held by him, the period of time for which he has been a director of TMS and the number of Shares beneficially owned by him, directly or indirectly, or over which he exercises control or direction, as at the date hereof:

Name, province or state and county of residence	Current positions with TMS	Director since	Shares beneficially owned or controlled and directed (#)
Dr. James Young ⁽¹⁾⁽²⁾ Maryland, United States	Chairman and Director	September 5, 2013	635,010 ⁽³⁾⁽⁴⁾
Dr. Rajiv I. Modi ⁽²⁾ Gujarat, India	Director	May 21, 2015	Nil ⁽⁵⁾
Lawrence Siegel California, United States	Chief Executive Officer	N/A	600,000 ⁽⁶⁾
Dr. Stephen D. Crocker ⁽¹⁾⁽²⁾ Maryland, United States	Director	May 21, 2015	Nil ⁽⁷⁾
Ian Hume ⁽¹⁾⁽²⁾ Washington, D.C., United States	Director	September 15, 2010	97,920 ⁽⁸⁾

Notes:

- (1) The Audit Committee is currently comprised of Messrs. Crocker (Chair), Young, Modi, and Hudson. On or about the Meeting, it is expected that the Audit Committee will be comprised of Messrs. Crocker (Chair), Young and Hume.
- (2) The Compensation and Corporate Governance Committee (the "CCGC") is comprised of Messrs. Young (Chair), Modi, Crocker and Hume.
- (3) Dr. Young has control and direction, but not beneficial ownership, of 60,000 of the reported Shares.
- (4) Dr. Young also holds: (i) 800,000 restricted share units ("RSUs"), each of which represents, on vesting, one Share; (ii) options to purchase 700,000 Shares; and (iii) warrants exercisable for an aggregate of 100,010 Shares.
- (5) Excludes an aggregate of 15,809,333 Shares owned or controlled and directed by SOHL. Dr. Modi is a SOHL representative to the Board and is also a director of SOHL.
- (6) Mr. Siegel also holds: (i) 500,000 performance share units ("PSUs"), each of which represents, on vesting, one Share; and (ii) options to purchase 400,000 Shares.
- (7) Dr. Crocker also holds options to purchase 175,000 Shares.
- (8) Mr. Hume also holds options to purchase 135,000 Shares.

Set out below are profiles of each Nominee, including particulars of his principal occupation for the past five years:



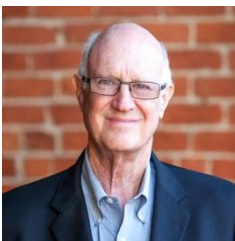
Dr. James Young, age 63, Chairman and Director. Dr. Young has served as chairman of the board of directors of Novavax, Inc. (NASDAQ: NVAX), a clinical-stage vaccine company, and on the board of directors of 3-V Biosciences, Inc., a private drug company, since 2010. Dr. Young was head of research and development for MedImmune, Inc. ("MedImmune"), a biotechnology development enterprise, from 1989 to 2008 following its \$15.6 billion sale to AstraZeneca PLC, a British-Swedish multinational pharmaceutical and biologics company, in 2007. During his tenure, Dr. Young was directly involved in the development of approximately 20 clinical programs and the commercialization of numerous key drugs while managing approximately 1,500 people and controlling an annual budget in excess of \$700 million. Prior to MedImmune, Dr. Young was the director of the Department of Molecular Genetics at Smith Kline and French Laboratories, now part of GlaxoSmithKline, a British pharmaceutical company, and, prior to that, was a faculty member at Mount Sinai Medical School in New York from 1978 to 1983. Dr. Young has served on the boards of directors of Xencor, Inc., a clinical-stage biopharmaceutical company, from 2006 to 2008, Iomai, Inc., a developer of vaccines and immune system stimulants, from 2002 to 2006, and Arriva Pharmaceuticals, Inc., a privately held biopharmaceutical company, from 2004 to 2006. Dr. Young received his Ph.D. in Microbiology and Immunology from the Baylor College of Medicine, Houston, Texas, United States.



Dr. Rajiv I. Modi, age 56, Director. Dr. Modi has been the chairman of the board of directors and managing director of Cadila Pharmaceuticals Ltd. ("Cadila"), one of the largest privately-held pharmaceuticals companies in India, since 1991. Being a biotechnologist, Dr. Modi has played a major role in developing Cadila's biotechnology division, focusing on new developments and breakthrough innovations and, under his leadership, Cadila has inked strategic alliances with several research driven international companies. From 2014 to 2015, Dr. Modi also served as the chair of the Confederation of Indian Industry National Committee on Pharmaceuticals, a committee that supports the Indian government, through advisory and consultative processes, in its policy drafting activities in respect of the Indian pharmaceutical industry. Dr. Modi has been elected as Fellow of the Indian National Academy of Engineering, Delhi, India, a top-tier academy with prominent industry leaders, academics and scientists amongst its Fellows. Dr. Modi holds a Ph.D. in Biological Science from the University of Michigan, Ann Arbor, Michigan, United States, a M.Sc. in Biochemical Engineering from University College, London, England and a B.Tech. in Chemical Engineering from the Indian Institute of Technology in Mumbai, Maharashtra, India.



Lawrence Siegel, age 67, Chief Executive Officer. Mr. Siegel is a seasoned executive with 40 years of international business experience. A graduate of the University of California in Los Angeles ("UCLA"), Mr. Siegel holds a degree in history, as well as a degree in geography. Mr. Siegel has been the president of Yellow Pearl, Inc., a consulting company, since 1983 and a partner/investor in Flickback Media, Inc., a publishing company, since 2004. Mr. Siegel has been the president of a number of corporations, including Seeburg Corporation (NASDAQ: XCOR), an American design and manufacturing company of automated musical equipment, from 1979 to 1983, Atari, Inc. (ASE: ATI), a video game and home computer company, from 1987 to 1992, U.S. Digital Communications, Inc. (NASDAQ: USDI), a telecommunications company, from 1996 to 1998 and Sega Europe Limited (NIKKEI: SGAMY), an interactive entertainment company, from 1972 to 1976. Mr. Siegel has also held managerial or consulting positions with such well-known companies as Bally Manufacturing, a slot machine and game machine provider from 1998 to 1999, WMS Gaming, a scientific games company, from 1976 to 1978, Sony Corporation, a multinational conglomerate corporation involved in consumer and professional electronics, gaming, entertainment and financial services, from 1999 to 2000, Mattel, Inc., an American multinational toy manufacturing company, from 2000 to 2001, Silicon Graphics, Inc., an American manufacturer of high-performance computing solutions, from 1992 to 1993, Konami Holdings Corporation, a Japanese producer of toys and a developer of video games, from 1992 to 1993, Taito Corporation, a Japanese video game developer, from 1993 to 1994, Data East Corporation, a Japanese video game developer, from 2000 to 2001, and THQ, Inc., an American video game developer, from 1993 to 1995. Mr. Siegel was appointed chief executive officer of TMS on April 10, 2015. Pursuant to Mr. Siegel's consulting agreement with TMS, Mr. Siegel has agreed to devote substantially all of his business time, care and attention to TMS in order to properly discharge his duties.



Dr. Stephen D. Crocker, age 71, Director. Dr. Crocker has been a member of the board of directors of the Internet Corporation for Assigned Names and Numbers ("ICANN"), a private organization that is responsible for the operational stability of the Internet, since 2008, and has served as chair of the ICANN board of directors since 2011. Dr. Crocker is a co-founder of Shinkuro, Inc. ("**Shinkuro**"), an Internet research and development company building tools for cooperation and collaboration across the Internet and government sponsored projects in Internet security, and has served as its chief executive officer since February 2002. Dr. Crocker has been involved in the Internet since its inception. In the late 1960's and early 1970's, while Dr. Crocker was a graduate student at UCLA, California, United States, he was part of the team that developed the protocols for the Arpanet and laid the foundation for today's Internet. Dr. Crocker organized the Network Working Group, which was the forerunner of the modern Internet Engineering Task Force, initiated the Request for Comment series of notes through which protocol designs are documented and shared and laid the foundation for the open architectural structure of the Internet Protocols. For this work, Dr. Crocker was awarded the 2002 IEEE Internet Award. Dr. Crocker remains active in the Internet standards work through the Internet Engineering Task Force and the Internet Architecture Board and served as the first security area director on the Internet Engineering Steering Group from 1989 to 1994. Dr. Crocker's other experience includes research management at the Defense Advanced Research Projects Agency, which commissions advanced research for the United States Department of Defense, from 1971 to 1974, the University of Southern California Information Sciences Institute, which researches and develops advanced information processing, computer and communications technologies, from 1974 to 1981, and the Aerospace Corporation, a non-profit corporation that operates a federally funded research and development center, from 1981 to 1986. Dr. Crocker also served as vice-president of Trusted Information Systems, a computer security research and development company, from 1986 to 1993, and was a co-founder of CyberCash, Inc., an Internet payment service for electronic commerce, and Longitude Systems, Inc., which develops telecommunications infrastructure solutions. Dr. Crocker earned his Bachelor of Arts in Mathematics and a Ph.D. in computer science at UCLA, and studied artificial intelligence at the Massachusetts Institute of Technology, Massachusetts, United States. Dr. Crocker has an honorary doctorate from the University of San Martin des Porres in Lima, Perú and was selected in the initial group of members of the Internet Society's Internet Hall of Fame Pioneers.



Ian Hume, age 76, Director. Mr. Hume joined the World Bank in 1969 as an economist. Mr. Hume's career at the World Bank included macroeconomic work, project assignments and management positions, including as Division Chief, Assistant Director of Energy, Resident Representative and Country Director in Poland. Since 1994, Mr. Hume has worked on a range of private energy ventures in electric power and coal industries, including technical advisor to EUROGAZ Gas Pipeline, from 1995 to 1996, and coordinator of a consortium for an LNG Feasibility Study in Poland in 2007. From 2007 to 2012, Mr. Hume undertook several internal consulting studies for the World Bank, including for its Independent Evaluation Group in the fields of internal controls,

procurement policy and anti-corruption. He was also part of a private consulting team, headed by the firm ICF International, of Fairfax, Virginia, that, in 2012 and 2013, wrote the Gas Master Plan for Mozambique under contract to the Ministry of Energy and Natural Resources, which was financed by the World Bank. Mr. Hume has been a self-employed consultant since 1996.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of TMS, no Nominee is or has been, within the past 10 years, a director, chief executive officer or chief financial officer of any company (including TMS) that:

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

To the knowledge of TMS, no Nominee is or has been, within the past 10 years, a director, or executive officer of any company (including TMS) that, while the Nominee was acting in that capacity, or within a year of the Nominee 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.

Other than as described herein, to the knowledge of TMS, no Nominee has, within the past 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets.

Mr. Lawrence Siegel, the chief executive officer of TMS, previously made a voluntary assignment in bankruptcy for which he was subsequently discharged.

STATEMENT OF EXECUTIVE COMPENSATION

General

Pursuant to applicable securities legislation, TMS is providing a summary of all annual and long-term compensation for services in all capacities to TMS and its subsidiaries for the period ended December 31, 2015 in respect of the individuals comprised of the chief executive officer, the chief financial officer and TMS's three other most highly compensated executive officers, including officers of its subsidiaries, whose individual total compensation for the period ended December 31, 2015 exceeded C\$150,000, and any individual who would have satisfied these criteria but for the fact that the individual was not serving as an executive officer of TMS or its subsidiaries at the end of the most recently completed financial period (the "**Named Executive Officers**" or "**NEOs**").

Compensation Discussion and Analysis

The principal objective of TMS's compensation policy is to attract and retain key executive officers that are considered critical to the growth and success of TMS. The CCGC, in consultation with TMS's executive officers, periodically reviews and makes recommendations to the Board in respect of compensation paid to TMS's directors and officers, including salary, incentive and other compensation levels. Presently, TMS relies on discussions of the Board and the CCGC without any formal objectives, criteria and analysis in determining compensation, which generally consists of base salary and grants of long-term incentive plan awards under TMS's long-term performance incentive plan (the "**LTIP Plan**"), which may include share-based and/or option-based awards. TMS does not assess its compensation through benchmarks or peer groups at this time.

Elements of Compensation

Under TMS's compensation structure, compensation for executive officers may consist of:

Base Salary. Base salary is currently the foundation of TMS's compensation policy and is intended to compensate competitively based on the past experience of the executive, while taking into consideration TMS's current level of development. The desire is for base salary to be high enough to secure exceptional executives that can further the annual and long-term objectives of TMS, while at the same time not being excessive with a view to TMS's available cash resources. The CCGC reviews salary levels periodically and may recommend adjustments to the Board, if warranted, as a result of competitive positioning, the stage of development of TMS or an increase in responsibilities assumed by an executive.

LTIP Awards. The Board may also grant awards under the LTIP Plan as part of an executive's compensation package. The primary objective of making grants of such awards is to encourage executive officers to acquire an ownership interest in TMS over a period of time, thus better aligning the interests of executive officers with the interests of Shareholders, and thereby discouraging excessive risk taking. Additionally, awards may be granted to help enhance the overall competitiveness of an executive's compensation package, where necessary, while helping maintain TMS's available cash resources.

TMS considers various factors when determining the number of awards to be granted to specific individuals, including the level of responsibility and base salary level associated with the position held by such individual. The CCGC periodically submits to the Board for approval its recommendations in respect of the number of awards to be granted to specific individuals. When determining possible future award grants, the Board considers past grants. The Black-Scholes model is used to determine the fair value of stock options on the date of grant.

Bonus. From time to time, we may grant bonus awards to members of our management, in the form of cash or Shares, in light of our accomplishments of certain milestones or achievements and the member's level of involvement in accomplishing such milestones or achievements. In the financial period ended December 31, 2015, we granted an aggregate of 920,000 Shares in payment of bonuses for achievements completed during such period. Please see "Summary Compensation Table" and "Director Compensation" for further information.

Risk Management

Neither the Board nor the CCGC has undertaken a formal evaluation of the implications of any risks associated with TMS's compensation policies and practices. Neither the Board nor the CCGC believes that TMS's compensation program results in unnecessary or inappropriate risk taking, including risks that are likely to have a material adverse effect on TMS.

Hedging

TMS does not have any formal policy respecting the purchase by an NEO or a director of financial instruments.

Compensation Governance

The CCGC is comprised of four (4) members, being Messrs. Young (Chair), Crocker, Modi and Hume. All such members are "independent" within the meaning of NI 52-110—*Audit Committees* ("**NI 52-110**"), in that they are free from any interest which could reasonably interfere with their exercise of independent judgment as directors of TMS, with the exception of Dr. Modi, who is a SOHL representative to the Board and is also a director of SOHL. The CCGC operates under TMS's Compensation and Corporate Governance Committee Charter. Among other things, the CCGC has the responsibility of assessing the performance of the chief executive officer, evaluating the chief executive officer's contribution to the overall success of TMS and recommending to the Board the chief executive officer's level of compensation. The CCGC, in consultation with TMS's executive officers, periodically reviews and makes recommendations to the Board in respect of compensation paid to TMS's directors and officers, including salary, incentive and other compensation levels.

All members of the CCGC have experience in compensation matters, either as members of compensation committees of other public companies and/or from having served as senior executives with significant responsibility for or involvement in compensation matters.

Summary Compensation Table

The following table (and notes thereto) states the name of each NEO, his annual compensation, consisting of salary and other annual compensation, and long-term compensation, including grants of awards under the LTIP Plan, for the period ended December 31, 2015:

Name and principal position	Year	Salary	Share-based awards (\$)	Option-based awards ⁽¹⁾ (\$)	All other compensation (\$)	Total compensation
Lawrence Siegel ⁽²⁾ Chief Executive Officer	2015	\$224,113	\$470,884 ⁽³⁾	\$215,924	\$1,110	\$912,031
Tom Stefan ⁽⁴⁾ Chief Financial Officer	2015	\$108,034 ⁽⁵⁾	Nil	\$161,943	Nil	\$269,977
Steve Lawson ⁽⁶⁾ Vice-President, Research and Technology Development, TMS USA	2015	\$110,157	Nil	\$129,554	\$9,450	\$249,161
Randall Johnson ⁽⁷⁾ Senior Project Manager, TMS USA	2015	\$146,875	\$36,861 ⁽⁸⁾	\$97,166	Nil	\$280,902
Larry Palmer ⁽⁹⁾ Vice-President, Administration, TMS USA	2015	\$104,436	\$36,861 ⁽¹⁰⁾	\$97,166	Nil	\$238,463

Notes:

- (1) The Black-Scholes option valuation model has been used to determine the fair value on the date of grant. The Black-Scholes option valuation is determined using the expected life of the stock option, expected volatility of the Share price, any expected dividend yield and risk free interest rate. The Black-Scholes pricing model was used to estimate the fair value of options as TMS believes it is a commonly used methodology. The inputs used by TMS in the Black-Scholes pricing model were (i) a risk free interest rate of 0.90%, (ii) an expected life of 5 years and (iii) annualized volatility of 137%. The amounts represented are the United States dollar equivalents translated on May 21, 2015, based on the Bank of Canada's nominal closing exchange rate for such date, as published at www.bankofcanada.ca, being \$0.8191 to each Canadian dollar.
- (2) Mr. Siegel was appointed chief executive officer of TMS effective April 10, 2015.
- (3) Represents the award to Mr. Siegel of 600,000 Shares during the period ended December 31, 2015, in settlement of a bonus award, with an accounting value of C\$0.75 per Share, and 500,000 PSUs on May 21, 2015. The Monte Carlo simulation model has been used to determine the fair value of the PSUs on the date of grant. The inputs used by TMS in the Monte Carlo simulation model were (i) a risk free interest rate of 1%, (ii) an expected life of 18 months and (iii) annualized volatility of 166%. The amount represents the United States dollar equivalent translated on May 21, 2015, based on the Bank of Canada's nominal closing exchange rate for such date, as published at www.bankofcanada.ca, being \$0.8191 to each Canadian dollar. Please see "Incentive Plan Awards – Outstanding Share-based Awards and Option-based Awards" below for further information.
- (4) Mr. Stefan was appointed chief financial officer of TMS effective April 10, 2015.
- (5) Mr. Stefan's annual base salary in 2015 was C\$216,000. The amount reported represents the United States dollar equivalent translated at the average Bank of Canada nominal noon exchange rate for the period ending December 31, 2015, as published at www.bankofcanada.ca, being \$0.7665 to each Canadian dollar.
- (6) Mr. Lawson was appointed Vice-President, Research and Development of Targeted Microwave Solutions USA Inc. ("TMS USA") effective May 21, 2015.
- (7) Mr. Johnson was appointed Senior Project Manager of TMS USA effective May 21, 2015, but resigned from such position effective April 30, 2016.
- (8) Represents the award to Mr. Johnson of 60,000 Shares during the period ended December 31, 2015, in settlement of a bonus award, with an accounting value of C\$0.75 per Share.
- (9) Mr. Palmer was appointed Vice-President, Administration of TMS USA effective May 21, 2015, but resigned from such position effective April 30, 2016.
- (10) Represents the award to Mr. Palmer of 60,000 Shares during the period ended December 31, 2015, in settlement of a bonus award, with an accounting value of C\$0.75 per Share.

Incentive Plan Awards

Outstanding Share-based Awards and Option-based Awards

The following table states the name of each NEO, the number of options available for exercise, the exercise price and the expiration date for each option, as well as the number of share-based awards that have not vested and the market value of share-based awards that have not vested, as at December 31, 2015:

	Option-based awards				Share-based awards	
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested
Lawrence Siegel ⁽²⁾	400,000	C\$0.75	May 21, 2020	\$11,560	500,000 ⁽³⁾	\$95,129 ⁽⁴⁾
Tom Stefan ⁽⁵⁾	300,000 ⁽⁶⁾⁽⁷⁾	C\$0.75	May 21, 2020	\$8,670	Nil	N/A
Steve Lawson ⁽⁸⁾	240,000 ⁽⁷⁾	C\$0.75	May 21, 2020	\$6,936	Nil	N/A
Randall Johnson ⁽⁹⁾	180,000 ⁽⁷⁾	C\$0.75	May 21, 2020	\$5,202	Nil	N/A
Larry Palmer ⁽¹⁰⁾	180,000 ⁽⁷⁾	C\$0.75	May 21, 2020	\$5,202	Nil	N/A

Notes:

- (1) Calculated based on the difference between the closing price of the Shares on the Canadian Securities Exchange (the "CSE") as at December 31, 2015, being C\$0.79 per Share, and the noted stock option exercise price. The amount reported represents the United States dollar equivalent translated on December 31, 2015, based on the Bank of Canada's nominal noon exchange rate for such date, as published at www.bankofcanada.ca, being \$0.7225 to each Canadian dollar.
- (2) Mr. Siegel was appointed chief executive officer of TMS effective April 10, 2015.
- (3) Represents the maximum number of Shares issuable to Mr. Siegel over the eighteen-month performance period that commenced May 21, 2015 and will end on November 21, 2016, or their equivalent value in cash. The PSUs shall vest on (i) November 21, 2016 or (ii) such earlier date on which the performance goals relating to such PSUs are satisfied in full. See "Securities Authorized For Issuance Under Equity Compensation Plans – The LTIP Plan" for additional information.
- (4) Assumes vesting of only a minimum of the reported PSUs, being 166,667 PSUs pursuant to the applicable award agreement, and calculated based on the closing price of the Shares on the CSE as at December 31, 2015, being C\$0.79 per Share. The amount reported represents the United States dollar equivalent translated on December 31, 2015, based on the Bank of Canada's nominal noon exchange rate for such date, as published at www.bankofcanada.ca, being \$0.7225 to each Canadian dollar.
- (5) Mr. Stefan was appointed chief financial officer of TMS effective April 10, 2015.
- (6) The reported stock options are registered in the name of Jemi Ventures Inc. ("Jemi"), a private British Columbia company owned and controlled by Mr. Stefan.
- (7) The reported stock options shall vest and are exercisable as follows: (i) 12.5% on June 30, 2015; (ii) 12.5% on September 30, 2015; (iii) 12.5% on December 31, 2015; (iv) 12.5% on March 31, 2016; (v) 12.5% on June 30, 2016; (vi) 12.5% on September 30, 2016; (vii) 12.5% on December 31, 2016; and (viii) 12.5% on March 31, 2017.
- (8) Mr. Lawson was appointed Vice-President, Research and Development of TMS USA effective May 21, 2015.
- (9) Mr. Johnson was appointed Senior Project Manager of TMS USA effective May 21, 2015, but resigned from such position effective April 30, 2016.
- (10) Mr. Palmer was appointed Vice-President, Administration of TMS USA effective May 21, 2015, but resigned from such position effective April 30, 2016.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table discloses the name of each NEO, the aggregate dollar value that would have been realized by each NEO if his options under option-based awards had been exercised on the vesting-date and the aggregate dollar value realized by each NEO upon vesting of share-based awards:

Name	Option-based awards – Value vested during the year ⁽¹⁾	Share-based awards – Value vested during the year (\$)
Lawrence Siegel ⁽²⁾	\$9,028	Nil
Tom Stefan ⁽³⁾	\$3,386	N/A
Steve Lawson ⁽⁴⁾	\$2,708	N/A
Randall Johnson ⁽⁵⁾	\$2,031	N/A

Name	Option-based awards – Value vested during the year ⁽¹⁾	Share-based awards – Value vested during the year (\$)
Larry Palmer ⁽⁶⁾	\$2,031	N/A

Notes:

- (1) The amount represents the aggregate dollar value that would have been realized on each vesting date if the options had been exercised on such vesting date, based on the difference between the closing price of the Shares on the CSE on such dates and the exercise price of such vested stock options, translated to United States dollars at the Bank of Canada's nominal noon exchange rate on such dates, as published at www.bankofcanada.ca. Such values were as follows for each applicable vesting date: (i) for options vested on June 30, 2015, the Share price was C\$0.78 and the exchange rate was 0.8017; (ii) for options vested on September 30, 2015, the Share price was C\$0.80 and the exchange rate was 0.7466; and (iii) for options vested on December 31, 2015, the Share price was C\$0.79 and the exchange rate was 0.7225.
- (2) Mr. Siegel was appointed chief executive officer of TMS effective April 10, 2015.
- (3) Mr. Stefan was appointed chief financial officer of TMS effective April 10, 2015.
- (4) Mr. Lawson was appointed Vice-President, Research and Development of TMS USA effective May 21, 2015.
- (5) Mr. Johnson was appointed Senior Project Manager of TMS USA effective May 21, 2015, but resigned from such position effective April 30, 2016.
- (6) Mr. Palmer was appointed Vice-President, Administration of TMS USA effective May 21, 2015, but resigned from such position effective April 30, 2016.

Pension Plan Benefits

As at December 31, 2015, TMS did not maintain any defined benefit plans, defined contribution plans or deferred compensation plans.

Consulting Agreements

Lawrence Siegel

TMS entered into a consulting agreement with Mr. Siegel in May 2015 in connection with his engagement as chief executive officer of TMS. Pursuant to the consulting agreement, Mr. Siegel is entitled to an annual base salary of \$360,000, and is eligible to receive, in respect of each fiscal year, additional variable cash compensation in an amount, if any, determined by the Board in its sole discretion. Mr. Siegel is also entitled to participate in the LTIP Plan, and to receive certain benefits and perquisites consistent with the practices of TMS and commensurate with his position.

If Mr. Siegel's engagement is terminated due to his death or in the event that he is unable to perform his material duties because of a disability, Mr. Siegel, or his estate, will be entitled to 90 days' severance, payable in accordance with TMS's normal payroll practices, plus any accrued benefits. If Mr. Siegel's engagement is terminated by TMS other than for just cause, he will be entitled to 60 days' severance, payable in a single lump sum, plus any accrued benefits. All stock awards then held by Mr. Siegel will expire 60 days following such termination. In the event that Mr. Siegel terminates his engagement with good reason, he will be entitled to 60 days' severance, payable in a single lump sum, plus any accrued benefits. All stock awards then held by Mr. Siegel will expire 30 days following such termination. Assuming Mr. Siegel's engagement was terminated by TMS without cause or for good reason by Mr. Siegel, effective December 31, 2015, TMS would have been required to make a payment to Mr. Siegel in the aggregate amount of \$59,178 pursuant to the terms of his consulting agreement. Assuming Mr. Siegel's engagement was terminated by TMS because of his death or a disability, effective December 31, 2015, TMS would have been required to make a payment to Mr. Siegel in the aggregate amount of \$88,767 pursuant to the terms of his consulting agreement. Mr. Siegel's consulting agreement does not contain any change of control provisions.

Upon any termination of Mr. Siegel without cause by TMS or for good reason by Mr. Siegel, Mr. Siegel has agreed to provide certain consulting services to TMS related to his role as chief executive officer, for a period of 24 months. Pursuant to this arrangement, Mr. Siegel will be entitled to a salary of \$1,000 per month for such consultation services. Any outstanding stock awards held by Mr. Siegel on termination of his consulting agreement will continue in full effect during the period Mr. Siegel provides his consulting services.

Tom Stefan

TMS entered into a consulting agreement with Mr. Stefan in May 2015 in connection with his engagement as chief financial officer of TMS. Pursuant to the consulting agreement, Mr. Stefan was entitled to an annual base salary in 2015 of C\$216,000, and is eligible to receive, in respect of each fiscal year, additional variable cash compensation in an amount, if any, determined by the Board in its sole discretion. Mr. Stefan is also entitled to participate in the LTIP Plan, and to receive certain benefits and perquisites consistent with the practices of TMS and commensurate with his position.

If Mr. Stefan's engagement is terminated due to his death or in the event that he is unable to perform his material duties because of a disability, Mr. Stefan, or his estate, will be entitled to 90 days' severance, payable in accordance with TMS's normal payroll practices, plus any accrued benefits. If Mr. Stefan's engagement is terminated by TMS other than for just cause, he will be entitled to 60 days' severance, payable in a single lump sum, plus any accrued benefits. All stock awards then held by Mr. Stefan will expire 60 days following such termination. In the event that Mr. Stefan terminates his engagement with good reason, he will be entitled to 60 days' severance, payable in a single lump sum, plus any accrued benefits. All stock awards then held by Mr. Stefan will expire 30 days following such termination. Mr. Stefan's consulting agreement does not contain any change of control provisions. Assuming Mr. Stefan's engagement was terminated by TMS without cause or for good reason by Mr. Stefan, effective December 31, 2015, TMS would have been required to make a payment to Mr. Stefan in the aggregate amount of C\$35,506 pursuant to the terms of his consulting agreement. Assuming Mr. Stefan's engagement was terminated by TMS because of his death or a disability, effective December 31, 2015, TMS would have been required to make a payment to Mr. Stefan in the aggregate amount of C\$53,260 pursuant to the terms of his consulting agreement.

Additional NEO Information

TMS entered into consulting agreements with each of Steve Lawson, Randall Johnson and Larry Palmer in May 2015. Each of these consulting agreements contains substantially the same provisions relating to compensation and termination and change of control benefits as Mr. Stefan's consulting agreement with TMS, except that (i) Mr. Lawson is entitled to an annual base salary of \$180,000, (ii) Mr. Johnson was entitled to an annual base salary of \$240,000 and (iii) Mr. Palmer was entitled to an annual base salary of \$180,000.

Assuming that any of Messrs. Lawson, Johnson or Palmer's engagement was terminated by TMS USA without cause or for good reason by such consultant, effective December 31, 2015, pursuant to the terms of his consulting agreement, TMS USA would have been required to make a payment to such consultant in the aggregate amount of (i) \$29,589, in the case of Mr. Lawson, (ii) \$39,452, in the case of Mr. Johnson, and (iii) \$29,589, in the case of Mr. Palmer.

Assuming that any of Messrs. Lawson, Johnson or Palmer's engagement was terminated by TMS USA because of his death or a disability, effective December 31, 2015, pursuant to the terms of his consulting agreement, TMS USA would have been required to make a payment to such consultant in the aggregate amount of (i) \$44,384, in the case of Mr. Lawson, (ii) \$59,178, in the case of Mr. Johnson, and (iii) \$44,384, in the case of Mr. Palmer.

Director Compensation

TMS implemented a directors' compensation policy effective May 22, 2015, pursuant to which directors are compensated by TMS for their services in their capacity as directors, for committee participation and involvement in special assignments and for services as consultants or experts. The directors are also reimbursed for reasonable expenses incurred in connection with their services as directors and are eligible for the grant of stock awards under the LTIP Plan. Pursuant to the directors' compensation policy, the Chairman of the Board is entitled to an annual retainer of C\$48,000 and TMS's "outside" directors are entitled to an annual retainer of C\$36,000. Members of the Audit Committee and the CCGC also receive an annual fee of C\$3,600 for each committee on which they serve and the chair of each such committee is entitled to an additional annual fee of C\$1,400.

Director Compensation Table

The following table provides a summary of compensation, paid to the directors by TMS during the period ended December 31, 2015:

Name	Fees earned ⁽¹⁾	Share-based awards	Option-based awards ⁽²⁾	Total
Dr. James Young	\$25,734	\$238,914 ⁽³⁾	\$377,867	\$642,515
Dr. Rajiv I. Modi ⁽⁴⁾	Nil	Nil	Nil	Nil
Dr. Stephen D. Crocker	\$20,278	Nil	\$94,467	\$114,745
Ian Hume	\$18,005	\$24,574 ⁽⁴⁾	\$72,874	\$115,453
William Hudson	\$18,005	\$24,574 ⁽⁵⁾	\$72,874	\$115,453

Notes:

- (1) The amounts reported represent the United States dollar equivalents of fees paid to each director, translated at the Bank of Canada nominal noon exchange rate for each payment date.
- (2) The Black-Scholes option valuation model has been used to determine the fair value on the date of grant. The Black-Scholes option valuation is determined using the expected life of the stock option, expected volatility of the Share price, any expected dividend yield and risk free interest rate. The Black-Scholes pricing model was used to estimate the fair value of options as TMS believes it is a commonly used methodology. The inputs used by TMS in the Black-Scholes pricing model were (i) a risk free interest rate of 0.90%, (ii) an expected life of 5 years and (iii) annualized volatility of 137%. The amounts represented are the United States dollar equivalents translated on May 21, 2015, based on the Bank of Canada's nominal closing exchange rate for such date, as published at www.bankofcanada.ca, being \$0.8191 to each Canadian dollar.
- (3) Represents the award to Dr. Young of 291,667 RSUs, of a total 800,000 RSUs, recognized as compensation expense during the period ended December 31, 2015. The amount reported is based on a grant date Share value of C\$0.75 per Share and the Bank of Canada's nominal closing exchange rate for such date, as published at www.bankofcanada.ca, being \$0.8191 to each Canadian dollar. Please see "Director Compensation – Outstanding Share-based Awards and Option-based Awards" below for further information.
- (4) Dr. Modi is a SOHL representative to the Board and did not collect any fees in respect of his services as a director or committee member for the period ended December 31, 2015.
- (5) Represents the award to Mr. Hume of 40,000 Shares during the period ended December 31, 2015, in settlement of a bonus award, with an accounting value of C\$0.75 per Share.
- (6) Represents the award to Mr. Hudson of 40,000 Shares during the period ended December 31, 2015, in settlement of a bonus award, with an accounting value of C\$0.75 per Share.

Outstanding Share-based Awards and Option-based Awards

The following table states the name of each director, the number of options available for exercise, the option exercise price and the expiration date for each option, as well as the number of shares-based awards that have not vested and the market value of share-based awards that have not vested, as at December 31, 2015:

	Option-based awards				Share-based awards	
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested
Dr. James Young	700,000	C\$0.75	May 21, 2020	\$20,230	800,000 ⁽²⁾	\$456,620 ⁽³⁾
Dr. Rajiv I. Modi	Nil	N/A	N/A	N/A	Nil	N/A
Dr. Stephen D. Crocker	175,000 ⁽⁴⁾	C\$0.75	May 21, 2020	\$5,058	Nil	N/A
Ian Hume	135,000 ⁽⁴⁾	C\$0.75	May 21, 2020	\$3,902	Nil	N/A
William Hudson	135,000 ⁽⁴⁾	C\$0.75	May 21, 2020	\$3,902	Nil	N/A

Notes:

- (1) Calculated based on the difference between the closing price of the Shares on the CSE as at December 31, 2015, being C\$0.79 per Share, and the noted stock option exercise price. The amount reported represents the United States dollar equivalent translated on December 31, 2015, based on the Bank of Canada's nominal noon exchange rate for such date, as published at www.bankofcanada.ca, being \$0.7225 to each Canadian dollar.
- (2) Represents RSUs granted to Dr. Young that vest as follows: (i) 50% on May 21, 2016; and (ii) 50% on November 21, 2016.

- (3) Calculated based on the closing price of the Shares on the CSE as at December 31, 2015, being C\$0.79 per Share. The amount reported represents the United States dollar equivalent translated on December 31, 2015, based on the Bank of Canada's nominal noon exchange rate for such date, as published at www.bankofcanada.ca, being \$0.7225 to each Canadian dollar.
- (4) The reported stock options shall vest and are exercisable as follows: (i) 12.5% on June 30, 2015; (ii) 12.5% on September 30, 2015; (iii) 12.5% on December 31, 2015; (iv) 12.5% on March 31, 2016; (v) 12.5% on June 30, 2016; (vi) 12.5% on September 30, 2016; (vii) 12.5% on December 31, 2016; and (viii) 12.5% on March 31, 2017.

Incentive Plan Awards – Value Vested or Earned During the Year

The table below discloses the aggregate dollar value that would have been realized by each director if his options under option-based awards had been exercised on the vesting-date as well as the aggregate dollar value realized by each director upon vesting of share-based awards.

Name	Option-based awards – Value vested during the year⁽¹⁾	Share-based awards – Value vested during the year (\$)
Dr. James Young	\$15,799	Nil
Dr. Rajiv I. Modi	N/A	N/A
Dr. Stephen D. Crocker	\$1,975	N/A
Ian Hume	\$1,523	N/A
William Hudson	\$1,523	N/A

Note:

- (1) The amount represents the aggregate dollar value that would have been realized on each vesting date if the options had been exercised on such vesting date, based on the difference between the closing price of the Shares on the CSE on such dates and the exercise price of such vested stock options, translated to United States dollars at the Bank of Canada's nominal noon exchange rate on such dates, as published at www.bankofcanada.ca. Such values were as follows for each applicable vesting date: (i) for options vested on June 30, 2015, the Share price was C\$0.78 and the exchange rate was 0.8017; (ii) for options vested on September 30, 2015, the Share price was C\$0.80 and the exchange rate was 0.7466; and (iii) for options vested on December 31, 2015, the Share price was C\$0.79 and the exchange rate was 0.7225.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information relating to the LTIP Plan as at December 31, 2015:

Plan Category	Plan Name	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	Long-Term Performance Incentive Plan	3,237,500 Stock Options 800,000 RSUs 500,000 PSUs	C\$0.75 N/A N/A	2,642,503

The LTIP Plan

Effective May 21, 2015, the Shareholders approved and adopted the LTIP Plan. The LTIP Plan is available to directors, key employees and consultants of TMS, as determined by the Board. The LTIP Plan is a fixed number option plan and, as of the date hereof, 7,180,003 Shares are reserved for issuance on the exercise of stock awards pursuant to the LTIP Plan, of which 4,675,000 stock awards are outstanding.

The Board may at any time, in its sole and absolute discretion and without the approval of Shareholders, amend, suspend, terminate or discontinue the LTIP Plan and may amend the terms and conditions of any grants thereunder, subject to (a) any required approval of any applicable regulatory authority or any exchange upon which the Shares are then listed for trading (the "Exchange") and (b) approval of the Shareholders as required by the rules of the Exchange or applicable law, provided that Shareholder approval will not be required for the following amendments and the Board may make changes which may include but are not limited to: (i) amendments of a "housekeeping nature"; (ii) any amendment for the purpose of curing any

ambiguity, error or omission in the LTIP Plan or to correct or supplement any provision of the LTIP Plan that is inconsistent with any other provision of the LTIP Plan; (iii) an amendment which is necessary to comply with applicable law or Exchange requirements; (iv) amendments respecting administration and eligibility for participation under the LTIP Plan; (v) changes to terms and conditions on which awards may be or have been granted pursuant to the LTIP Plan, including changes to the vesting provisions and terms of any awards; (vi) amendments which alter, extend or accelerate the terms of vesting applicable to any award; and (vii) changes to the termination provisions of an award or the LTIP Plan which do not entail an extension beyond the original fixed term. If the LTIP Plan is terminated, prior awards will remain outstanding and in effect in accordance with their applicable terms and conditions. The Board may waive any conditions or rights under, or amend any terms of, any awards, provided that no such amendment or alteration will be made which would impair the rights of any participant, without such participant's consent, unless the Board determines that such amendment or alteration either: (i) is required or advisable in order to conform to any law, regulation or accounting standard; or (ii) is not reasonably likely to diminish the benefits provided under such award.

Restricted Share Units. The LTIP Plan provides that the Board may, from time to time, in its sole discretion, grant awards of RSUs to directors and key employees. Each RSU will represent one Share. RSUs will be subject to such restrictions as the Board may establish in the applicable award agreement. All RSUs will vest and become payable by the issuance of Shares at the end of the applicable restriction period if all applicable restrictions have lapsed. Restrictions on any RSUs will lapse immediately and become fully vested in the participant upon a change of control. Upon the death of a participant, subject to the applicable award agreement, any RSUs that have not vested will be immediately forfeited and cancelled without payment, provided that any RSUs granted to such participant that had vested prior to the participant's death will accrue to the participant's estate in accordance with the LTIP Plan. If a participant's employment is terminated for cause, any RSUs granted to the participant will immediately terminate without payment and be cancelled as of the termination date. If a participant's employment is terminated without cause, is voluntarily terminated by the participant or termination is due to the participant's retirement or disability, any RSUs granted to the participant will, subject to the applicable award agreement, immediately terminate without payment and be cancelled as of the termination date; provided, however, that any RSUs granted to such participant that had vested prior to the participant's termination without cause, voluntary termination, retirement or disability will accrue to the participant in accordance with the LTIP Plan. No RSUs may be redeemed by a participant at any time during a leave of absence. In the case of directors, if a participant ceases to be a director for any reason, RSUs granted to such participant will immediately terminate without payment and be cancelled; provided, however, that any RSUs granted to such participant that had vested prior to the participant ceasing to be a director will accrue to the participant in accordance with the LTIP Plan.

Performance Share Units. The LTIP Plan provides that the Board may, from time to time, in its sole discretion, grant awards of PSUs to key employees. Each PSU will, contingent upon the attainment of the performance criteria within the applicable performance cycle, represent one Share. The performance criteria will be established by the Board which, without limitation, may include criteria based on the participant's individual performance and/or financial performance of TMS and its subsidiaries, which will determine vesting of the PSUs. The Board may, in its sole discretion, revise the performance criteria during a performance cycle or after it has ended, if unforeseen events occur, including, without limitation, changes in capitalization, equity restructuring, acquisitions or divestitures, if such events have a substantial effect on the financial results of TMS and make the application of the performance criteria unfair absent a revision.

All PSUs will vest and become payable to the extent that the performance criteria are satisfied in the sole determination of the Board. PSUs granted to a participant will become fully vested and payable to such participant within 95 days after the last day of the performance cycle or upon a change of control. Upon the death of a participant, subject to the applicable award agreement, all PSUs granted to the participant which, prior to the participant's death, had not vested, will immediately be forfeited and cancelled without payment; provided, however, that the Board may determine, in its discretion, the number of the participant's PSUs that will vest based upon the extent to which the applicable performance criteria have been satisfied in that portion of the performance cycle that has lapsed. If a participant's employment is terminated for cause, any PSUs granted to the participant will immediately terminate without payment and be cancelled as of the termination date. If a participant's employment is terminated without cause, by voluntary termination, or if the participant's employment terminates due to retirement or disability, all PSUs granted to the participant which, prior to such termination without cause, voluntary termination, retirement or disability, had not vested, will immediately be forfeited and cancelled without payment; provided, however, that the Board may determine, in its discretion, the number of the participant's PSUs that will vest based upon the extent to which the applicable performance criteria have been satisfied in that portion of the performance cycle that has lapsed. No PSUs may be redeemed by a participant at any time during a leave of absence.

On May 21, 2015, TMS granted 500,000 PSUs to Lawrence Siegel, Chief Executive Officer. The number of PSUs granted

represents the maximum number of Shares issuable to Mr. Siegel over the eighteen-month performance period commencing on the date of grant. The PSUs vest on the eighteen-month anniversary of their grant date, being November 21, 2016, upon the satisfaction of the performance goals established by the Board. Pursuant to the terms of the applicable award agreement, the number of PSUs that will be earned by Mr. Siegel during the performance period will depend upon the performance of the market price of the Shares (measured in reference to the 30-day volume-weighted average Share price calculated for the 30 trading days ending on any trading day prior to November 21, 2016), relative to the "grant price" of C\$0.75, measured against "target", "median" and "below grant" prices, using the following scale:

Performance level	Share price increase over performance period*	Payout (% of target)
Target	≥75% increase	100%
Median	50% increase	66 2/3%
Below	≤0% increase	33 1/3%

*Awards will be interpolated on a straight-line basis between 0% and 50% and between 50% and 75%.

The number of Shares that Mr. Siegel is eligible to receive on November 21, 2016 is summarized as follows:

Performance goal*	Share price	Number of Shares earned
≥75% increase	≥\$1.3125	500,000
50% increase	\$1.125	333,334
≤0% increase	≤\$0.75	166,667

*Awards will be interpolated on a straight-line basis between 0% and 50% and between 50% and 75%.

The CCGC may elect for Mr. Siegel to be paid the equivalent value of the Shares underlying his vested PSUs in cash, calculated based on the closing market price of the Shares on November 21, 2016.

Deferred Share Units. The LTIP Plan provides that the Board may, from time to time, in its sole discretion, grant awards of deferred share units ("DSUs") to directors in lieu of director fees. A director becomes a participant effective as of the date he or she is first appointed or elected as a director and ceases to be a participant at the time he or she ceases to be a director for any reason. The number of DSUs to be granted to a participant will be calculated by dividing the amount of fees selected by the director by the market price on the grant date. The market price is defined in the LTIP Plan as the volume weighted average trading price of a Share for the five trading days on which trading in the Shares took place prior to the grant date.

Each participant will be entitled to receive, subsequent to the effective date that the participant ceases to be a director for any reason, either: (i) that number of Shares equal to the number of DSUs granted to such participant; or (ii) a cash payment in an amount equal to the market price of the DSUs granted to such participant on the trading day following the day that the participant ceases to be a director, net of applicable withholdings, and subject to adjustments if the value of a DSU is determined during applicable black-out periods. Upon the death of a participant, such participant's estate will be entitled to receive, within 120 days, a cash payment or Shares that would otherwise have been payable upon such participant ceasing to be a director.

As of the date hereof, no DSUs are issued and outstanding.

Stock Options. The LTIP Plan provides that the Board may, from time to time, in its discretion, grant awards of stock options to directors, key employees and consultants. The number of stock options to be granted, the exercise price and the time(s) at which stock options may be exercised will be determined by the Board in its sole discretion, provided that the exercise price of stock options will not be lower than the exercise price permitted by the Exchange, and further provided that the term of any stock option will not exceed ten years.

In the event of a change of control, each outstanding stock option will automatically become fully and immediately vested and exercisable, subject to the policies of the Exchange. Upon the death of an optionee, any stock option held by such optionee will be exercisable by the person(s) to whom the rights of the optionee under the stock option will pass by will or the laws of descent and distribution for a period of 120 days or prior to the expiration of the option period in respect of the stock option, whichever is sooner, and then only to the extent that such optionee was entitled to exercise the stock option at the date of death of such optionee. If an optionee will cease to be an eligible person for cause, no stock option held will be exercisable following the date on which such optionee ceases to be an eligible person. If an optionee ceases to be an eligible

person by reason of termination without cause, by voluntary termination or in the case of retirement, subject to the applicable award agreement, any stock option held will remain exercisable in full for a period of 60 days after the date on which the optionee's employment is terminated without cause, voluntarily or due to retirement or prior to the expiration of the option period in respect of the stock option, whichever is sooner, and then only to the extent that such optionee was entitled to exercise the stock option at such time. If an optionee becomes afflicted by a disability, all stock options granted to the optionee will continue to vest in accordance with the terms of such stock options. Where a participant's employment is terminated due to disability, subject to the applicable award agreement, any stock option held by such optionee will remain exercisable for a period of 120 days after the date of termination due to disability of the optionee or prior the expiration of the option period in respect of the stock option, whichever is sooner, and then only to the extent that such optionee was entitled to exercise the stock option at the date of termination.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

During the last completed financial period, no director, executive officer, Nominee or associate or affiliate of any such individual has been indebted to TMS or any of its subsidiaries, nor has any of these individuals been indebted to another entity which indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by TMS or any of its subsidiaries.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed herein, in the last completed financial period, no "informed person", any proposed director of TMS, or an associate or affiliate of any informed person or proposed director had any material interest, direct or indirect, in any transaction or any proposed transaction which has materially affected or would materially affect TMS or any of its subsidiaries. "Informed Person" means: (a) a director or executive officer of TMS; (b) a director or officer of a person or company that is itself an informed person or subsidiary of TMS; or (c) any person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of TMS carrying more than 10% of the voting rights attached to all outstanding voting securities of TMS.

In March 2016, TMS entered into loan agreements with Dr. James Young, chairman of the Board, and SOHL, in the aggregate principal amount of \$2 million. The loans mature in March 2018 and accrue interest at a rate of 3% per annum, calculated semi-annually. TMS may prepay the loans in whole or in part at any time without additional penalties, fees or charges.

AUDIT COMMITTEE DISCLOSURE

The Board appoints the Audit Committee to assist in monitoring: (i) the integrity of TMS's financial statements; (ii) TMS's compliance with legal and regulatory requirements; and (iii) the qualifications, appointment, independence and performance of TMS's external auditors and senior financial executives. The Audit Committee's authority and responsibilities include meeting with TMS's auditor and reviewing TMS's annual financial statements and making recommendations for the approval of such financial statements to the Board. Material issues related to the audit of TMS's internal accounting controls and information systems are discussed with the Audit Committee as such issues arise. The Audit Committee has direct access to TMS's auditors.

Audit Committee Charter

The Audit Committee Charter sets out the responsibilities and duties, qualifications for membership, procedures for committee member appointment and reporting to the Board. A copy of the Audit Committee Charter is attached hereto as Schedule "B".

Composition of Audit Committee

The Audit Committee is currently comprised of four members, being Messrs. Crocker (Chair), Young, Modi, and Hudson. On or about the Meeting, it is expected that the Audit Committee will be comprised of Messrs. Crocker (Chair), Young and Hume. Each current member of the Audit Committee is (and each expected member of the Audit Committee on or about the Meeting will be) "financially literate" within the meaning of NI 52-110, and "independent" within the meaning of NI 52-110, with the exception of Dr. Modi, who is a SOHL representative to the Board and is also a director of SOHL.

Relevant Education and Experience

Set out below is a description of the education and experience of each expected member of the Audit Committee on or about the Meeting relevant to the performance of his responsibilities as a member of the Audit Committee:

Dr. Stephen D. Crocker. Dr. Crocker has held senior executive and director positions with several public and private companies, including as chair of the ICANN board of directors, chief executive officer of Shinkuro, Inc. and vice-president of Trusted Information Systems, and is familiar with the reporting requirements of public companies. Dr. Crocker earned his Bachelor of Arts in Mathematics and a Ph.D. in computer science at UCLA, and studied artificial intelligence at the Massachusetts Institute of Technology. Dr. Crocker has an honorary doctorate from the University of San Martin des Porres and was selected in the initial group of members of the Internet Society's Internet Hall of Fame Pioneers.

Dr. James Young. Dr. Young has served as chairman of the board of directors of Novavax, Inc. (NASDAQ: NVAX), a clinical-stage vaccine company, since 2011 and has served on the board of directors of 3-V Biosciences, Inc., a private drug company, since April 2010. Dr. Young was head of research and development for MedImmune from 1989 to 2008, following its \$15.6 billion sale to AstraZeneca PLC in 2007. During his tenure, Dr. Young managed approximately 1,500 people and controlled an annual budget in excess of \$700 million. Dr. Young has also served on the board of directors of Xencor, Inc., Iomai, Inc. and Arriva Pharmaceuticals, Inc.

Ian Hume. Mr. Hume joined the World Bank in 1969 as an economist. Mr. Hume's career at the World Bank included macroeconomic work, project assignments and management positions, including as Division Chief, Assistant Director of Energy, Resident Representative and Country Director in Poland. Since 1994, Mr. Hume has worked on a range of private energy ventures in electric power and coal industries, including technical advisor to EUROGAZ Gas Pipeline, from 1995 to 1996, and coordinator of a consortium for an LNG Feasibility Study in Poland in 2007. From 2007 to 2012, Mr. Hume undertook several internal consulting studies for the World Bank, including for its Independent Evaluation Group in the fields of internal controls, procurement policy and anti-corruption. He was also part of a private consulting team, headed by the firm ICF International, of Fairfax, Virginia, that, in 2012 and 2013, wrote the Gas Master Plan for Mozambique under contract to the Ministry of Energy and Natural Resources, which was financed by the World Bank. Mr. Hume has been a self-employed consultant since 1996.

Pre-Approval Policies and Procedures

The Audit Committee Charter includes responsibilities regarding the provision of non-audit services by TMS's external auditors. The Audit Committee Charter states that the Audit Committee will: (i) pre-approve the retention of the independent auditor for all audit and non-audit services, including tax services, and the fees for such non-audit services which are provided to TMS and its subsidiaries; (ii) consider whether the provision of non-audit services is compatible with maintaining the auditor's independence; and (iii) if so determined by the Audit Committee, recommend that the Board take appropriate action to satisfy itself of the independence of the auditor.

Audit Committee Oversight

At no time since incorporation was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Audit Fees

The aggregate fees billed by TMS's external auditor for audit fees were \$59,750 for the period ended December 31, 2015.

Audit-Related Fees

The aggregate fees billed for assurance and related services by TMS's external auditor that were reasonably related to the performance of the audit or review of TMS's financial statements were \$8,902 for the period ended December 31, 2015.

Tax Fees

The aggregate fees billed for professional services rendered by TMS's external auditor for tax compliance, tax advice and tax planning were \$nil for the period ended December 31, 2015.

All Other Fees

The aggregate fees billed for products and services provided by TMS's external auditor, other than for the services reported above, were \$nil for the period ended December 31, 2015.

Reliance on Certain Exemptions

At no time since the commencement of the period ended December 31, 2015 has TMS relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services) or an exemption from NI 52-110, in whole or in part, granted under Part 8 (Exemptions) of NI 52-110.

CORPORATE GOVERNANCE DISCLOSURE

Board of Directors

The directors are responsible for managing and supervising the management of TMS's business and affairs. Each year, the Board must review the relationship that each director has with TMS in order to satisfy themselves that the relevant independence criteria have been met.

Other than interests arising from shareholdings in TMS, all of the current directors of TMS are "independent" within the meaning of NI 52-110, with the exception of Dr. Modi, who is a SOHL representative to the Board and is also a director of SOHL.

In order to facilitate its exercise of independent judgment in carrying out its responsibilities, the Board may establish informal committees on an as needed basis consisting solely of independent directors to consider certain matters to be considered by the Board. The Board, or any committee, may also seek advice from outside advisors. The Board also follows a practice whereby any director who has an interest in a matter that the Board is considering will either abstain from voting on the matter or exit the Board meeting. The independent directors, as necessary, may hold meetings at which non-independent directors and members of management are not in attendance. However, in order to facilitate open and candid discussion among independent directors, communication among the independent directors also occurs on an informal and ongoing basis as such need arises.

Directorships

The following director(s) of TMS currently hold directorship(s) in other reporting issuer(s) as set out below:

Name of Director	Name of Other Reporting Issuer(s)
Dr. James Young	Novavax, Inc.
Dr. Rajiv I. Modi	Novavax, Inc.

Committees of the Board

The Audit Committee and the CCGC are the only standing committees of the Board. The Audit Committee is appointed by the Board to assist in monitoring: (i) the integrity of TMS's financial statements; (ii) TMS's compliance with legal and regulatory requirements; and (iii) the qualifications, appointment, independence and performance of TMS's external auditors and senior financial executives. The CCGC is appointed by the Board to, among other things, assess the performance of the chief executive officer, evaluate the chief executive officer's contribution to the overall success of TMS and recommend to the Board the chief executive officer's level of compensation. The CCGC, in consultation with TMS's executive officers, periodically reviews and makes recommendations to the Board in respect of compensation paid to TMS's directors and officers, including salary, incentive and other compensation levels.

The Audit Committee is currently comprised of Messrs. Crocker (Chair), Young, Modi, and Hudson. On or about Meeting, it is expected that the Audit Committee will be comprised of Messrs. Crocker (Chair), Young and Hume. The CCGC is comprised of Messrs. Young (Chair), Modi, Crocker and Hume.

Special committees may be formed by the Board from time to time as required to review particular matters or transactions.

Orientation and Continuing Education

The Board does not have formal procedures to orient new directors or a formal policy of providing continuing education for directors. When a new director is appointed, he or she has the opportunity to meet other directors, executives, management and employees of TMS with orientation tailored to his or her needs and experience, as well as overall needs of the Board. New directors are also provided with information respecting TMS and its business and operations.

TMS relies upon the advice of its professional advisors to update the knowledge of its directors in respect of changes in relevant policies and regulations. Some of TMS's directors are also directors of other publicly traded companies and benefit from exposure to boards of directors of such companies. New directors are generally selected on the basis of their breadth of experience with respect to TMS's business, having regard to the requirements for appropriate skill sets required by TMS.

Directors are also encouraged to communicate with executives, management, auditors and technical consultants to keep themselves current with the business and affairs of TMS. Directors have access to TMS's records at all times.

Ethical Business Conduct

The Board relies upon the selection of directors, officers, employees and consultants whom it considers as meeting the highest ethical standards to promote a culture of ethical business conduct.

The Board itself must comply with the conflict of interest provisions of applicable corporate and securities laws and regulations, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest. To this end, the Board has adopted a Code of Business Conduct and Ethics, an Anti-Bribery and Corruption Policy, a Securities Law Compliance Policy and a Whistleblower Policy.

Nomination and Assessment

The CCGC is responsible for making recommendations to the Board in respect of filling of vacancies on the Board and as to nominees for the Board. On an annual basis, the Board reviews its strategies to determine the composition of the Board and the appropriate candidates to be put forth for election as directors at annual general meetings. The review takes into account the desirability of maintaining a balance of skills, experience and background, required for the discharge of the Board's fiduciary duty to TMS.

Compensation

The CCGC is responsible for assisting the Board in discharging its responsibilities relating to compensation of TMS's directors and officers. This committee, in consultation with TMS's executive officers, periodically reviews and makes recommendations to the Board in respect of compensation paid to TMS's directors and officers. See "Statement of Executive Compensation – Compensation Discussion and Analysis" for more information.

Assessments

The Board is responsible for keeping management informed of its evaluation of the performance of TMS and its executive officers in achieving and carrying out the Board's established goals and policies, and is also responsible for advising management of any remedial action or changes which it may consider necessary. Additionally, directors are expected to devote the time and attention to TMS's business and affairs as necessary to discharge their duties as directors effectively.

The Board does not have a formal process to monitor the effectiveness of the Board, its committee(s) and individual members, but rather relies on an informal review process. In order to gauge performance, the Board considers the following:

- (a) input from directors, where appropriate;
- (b) attendance of directors at meetings of the Board and any committee;

- (c) the charter(s) of committee(s); and
- (d) the competencies and skills each individual director is expected to bring to the Board and any committee.

APPOINTMENT AND REMUNERATION OF AUDITORS

At the Meeting, Shareholders will be asked to approve the appointment of BDO Canada LLP, Chartered Professional Accountants, as the auditors of TMS for the fiscal year ending December 31, 2016, and to authorize the Board to fix the auditors' remuneration.

MANAGEMENT RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE APPOINTMENT OF BDO CANADA LLP, CHARTERED PROFESSIONAL ACCOUNTANTS, AS AUDITORS OF TMS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2016 AND TO AUTHORIZE THE BOARD TO FIX THE AUDITORS' REMUNERATION.

MANAGEMENT CONTRACTS

The management functions of TMS are performed by its directors and executive officers, and TMS has no management agreements or arrangements under which such management functions are performed by persons other than the directors and executive officers of TMS.

PARTICULARS OF MATTERS TO BE ACTED UPON

Amended and Restated Long-Term Performance Incentive Plan

At the Meeting, Shareholders will be asked to consider, and if thought fit, to approve by ordinary resolution in the form set out at Schedule "A" (the "**LTIP Resolution**") certain amendments to the LTIP Plan. On May 9, 2016, TMS announced that it had received conditional approval from the TSX Venture Exchange ("**TSX-V**") for the listing of the Shares. In connection therewith, the TSX-V has requested that TMS make certain amendments to the LTIP Plan to comply with the rules and policies of the TSX-V. A copy of the LTIP Plan, as proposed to be amended and restated, is attached hereto as Schedule "C".

The following is a summary of the proposed amendments to the LTIP Plan:

- the current LTIP Plan does not prescribe limits on the number of options granted to Consultants (as defined in TSX-V rules) or persons performing Investor Relations Activities (as defined in TSX-V rules). In accordance with the policies of the TSX-V, the TSX-V has requested that the LTIP Plan be amended to provide for (i) a limit on the aggregate number of options that may be granted to any one Consultant in a 12-month period to 2% of the issued and outstanding Shares and (ii) a limit on the aggregate number of options that may be granted to all persons performing Investor Relations Activities in a 12-month period to 2% of the issued and outstanding Shares, along with certain limitations on vesting of options granted to such persons;
- the amendments would delete certain provisions in the LTIP Plan that previously allowed for the reloading of Shares available for issuance under the plan in the event that awards granted thereunder were settled in cash in lieu of Shares; and
- the LTIP Plan currently delegates responsibility to the Board to establish restrictions relating to RSUs granted thereunder. However, the TSX-V has requested that the LTIP Plan be amended to provide for certain basic restrictions, including time-based vesting provisions, on RSUs.

TSX-V rules provide that any stock option plan that may permit (i) the aggregate number of shares reserved for issuance under stock options granted to Insiders (as defined in TSX-V rules) (as a group) at any point in time exceeding 10% of the issued shares of the corporation or (ii) the grant to Insiders (as a group), within a twelve (12) month period, of an aggregate number of options exceeding 10% of the issued shares of the corporation must be approved by such corporation's "disinterested Shareholders". A corporation's disinterested shareholders are its shareholders that are neither Insiders nor Associates (as defined in TSX-V rules) of Insiders. Given that the Amended and Restated LTIP permits the issuance of stock options granted to Insiders of up to 20% of the issued and outstanding Shares, at the Meeting, the LTIP Resolution must be approved by not less than a majority of the votes cast by the disinterested Shareholders of TMS present in person, or

represented by proxy. As of the Record Date, an aggregate of 1,414,930 Shares were held by Insiders and their Associates and will therefore be excluded from voting on the LTIP Resolution.

MANAGEMENT RECOMMENDS THAT SHAREHOLDERS VOTE IN FAVOR OF THE LTIP RESOLUTION, IN THE FORM SET OUT IN SCHEDULE "A".

ADDITIONAL INFORMATION

Additional information relating to TMS is on SEDAR at www.sedar.com. Financial information is provided in TMS's financial statements and management's discussion and analysis ("**MD&A**") for the period ended December 31, 2015.

TMS will provide to any Shareholder, upon request, copies of TMS's financial statements and MD&A for the period ended December 31, 2015. Please direct such requests to TMS at Suite 2300, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X2.

BOARD APPROVAL

The Board has approved the contents and the delivery of this Circular to the Shareholders.

DATED at Vancouver, British Columbia, this 12th day of May, 2016.

TARGETED MICROWAVE SOLUTIONS INC.

Per: "*James Young*"

Dr. James Young
Chairman and Director

Schedule "A"

LTIP Resolution

Capitalized terms not otherwise defined in this resolution shall have the meanings ascribed to such terms in the management information circular dated May 12, 2016.

"BE IT HEREBY RESOLVED, as an ordinary resolution, that:

1. The amended and restated long-term performance incentive plan (the "**Amended and Restated LTIP Plan**"), in the form set out at Schedule "C" to the Circular, be, and is hereby, authorized and approved;
2. Any one officer or director of TMS be, and is hereby, authorized and directed to take all such further actions, execute and deliver such further instruments or documents in writing and do all such other acts and things as in such person's opinion may be necessary or desirable in the name and on behalf of TMS, under its corporate seal or otherwise, to give effect to, and carry out the intent of, the foregoing resolutions, which opinion shall be conclusively evidenced by the taking of such further actions, the execution and delivery of such instruments and documents and the doing of such other acts and things, and to the extent that any such actions were taken, or instruments and documents delivered prior to the date hereof, the taking of such actions and execution and delivery of such documents be, and are hereby approved; and
3. Notwithstanding that these resolutions have been passed by the Shareholders of TMS, the directors of TMS are hereby authorized and empowered, without further notice to or approval of any Shareholders, to revoke this ordinary resolution at any time prior to receipt of final TSX-V approval of the Amended and Restated LTIP Plan."

Schedule "B"

Audit Committee Charter

(see attached)

TARGETED MICROWAVE SOLUTIONS INC.
(the "Company")

AUDIT COMMITTEE CHARTER

1. PURPOSE

The Audit Committee is appointed by the Board to assist the Board in monitoring: (i) the integrity of the financial statements of the Company; (ii) the compliance by the Company with legal and regulatory requirements; and (iii) the qualifications, appointment, independence and performance of the Company's external auditor and senior finance executives.

2. COMPOSITION

The Audit Committee shall consist of at least three (3) directors, as determined by the Board. The members of the Audit Committee shall meet the independence, education and experience requirements prescribed by all applicable securities laws and any exchange or quotation system upon which the Company's securities are listed or quoted. In particular, every member of the Audit Committee must be financially literate within the meaning of, and in accordance with, applicable securities laws. The members of the Audit Committee shall be appointed by the Board.

3. MEETINGS

The Audit Committee may request any officer or employee of the Company and its subsidiaries or the Company's outside counsel or independent auditor to attend meetings of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

4. EXPENSES

The Company shall provide funding to compensate: (i) any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; and (ii) any independent legal, accounting or other consultants employed by the Audit Committee. The Company shall also provide funding for the Audit Committee's ordinary administrative expenses that are necessary or appropriate in carrying out its duties.

5. RESPONSIBILITIES AND DUTIES

The Audit Committee shall have the following authority and responsibilities:

Financial Disclosure, Risk Management and Internal Controls

1. To review, prior to public disclosure thereof, the annual audited financial statements and management's discussion and analysis with management and the Company's independent auditor, including: (i) matters required to be reviewed under applicable legal and regulatory requirements; (ii) major issues regarding accounting and auditing principles and practices; and (iii) the adequacy of internal controls that could significantly affect the Company's financial statements.
2. To review major changes to the Company's auditing and accounting principles and practices, as suggested by the Company's independent auditor, internal accounting or financial personnel or management.
3. To review an analysis prepared by management and the Company's independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including an analysis of the effect of alternative GAAP methods on the Company's financial statements.

4. To review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures and variable interest entities on the Company's financial statements.
5. To review with the Company's independent auditor any problems or difficulties the auditor may have encountered and any disagreements between the auditor and management of the Company and any management letter provided by the auditor and the Company's response to that letter. Such review should include:
 - (a) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management;
 - (b) the internal accounting and financial responsibilities; and
 - (c) the investigation and implementation of the resolution of any disagreement between the auditor and management.

The Audit Committee shall be directly responsible for the resolution of disagreements between management and the Company's independent auditor regarding financial reports.

6. To review and discuss with management and the Company's independent auditor, as appropriate, the Company's quarterly financial statements, including the results of the auditor's review of the quarterly financial statements and earnings press releases, and submit to the board for approval all quarterly financial statements, earnings press releases and financial information provided to rating agencies before public disclosure thereof.
7. To confirm that all annual and interim financial statement filings are certified by the chief executive officer and the chief financial officer if and as required by applicable law.
8. To review and approve the disclosures required by applicable securities laws to be included in the Company's management information circular (or other prescribed securities document) relating to the Audit Committee and audit and non-audit services and fees.
9. To meet periodically with management to review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
10. Ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements.
11. To review the significant reports to management prepared by the internal accounting and financial personnel and management's responses to such reports.

Independent Auditor

12. Recommend to the Board the nomination and appointment of the Company's independent auditor for the purposes of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company. Each independent auditor or registered public accounting firm engaged for the Company or the Audit Committee shall report directly to the Audit Committee.
13. To review and discuss with the Company's independent auditor the scope of the annual audit and the results of the annual audit examination by the auditor.
14. The sole authority to approve all audit engagement terms and fees to be paid to the Company's independent auditor for audit services.

15. Overseeing the work of the Company's independent auditor engaged for the purposes of preparing or issuing an auditor's report or performing other audit, review or attest services.
16. To review the experience and qualifications of the senior members of the Company's independent auditor team, the quality control procedures of the Company's independent auditor and the rotation of the lead partner and reviewing partner of the Company's independent auditor.
17. To evaluate the performance of the Company's independent auditor and whether it is appropriate to adopt a policy of rotating independent auditors on a regular basis. If so determined by the Audit Committee, to recommend that the Board replace the Company's independent auditor.
18. To receive periodic reports from the Company's independent auditor regarding the auditor's independence, discuss such reports with the auditor, consider whether the provision of non-audit services is compatible with maintaining the auditor's independence and, if so determined by the Audit Committee, recommend that the Board take appropriate action to satisfy itself of the independence of the auditor.
19. To meet at least quarterly with the chief financial officer and the Company's independent auditor in separate executive sessions.

Non-Audit Services

20. The authority to engage independent counsel and other advisors as it deems necessary to carry out the duties and responsibilities of the Audit Committee.
21. To pre-approve the retention of the Company's independent auditor for all audit and non-audit services to be provided to the Company or its subsidiaries by any independent public accountants, including tax services, and the fees for such non-audit services.

Internal Control

22. To review with management and the Company's independent auditor the adequacy and effectiveness of the Company's internal controls over annual and interim financial reporting, as required by applicable securities laws and exchange rules, including information technology security and control and controls related to the prevention and detection of fraud and improper or illegal transactions or payments and the status of the remediation of any identified control deficiencies, and to elicit recommendations for improvements.
23. To understand the scope of the independent auditor's review of internal control over financial reporting, and obtain and review reports on significant findings and recommendations, including respecting the Company's accounting principles or changes to such principles or their application and the treatment of financial information discussed with management, together with management's responses.

Compliance

24. To obtain reports/confirmation from management, the Company's senior accounting and financial personnel and the Company's independent auditor that the Company's subsidiaries are in conformity with applicable legal requirements and the Company's Code of Business Conduct and Ethics, including disclosures of insider and affiliated party transactions.
25. To review and consider compliance with statutes relating to areas for which the Audit Committee has responsibility.
26. To review with management and the Company's independent auditor any correspondence with regulators or governmental agencies and any employee or anonymous complaints or published

reports which raise material issues regarding the Company's financial statements or accounting policies.

27. To advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and the Company's Code of Business Conduct and Ethics.

General

28. To report regularly to the Board on Audit Committee activities, issues and related recommendations.
29. To review and assess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
30. To review and assess the Company's Whistleblower Policy and all reports thereunder as scheduled and otherwise as required.
31. To review and assess the Company's Anti-Bribery and Corruption Policy and all reports thereunder as scheduled and otherwise as required.
32. To establish procedures for: (i) the receipt, retention, processing, treatment and resolution of complaints regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by the Company's employees of concerns regarding auditing or accounting matters.
33. To review and investigate any matters pertaining to the integrity of management, including conflicts of interest or adherence to standards of business conduct as required in the policies of the Company.
34. To review and pre-approve the hiring policies of the Company regarding partners, employees and former partners and employees of the Company's independent auditor who were engaged on the Company's account.
35. To review the appointment and replacement of the Company's senior accounting and financial executives.
36. To review with management material matters relating to tax and insurance.
37. To review and consider transactions with related parties and/or affiliated transactions.
38. In its discretion, to review and approve or ratify, on at least an annual basis, summary expense reports and reimbursements of the Chief Executive Officer and Chief Financial Officer.
39. While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the Company's independent auditor. It is not the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the Company's independent auditor (other than as set out herein) or to ensure compliance with laws and regulations and the Company's Code of Conduct.

6. ACCOUNTABILITY

The minutes of all meetings of the Audit Committee will be made available for review by any member of the Board on request to the Chair of the Audit Committee.

INDICATIVE SCHEDULE FOR AUDIT COMMITTEE MATTERS

<i>Agenda Items</i>	J	F	M	A	M	J	J	A	S	O	N	D
Financial Disclosure, Risk Management and Internal Controls												
(i) Review the Company's annual audited financial statements and adequacy and effectiveness of the Company's internal controls with management and the Company's independent auditor and related CEO and CFO certifications		•										
(ii) Review analysis prepared by management and the Company's independent auditor of significant financial reporting issues and judgments			•			•			•			•
(iii) Review with management and the Company's independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures and variable interest entities			•			•			•			•
(iv) Review with the Company's independent auditor any problems and difficulties the auditor may have encountered and any disagreements with management			•			•			•			•
(v) Review with management and the Company's independent auditor the Company's quarterly financials, the adequacy and effectiveness of the Company's internal controls and related CEO and CFO certifications			•			•			•			•
(vi) Review the report required for the Company's management information circular or other document prescribed by applicable securities laws			•									
(vii) Meet with management and review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures					•							
(viii) Review the significant reports to management prepared by the internal accounting and financial personnel			•			•			•			•
External Auditor												
(i) Review and discuss with the Company's independent auditor the scope of the annual audit and results												•
(ii) Review qualifications of the senior members of the Company's independent auditor's team, quality					•						•	

Agenda Items	J	F	M	A	M	J	J	A	S	O	N	D
control procedures and the rotation of partners												
(iii) Pre-approve the retention of independent public accountants for all audit and permitted non-audit services					•							
Compliance												
(i) Obtain confirmation from management and the Company's independent auditor re: compliance with legal requirements and the Company's Code of Business Conduct and Ethics			•			•			•			•
(ii) Review and consider compliance with statutes relating to areas for which the Audit Committee has responsibility			•			•			•			•
(iii) Review with management and the Company's independent auditor any correspondence with regulators or governmental agencies and any employee or anonymous complaints which raise material issues regarding the Company's financials and accounting policies			•			•			•			•
General Duties												
(i) Review and reassess the adequacy of the Audit Committee Charter					•							
(ii) Review the Company's Whistleblower Policy and all reports thereunder as scheduled and otherwise as required					•							
(iii) Review the Company's Anti-Bribery and Corruption Policy and all reports thereunder as scheduled and otherwise as required					•							
(iv) Review and investigate any matters pertaining to the integrity of management (as needed)			•			•			•			•
(v) Review and pre-approve any hiring by the Company of employees of the Company's independent auditor (as needed)			•			•			•			•
(vi) Review the appointment and replacement of the senior accounting and financial executives (as needed)					•							
(vii) Review with management material matters relating to tax and insurance			•			•			•			•
(viii) Review and consider transactions with related parties as scheduled and otherwise as required			•			•			•			•
(ix) Review summary expense reports and reimbursement of the Chair and senior officers			•			•			•			•

Schedule "C"

Amended and Restated Long-Term Performance Incentive Plan

(see attached)

TARGETED MICROWAVE SOLUTIONS INC.
(the "**Company**")

LONG-TERM PERFORMANCE INCENTIVE PLAN

SECTION 1. ESTABLISHMENT AND PURPOSE OF THIS PLAN

The Company wishes to establish this amended and restated long-term performance incentive plan ("**Plan**"), which amends the Company's prior long-term performance incentive plan, dated May 21, 2015.

The purpose of this Plan is to promote the long-term success of the Company and the creation of shareholder value by: (a) encouraging the attraction and retention of Directors, Key Employees and Consultants of the Company and its Subsidiaries; (b) encouraging such Directors, Key Employees and Consultants to focus on critical long-term objectives; and (c) promoting greater alignment of the interests of such Directors, Key Employees and Consultants with the interests of the Company.

To this end, this Plan provides for the grant of Restricted Share Units, Performance Share Units, Deferred Share Units and Options to Directors, Key Employees and Consultants of the Company as further described in this Plan.

SECTION 2. DEFINITIONS

As used in this Plan, the following terms shall have the meanings set forth below:

- (a) "**Associate**" has the meaning ascribed thereto in the Securities Act;
- (b) "**Award**" means any award of Restricted Share Units, Performance Share Units, Deferred Share Units or Options granted under this Plan;
- (c) "**Award Agreement**" means any written agreement, contract, or other instrument or document, including an electronic communication, as may from time to time be designated by the Company as evidencing any Award granted under this Plan;
- (d) "**Board**" means the board of directors of the Company;
- (e) "**Change of Control**" means the acquisition by any person or by any person and a joint actor, whether directly or indirectly, of voting securities (as such terms are interpreted in the Securities Act) of the Company, which, when added to all other voting securities of the Company at the time held by such person or by such person and a person "acting jointly or in concert" with another person, as that phrase is interpreted in National Instrument 62-103, totals for the first time not less than fifty (50%) percent of the outstanding voting securities of the Company or the votes attached to those securities are sufficient, if exercised, to elect a majority of the Board;
- (f) "**Committee**" means such committee of the Board performing functions in respect of compensation as may be determined by the Board from time to time;
- (g) "**Company**" means Targeted Microwave Solutions Inc., a company incorporated under the *Business Corporations Act* (British Columbia), and any of its successors or assigns;
- (h) "**Consultant**" means a Person (other than a Key Employee or Director) that:
 - (i) is engaged to provide, on an ongoing *bona fide* basis, consulting, technical, management or other services to the Company or an affiliate of the Company, other than services provided in relation to a distribution (as defined in the Securities Act);

- (ii) provides the services under a written contract between the Company or an affiliate of the Company and the Person, as the case may be;
- (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time on the affairs and business of the Company or an affiliate of the Company; and
- (iv) has a relationship with the Company or an affiliate of the Company that enables the Person to be knowledgeable about the business and affairs of the Company,

and includes:

- (v) for a Person that is an individual, a corporation of which such individual is an employee or shareholder, and a partnership of which the individual is an employee or partner; and
 - (vi) for a Person that is not an individual, an employee, executive officer or director of the consultant, provided that the individual employee, executive officer or director spends or will spend a significant amount of time on the affairs and business of the Company or an affiliate of the Company;
- (i) "**Deferred Share Unit**" means a right to receive on a deferred basis a payment in either Shares or cash as provided in Section 5(c) hereof and subject to the terms and conditions of this Plan and the applicable Award Agreement;
 - (j) "**Determination Date**" means a date determined by the Board in its sole discretion but not later than 90 days after the expiry of a Performance Cycle;
 - (k) "**Director**" means a member of the Board;
 - (l) "**Disability**" means any medical condition which qualifies a Participant for benefits under a long-term disability plan of the Company or Subsidiary;
 - (m) "**Effective Date**" has the meaning ascribed thereto in Section 8;
 - (n) "**Election Form**" means the form to be completed by a Director specifying the amount of Fees he or she wishes to receive in Deferred Share Units under this Plan;
 - (o) "**Eligible Person**" means Directors, Key Employees and Consultants;
 - (p) "**Exchange**" means the TSX Venture Exchange, or such other exchange upon which the Shares of the Company may become listed for trading;
 - (q) "**Fees**" means the annual board retainer, chair fees, meeting attendance fees or any other fees payable to a Director by the Company;
 - (r) "**Grant Date**" means, for any Award, the date specified by the Board as the grant date at the time it grants the Award or, if no such date is specified, the date upon which the Award was actually granted;
 - (s) "**Insider**" means any insider, as that term is defined in the Securities Act;
 - (t) "**Insider Participant**" means a Participant who is an (i) Insider of the Company or of a Subsidiary, and (ii) Associate of any person who is an Insider by virtue of (i);
 - (u) "**Investor Relations Activities**" means any activities, by or on behalf of the Company or a shareholder 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
 - A. to promote the sale of products or services of the Company, or
 - B. 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:
 - A. applicable securities laws;
 - B. 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:
 - A. the communication is only through the newspaper, magazine or publication, and
 - B. 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
- (v) "**Key Employees**" means employees, including officers, whether Directors or not, and including both full-time and part-time employees of the Company or any Subsidiary who, by the nature of their positions or jobs are, in the opinion of the Board, in a position to contribute to the success of the Company;
- (w) "**Market Unit Price**" means the value of a Share determined by reference to the five-day volume weighted average closing price of a Share on the immediately preceding five (5) Trading Days on which trading in the Shares took place;
- (x) "**Option**" means incentive share purchase options entitling the holder thereof to purchase Shares;
- (y) "**Participant**" means any Eligible Person to whom Awards under this Plan are granted;
- (z) "**Participant's Account**" means a notional account maintained for each Participant's participation in this Plan which will show any Restricted Share Units, Performance Share Units, Deferred Share Units or Options credited to a Participant from time to time;
- (aa) "**Performance-Based Award**" means, collectively, Performance Share Units and Restricted Share Units;
- (bb) "**Performance Criteria**" means criteria established by the Board which, without limitation, may include criteria based on the Participant's personal performance and/or financial performance of the Company and its Subsidiaries, and that are to be used to determine the vesting of the Performance Share Units;

- (cc) "**Performance Cycle**" means the applicable performance cycle of the Performance Share Units as may be specified by the Board in the applicable Award Agreement;
- (dd) "**Performance Share Unit**" means a right awarded to a Participant to receive a payment in Shares as provided in Section 5(b) hereof and subject to the terms and conditions of this Plan and the applicable Award Agreement;
- (ee) "**Person**" means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, or governmental authority or body;
- (ff) "**Restriction Period**" means the time period between the Grant Date and the Vesting Date of an Award of Restricted Share Units specified by the Board in the applicable Award Agreement, which period shall be no less than 12 months, provided the Board may, in its discretion, permit earlier vesting, no sooner than quarterly, of the Restricted Share Units;
- (gg) "**Restricted Share Unit**" means a right awarded to a Participant to receive a payment in Shares as provided in Section 5(a) hereof and subject to the terms and conditions of this Plan and the applicable Award Agreement;
- (hh) "**Retirement**" means retirement from active employment with the Company or a Subsidiary with the consent of an officer of the Company or the Subsidiary;
- (ii) "**Securities Act**" means the *Securities Act* (British Columbia), as amended, from time to time;
- (jj) "**Security-Based Compensation Arrangement**" shall have the meaning ascribed thereto in the rules and policies of the Exchange, or in the event that such term is not defined in the rules and policies of the Exchange, shall mean a stock option, stock option plan, employee stock purchase plan, long-term incentive plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Shares to one or more full-time employees, officers, Insiders, service providers or Consultants of the Company or a Subsidiary, including a share purchase from treasury by a full-time employee, officer, Insider, service provider or Consultant which is financially assisted by the Company or a Subsidiary by way of loan, guarantee or otherwise;
- (kk) "**Shares**" means the common shares of the Company;
- (ll) "**Subsidiary**" means a corporation, company or partnership that is controlled, directly or indirectly, by the Company;
- (mm) "**Termination Date**" means, as applicable: (i) in the event of a Participant's Retirement, voluntary termination or termination of employment as a result of a Disability, the date on which such Participant ceases to be an employee of the Company or a Subsidiary; and (ii) in the event of termination of the Participant's employment by the Company or a Subsidiary, the date on which such Participant is advised by the Company or a Subsidiary, in writing or verbally, that his or her services are no longer required;
- (nn) "**Trading Day**" means any date on which the Exchange is open for trading; and
- (oo) "**Vesting Date**" means in respect of any Award, the date when the Award is fully vested in accordance with the provisions of this Plan and the applicable Award Agreement.

SECTION 3. ADMINISTRATION

- (a) BOARD TO ADMINISTER PLAN. Except as otherwise provided herein, this Plan shall be administered by the Board and the Board shall have full authority to administer this Plan, including the authority to interpret and construe any provision of this Plan and to adopt, amend

and rescind such rules and regulations for administering this Plan as the Board may deem necessary in order to comply with the requirements of this Plan.

- (b) **DELEGATION TO COMMITTEE.** All of the powers exercisable hereunder by the Board may, to the extent permitted by applicable law and as determined by resolution of the Board, be delegated to and exercised by the Committee or such other committee as the Board may determine.
- (c) **INTERPRETATION.** All actions taken and all interpretations and determinations made or approved by the Board in good faith shall be final and conclusive and shall be binding on the Participants and the Company.
- (d) **NO LIABILITY.** No Director shall be personally liable for any action taken or determination or interpretation made or approved in good faith in connection with this Plan and the Directors shall, in addition to their rights as Directors, be fully protected, indemnified and held harmless by the Company with respect to any such action taken or determination or interpretation made. The appropriate officers of the Company are hereby authorized and empowered to do all things and execute and deliver all instruments, undertakings and applications and writings as they, in their absolute discretion, consider necessary for the implementation of this Plan and of the rules and regulations established for administering this Plan. All costs incurred in connection with this Plan shall be for the account of the Company.

SECTION 4. SHARES AVAILABLE FOR AWARDS

- (a) **LIMITATIONS ON SHARES AVAILABLE FOR ISSUANCE.**
 - (i) The aggregate number of Shares issuable under this Plan in respect of Awards shall not exceed 7,180,003;
 - (ii) So long as it may be required by the rules and policies of the Exchange:
 - A. the total number of Shares issuable to any Participant under this Plan, at any time, together with Shares reserved for issuance to such Participant under all of the Company's other Security-Based Compensation Arrangements, shall not exceed five (5%) percent of the issued and outstanding Shares; and
 - B. the total number of Shares issuable to all Insider Participants within any one-year period and at any time under this Plan, together with Shares reserved for issuance to such Participants under all of the Company's other Security-Based Compensation Arrangements, shall not exceed twenty (20%) percent of the issued and outstanding Shares;
 - (iii) The total number of Shares issuable to non-executive Directors under this Plan (excluding, for this purpose, the Chairman of the Board, if any) shall not exceed three (3%) percent of the issued and outstanding Shares;
 - (iv) The total number of Shares issuable to any Consultant shall not exceed two (2%) percent of the issued and outstanding Shares in any twelve-month period;
 - (v) The total number of Shares issuable to Persons performing Investor Relations Activities shall not exceed two (2%) percent of the issued and outstanding Shares in any twelve-month period; and
 - (vi) The grant value of Shares issued or reserved for issuance pursuant to Options granted under this Plan to any one non-executive Director (excluding, for this purpose, the Chairman of the Board, if any) plus the number of Shares that are reserved at that time for issue or are issuable to such non-executive Director pursuant to any other Security-

Based Compensation Arrangements shall not exceed \$100,000 in any fiscal year, calculated by the Company as of the grant date.

- (b) **ACCOUNTING FOR AWARDS.** For purposes of this Section 4:
- (i) If an Award is denominated in Shares, the number of Shares covered by such Award, or to which such Award relates, shall be counted on the Grant Date of such Award against the aggregate number of Shares available for granting Awards under this Plan; and
 - (ii) Notwithstanding anything herein to the contrary, any Shares related to Awards which terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of such Shares, or are exchanged with the Board's permission, prior to the issuance of Shares, for Awards not involving Shares, shall be available again for granting Awards under this Plan.
- (c) **ANTI-DILUTION.** If the number of outstanding Shares is increased or decreased as a result of a stock split, consolidation or recapitalization and not as a result of the issuance of Shares for additional consideration or by way of stock dividend, the Board may make appropriate adjustments to the number and price (or other basis upon which an Award is measured) of Restricted Share Units, Performance Share Units, Deferred Share Units and/or Options credited to a Participant. Any determinations by the Board as to the required adjustments shall be made in its sole discretion and all such adjustments shall be conclusive and binding for all purposes under this Plan.

SECTION 5. AWARDS

- (a) **RESTRICTED SHARE UNITS**
- (i) **ELIGIBILITY AND PARTICIPATION.** Subject to the provisions of this Plan and such other terms and conditions as the Board may prescribe, the Board may, from time to time, grant Awards of Restricted Share Units to Directors, Key Employees and Consultants. Restricted Share Units granted to a Participant shall be credited, as of the Grant Date, to the Participant's Account. The number of Restricted Share Units to be credited to each Participant shall be determined by the Board in its sole discretion in accordance with this Plan. Each Restricted Share Unit shall, contingent upon the lapse of any restrictions, represent one (1) Share. The number of Restricted Share Units granted pursuant to an Award and the Restriction Period in respect of such Restricted Share Units shall be specified in the applicable Award Agreement.
 - (ii) **RESTRICTIONS.** Restricted Share Units shall be subject to such restrictions as the Board, in its sole discretion, may establish in the applicable Award Agreement, which restrictions may lapse separately or in combination at such time or times and on such terms, conditions and satisfaction of objectives as the Board may, in its discretion, determine at the time an Award is granted.
 - (iii) **VESTING.** All Restricted Share Units will vest and become payable by the issuance of Shares at the end of the Restriction Period if all applicable restrictions have lapsed, as such restrictions may be specified in the Award Agreement.
 - (iv) **CHANGE OF CONTROL.** In the event of a Change of Control, all restrictions upon any Restricted Share Units shall lapse immediately and all such Restricted Share Units shall become fully vested in the Participant and will accrue to the Participant in accordance with Section 5(a)(x) hereof.
 - (v) **DEATH.** Other than as may be set forth in the applicable Award Agreement, upon the death of a Participant, any Restricted Share Units granted to such Participant which, prior

to the Participant's death, have not vested, will be immediately and automatically forfeited and cancelled without further action and without any cost or payment, and the Participant or his or her estate, as the case may be, shall have no right, title or interest therein whatsoever. Any Restricted Share Units granted to such Participant which, prior to the Participant's death, had vested pursuant to the terms of the applicable Award Agreement will accrue to the Participant's estate in accordance with Section 5(a)(x) hereof.

(vi) **TERMINATION OF EMPLOYMENT.**

A. Where, in the case of a Key Employee, a Participant's employment is terminated by the Company or a Subsidiary for cause, all Restricted Share Units granted to the Participant under this Plan will immediately terminate without payment, be forfeited and cancelled and shall be of no further force or effect as of the Termination Date.

B. Where, in the case of a Key Employee, a Participant's employment terminates by reason of termination by the Company or a Subsidiary without cause, by voluntary termination or due to Retirement by the Participant, all Restricted Share Units granted to the Participant under this Plan that have not vested will, unless the applicable Award Agreement provides otherwise and subject to the provisions below, immediately terminate without payment, be forfeited and cancelled and shall be of no further force or effect as of the Termination Date, provided, however, that any Restricted Share Units granted to such Participant which, prior to the Participant's termination without cause, voluntary termination or Retirement, had vested pursuant to the terms of the applicable Award Agreement will accrue to the Participant in accordance with Section 5(a)(x) hereof.

C. Upon termination of a Participant's employment with the Company or a Subsidiary, the Participant's eligibility to receive further grants of Awards of Restricted Share Units under this Plan shall cease as of the Termination Date.

(vii) **DISABILITY.** Where, in the case of a Key Employee, a Participant becomes afflicted by a Disability, all Restricted Share Units granted to the Participant under this Plan will continue to vest in accordance with the terms of such Restricted Share Units, provided, however, that no Restricted Share Units may be redeemed during a leave of absence. Where a Key Employee's employment is terminated due to Disability, all Restricted Share Units granted to the Participant under this Plan that have not vested will, unless the applicable Award Agreement provides otherwise and subject to the provisions below, immediately terminate without payment, be forfeited and cancelled and shall be of no further force or effect as of the Termination Date, provided, however, that any Restricted Share Units granted to such Participant which, prior to the Participant's termination due to Disability, had vested pursuant to terms of the applicable Award Agreement will accrue to the Participant in accordance with Section 5(a)(x) hereof.

(viii) **CESSATION OF DIRECTORSHIP.** Where, in the case of Directors, a Participant ceases to be a Director for any reason, any Restricted Share Units granted to the Participant under this Plan that have not yet vested will, unless the applicable Award Agreement provides otherwise and subject to the provisions below, immediately terminate without payment, be forfeited and cancelled and shall be of no further force or effect as of the date the Participant ceases to be a Director, provided, however, that any Restricted Share Units granted to such Participant which, prior to the Participant ceasing to be a Director for any reason, had vested pursuant to the terms of the applicable Award Agreement will accrue to the Participant in accordance with Section 5(a)(x) hereof.

- (ix) **TERMINATION OF SERVICE.** Where, in the case of Consultants, a Participant's service to the Company terminates for any reason, subject to the applicable Award Agreement and any other contractual commitments between the Participant and the Company, any Restricted Share Units granted to the Participant under this Plan that have not yet vested will be forfeited and cancelled and shall be of no further force or effect as of the date of termination of service, provided, however, that any Restricted Share Units granted to such Participant which, prior to the termination of the Participant's service to the Company for any reason, had vested pursuant to the terms of the applicable Award Agreement will accrue to the Participant in accordance with Section 5(a)(x) hereof.
- (x) **PAYMENT OF AWARD.** As soon as practicable after each Vesting Date of an Award of Restricted Share Units, the Company shall issue from treasury to the Participant, or if Section 5(a)(v) applies, to the Participant's estate, a number of Shares equal to the number of Restricted Share Units credited to the Participant's Account that become payable on the Vesting Date. As of the Vesting Date, the Restricted Share Units in respect of which such Shares are issued shall be cancelled and no further payments shall be made to the Participant under this Plan in relation to such Restricted Share Units.

(b) **PERFORMANCE SHARE UNITS**

- (i) **ELIGIBILITY AND PARTICIPATION.** Subject to the provisions of this Plan and such other terms and conditions as the Board may prescribe, the Board may, from time to time, grant Awards of Performance Share Units to Key Employees and Consultants. Performance Share Units granted to a Participant shall be credited, as of the Grant Date, to the Participant's Account. The number of Performance Share Units to be credited to each Participant shall be determined by the Board, in its sole discretion, in accordance with this Plan. Each Performance Share Unit shall, contingent upon the attainment of the Performance Criteria within the Performance Cycle, represent one (1) Share. The number of Performance Share Units granted pursuant to an Award, the Performance Criteria which must be satisfied in order for the Performance Share Units to vest and the Performance Cycle in respect of such Performance Share Units shall be specified in the applicable Award Agreement.
- (ii) **PERFORMANCE CRITERIA.** The Board will select, settle and determine the Performance Criteria (including without limitation the attainment thereof), for purposes of the vesting of the Performance Share Units, in its sole discretion. An Award Agreement may provide the Board with the right, during a Performance Cycle or after it has ended, to revise the Performance Criteria and the Award amounts if unforeseen events (including, without limitation, changes in capitalization, an equity restructuring, an acquisition or a divestiture) occur which have a substantial effect on the financial results and which in the sole judgment of the Board make the application of the Performance Criteria unfair unless a revision is made. Notices will be provided by the Company to applicable regulatory authorities or stock exchanges as may be required with respect to the foregoing.
- (iii) **VESTING.** All Performance Share Units will vest and become payable to the extent that the Performance Criteria set forth in the Award Agreement are satisfied for the Performance Cycle, the determination of which satisfaction shall be made by the Board on the Determination Date.
- (iv) **CHANGE OF CONTROL.** In the event of a Change of Control, all Performance Share Units granted to a Participant shall become fully vested in such Participant (without regard to the attainment of any Performance Criteria) and shall become payable to the Participant in accordance with Section 5(b)(ix) hereof.

- (v) DEATH. Other than as may be set forth in the applicable Award Agreement and below, upon the death of a Participant, all Performance Share Units granted to the Participant which, prior to the Participant's death, have not vested, will immediately and automatically be forfeited and cancelled without further action and without any cost or payment, and the Participant or his or her estate, as the case may be, shall have no right, title or interest therein whatsoever, provided, however, the Board may determine, in its sole discretion, the number of the Participant's Performance Share Units that will vest based on the extent to which the applicable Performance Criteria set forth in the Award Agreement have been satisfied in that portion of the Performance Cycle that has lapsed. The Performance Share Units that the Board determines to have vested shall become payable in accordance with Section 5(b)(ix) hereof.

- (vi) TERMINATION OF EMPLOYMENT.
 - A. Where, in the case of Key Employees, a Participant's employment is terminated by the Company or a Subsidiary for cause, all Performance Share Units granted to the Participant under this Plan will immediately terminate without payment, be forfeited and cancelled and shall be of no further force or effect as of the Termination Date.

 - B. Where, in the case of Key Employees, other than as may be set forth in the applicable Award Agreement and below, a Participant's employment is terminated by the Company or a Subsidiary without cause, by voluntary termination or due to Retirement, all Performance Share Units granted to the Participant which, prior to the Participant's termination without cause, by voluntary termination or due to Retirement, have not vested, will immediately and automatically be forfeited and cancelled without further action and without any cost or payment, and the Participant shall have no right, title or interest therein whatsoever as of the Termination Date, provided, however, the Board may determine, in its sole discretion, the number of the Participant's Performance Share Units that will vest based on the extent to which the applicable Performance Criteria set forth in the Award Agreement have been satisfied in that portion of the Performance Cycle that has lapsed. The Performance Share Units that the Board determines to have vested shall become payable in accordance with Section 5(b)(ix) hereof.

 - C. In the case of Key Employees, upon termination of a Participant's employment with the Company or a Subsidiary, the Participant's eligibility to receive further grants of Awards of Performance Share Units under this Plan shall cease as of the Termination Date.

- (vii) DISABILITY. Where a Participant becomes afflicted by a Disability, all Performance Share Units granted to the Participant under this Plan will continue to vest in accordance with the terms of such Performance Share Units, provided, however, that no Performance Share Units may be redeemed during a leave of absence. Where a Participant's employment is terminated due to Disability, all Performance Share Units granted to the Participant under this Plan that have not vested will, unless the applicable Award Agreement provides otherwise and subject to the provisions below, immediately and automatically be forfeited and cancelled without further action and without any cost or payment, and the Participant shall have no right, title or interest therein whatsoever as of the Termination Date, provided, however, that the Board may determine, in its sole discretion, the number of the Participant's Performance Share Units that will vest based on the extent to which the applicable Performance Criteria set forth in the Award Agreement have been satisfied in that portion of the Performance Cycle that has lapsed. The Performance Share Units that the Board determines to have vested shall become payable in accordance with Section 5(b)(ix) hereof.

- (viii) **TERMINATION OF SERVICE.** Where, in the case of Consultants, a Participant's service to the Company terminates for any reason, subject to the applicable Award Agreement and any other contractual commitments between the Participant and the Company, all Performance Share Units granted to the Participant under this Plan that have not vested will, unless the applicable Award Agreement provides otherwise and subject to the provisions below, immediately and automatically be forfeited and cancelled without further action and without any cost or payment, and the Participant shall have no right, title or interest therein whatsoever as of the Termination Date, provided, however, that the Board may determine, in its sole discretion, the number of the Participant's Performance Share Units that will vest based on the extent to which the applicable Performance Criteria set forth in the Award Agreement have been satisfied in that portion of the Performance Cycle that has lapsed. The Performance Share Units that the Board determines to have vested shall become payable in accordance with Section 5(b)(ix) hereof.
- (ix) **PAYMENT OF AWARD.** Payment to Participants in respect of vested Performance Share Units shall be made after the Determination Date for the applicable Award and in any case within ninety-five (95) days after the last day of the Performance Cycle to which such Award relates. Such payments shall be made entirely in Shares. The Company shall issue from treasury to the Participant, or if Section 5(b)(v) applies, to the Participant's estate, a number of Shares equal to the number of Performance Share Units that have vested. As of the Vesting Date, the Performance Share Units in respect of which such Shares are issued shall be cancelled and no further payments shall be made to the Participant under this Plan in relation to such Performance Share Units.

(c) **DEFERRED SHARE UNITS**

- (i) **ELIGIBILITY AND PARTICIPATION.** Subject to the provisions of this Plan and such other terms and conditions as the Board may prescribe, the Board may, from time to time, grant Awards of Deferred Share Units to Directors in lieu of Fees. Directors become Participants effective as of the date he or she is first appointed or elected as a Director and cease to be Participants at the time they cease to be a Director for any reason. Deferred Share Units granted to a Participant in accordance with Section 5(c) hereof shall be credited, as of the Grant Date, to the Participant's Account.
- (ii) **ELECTION.** Each Director may elect to receive any or all of his or her Fees in Deferred Share Units under this Plan. Elections by Participants regarding the amount of their Fees that they wish to receive in Deferred Share Units shall be made no later than 90 days after this Plan is adopted by the Board, and thereafter no later than December 31 of any given year with respect to Fees for the following year. Any Director who becomes a Participant during a calendar year and wishes to receive an amount of his or her Fees for the remainder of that year in Deferred Share Units must make his or her election within 60 days of becoming a Director.
- (iii) **CALCULATION.** The number of Deferred Share Units to be credited to the Participant's Account shall be calculated by dividing the amount of Fees selected by a Director in the applicable Election Form by the Market Unit Price on the Grant Date (or such other price as required under Exchange policies) which shall be the 10th business day following each financial quarter end. If, as a result of the foregoing calculation, a Participant shall become entitled to a fractional Deferred Share Unit, the Participant shall only be credited with a full number of Deferred Share Units (rounded down) and no payment or other adjustment will be made with respect to the fractional Deferred Share Unit.
- (iv) **PAYMENT OF AWARD.** Each Participant shall be entitled to receive, after the effective date that the Participant ceases to be a Director for any reason, on a day designated by the

Participant and communicated to the Company by the Participant in writing at least 15 days prior to the designated day (or such earlier date after the Participant ceases to be a Director as the Participant and the Company may agree, which date shall be no later than the end of the calendar year following the year in which the Participant ceases to be a Director) and if no such notice is given, then on the first anniversary of the effective date that the Participant ceases to be a Director, at the sole discretion of the Board, either:

- A. that number of Shares equal to the number of Deferred Share Units credited to the Participant's Account, such Shares to be issued from treasury of the Company; or
 - B. a cash payment in an amount equal to the Market Unit Price on the next Trading Day after the Participant ceases to be a Director of the Deferred Share Units credited to a Participant's Account, net of applicable withholdings.
- (v) EXCEPTION. In the event that the value of a Deferred Share Unit would be determined with reference to a period commencing at a fiscal quarter-end of the Company and ending prior to the public disclosure of interim financial statements for the quarter (or annual financial statements in the case of the fourth quarter), the cash payment of the value of the Units will be made to the Participant with reference to the five (5) Trading Days immediately following the public disclosure of the interim financial statements for that quarter (or annual financial statements in the case of the fourth quarter).
- (vi) DEATH. Upon death of a Participant, the Participant's estate shall be entitled to receive, within 120 days after the Participant's death and at the sole discretion of the Board, a cash payment or Shares that would have otherwise been payable in accordance with Section 5(c)(iv) hereof to the Participant upon such Participant ceasing to be Director.
- (vii) DEDUCTIONS. Whenever cash is to be paid on redemption of Deferred Share Units, the Company shall have the right to deduct from all cash payments made to a Participant any taxes required by law to be withheld with respect to such payments. Whenever Shares are to be delivered on redemption of Deferred Share Units, the Company shall have the right to deduct from any other amounts payable to the Participant any taxes required by law to be withheld with respect to such delivery of Shares, or if any payment due to the Participant is not sufficient to satisfy the withholding obligation, to require the Participant to remit to the Company in cash an amount sufficient to satisfy any taxes required by law to be withheld. At the sole discretion of the Board, a Participant may be permitted to satisfy the foregoing requirement by:
- A. electing to have the Company withhold from delivery Shares having a value equal to the amount of tax required to be withheld, or
 - B. delivering (on a form prescribed by the Company) an irrevocable direction to a securities broker approved by the Company to sell all or a portion of the Shares and to deliver to the Company from the sales proceeds an amount sufficient to pay the required withholding taxes.
- (d) OPTIONS
- (i) ELIGIBILITY AND PARTICIPATION. Subject to the provisions of this Plan and such other terms and conditions as the Board may determine, the Board may, from time to time, in its discretion, grant Awards of Options to Directors, Key Employees and Consultants. Options granted to a Participant shall be credited, as of the Grant Date, to the Participant's Account. The number of Options to be credited to each Participant shall be determined by the Board in its sole discretion in accordance with this Plan.

- (ii) **EXERCISE PRICE.** The exercise price of the Options shall be determined by the Board at the time the Option is granted. In no event shall such exercise price be lower than the lowest exercise price permitted by the Exchange. The Board shall not reprice any Options previously granted under this Plan.
- (iii) **TIME AND CONDITIONS OF EXERCISE.** The Board shall determine the time or times at which an Option may be exercised in whole or in part, provided that the term of any Option granted under this Plan shall not exceed ten years. The Board shall also determine the performance or other conditions, if any, that must be satisfied before all or part of an Option may be exercised.
- (iv) **EVIDENCE OF GRANT.** All Options shall be evidenced by a written Award Agreement. The Award Agreement shall reflect the Board's determinations regarding the exercise price, time and conditions of exercise (including vesting provisions) and such additional provisions as may be specified by the Board.
- (v) **EXERCISE.** The exercise of any Option will be contingent upon receipt by the Company of a written notice of exercise in the manner and in the form set forth in the applicable Award Agreement, which written notice shall specify the number of Shares with respect to which the Option is being exercised, and which shall be accompanied by a cash payment, certified cheque or bank draft for the full purchase price of such Shares with respect to which the Option is exercised. Certificates for such Shares shall be issued and delivered to the optionee within a reasonable time following the receipt of such notice and payment. Neither the optionee nor his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any Shares unless and until the certificates for the Shares issuable pursuant to Options under this Plan are issued to such optionee under the terms of this Plan.
- (vi) **VESTING.** All Options granted to Persons retained to perform Investor Relations Activities will vest and become exercisable in stages over a period of not less than twelve (12) months, with no more than one-quarter (1/4) of such Options vesting and becoming exercisable in any three (3) month period.
- (vii) **CHANGE OF CONTROL.** In the event of a Change of Control, each outstanding Option issued to Directors and Key Employees, to the extent that it shall not otherwise have become vested and exercisable, and subject to the applicable Award Agreement, shall automatically become fully and immediately vested and exercisable, without regard to any otherwise applicable vesting requirement, but subject to the policies of the Exchange.
- (viii) **DEATH.** Where, in the case of Directors and Key Employees, a Participant shall die while an optionee, any Option held by such Participant at the date of death shall be exercisable in whole or in part only by the person or persons to whom the rights of the Participant under the Option shall pass by the will of the Participant or the laws of descent and distribution for a period of 120 days after the date of death of the Participant or prior to the expiration of the option period in respect of the Option, whichever is sooner, and then only to the extent that such Participant was entitled to exercise the Option at the date of death of such Participant.
- (ix) **TERMINATION OF EMPLOYMENT.**
 - A. Where, in the case of Key Employees, a Participant's employment is terminated by the Company or a Subsidiary for cause, no Option held by such Participant shall be exercisable from the Termination Date.
 - B. Where, in the case of Key Employees, a Participant's employment is terminated by the Company or a Subsidiary without cause, by voluntary termination by the

Participant or due to Retirement, subject to the applicable Award Agreement, any Option held by such Participant at such time shall remain exercisable in full at any time, and in part from time to time, for a period of 60 days after the Termination Date or prior to the expiration of the option period in respect of the Option, whichever is sooner, and then only to the extent that such Participant was entitled to exercise the Option at the Termination Date.

- C. Where, in the case of Key Employees, a Participant becomes afflicted by a Disability, all Options granted to the Participant under this Plan will continue to vest in accordance with the terms of such Options. Where, in the case of Key Employees, a Participant's employment is terminated due to Disability, subject to the applicable Award Agreement, any Option held by such Participant shall remain exercisable for a period of 120 days after the Termination Date or prior to the expiration of the option period in respect of the Option, whichever is sooner, and then only to the extent that such Participant was entitled to exercise the Option at the Termination Date.
- (x) **CESSATION OF DIRECTORSHIP.** Where, in the case of Directors, a Participant ceases to be a Director for any reason, subject to the applicable Award Agreement and the provisions below, any Option held by such Participant at such time shall remain exercisable in full at any time, and in part from time to time, for a period of 60 days after the date the Participant ceases to be a director or prior to the expiration of the Option in respect of the Option, whichever is sooner, and then only to the extent that such Participant was entitled to exercise the Option at the date the Participant ceased to be a director. Where, in the case of Directors, a Participant becomes afflicted by a Disability, all Options granted to the Participant under this Plan will continue to vest in accordance with the terms of such Options, provided that if a Participant ceases to be a Director due to Disability, subject to the applicable Award Agreement, any Option held by such Participant shall remain exercisable for a period of 120 days after the Participant ceases to be a Director or prior to the expiration of the option period in respect of the Option, whichever is sooner, and then only to the extent that such Participant was entitled to exercise the Option at the date the Participant ceased to be a director.
- (xi) **TERMINATION OF SERVICE.** Where, in the case of Consultants, a Participant's service to the Company terminates for any reason, subject to the applicable Award Agreement and any other contractual commitments between the Participant and the Company, no Option held by such Participant shall be exercisable from the date of termination of service.
- (e) **GENERAL TERMS APPLICABLE TO AWARDS**
- (i) **FORFEITURE EVENTS.** The Board will specify in an Award Agreement at the time of the Award that the Participant's rights, payments and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events shall include, but shall not be limited to, termination of employment for cause, violation of material Company policies, fraud, breach of noncompetition, confidentiality or other restrictive covenants that may apply to the Participant or other conduct by the Participant that is detrimental to the business or reputation of the Company.
- (ii) **AWARDS MAY BE GRANTED SEPARATELY OR TOGETHER.** Awards may, in the discretion of the Board, be granted either alone or in addition to, in tandem with, or in substitution for any other Award or any award granted under any other Security-Based Compensation Arrangement of the Company or any Subsidiary. Awards granted in addition to or in tandem with other Awards, or in addition to or in tandem with awards

granted under any other Security-Based Compensation Arrangement of the Company or any Subsidiary, may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

- (iii) **NON-TRANSFERABILITY OF AWARDS.** Except as otherwise provided in an Award Agreement or determined by the Board in its sole discretion, no Award and no right under any such Award, shall be assignable, alienable, saleable, or transferable by a Participant otherwise than by will or by the laws of descent and distribution. No Award and no right under any such Award, may be pledged, alienated, attached, or otherwise encumbered, and any purported pledge, alienation, attachment, or encumbrance thereof shall be void and unenforceable against the Company.
 - (iv) **CONDITIONS AND RESTRICTIONS UPON SECURITIES SUBJECT TO AWARDS.** The Board may provide that the Shares issued under an Award shall be subject to such further agreements, restrictions, conditions or limitations as the Board in its sole discretion may specify, including without limitation, conditions on vesting or transferability and forfeiture or repurchase provisions or provisions on payment of taxes arising in connection with an Award. Without limiting the foregoing, such restrictions may address the timing and manner of any resales by the Participant or other subsequent transfers by the Participant of any Shares issued under an Award, including without limitation: (A) restrictions under an insider trading policy or pursuant to applicable law; (B) restrictions designed to delay and/or coordinate the timing and manner of sales by Participant and holders of other Security-Based Compensation Arrangements; (C) restrictions as to the use of a specified brokerage firm for such resales or other transfers; and (D) provisions requiring Shares to be sold on the open market or to the Company in order to satisfy tax withholding or other obligations.
 - (v) **SHARE CERTIFICATES.** All Shares delivered under this Plan pursuant to any Award shall be subject to such stop transfer orders and other restrictions as the Board may deem advisable under this Plan or the rules, regulations, and other requirements of any securities commission, the Exchange, and any applicable securities legislation, regulations, rules, policies or orders, and the Board may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.
 - (vi) **CONFORMITY TO PLAN.** In the event that an Award is granted which does not conform in all particulars with the provisions of this Plan, or purports to grant an Award on terms different from those set out in this Plan, the Award shall not be in any way void or invalidated, but the Award shall be adjusted to become, in all respects, in conformity with this Plan.
- (f) **GENERAL TERMS APPLICABLE TO PERFORMANCE-BASED AWARDS**
- (i) **PERFORMANCE EVALUATION; ADJUSTMENT OF GOALS.** At the time that a Performance-Based Award is first issued, the Board, in the Award Agreement or in another written document, shall specify whether performance will be evaluated including or excluding the effect of any of the following events that occur during the Performance Cycle or Restriction Period, as the case may be: (A) judgments entered or settlements reached in litigation; (B) the write down of assets; (C) the impact of any reorganization or restructuring; (D) the impact of changes in tax laws, accounting principles, regulatory actions or other laws affecting reported results; (E) extraordinary non-recurring items as may be described in the Company's management's discussion and analysis of financial condition and results of operations for the applicable financial year; (F) the impact of any mergers, acquisitions, spin-offs or other divestitures; and (G) foreign exchange gains and losses.

- (ii) **ADJUSTMENT OF PERFORMANCE-BASED AWARDS.** The Board shall have the sole discretion to adjust the determinations of the degree of attainment of the pre-established Performance Criteria or restrictions, as the case may be, as may be set out in the applicable Award Agreement governing the relevant Performance-Based Award. Notwithstanding any provision herein to the contrary, the Board may not make any adjustment or take any other action with respect to any Performance-Based Award that will increase the amount payable under any such Award. The Board shall retain the sole discretion to adjust Performance-Based Awards downward or to otherwise reduce the amount payable with respect to any Performance-Based Award.

SECTION 6. AMENDMENT AND TERMINATION

- (a) **AMENDMENTS AND TERMINATION OF THIS PLAN.** The Board may at any time or from time to time, in its sole and absolute discretion and without the approval of shareholders of the Company, amend, suspend, terminate or discontinue this Plan and may amend the terms and conditions of any Awards granted hereunder, subject to (a) any required approval of any applicable regulatory authority or the Exchange, and (b) any approval of shareholders of the Company as required by the rules of the Exchange or applicable law, provided that shareholder approval shall not be required for the following amendments and the Board may make any changes which may include but are not limited to:
 - (i) amendments of a "housekeeping nature";
 - (ii) any amendment for the purpose of curing any ambiguity, error or omission in this Plan or to correct or supplement any provision of this Plan that is inconsistent with any other provision of this Plan;
 - (iii) an amendment which is necessary to comply with applicable law or the requirements of the Exchange;
 - (iv) amendments respecting administration and eligibility for participation under this Plan;
 - (v) changes to the terms and conditions on which Awards may be or have been granted pursuant to this Plan including changes to the vesting provisions and terms of any Awards;
 - (vi) any amendment which alters, extends or accelerates the terms of vesting applicable to any Award; and
 - (vii) changes to the termination provisions of an Award or this Plan which do not entail an extension beyond the original fixed term.

If this Plan is terminated, prior Awards shall remain outstanding and in effect in accordance with their applicable terms and conditions.

- (b) **AMENDMENTS TO AWARDS.** The Board may waive any conditions or rights under, amend any terms of, or amend, alter, suspend, discontinue, or terminate, any Awards theretofore granted, prospectively or retroactively. No such amendment or alteration shall be made which would impair the rights of any Participant, without such Participant's consent, under any Award theretofore granted, provided that no such consent shall be required with respect to any amendment or alteration if the Board determines in its sole discretion that such amendment or alteration either (i) is required or advisable in order for the Company, this Plan or the Award to satisfy or conform to any law or regulation or to meet the requirements of any accounting standard, or (ii) is not reasonably likely to significantly diminish the benefits provided under such Award.

SECTION 7. GENERAL PROVISIONS

- (a) **NO RIGHTS TO AWARDS.** No Director, Key Employee, Consultant or other Person shall have any claim to be granted any Award under this Plan, or, having been selected to receive an Award under this Plan, to be selected to receive a future Award, and further there is no obligation for uniformity of treatment of Directors, Key Employees, Consultant or holders or beneficiaries of Awards under this Plan. The terms and conditions of Awards need not be the same with respect to each recipient.
- (b) **WITHHOLDING.** The Company shall be authorized to withhold from any Award granted or any payment due or transfer made under any Award or under this Plan the amount (in cash, Shares, other securities, or other Awards) of withholding taxes due in respect of an Award, its exercise, or any payment or transfer under such Award or under this Plan and to take such other action as may be necessary in the opinion of the Company to satisfy statutory withholding obligations for the payment of such taxes.
- (c) **NO LIMIT ON OTHER SECURITY-BASED COMPENSATION ARRANGEMENTS.** Nothing contained in this Plan shall prevent the Company or a Subsidiary from adopting or continuing in effect other Security-Based Compensation Arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.
- (d) **NO RIGHT TO EMPLOYMENT.** The grant of an Award shall not constitute an employment contract nor be construed as giving a Participant the right to be retained in the employ of the Company. Further, the Company may at any time dismiss a Participant from employment, free from any liability, or any claim under this Plan, unless otherwise expressly provided in this Plan or in any Award Agreement.
- (e) **NO RIGHT AS SHAREHOLDER.** Neither the Participant nor any representatives of a Participant's estate shall have any rights whatsoever as shareholders in respect of any Shares covered by such Participant's Restricted Share Units, Performance Share Units and/or Deferred Share Units until the date of issuance of a share certificate to such Participant or representatives of a Participant's estate for such Shares.
- (f) **GOVERNING LAW.** This Plan and all of the rights and obligations arising herefrom shall be interpreted and applied in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.
- (g) **SEVERABILITY.** If any provision of this Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any Person or Award, or would disqualify this Plan or any Award under any law deemed applicable by the Board, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Board, materially altering the intent of this Plan or the Award, such provision shall be stricken as to such jurisdiction, Person, or Award, and the remainder of this Plan and any such Award shall remain in full force and effect.
- (h) **NO TRUST OR FUND CREATED.** Neither this Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company pursuant to an Award, such right shall be no greater than the right of any unsecured creditor of the Company.
- (i) **NO FRACTIONAL SHARES.** No fractional Shares shall be issued or delivered pursuant to this Plan or any Award, and the Board shall determine whether cash, or other securities shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be cancelled, terminated, or otherwise eliminated.

- (j) **HEADINGS.** Headings are given to the Sections and subsections of this Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of this Plan or any provision thereof.
- (k) **NO REPRESENTATION OR WARRANTY.** The Company makes no representation or warranty as to the value of any Award granted pursuant to this Plan or as to the future value of any Shares issued pursuant to any Award.
- (l) **NO REPRESENTATIONS OR COVENANTS WITH RESPECT TO TAX QUALIFICATION.** Although the Company may, in its discretion, endeavor to (i) qualify an Award for favourable Canadian tax treatment or (ii) avoid adverse tax treatment, the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment. The Company shall be unconstrained in its corporate activities without regard to the potential negative tax impact on holders of Awards under this Plan.
- (m) **CONFLICT WITH AWARD AGREEMENT.** In the event of any inconsistency or conflict between the provisions of this Plan and an Award Agreement, the provisions of this Plan shall govern for all purposes.
- (n) **COMPLIANCE WITH LAWS.** The granting of Awards and the issuance of Shares under this Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or stock exchanges on which the Company is listed as may be required. The Company shall have no obligation to issue or deliver evidence of title for Shares issued under this Plan prior to:
 - (i) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and
 - (ii) completion of any registration or other qualification of the Shares under any applicable national or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable or at a time when any such registration or qualification is not current, has been suspended or otherwise has ceased to be effective.

The inability or impracticability of the Company to obtain or maintain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

SECTION 8. EFFECTIVE DATE OF THIS PLAN

This Plan shall become effective upon the date (the "**Effective Date**") of approval by the Board.

SECTION 9. TERM OF THIS PLAN

This Plan shall terminate automatically 10 years after the Effective Date and may be terminated on any earlier date as provided in Section 6 hereof.