

POLICY 4.4

SECURITY BASED COMPENSATION

Scope of Policy

This Policy sets out the Exchange's requirements that apply to any Issuer which proposes to grant or issue Security Based Compensation to its Directors, Officers, Employees, Management Company Employees and Consultants or to an Eligible Charitable Organization. The Exchange recommends that each Issuer obtain tax advice in relation to its Security Based Compensation.

The main headings in this Policy are:

1. Interpretation
2. Participants
3. Security Based Compensation Plans
4. General Requirements
5. Director and Shareholder Approval Requirements
6. Other Security Based Compensation
7. Filing Requirements
8. Amendments to Security Based Compensation
9. Transition
10. Summary Table

1. Interpretation

In this Policy:

“**blackout period**” has the meaning ascribed to it in section 4.11.

“**Cashless Exercise**” has the meaning ascribed to it in section 4.8(d)(i).

“**Charitable Organization**” means “charitable organization” as defined in the *Income Tax Act* (Canada) as amended from time to time.

“**Charitable Stock Option**” means any Stock Option granted by an Issuer to an Eligible Charitable Organization.

“Consultant” means, in relation to an Issuer, an individual (other than a Director, Officer or Employee of the Issuer or of any of its subsidiaries) or Company that:

- (a) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Issuer or to any of its subsidiaries, other than services provided in relation to a Distribution;
- (b) provides the services under a written contract between the Issuer or any of its subsidiaries and the individual or the Company, as the case may be; and
- (c) in the reasonable opinion of the Issuer, spends or will spend a significant amount of time and attention on the affairs and business of the Issuer or of any of its subsidiaries.

“Consultant Company” means a Consultant that is a Company.

“Director” means a director (as defined under Securities Laws) of an Issuer or of any of its subsidiaries.

“DSU” or **“Deferred Share Unit”** means a right granted to a Participant by an Issuer as compensation for employment or consulting services or services as a Director or Officer, to receive, for no additional cash consideration, securities of the Issuer on a deferred basis (which is typically after the earliest of the retirement, termination of employment or death of the Participant), and which may provide that, upon vesting, the award may be paid in cash and/or Listed Shares of the Issuer.

“DSU Plan” means a plan of an Issuer pursuant to which that Issuer may issue DSUs.

“Eligible Charitable Organization” means:

- (a) any Charitable Organization or Public Foundation which is a Registered Charity, but is not a Private Foundation; or
- (b) a Registered National Arts Service Organization.

“Employee” means:

- (a) an individual who is considered an employee of the Issuer or of its subsidiary under the *Income Tax Act* (Canada) and for whom income tax, employment insurance and Canada Pension Plan deductions must be made at source;
- (b) an individual who works full-time for an Issuer or its subsidiary providing services normally provided by an employee and who is subject to the same control and direction by the Issuer or its subsidiary over the details and methods of work as an employee of the Issuer or of the subsidiary, as the case may be, but for whom income tax deductions are not made at source; or

- (c) an individual who works for an Issuer or its subsidiary on a continuing and regular basis for a minimum amount of time per week (the number of hours should be disclosed in the submission) providing services normally provided by an employee and who is subject to the same control and direction by the Issuer or its subsidiary over the details and methods of work as an employee of the Issuer or of the subsidiary, as the case may be, but for whom income tax deductions are not made at source.

“Investor Relations Service Provider” includes any Consultant that performs Investor Relations Activities and any Director, Officer, Employee or Management Company Employee whose role and duties primarily consist of Investor Relations Activities.

“Issued Shares” means the number of Listed Shares of the Issuer that are then issued and outstanding on a non-diluted basis and, in the discretion of the Exchange, for the purpose of this Policy, may include a number of securities of the Issuer, other than Security Based Compensation, Warrants and convertible debt, that are convertible into Listed Shares of that Issuer.

“Legacy Security Based Compensation” has the meaning ascribed to it in section 9.1.

“Legacy Security Based Compensation Plan” has the meaning ascribed to it in section 9.1.

“Listed Share” means a common share, a unit of a real estate investment trust or other equivalent security that is listed on the Exchange.

“Management Company Employee” means an individual employed by a Company providing management services to the Issuer, which services are required for the ongoing successful operation of the business enterprise of the Issuer.

“Net Exercise” has the meaning ascribed to it in section 4.8(d)(ii).

“Normal Course Issuer Bid” has the meaning ascribed to it in Policy 5.6 – *Normal Course Issuer Bids*.

“Officer” means an officer (as defined under Securities Laws) of an Issuer or of any of its subsidiaries.

“Participant” means a Director, Officer, Employee, Management Company Employee, Consultant or Eligible Charitable Organization that is the recipient of Security Based Compensation granted or issued by an Issuer.

“Payout Multiplier” has the meaning ascribed to it in section 3.5(c).

“Private Foundation” means “private foundation” as defined in the *Income Tax Act* (Canada) as amended from time to time.

“PSU” or **“Performance Share Unit”** means a right granted to a Participant by an Issuer as compensation for employment or consulting services or services as a Director or Officer, to

receive, for no additional cash consideration, securities of the Issuer upon specified vesting criteria being satisfied (which are typically performance based) and which may provide that, upon vesting, the award may be paid in cash and/or Listed Shares of the Issuer.

“**PSU Plan**” means a plan of an Issuer pursuant to which that Issuer may issue PSUs.

“**Public Foundation**” means “public foundation” as defined in the *Income Tax Act* (Canada) as amended from time to time.

“**Registered Charity**” means “registered charity” as defined in the *Income Tax Act* (Canada) as amended from time to time.

“**Registered National Arts Service Organization**” means “registered national arts service organization” as defined in the *Income Tax Act* (Canada) as amended from time to time.

“**RSU**” or “**Restricted Share Unit**” means a right granted to a Participant by an Issuer as compensation for employment or consulting services or services as a Director or Officer, to receive, for no additional cash consideration, securities of the Issuer upon specified vesting criteria being satisfied (which are typically time based) and which may provide that, upon vesting, the award may be paid in cash and/or Listed Shares of the Issuer.

“**RSU Plan**” means a plan of an Issuer pursuant to which that Issuer may issue RSUs.

“**SAR**” or “**Stock Appreciation Right**” means a right granted to a Participant by an Issuer as compensation for employment or consulting services or services as a Director or Officer, to receive cash and/or Listed Shares of the Issuer based wholly or in part on appreciation in the trading price of the Issuer’s publicly traded securities.

“**SAR Plan**” means a plan of an Issuer pursuant to which that Issuer may issue SARs.

“**Securities for Services**” means an issuance of Listed Shares, or Listed Shares and Warrants, pursuant to an agreement of the Issuer to pay for services to be provided to the Issuer in Listed Shares, or Listed Shares and Warrants, rather than cash, and includes Shares for Services.

“**Security Based Compensation**” includes any Deferred Share Unit, Performance Share Unit, Restricted Share Unit, Securities for Services, Stock Appreciation Right, Stock Option, Stock Purchase Plan, any security purchase from treasury by a Participant which is financially assisted by the Issuer by any means whatsoever, and any other compensation or incentive mechanism involving the issuance or potential issuance of securities of the Issuer from treasury to a Participant, including securities issued under Part 6, and for greater certainty, does not include:

- (a) arrangements which do not involve the issuance from treasury or potential issuance from treasury of securities of the Issuer;
- (b) arrangements under which Security Based Compensation is settled solely in cash and/or securities purchased on the secondary market; and

- (c) Shares for Services and Shares for Debt arrangements under Policy 4.3 – *Shares for Debt* that have been conditionally accepted by the Exchange prior to November 24, 2021.

“**Security Based Compensation Plan**” includes any Stock Option Plan, DSU Plan, PSU Plan, RSU Plan, SAR Plan, SP Plan and/or any other compensation or incentive mechanism involving the issuance or potential issuance of securities of the Issuer from treasury to a Participant (excluding any Shares for Services arrangement that has been conditionally accepted by the Exchange under Policy 4.3 – *Shares for Debt* prior to November 24, 2021).

“**Shares for Services**” has the meaning ascribed to that phrase in Policy 4.3 – *Shares for Debt*.

“**SP Plan**” or “**Stock Purchase Plan**” means a plan of an Issuer pursuant to which that Issuer provides financial assistance or pursuant to which the Participant is allowed to purchase securities of that Issuer (often at a discount to Market Price), or pursuant to which the Participant is entitled to receive additional securities of that Issuer upon subscribing for a pre-established number of securities of that Issuer, which securities may be issued from the treasury of that Issuer or purchased on the secondary market.

“**Stock Option**” means a right granted to a Participant by an Issuer to acquire Listed Shares of the Issuer at a specified price for a specified period of time.

“**Stock Option Plan**” means a plan of an Issuer pursuant to which that Issuer may grant Stock Options.

“**Trustee**” has the meaning ascribed to it in section 4.14.

“**VWAP**” means the volume weighted average trading price of the Issuer’s Listed Shares on the Exchange calculated by dividing the total value by the total volume of such securities traded for the five Trading Days immediately preceding the exercise of the subject Stock Option. Where appropriate, the Exchange may exclude internal crosses and certain other special terms trades from the calculation.

Other capitalized terms used but not specifically defined in this Policy have the meanings ascribed to them elsewhere in the Manual, including Policy 1.1 – *Interpretation*.

All references in the Manual to “**Policy 4.4 – Incentive Stock Options**” shall be read as references to this Policy. All references in Policy 1.3 – *Schedule of Fees* and in Appendix 1A – *Notice of Billing Practices* to “stock option” and “option” shall be read as “Security Based Compensation”.

2. Participants

In relation to Security Based Compensation:

- (a) An Issuer seeking to grant or issue any form of Security Based Compensation must ensure the requirements of applicable Securities Laws are satisfied and that exemptions from the Prospectus requirements are available.

- (b) Except as otherwise specifically provided in section 6.4, a Participant must be a Director, Officer, Employee, Management Company Employee or Consultant of the Issuer or of its subsidiary, or must be an Eligible Charitable Organization, at the time the Security Based Compensation is granted or issued in order to be eligible for the grant or issuance of the Security Based Compensation to the Participant.
- (c) Except in relation to Consultant Companies and Eligible Charitable Organizations, Security Based Compensation may be granted only to an individual or to a Company that is wholly owned by individuals eligible to receive Security Based Compensation. If the Participant is a Company, excluding Participants that are Consultant Companies or Eligible Charitable Organizations, it must provide the Exchange with a completed *Certification and Undertaking Required from a Company Granted Security Based Compensation* in the form of Schedule “A” to Form 4G - *Summary Form – Security Based Compensation*. Any Company to be granted Security Based Compensation, other than a Consultant Company or Eligible Charitable Organization, must agree not to effect or permit any transfer of ownership or option of securities of the Company nor to issue further shares of any class in the Company to any other individual or entity as long as the Security Based Compensation remains outstanding, except with the prior written consent of the Exchange.

3. Security Based Compensation Plans

3.1 Categories of Security Based Compensation Plans

Subject to compliance with all other provisions of this Policy and, unless expressly provided otherwise, including all Security Based Compensation granted or issued outside of its Security Based Compensation Plans (such as, for example, Stock Options granted prior to listing on the Exchange when the Issuer was not required to have a Security Based Compensation Plan), an Issuer may implement a Stock Option Plan, a DSU Plan, a PSU Plan, an RSU Plan, an SAR Plan, an SP Plan and/or any other Security Based Compensation Plan that is acceptable to the Exchange and in aggregate fall within only one of the following categories:

- (a) **“rolling up to 10%”**: “rolling” Security Based Compensation Plan(s) under which the number of Listed Shares of the Issuer that are issuable pursuant to all such Security Based Compensation Plan(s) in aggregate is equal to up to a maximum of 10% of the Issued Shares of the Issuer as at the date of grant or issuance of any Security Based Compensation under any of such Security Based Compensation Plan(s); or
- (b) **“fixed up to 20%”**: “fixed” Security Based Compensation Plan(s) under which the number of Listed Shares of the Issuer that are issuable pursuant to all such Security Based Compensation Plan(s) in aggregate is a fixed specified number of Listed Shares of the Issuer up to a maximum of 20% of the Issued Shares of the Issuer as at the date of implementation of the most recent of such Security Based Compensation Plan(s) by the Issuer; or

- (c) **“rolling up to 10% and fixed up to 10%”**: a “rolling” Stock Option Plan under which the number of Listed Shares of the Issuer that are issuable pursuant to the exercise of Stock Options is equal to up to a maximum of 10% of the Issued Shares of the Issuer as at the date of any Stock Option grant, and “fixed” Security Based Compensation Plan(s) (other than Stock Option Plans) under which the number of Listed Shares of the Issuer that are issuable pursuant to all such Security Based Compensation Plan(s) (other than Stock Option Plans) in aggregate is a fixed specified number of Listed Shares of the Issuer up to a maximum of 10% of the Issued Shares of the Issuer as at the date of implementation of the most recent of such Security Based Compensation Plan(s) (other than Stock Option Plans) by the Issuer; or
- (d) **“fixed Stock Option Plan up to 10%”**: a “fixed” Stock Option Plan under which the number of Listed Shares of the Issuer that are issuable pursuant to the exercise of Stock Options is a fixed specified number of Listed Shares of the Issuer up to a maximum of 10% of the Issued Shares of the Issuer as at the date of implementation of the Stock Option Plan by the Issuer.

For greater certainty, all Security Based Compensation Plans must be implemented by the Issuer in respect of securities of the Issuer only, and Security Based Compensation Plans implemented by a subsidiary of the Issuer, or in respect of securities of a subsidiary of the Issuer, are not permitted.

3.2 Security Based Compensation Plan Requirement

All Issuers, other than Issuers that have no Security Based Compensation outstanding and have no intention of granting or issuing Security Based Compensation, must implement a Security Based Compensation Plan. Every Security Based Compensation Plan must be implemented by the Issuer and accepted by the Exchange before any Security Based Compensation is granted or issued pursuant to such Security Based Compensation Plan (except as may be allowed pursuant to section 5.2(h)), and after the Exchange accepts such Security Based Compensation Plan(s), the Issuer can only grant or issue the Security Based Compensation contemplated under that Security Based Compensation Plan(s) and under Part 6 of this Policy.

3.3 Omnibus or Individual Plans

Subject to compliance with all other provisions of this Policy, an Issuer may elect to implement one omnibus Security Based Compensation Plan that includes its Stock Option Plan as well as any other Security Based Compensation Plan, or an Issuer may elect to implement separately any Security Based Compensation Plan, or combine any of such Security Based Compensation Plans as it sees fit.

3.4 CPCs and NEX Issuers

CPCs and Issuers listed on NEX (including those Issuers on notice to have their listing transferred to NEX) are not permitted to grant or issue any Security Based Compensation other than Stock Options, and where an Issuer is on notice to have its listing transferred to NEX, it is

not permitted to grant Stock Options unless it has publicly disclosed that it is on notice to have its listing transferred to NEX.

3.5 Calculations Guidance

For greater certainty and without limiting the requirements set forth in section 3.1:

- (a) in calculating the number of Listed Shares of the Issuer that are issuable for the purposes of sections 3.1, 4.2, 4.3, 4.4(b), 4.5(b), 5.2(a), 5.3(a) and 6.4, include the maximum number of Listed Shares of the Issuer that might possibly be issued under all outstanding Security Based Compensation that has been granted or issued, not only the number of Listed Shares of the Issuer that are actually issued;
- (b) subject to Exchange acceptance, where an Issuer is in the process of undertaking a transaction involving the issuance of securities and the Issuer proposes to implement a “fixed” Security Based Compensation Plan in connection or concurrent with such transaction, the Issuer may base the number of Listed Shares issuable under the Security Based Compensation Plan on the Issued Shares of the Issuer on a post transaction basis, subject to comprehensive disclosure in the Information Circular and completion of the transaction;
- (c) if the Security Based Compensation Plan includes any provision pursuant to which the number of Listed Shares that may be issued may be increased based on performance measures (commonly referred to as a “**Payout Multiplier**”), the maximum aggregate number of Listed Shares that might possibly be issued under the Security Based Compensation Plan must be included in calculating the limits set forth in sections 3.1, 4.2, 4.3, 4.4(b), 4.5(b), 5.2(a) and 5.3(a), and the Security Based Compensation Plan must include a mechanism that permits the Issuer to make payment in cash if it does not have a sufficient number of Listed Shares available under its Security Based Compensation Plan to satisfy its obligations under the Payout Multiplier; and
- (d) if the Security Based Compensation Plan includes a provision that entitles Participants to receive additional Security Based Compensation in lieu of dividends declared by the Issuer based on their holdings of Security Based Compensation other than Listed Shares that have already been issued, the maximum aggregate number of Listed Shares that might possibly be issued under the Security Based Compensation Plan must be included in calculating the limits set forth in sections 3.1, 4.2, 4.3, 4.4(b), 4.5(b) and 5.3(a), and the Security Based Compensation Plan must include a mechanism that permits the Issuer to make payment in cash if it does not have a sufficient number of Listed Shares available under its Security Based Compensation Plan to satisfy its obligations in respect of such dividends.

See also sections 4.8(d), 4.11 and 5.2(e) for additional guidance regarding calculations in particular circumstances.

4. General Requirements

4.1 Specific Allocations

An Issuer cannot grant or issue Security Based Compensation unless and until the Security Based Compensation has been allocated to a particular Person or Persons.

4.2 Limits for Individuals

Unless the Issuer has obtained the requisite disinterested Shareholder approval pursuant to section 5.3, the maximum aggregate number of Listed Shares of the Issuer that are issuable pursuant to all Security Based Compensation granted or issued in any 12 month period to any one Person (and where permitted under this Policy, any Companies that are wholly owned by that Person) must not exceed 5% of the Issued Shares of the Issuer, calculated as at the date any Security Based Compensation is granted or issued to the Person. Securities that are expressly permitted and accepted for filing under Part 6 are not included in calculating this 5% limit. However, this 5% limit is included within the limits prescribed by section 3.1. In addition, as set forth in sections 4.3 and 4.4 below, more restrictive limits are imposed upon Persons that are Consultants or Investor Relations Service Providers.

4.3 Limits for Consultants

The maximum aggregate number of Listed Shares of the Issuer that are issuable pursuant to all Security Based Compensation granted or issued in any 12 month period to any one Consultant must not exceed 2% of the Issued Shares of the Issuer, calculated as at the date any Security Based Compensation is granted or issued to the Consultant. Securities that are expressly permitted and accepted for filing under Part 6 are not included in calculating this 2% limit. However, this 2% limit is included within the limits prescribed by section 3.1.

4.4 Limits for Investor Relations Service Providers

- (a) As set out in Policy 3.4 – *Investor Relations, Promotional and Market-Making Activities*, payment for services relating to promotional, Investor Relations or market-making activities should be on a cash basis, provided that Investor Relations Service Providers may be granted Stock Options (and no other forms of Security Based Compensation) as described in further detail below.
- (b) The maximum aggregate number of Listed Shares of the Issuer that are issuable pursuant to all Stock Options granted in any 12 month period to all Investor Relations Service Providers in aggregate must not exceed 2% of the Issued Shares of the Issuer, calculated as at the date any Stock Option is granted to any such Investor Relations Service Provider. This 2% limit is included within the limits prescribed by section 3.1.
- (c) Stock Options granted to any Investor Relations Service Provider must vest in stages over a period of not less than 12 months such that:

- (i) no more than 1/4 of the Stock Options vest no sooner than three months after the Stock Options were granted;
 - (ii) no more than another 1/4 of the Stock Options vest no sooner than six months after the Stock Options were granted;
 - (iii) no more than another 1/4 of the Stock Options vest no sooner than nine months after the Stock Options were granted; and
 - (iv) the remainder of the Stock Options vest no sooner than 12 months after the Stock Options were granted.
- (d) The Issuer's board of directors must, through the establishment of appropriate procedures, monitor the trading in the securities of the Issuer by all Investor Relations Service Providers. These procedures may include, for example, the establishment of a designated brokerage account through which the Participant conducts all trades in the securities of the Issuer or a requirement for such Participants to file reports of their trades with the board on a basis that is similar to reports required to be filed by reporting insiders under National Instrument 55-104 – *Insider Reporting Requirements and Exemptions*.

4.5 Limits for Eligible Charitable Organizations

Notwithstanding any other provision of this Policy:

- (a) The only Security Based Compensation that may be granted or issued to an Eligible Charitable Organization is Charitable Stock Options.
- (b) The maximum aggregate number of Listed Shares of the Issuer that are issuable pursuant to all outstanding Charitable Stock Options must not exceed 1% of the Issued Shares of the Issuer, calculated as at the date the Charitable Stock Option is granted to the Eligible Charitable Organization.
- (c) Any Charitable Stock Option granted to an Eligible Charitable Organization under this Policy, whether granted before or after the Issuer is listed on the Exchange, will not be included within the limits prescribed by section 3.1.
- (d) A Charitable Stock Option must expire on or before the earlier of:
 - (i) the date that is 10 years from the date of grant of the Charitable Stock Option; and
 - (ii) the 90th day following the date that the holder of the Charitable Stock Option ceases to be an Eligible Charitable Organization.

4.6 Vesting Requirement

No Security Based Compensation issued pursuant to a Security Based Compensation Plan, other than Stock Options and securities issued pursuant to an SP Plan, may vest before the date that is one year following the date it is granted or issued, although the applicable Security Based Compensation Plan may expressly permit the vesting required by this section to be accelerated for a Participant who dies or who ceases to be an eligible Participant under the Security Based Compensation Plan in connection with a change of control, take-over bid, RTO or other similar transaction. See section 4.4(c) for vesting requirements applicable to Stock Options granted to Investor Relations Service Providers.

4.7 Other Restrictions

- (a) The Exchange may refuse to accept any Security Based Compensation Plan for filing if the Exchange is not satisfied that the Security Based Compensation is distributed on an equitable basis, having regard to:
 - (i) the number of securities issuable under the Security Based Compensation Plan;
 - (ii) the number of Directors, Officers, Employees, Management Company Employees and Consultants of the Issuer;
 - (iii) the number of Participants;
 - (iv) the size of allocations to new Participants;
 - (v) the average tenure of the eligible Participants (long vs. short term) under the Security Based Compensation Plan;
 - (vi) the frequency of Participant turnover;
 - (vii) the duties and qualifications of the Participant in relation to their position;
 - (viii) whether the Issuer has a long or short term development cycle; and
 - (ix) any other factors the Exchange finds relevant.
- (b) The Exchange will not permit an Issuer to use Stock Options primarily as a means of financing, without the disclosure documents and hold periods that would normally apply to a financing.
- (c) Security Based Compensation must not entitle a Participant to any Shareholder rights (including without limitation voting rights, dividend entitlement or rights on liquidation) until such time as underlying Listed Shares are issued to such Participant; provided, however, that the Exchange will generally accept the accrual of dividend entitlements on DSU, PSU, RSU and SAR where such

dividend entitlements vest and are redeemed, as applicable, along with the underlying award.

- (d) Any adjustment, other than in connection with a security consolidation or security split, to Security Based Compensation granted or issued under a Security Based Compensation Plan must be subject to the prior acceptance of the Exchange, including adjustments related to an amalgamation, merger, arrangement, reorganization, spin-off, dividend or recapitalization.
- (e) The Exchange will not permit an Issuer to grant or issue Security Based Compensation while there is any undisclosed Material Information relating to the Issuer, including that the Issuer is on notice to have its listing transferred to NEX pursuant to Policy 2.5 - *Continued Listing Requirements and Inter-Tier Movement*.
- (f) The Exchange will not accept for filing Security Based Compensation granted or issued, or any Security Based Compensation Plan implemented, before the Issuer was listed on the Exchange unless the Security Based Compensation and the Security Based Compensation Plan(s) are acceptable to the Exchange and were fully disclosed in the Issuer's Prospectus, Form 2B - *Listing Application* or other comprehensive disclosure document filed in connection with the listing.

4.8 Minimum Exercise Price of Stock Options

- (a) The minimum exercise price of a Stock Option must not be less than the Discounted Market Price. If, in accordance with section 4.13, the Issuer does not issue a news release to announce the grant and the exercise price of a Stock Option, the Discounted Market Price is the last closing price of the Listed Shares before the date of grant of the Stock Option less the applicable discount.
- (b) If a Stock Option is proposed to be granted by a newly listed Issuer after listing, or by an Issuer which has just been recalled for trading following a suspension or halt, the Issuer must wait until a satisfactory market has been established before setting the exercise price for and granting the Stock Option. In general, the Exchange will not consider that a satisfactory market has been established until at least ten Trading Days have passed since the date of listing or the day on which trading in the Issuer's securities resumes, as the case may be. See Policy 2.4 – *Capital Pool Companies* and Policy 5.2 – *Changes of Business and Reverse Takeovers*.
- (c) A minimum exercise price cannot be established unless the Stock Options are allocated to particular Persons.
- (d) Generally, the exercise price of a Stock Option should be paid in cash. However, it is acceptable for a Stock Option Plan to explicitly permit the following:
 - (i) “**Cashless Exercise**” whereby the Issuer has an arrangement with a brokerage firm pursuant to which the brokerage firm will loan money to a

Participant to purchase the Listed Shares underlying the Stock Options. The brokerage firm then sells a sufficient number of Listed Shares to cover the exercise price of the Stock Options in order to repay the loan made to the Participant. The brokerage firm receives an equivalent number of Listed Shares from the exercise of the Stock Options and the Participant then receives the balance of Listed Shares or the cash proceeds from the balance of such Listed Shares.

For example, a Participant granted Stock Options to purchase 100 Listed Shares at \$10 would need to disburse \$1,000 to purchase the underlying Listed Shares. Pursuant to the Cashless Exercise, the brokerage firm will advance the \$1,000 to the Participant to enable the Participant to exercise their Stock Options. Assuming a market price of \$15, the broker receives 67 Listed Shares from the exercise and will sell 67 Listed Shares ($\$1,000/\15) in order to repay the loan made to the Participant who then receives **33 Listed Shares** [100 Listed Shares less 67 Listed Shares) or **\$495** ($33 \times \15) if those 33 Listed Shares are sold at \$15 each.

- (ii) “**Net Exercise**” whereby Stock Options, excluding Stock Options held by any Investor Relations Service Provider, are exercised without the Participant making any cash payment so the Issuer does not receive any cash from the exercise of the subject Stock Options, and instead the Participant receives only the number of underlying Listed Shares that is the equal to the quotient obtained by dividing:
- (A) the product of the number of Stock Options being exercised multiplied by the difference between the VWAP of the underlying Listed Shares and the exercise price of the subject Stock Options; by
 - (B) the VWAP of the underlying Listed Shares.

For example, if a Participant holds Stock Options to purchase 100 Listed Shares of an Issuer exercisable at the price of \$10 and the VWAP of the Listed Shares of the Issuer is \$15:

- (I) under a traditional cash exercise, the Participant would pay the Issuer $100 \times \$10 = \$1,000$ cash, and in exchange would receive 100 Listed Shares of the Issuer; and the Participant could then sell 67 Listed Shares in the market, estimated using the VWAP, for $67 \times \$15 = \$1,005$ to recover the \$1,000 previously paid for the cash exercise and would own the balance of **33 Listed Shares**; or
- (II) under a Net Exercise, the Participant would not pay the Issuer any cash and instead of receiving 100 Listed Shares would receive only 33 Listed Shares calculated as follows:

$$\frac{100 \times (\$15 - \$10)}{\$15} = 33 \text{ Listed Shares}$$

In the event of a Cashless Exercise or Net Exercise, the number of Stock Options exercised, surrendered or converted, and not the number of Listed Shares actually issued by the Issuer, must be included in calculating the limits set forth in section 3.1, 4.2, 4.3, 4.4(b), 4.5(b), 5.2(a) and 5.3(a).

4.9 Minimum Price for Security Based Compensation other than Stock Options

The minimum exercise price of a Stock Option is set out in section 4.8 and the same principles apply to other Security Based Compensation whose value is initially tied to market price.

4.10 Hold Period and Escrow

All Security Based Compensation is subject to any applicable Resale Restrictions under Securities Laws and the Exchange Hold Period, if applicable. In addition, if the Exchange Hold Period is applicable, all Stock Options and any Listed Shares issued under Stock Options exercised prior to the expiry of the Exchange Hold Period must be legended with the Exchange Hold Period commencing on the date the Stock Options were granted. See Policy 3.2 – *Filing Requirements and Continuous Disclosure* for the wording of the legend.

Further, Security Based Compensation may be required to be deposited into escrow in certain circumstances. See Policy 2.4 – *Capital Pool Companies* and Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions*.

4.11 Terms of Security Based Compensation Plans

The following conditions or provisions must be included in every Security Based Compensation Plan:

- (a) all Security Based Compensation is non-assignable and non-transferable;
- (b) the maximum aggregate number of Listed Shares of the Issuer that are issuable pursuant to all Security Based Compensation granted or issued to Insiders (as a group) must not exceed 10% of the Issued Shares of the Issuer at any point in time (unless the Issuer has obtained the requisite disinterested Shareholder approval pursuant to section 5.3);
- (c) the maximum aggregate number of Listed Shares of the Issuer that are issuable pursuant to all Security Based Compensation granted or issued in any 12 month period to Insiders (as a group) must not exceed 10% of the Issued Shares of the Issuer, calculated as at the date any Security Based Compensation is granted or issued to any Insider (unless the Issuer has obtained the requisite disinterested Shareholder approval pursuant to section 5.3);

- (d) the maximum aggregate number of Listed Shares of the Issuer that are issuable pursuant to all Security Based Compensation granted or issued in any 12 month period to any one Person (and where permitted under this Policy, any Companies that are wholly owned by that Person) must not exceed 5% of the Issued Shares of the Issuer, calculated as at the date any Security Based Compensation is granted or issued to the Person (unless the Issuer has obtained the requisite disinterested Shareholder approval pursuant to section 5.3);
- (e) the maximum aggregate number of Listed Shares of the Issuer that are issuable pursuant to all Security Based Compensation granted or issued in any 12 month period to any one Consultant must not exceed 2% of the Issued Shares of the Issuer, calculated as at the date any Security Based Compensation is granted or issued to the Consultant;
- (f) Investor Relations Service Providers may not receive any Security Based Compensation other than Stock Options;
- (g) if a provision is included that the Participant's heirs or administrators are entitled to any portion of the outstanding Security Based Compensation, the period in which they can make such claim must not exceed one year from the Participant's death;
- (h) for Security Based Compensation granted or issued to Employees, Consultants or Management Company Employees, the Issuer and the Participant are responsible for ensuring and confirming that the Participant is a bona fide Employee, Consultant or Management Company Employee, as the case may be; and
- (i) any Security Based Compensation granted or issued to any Participant who is a Director, Officer, Employee, Consultant or Management Company Employee must expire within a reasonable period, not exceeding 12 months, following the date the Participant ceases to be an eligible Participant under the Security Based Compensation Plan.

For greater certainty, other than a “rolling” Security Based Compensation Plan referred to in section 3.1(a) or section 3.1(c), no Security Based Compensation Plan may be an “evergreen plan” which provides for the replenishment of the number of securities issuable after any Security Based Compensation is issued (for example, where the number of exercised Stock Options become available to be re-granted in the future); provided, however, that except as otherwise provided in section 4.8(d), a Security Based Compensation Plan may contain a provision allowing Security Based Compensation that has been settled in cash, cancelled, terminated, surrendered, forfeited or expired without being exercised, and pursuant to which no securities have been issued, to continue to be issuable under the Security Based Compensation Plan under which it was approved.

A Security Based Compensation Plan may contain a provision allowing for the automatic extension to the expiry date, redemption date or settlement date, as applicable, of Security Based Compensation if such date falls within a period (a “**blackout period**”) during which an Issuer

prohibits Participants from exercising, redeeming or settling their Security Based Compensation. The following requirements are applicable to any such automatic extension provision:

- A. The blackout period must be formally imposed by the Issuer pursuant to its internal trading policies as a result of the bona fide existence of undisclosed Material Information. For greater certainty, in the absence of the Issuer formally imposing a blackout period, the expiry date, redemption date or settlement date, as applicable, of any Security Based Compensation will not be automatically extended.
- B. The blackout period must expire following the general disclosure of the undisclosed Material Information. The expiry date, redemption date or settlement date, as applicable, of the affected Security Based Compensation can be extended to no later than ten (10) business days after the expiry of the blackout period.
- C. The automatic extension of a Participant's Security Based Compensation will not be permitted where the Participant or the Issuer is subject to a cease trade order (or similar order under Securities Laws) in respect of the Issuer's securities.
- D. The automatic extension is available to all eligible Participants under the Security Based Compensation Plan under the same terms and conditions.

4.12 Additional Terms for Stock Option Plans

The following additional conditions or provisions must be included in every Stock Option Plan:

- (a) Stock Options can be exercisable for a maximum of 10 years from the date of grant (subject to extension where the expiry date falls within a blackout period, as provided for in section 4.11);
- (b) the maximum aggregate number of Listed Shares of the Issuer that are issuable pursuant to all Stock Options granted in any 12 month period to all Investor Relations Service Providers in aggregate must not exceed 2% of the Issued Shares of the Issuer, calculated as at the date any Stock Option is granted to any such Investor Relations Service Provider; and
- (c) disinterested Shareholder approval will be obtained for any reduction in the exercise price of a Stock Option, or the extension of the term of a Stock Option, if the Participant is an Insider of the Issuer at the time of the proposed amendment.

4.13 Disclosure

- (a) Every Security Based Compensation Plan, and every agreement to grant or issue Security Based Compensation to a Director or Officer of the Issuer or to an Investor Relations Service Provider, and any amendment to any of the foregoing, must be disclosed to the public by way of a news release on the day the Security Based Compensation Plan is implemented or amended, or on the day the Security Based Compensation is granted, issued or amended, as applicable. The news

release should include the number of Listed Shares issuable under the Security Based Compensation Plan, the terms of the Security Based Compensation under individual grants (including but not limited to the number, exercise price and expiry date), and subsequent (Shareholder and Exchange) approvals that may be required. In addition, Part 6 requires a news release to be issued in certain other circumstances.

- (b) The Exchange can require an Issuer to change the terms of Security Based Compensation granted or issued, including a proposed Stock Option exercise price, if the Security Based Compensation is granted or issued before a news release disclosing Material Information has been adequately disseminated.

4.14 Secondary Security Purchase Plans Administered by Non-independent Trustees

Most Issuers with Stock Purchase Plans mandate a trust company or similar organization to make the purchases on the market on behalf of the Participants. A trustee or other purchasing agent (a “Trustee”) for a Stock Purchase Plan, or similar other plan in which Participants may participate, is deemed to be making an offer to acquire securities on behalf of the Issuer where the Trustee is deemed to be non-independent. See Part 7 of Policy 5.6 – *Normal Course Issuer Bids* for additional guidance in this regard.

Where Trustees are deemed to be non-independent, securities purchased for the benefit of a Stock Purchase Plan, or similar other plan in which Participants may participate, will count towards the limits on purchases of the Issuer’s securities in the context of a Normal Course Issuer Bid. If the Issuer does not have a Normal Course Issuer Bid in progress, securities purchased for the benefit of such a plan will be subject to Parts 8 and 9 of Policy 5.6 – *Normal Course Issuer Bids*. In addition, in such instance, the purchases made by the non-independent Trustees will be subject to the limits prescribed by the definition of “Normal Course Issuer Bid” in Policy 5.6 – *Normal Course Issuer Bids*, and counted against such limits if the Issuer subsequently establishes a Normal Course Issuer Bid.

5. Director and Shareholder Approval Requirements

5.1 Director Approval

Every Security Based Compensation Plan must be approved by a majority of the Issuer’s directors at the time it is implemented and at the time of any amendment.

5.2 Shareholder Approval

Except as specifically provided otherwise in (a), (f) and (k) below, every Security Based Compensation Plan must be approved by the Issuer’s Shareholders at the time it is implemented and at the time of any amendment.

- (a) **“fixed Stock Option Plan up to 10%”**: The only circumstance (except as set forth in (k) below) in which Shareholder approval of a Security Based

Compensation Plan is not required is in relation to the implementation of a “fixed” Stock Option Plan as described in section 3.1(d) provided that:

- (i) such Stock Option Plan otherwise complies with this Policy;
- (ii) such Stock Option Plan does not permit any Net Exercise;
- (iii) together with all of the Issuer’s other previously established and outstanding grants of Stock Options, it could never result at any time in the number of Listed Shares of the Issuer that are issuable under all of the Issuer’s Stock Options exceeding 10% of the Issued Shares of the Issuer as at the date of implementation of such Stock Option Plan;
- (iv) the Issuer does not have any other Security Based Compensation Plan in effect and does not have any other Security Based Compensation outstanding except as may be permitted by Part 6; and
- (v) the Issuer has not, within the previous 24 months, implemented a “fixed” Stock Option Plan as described in section 3.1(d) without Shareholder approval.

In every other circumstance, Shareholder approval of a Security Based Compensation Plan is required.

Note that disinterested Shareholder approval will be required in the circumstances prescribed by section 5.3(a).

- (b) **“fixed up to 20%”**: Except as specifically provided in section 5.2(a), a “fixed” Security Based Compensation Plan as described in section 3.1(b) must receive Shareholder approval at the time the “fixed” Security Based Compensation Plan is to be implemented (except as set forth in (k) below), and at such time as the number of Listed Shares issuable under the Security Based Compensation Plan is amended. Disinterested Shareholder approval will be required in the circumstances prescribed by section 5.3(a).
- (c) **“rolling up to 10%”**: A “rolling” Security Based Compensation Plan as described in section 3.1(a) must receive Shareholder approval at the time the “rolling” Security Based Compensation Plan is to be implemented (except as set forth in (k) below) and yearly thereafter, at the Issuer’s annual meeting of Shareholders held in accordance with the timing requirements set out in Policy 3.2 – *Filing Requirements and Continuous Disclosure*. Where disinterested Shareholder approval for a “rolling” Security Based Compensation Plan is required under section 5.3(a), the initial and yearly Shareholder approval of the Security Based Compensation Plan must be disinterested Shareholder approval.

In the event that the Issuer fails to obtain the yearly Shareholder approval for a “rolling” Security Based Compensation Plan within 15 months of its last Shareholder approval, then commencing on the earlier of:

- (i) the date of the meeting of the Shareholders at which the Shareholders do not approve the “rolling” Security Based Compensation Plan; and
- (ii) the date that is 15 months after the date of the meeting of Shareholders at which they last approved the “rolling” Security Based Compensation Plan;

the Issuer must not grant or issue any further Security Based Compensation under that Security Based Compensation Plan until it has obtained the requisite Shareholder approval.

- (d) **“rolling up to 10% and fixed up to 10%”:** Where an Issuer adopts a “rolling” Stock Option Plan and “fixed” Security Based Compensation Plan(s) (other than Stock Option Plans) as described in section 3.1(c), the Issuer must (except as set forth in (k) below) obtain yearly approval of the “rolling” Stock Option Plan as described in section 5.2(c) and must also obtain Shareholder approval of the “fixed” Security Based Compensation Plan(s) as described in section 5.2(b). If the Issuer has elected to implement one Security Based Compensation Plan that includes both the “rolling” Stock Option Plan and “fixed” Security Based Compensation Plan(s) as described in section 3.1(c), then the Issuer must obtain yearly approval of that Security Based Compensation Plan as described in section 5.2(c), failing which the consequences set out in in section 5.2(c) will apply.
- (e) **Assumption of Awards in Acquisitions:** In connection with a Qualifying Transaction, Reverse Takeover, Change of Business, or an acquisition or Reorganization pursuant to Policy 5.3 – *Acquisitions and Dispositions of Non-Cash Assets*, subject to Exchange acceptance, Security Based Compensation of a Target Company may be cancelled and replaced with substantially equivalent Security Based Compensation of the Issuer without Shareholder approval provided that:
 - (i) the number of securities issuable pursuant to such replacement Security Based Compensation (and their applicable exercise or subscription price) is adjusted in accordance with the share exchange ratio applicable to the transaction, regardless of whether the adjusted exercise price is below the then current Market Price;
 - (ii) the terms of the replacement Security Based Compensation satisfy the criteria of the Issuer’s Security Based Compensation Plan; and
 - (iii) the number of securities issuable pursuant to such replacement Security Based Compensation falls within the limits of the Issuer’s Security Based Compensation Plan;

and all such securities must be included in calculating the number of Listed Shares of the Issuer that are issuable for the purposes of sections 3.1, 4.2, 4.3, 4.4(b), 4.5(b), 5.2(a) and 5.3(a).

- (f) In general, the Exchange will require that any amendment to a Security Based Compensation Plan be subject to Shareholder approval as a condition to Exchange acceptance of the amendment. For greater certainty, without limitation, amendments to any of the following provisions of a Security Based Compensation Plan will be subject to Shareholder approval:
- (i) persons eligible to be granted or issued Security Based Compensation under the Security Based Compensation Plan;
 - (ii) the maximum number or percentage, as the case may be, of Listed Shares that may be issuable under the Security Based Compensation Plan;
 - (iii) the limits under the Security Based Compensation Plan on the amount of Security Based Compensation that may be granted or issued to any one person or any category of persons (such as, for example, Insiders);
 - (iv) the method for determining the exercise price of Stock Options;
 - (v) the maximum term of Security Based Compensation;
 - (vi) the expiry and termination provisions applicable to Security Based Compensation, including the addition of a blackout period;
 - (vii) the addition of a Net Exercise provision; and
 - (viii) any method or formula for calculating prices, values or amounts under a Security Based Compensation Plan that may result in a benefit to a Participant, including but not limited to the formula for calculating the appreciation of a Stock Appreciation Right.

Notwithstanding the foregoing, the Exchange will not require that the following types of amendments be subject to Shareholder approval as a condition to Exchange acceptance of the amendment: (i) amendments to fix typographical errors; and (ii) amendments to clarify existing provisions of a Security Based Compensation Plan that do not have the effect of altering the scope, nature and intent of such provisions.

Amendments to a Security Based Compensation Plan that could result in any of the limits set forth in section 5.3(a)(i) being exceeded will require disinterested Shareholder approval.

- (g) Except as specifically provided in Part 6, any Shareholder approval required under this Policy must take place at a meeting of the Shareholders and evidence that the majority of the Voting Shares are in favour of the proposal is not an acceptable substitute.
- (h) If an Issuer requires Shareholder approval for a new or amended Security Based Compensation Plan pursuant to this Policy, Exchange acceptance of the Security

Based Compensation Plan will be conditional upon the requisite Shareholder approval being obtained. As provided for and subject to the requirements set forth in section 5.2(i), the Exchange will generally permit the new or amended Security Based Compensation Plan, other than a Stock Purchase Plan, to be implemented prior to the requisite Shareholder approval having been obtained. In addition, the Exchange will generally permit the Issuer to grant or issue Security Based Compensation under the new or amended Security Based Compensation Plan, other than a Stock Purchase Plan, that it would not otherwise be permitted to grant under its existing Security Based Compensation Plan (as applicable) prior to the requisite Shareholder approval for the new or amended Security Based Compensation Plan having been obtained provided that the Issuer also obtains specific Shareholder approval for such grants and issuances and otherwise complies with the applicable requirements of section 5.2(i) in respect of both the Security Based Compensation Plan and the Security Based Compensation grants or issuances. For greater certainty, the Shareholder approval for any Security Based Compensation grants or issuances must be separate and apart from the Shareholder approval for the new or amended Security Based Compensation Plan.

- (i) Shareholder approval for the implementation or amendment of a Security Based Compensation Plan other than a Stock Purchase Plan, or the grant, issuance or amendment of Security Based Compensation, as required under this Policy, can be given at a meeting of the Shareholders after the implementation or amendment of the Security Based Compensation Plan or the grant, issuance or amendment of the Security Based Compensation, provided that:
 - (i) in the case of a new or amended Security Based Compensation Plan, no right under any Security Based Compensation that is granted or issued under the new or amended Security Based Compensation Plan may be exercised; and
 - (ii) in the case of the grant, issuance or amendment of Security Based Compensation, no right under any such Security Based Compensation may be exercised,

before the meeting and that all relevant information concerning the approvals sought has been fully disclosed to the Shareholders prior to the meeting. Any such Shareholder approval must be obtained no later than the earlier of the Issuer's next annual meeting of its Shareholders and 12 months from the implementation or amendment of the Security Based Compensation Plan or the grant, issuance or amendment of the Security Based Compensation, as the case may be.

If the requisite Shareholder approval is not obtained: (1) in the case of a new Security Based Compensation Plan, the new Security Based Compensation Plan and all Security Based Compensation granted or issued thereunder will terminate; (2) in the case of an amended Security Based Compensation Plan, the amended Security Based Compensation Plan will terminate (the Issuer will revert to its previously existing Security Based Compensation Plan) and any Security Based

Compensation that was granted or issued under the amended Security Based Compensation Plan that could not have been granted under the previously existing Security Based Compensation Plan will terminate; (3) in the case of a grant or issuance of Security Based Compensation, the granted or issued Security Based Compensation will terminate; and (4) in the case of an amendment of Security Based Compensation, the amendment will be of no force or effect.

- (j) The Information Circular of the Issuer to be provided to the Shareholders in respect of a meeting of the Shareholders at which the approval of a new or amended Security Based Compensation Plan or the grant, issuance or amendment of Security Based Compensation, as the case may be, will be sought must disclose the particulars of the new or amended Security Based Compensation Plan or the Security Based Compensation grant, issuance or amendment, as the case may be, in sufficient detail to permit the Shareholders to form a reasoned judgment concerning the acceptability of the new or amended Security Based Compensation Plan or the Security Based Compensation grant, issuance or amendment, as the case may be. For example, in the case of a new or amended Security Based Compensation Plan, the disclosure should include, without limitation:
- (i) a description of the persons eligible to be granted or issued Security Based Compensation under the Security Based Compensation Plan;
 - (ii) the maximum number or percentage, as the case may be, of Listed Shares that may be issuable under the Security Based Compensation Plan, including any Payout Multiplier or dividends;
 - (iii) the limits under the Security Based Compensation Plan on the amount of Security Based Compensation that may be granted or issued to any one person or any category of persons (such as, for example, Insiders);
 - (iv) the method for determining the exercise price of Stock Options;
 - (v) any method or formula for calculating prices, values or amounts under a Security Based Compensation Plan, including but not limited to the formula for calculating the appreciation of a Stock Appreciation Right;
 - (vi) the maximum term of Security Based Compensation;
 - (vii) any vesting provisions, including any acceleration provisions;
 - (viii) any dividend entitlement;
 - (ix) the expiry and termination provisions applicable to Security Based Compensation;
 - (x) any Cashless Exercise or Net Exercise provision; and

- (xi) such other material information as may be reasonably required by a Shareholder to approve the Security Based Compensation Plan or Security Based Compensation.

Where disinterested Shareholder approval for the new or amended Security Based Compensation Plan or Security Based Compensation grant, issuance or amendment, as the case may be, is required pursuant to section 5.3, those Persons that are ineligible to vote and the number of Voting Shares held by such Persons must be disclosed in the Information Circular.

A “fixed” Security Based Compensation Plan and the resolution approving it to be voted on by the Shareholders must include the fixed specified number of Listed Shares of the Issuer that are issuable pursuant to that “fixed” Security Based Compensation Plan; provided however, that in the case of a Qualifying Transaction, Reverse Takeover, Change of Business or Reorganization (as defined in Policy 5.3 – *Acquisitions and Dispositions of Non-Cash Assets*), where the exact number of Issued Shares to be outstanding on completion of the Qualifying Transaction, Reverse Takeover, Change of Business or Reorganization is not yet known, the resolution to be approved by the Shareholders will not be required to include a fixed specified number and may instead refer to the maximum number of Listed Shares of the Issuer that are issuable pursuant to all “fixed” Security Based Compensation Plan(s) in aggregate being a fixed number that will not exceed 20% of the maximum number of Issued Shares on completion of the Qualifying Transaction, Reverse Takeover, Change of Business or Reorganization.

- (k) Initial Shareholder approval of a Security Based Compensation Plan that otherwise complies with this Policy is not required if: (i) the Security Based Compensation Plan was implemented by the Issuer prior to the Issuer listing on the Exchange; (ii) the Issuer files a Prospectus or Form 2B - *Listing Application* in conjunction with its application to list on the Exchange; and (iii) the Issuer has disclosed the details of the Security Based Compensation Plan and any existing Security Based Compensation in the Prospectus or Form 2B - *Listing Application*, as the case may be; provided however that in the case of a spin-out transaction, the Exchange will require Shareholder approval of a Security Based Compensation Plan of the newly created Issuer.

5.3 Disinterested Shareholder Approval for Plans, Grants and Amendments

- (a) Except as otherwise provided in Part 6, an Issuer must obtain disinterested Shareholder approval for:
 - (i) a Security Based Compensation Plan if the Security Based Compensation Plan, together with all of the Issuer’s other previously established and outstanding Security Based Compensation Plans and grants or issuances of Security Based Compensation (excluding grants or issuances under Part 6), could result at any time in:

- (A) the aggregate number of Listed Shares of the Issuer that are issuable pursuant to all Security Based Compensation granted or issued to Insiders (as a group) exceeding 10% of the Issued Shares of the Issuer at any point in time;
 - (B) the aggregate number of Listed Shares of the Issuer that are issuable pursuant to all Security Based Compensation granted or issued in any 12 month period to Insiders (as a group) exceeding 10% of the Issued Shares of the Issuer, calculated as at the date any Security Based Compensation is granted or issued to any Insider; or
 - (C) the aggregate number of Listed Shares of the Issuer that are issuable pursuant to all Security Based Compensation granted or issued in any 12 month period to any one Person (and where permitted under this Policy, any Companies that are wholly owned by that Person) exceeding 5% of the Issued Shares of the Issuer, calculated as at the date any Security Based Compensation is granted or issued to the Person;
- (ii) any individual Security Based Compensation grant or issue that would result in any of the limits set forth in section 5.3(a)(i) being exceeded if the Issuer's Security Based Compensation Plans do not permit these limits to be exceeded;
 - (iii) any amendment to Stock Options held by Insiders that would have the effect of decreasing the exercise price of the Stock Options;
 - (iv) any individual Security Based Compensation grant or issue requiring Shareholder approval pursuant to section 5.2(h); and
 - (v) any amendment to Security Based Compensation that results in a benefit to an Insider, and for further clarity, if an Issuer cancels any Security Based Compensation and within one year grants or issues new Security Based Compensation to the same Person, that is considered an amendment.

For the purposes of the limits set forth in section 5.3(a)(i) and section 5.3(a)(ii), Security Based Compensation held by an Insider at any point in time that were granted or issued to such Person prior to it becoming an Insider shall be considered Security Based Compensation granted to an Insider irrespective of the fact that the Person was not an Insider at the date of grant.

- (b) Where section 5.3(a)(i) applies, the proposed Security Based Compensation Plan must be approved by a majority of the votes cast by Shareholders of the Issuer at the Shareholders' meeting excluding those votes attaching to Voting Shares of the Issuer beneficially owned by:

- (i) Insiders to whom Security Based Compensation may be granted under the Security Based Compensation Plan; and
 - (ii) Associates and Affiliates of Persons referred to in section 5.3(b)(i).
- (c) Where section 5.3(a)(ii), section 5.3(a)(iii), section 5.3(a)(iv) or section 5.3(a)(v) applies, the grant, issue or amendment, as the case may be, must be approved by a majority of the votes cast by Shareholders of the Issuer at the Shareholders' meeting excluding those votes attaching to Voting Shares of the Issuer beneficially owned by:
- (i) the Persons that hold or will hold the Security Based Compensation in question; and
 - (ii) Associates and Affiliates of Persons referred to in section 5.3(c)(i).

In addition, where section 5.3(a)(ii), section 5.3(a)(iii), section 5.3(a)(iv) or section 5.3(a)(v) applies, non-specific (or “**blanket**”) Shareholder approval is not permitted. The Information Circular of the Issuer provided to the Shareholders must disclose the particulars of the grant, issue or amendment, as the case may be, in sufficient detail to permit the Shareholders to form a reasoned judgment concerning the proposed grant, issue or amendment. For example, in the case of an amendment to decrease the exercise price of Stock Options held by Insiders, the disclosure should include, without limitation, the identities of the applicable Insiders, the number of Stock Options held by each such Insider, the current exercise price and the proposed exercise price.

- (d) In circumstances where the Issuer's Security Based Compensation is exercisable into a class of non-voting or sub-ordinate voting securities, the holders of that class of securities must be given full voting rights on a resolution that requires disinterested Shareholder approval pursuant to section 5.3(a) above.
- (e) In the event that the Issuer fails to obtain the disinterested Shareholder approval of a Security Based Compensation Plan required by this section 5.3, the Issuer must not grant or issue any further Security Based Compensation until it has obtained the requisite disinterested Shareholder approval. Alternatively, if the Issuer does not have any Security Based Compensation outstanding other than Stock Options, the Issuer may terminate its existing Security Based Compensation Plan that disinterested Shareholders did not approve and instead implement a “fixed Stock Option Plan up to 10%” as described in section 3.1(d).

6. Other Security Based Compensation

6.1 Disinterested Shareholder Approval

In certain circumstances specifically set out in sections 6.2, 6.3, 6.4, and 6.5, the Exchange will consider an application of an Issuer to grant or issue Security Based Compensation outside of a

Security Based Compensation Plan and unless otherwise provided, any such grant or issuance must be subject to disinterested Shareholder approval. Further, any proposed issuance to a Non-Arm's Length Party to an Issuer of its Listed Shares as compensation for services provided by such Non-Arm's Length Party, including Listed Shares proposed to be issued in settlement of debt owed by the Issuer arising from such services, that is not expressly permitted under this Policy or under Policy 4.3 – *Shares for Debt*, must be subject to disinterested Shareholder approval prior to the issuance of such Listed Shares. Any disinterested Shareholder approval required under this Part 6 may be obtained as set out in section 5.3(c) or by obtaining the written consent of Shareholders holding more than 50% of the Issued Shares of the Issuer, provided that the votes attached to Voting Shares of the Issuer held by the recipient and by Associates and Affiliates of the recipient are excluded from the calculation of any such approval or written consent.

Where Shareholder approval for Security Based Compensation is required, the Exchange's acceptance of the Security Based Compensation will be conditional upon the Issuer providing evidence of the requisite Shareholder approval. Where such Shareholder approval is required, Issuers are encouraged to receive the Exchange's conditional acceptance of the proposed Security Based Compensation before the Information Circular for the meeting of Shareholders at which the Security Based Compensation is to be approved, or the form of written consent, is sent to Shareholders. If the Exchange's conditional acceptance is not obtained in advance, the Information Circular or form of written consent that is sent to Shareholders must clearly state that the proposed Security Based Compensation is subject to Exchange acceptance, and if the Exchange finds the disclosure to Shareholders to be inadequate, that Shareholder approval may not be accepted by the Exchange.

6.2 Securities for Services

Except as otherwise provided in Policy 5.1 – *Loans, Loan Bonuses, Finder's Fees and Commissions*, and notwithstanding sections 3.1, 4.2, 4.3, 4.11, 5.2, 5.3 and 6.1 of this Policy and section 3.12(f) of Policy 4.3 – *Shares for Debt*, the Exchange will consider an application of an Issuer, without disinterested Shareholder approval, to compensate a Person providing ongoing services (excluding services for Investor Relations Activities, promotional and market-making activities described in Policy 3.4 – *Investor Relations, Promotional and Market-Making Activities*) to the Issuer in Listed Shares, or Listed Shares and Warrants, rather than cash, outside of a Security Based Compensation Plan provided in each case that:

- (a) if the Person providing the ongoing services is a Non-Arm's Length Party to the Issuer or to any of its Affiliates, only Listed Shares may be issued to that Person under this section 6.2;
- (b) the value of the compensation to be paid must be specified in dollars (not in a number of securities);
- (c) the Issuer issues a news release on the date that an agreement, commitment or understanding is reached to issue Securities for Services that includes disclosure as to whether Non-Arm's Length Parties to the Issuer or to any of its Affiliates are involved, the nature of the services, the dollar value of the compensation to be

paid, how the deemed value per security and number of securities to be issued will be determined, and when the securities will be issued; and if an Issuer undertakes a Securities for Services transaction that forms a part of a Qualifying Transaction, Reverse Takeover or Change of Business, it must disclose this information in a news release disclosing the Qualifying Transaction, Reverse Takeover or Change of Business;

- (d) the Issuer files with the Exchange:
 - (i) a copy of the Securities for Services agreement;
 - (ii) if the Securities for Services transaction may result in the creation of a new Insider, a Personal Information Form or, if applicable, a Declaration from each Person who will be a new Insider of the Issuer, and if any of these Persons is not an individual, a Personal Information Form or, if applicable, Declaration from each director, senior officer and Control Person of that Person;
 - (iii) written confirmation that the Securities for Services transaction is in compliance with applicable corporate laws and Securities Laws; and
 - (iv) the applicable fee as prescribed by Policy 1.3 – *Schedule of Fees*;
- (e) before any Listed Shares, or Listed Shares and Warrants, are issued, the Securities for Services transaction has been accepted by the Exchange;
- (f) the number of Listed Shares, or Listed Shares and Warrants to be issued, is not determined, and such securities are not issued, until after the date the services are provided to the Issuer;
- (g) the deemed value of the Listed Shares to be issued is determined after the date the services are provided to the Issuer and must not be less, per Listed Share, than the Discounted Market Price on the date of such determination, and the exercise price of any Warrants issued under this section 6.2 must not be less than the Market Price on the date of such determination;
- (h) a maximum of one Warrant may be issued in connection with each Listed Share issued under this section 6.2, and on exercise, each Warrant may entitle the holder to receive up to a maximum of one Listed Share, and a Warrant may not entitle the holder to receive an additional Warrant (or fractional Warrant) on exercise (i.e. the Exchange will not permit “piggyback” Warrants);
- (i) the term of any Warrants issued under this section 6.2 must expire by no later than five years after the date of issuance of such Warrants;
- (j) any Warrants issued under this section 6.2 may be transferable provided that to do so is in compliance with applicable Securities Laws;

- (k) in relation to Persons who are Non-Arm's Length Parties to the Issuer or to any of its Affiliates, the deemed value of the Listed Shares to be issued by the Issuer must not exceed \$5,000 per month per Person and must not exceed \$10,000 per month in aggregate, and for further clarity, where the Securities for Services transaction may exceed these amounts, the Issuer must first obtain disinterested Shareholder approval as described in section 6.1;
- (l) the Securities for Services transaction will not result in the creation of a new Control Person, and for further clarity, where the Securities for Services transaction may result in the creation of a new Control Person, the Issuer must first obtain disinterested Shareholder approval as described in section 6.1; and
- (m) at least once in every calendar quarter, the Issuer:
 - (i) disseminates a news release indicating the number of Listed Shares and Warrants (including the exercise price and expiry date) and the deemed value per security issued in exchange for the services that have been provided to the Issuer under the Securities for Services agreement; and
 - (ii) files with the Exchange:
 - (A) a notice letter:
 - (I) indicating the number of Listed Shares and Warrants (including the exercise price and expiry date) and the deemed value per security issued in exchange for the services that have been provided to the Issuer under the Securities for Services agreement; and
 - (II) confirming that the issuance of the securities has not created a new Control Person of the Issuer, or confirming that the Issuer has obtained disinterested Shareholder approval as described in section 6.1 if the issuance of the securities has created a new Control Person of the Issuer; and
 - (B) the applicable fee as prescribed by Policy 1.3 – *Schedule of Fees*.

Any Listed Shares and Warrants issued under this section 6.2, whether granted or issued before or after the Issuer is listed on the Exchange, will not be included within the limits prescribed by sections 3.1, 4.2, 4.3, 4.11, 5.2(a) and 5.3(a).

Except for transactions which were conditionally accepted by the Exchange prior to November 24, 2021, in the case of any discrepancy or conflict between this Policy and Policy 4.3 – *Shares for Debt*, the provisions of this Policy prevail.

6.3 Compensation Owed to Non-Arm's Length Parties

Notwithstanding sections 3.1, 4.2, 4.3, 4.11, 5.2, 5.3 and 6.1 of this Policy and section 3.12(f) of Policy 4.3 – *Shares for Debt*, the Exchange will consider an application of an Issuer, without disinterested Shareholder approval, to issue Listed Shares outside of a Security Based Compensation Plan in settlement of outstanding obligations [excluding reimbursement of out-of-pocket expenses and cash advances (which are covered by Policy 4.3 – *Shares for Debt*), and excluding obligations related to Investor Relations Activities, promotional and market-making activities described in Policy 3.4 – *Investor Relations, Promotional and Market-Making Activities*] owing to a Person who is or has been a Non-Arm's Length Party to the Issuer or to any of its Affiliates at any time within the immediately preceding 12 months, provided in each case that:

- (a) the Issuer issues a news release on the date that an agreement, commitment or understanding is reached;
- (b) the Issuer files with the Exchange:
 - (i) a copy of the agreement;
 - (ii) details of any prior issuance of Listed Shares of the Issuer in settlement of outstanding obligations of the Issuer owed to that Person;
 - (iii) written confirmation that the transaction is in compliance with applicable corporate laws and Securities Laws; and
 - (iv) the applicable fee as prescribed by Policy 1.3 – *Schedule of Fees*;
- (c) before any Listed Shares are issued, the transaction has been accepted by the Exchange;
- (d) the deemed value of the Listed Shares to be issued by the Issuer must not exceed \$5,000 per month per Person and must not exceed \$10,000 per month in aggregate, and for further clarity, where the transaction may exceed these amounts, the Issuer must first obtain disinterested Shareholder approval as described in section 6.1; and
- (e) the transaction will not result in the creation of a new Control Person, and for further clarity, where the transaction may result in the creation of a new Control Person, the Issuer must first obtain disinterested Shareholder approval as described in section 6.1.

Any Listed Shares issued under this section 6.3, whether granted or issued before or after the Issuer is listed on the Exchange, will not be included within the limits prescribed by sections 3.1, 4.2, 4.3, 4.11, 5.2(a) and 5.3(a).

Except for transactions which were conditionally accepted by the Exchange prior to November 24, 2021, in the case of any discrepancy or conflict between this Policy and Policy 4.3 – *Shares for Debt*, the provisions of this Policy prevail.

6.4 One Time Payments as Inducements or Severance

Notwithstanding sections 3.1, 4.2, 4.3, 4.11, 5.2, 5.3 and 6.1, the Exchange will consider an application of an Issuer, without disinterested Shareholder approval, for:

- (a) the grant or issuance of Listed Shares outside of a Security Based Compensation Plan as an inducement to a Person (or Company wholly owned by such Person) not previously employed by and not previously an Insider of the Issuer, to enter into a contract of full time employment as an Officer or Employee of the Issuer, provided that the number of Listed Shares of the Issuer that are issuable to such Person (or Company) does not exceed 1% of the number of Issued Shares of the Issuer calculated immediately prior to the date of grant or issuance of such Listed Shares; or
- (b) the grant or issuance of Listed Shares outside of a Security Based Compensation Plan to a Person (or Company wholly owned by such Person), who ceases to act as an Officer, Employee or Consultant of the Issuer, in the context of a severance package or termination of employment, provided that the number of Listed Shares of the Issuer that are issuable to such Person (or Company) does not exceed 1% of the number of Issued Shares of the Issuer calculated immediately prior to the date of grant or issuance of such Listed Shares;

provided in each case that:

- (c) the maximum aggregate number of Listed Shares of the Issuer that are issuable under this section 6.4 to any one Person in any 12 month period must not exceed 1% of the Issued Shares of the Issuer, calculated as at the date any such Listed Shares are issued to the Person;
- (d) the maximum aggregate number of Listed Shares of the Issuer that are issuable under this section 6.4 to all Persons in aggregate in any 12 month period must not exceed 2% of the Issued Shares of the Issuer, calculated as at the date any such Listed Shares are issued to any such Person;
- (e) the Issuer files with the Exchange:
 - (i) details of the proposed issuance of Listed Shares;
 - (ii) the news release disclosing the proposed issuance of Listed Shares;
 - (iii) the directors' resolutions approving the proposed issuance of Listed Shares;

- (iv) written confirmation that the proposed issuance of Listed Shares is in compliance with applicable corporate laws and Securities Laws; and
- (v) the applicable fee as prescribed in Policy 1.3 - *Schedule of Fees*; and
- (f) before any Listed Shares are issued, the transaction has been accepted by the Exchange.

For further clarity, if an Issuer wishes to issue any Listed Shares in excess of the limits set out in this section 6.4, it must first obtain disinterested Shareholder approval as described in section 6.1.

Any Listed Shares issued under this section 6.4, whether granted or issued before or after the Issuer is listed on the Exchange, will not be included within the limits prescribed by sections 3.1, 4.2, 4.3, 4.11, 5.2(a) and 5.3(a).

6.5 Loans

The Exchange will consider an application from an Issuer proposing to lend funds (the “**Loan**”) to a Person for the purpose of acquiring securities of the Issuer, whether from treasury or otherwise, provided in each case that:

- (a) the Issuer complies with the requirement in section 8.2(f) of Policy 3.2 – *Filing Requirements and Continuous Disclosure* to provide the Exchange with prior written notice of such Loan;
- (b) the Loan is made pursuant to a formal loan agreement which involves the Issuer advancing funds to the borrower and such funds then being used by the borrower to acquire securities of the Issuer so that any securities issued from treasury are issued in consideration for cash as the Exchange will not accept a Loan that involves the borrower simply providing the Issuer with a promissory note as consideration for the securities being issued;
- (c) disinterested Shareholder approval of the specific Loan is obtained prior to the Loan being advanced;
- (d) the Issuer files with the Exchange:
 - (i) the Loan agreement;
 - (ii) the news release disclosing the proposed Loan;
 - (iii) the directors’ resolutions approving the proposed Loan;
 - (iv) written confirmation confirming that the proposed Loan and proposed issuance of securities are in compliance with applicable corporate and Securities Laws;

- (v) a draft Information Circular for the meeting of Shareholders at which the Loan is to be approved, or the form of written consent, before being sent to Shareholders, or if Exchange acceptance is not obtained in advance, the Information Circular or form of written consent that is sent to Shareholders must clearly state that the proposed Loan is subject to Exchange acceptance;
 - (vi) evidence of disinterested Shareholder approval of the specific proposed Loan; and
 - (vii) the applicable fee as prescribed in Policy 1.3 - *Schedule of Fees*; and
- (e) before the Loan is advanced, the Loan has been accepted by the Exchange.

6.6 Exchange Hold Period

In addition to any applicable Resale Restrictions under Securities Laws, in certain circumstances the Exchange requires that the Listed Shares and Warrants issued under Part 6 be subject to an Exchange Hold Period and legended accordingly. In circumstances where the Exchange Hold Period is applicable, the hold period commences upon the distribution date of the securities (whether Listed Shares or Warrants). See Policy 1.1 – *Interpretation* and Policy 3.2 – *Filing Requirements and Continuous Disclosure* for the applicability of the Exchange Hold Period and associated certificate legending requirements.

7. Filing Requirements

7.1 Filing a Security Based Compensation Plan

Issuers must receive Exchange acceptance of all Security Based Compensation Plans at the time of implementation of the Security Based Compensation Plan and, in the case of a “rolling” Security Based Compensation Plan, yearly thereafter.

Issuers must also receive Exchange acceptance of any amendment to a Security Based Compensation Plan (except in the few instances described in section 5.2(f)). If the amendment relates to an increase to the number of Listed Shares issuable pursuant to the exercise of Stock Options under a Security Based Compensation Plan described in section 3.1(d), not less than 24 months must have elapsed since the later of the implementation of that Security Based Compensation Plan and the last amendment in this regard.

In order to obtain Exchange acceptance of a Security Based Compensation Plan or amendment thereto, and where the Issuer will be seeking any Shareholder approval under section 5.2 or 5.3, the Issuer must file the following with the Exchange not less than 10 business days prior to the printing deadline for the Information Circular:

- (a) the draft Security Based Compensation Plan and if appropriate, a blacklined version showing the proposed amendments;

- (b) the draft Information Circular for the meeting of Shareholders at which the Security Based Compensation Plan is to be approved; and
- (c) the applicable fee as prescribed in Policy 1.3 - *Schedule of Fees*.

Where Shareholder approval for a Security Based Compensation Plan, or amendment to a Security Based Compensation Plan, is required, the Exchange's acceptance of the Security Based Compensation Plan will be conditional upon the Issuer providing evidence of the requisite Shareholder approval. Issuers are encouraged to receive the Exchange's conditional acceptance of all Security Based Compensation Plans before the Information Circular for the meeting of Shareholders at which the Security Based Compensation Plan is to be approved is sent to Shareholders. If the Exchange's conditional acceptance is not obtained in advance, the Information Circular sent to Shareholders must clearly state that the proposed Security Based Compensation Plan is subject to Exchange acceptance and if the Exchange finds the disclosure to Shareholders to be inadequate, that Shareholder approval may not be accepted by the Exchange.

7.2 Filing Monthly Reports of Security Based Compensation

An Issuer must file the following with the Exchange promptly after the end of each calendar month in which any Security Based Compensation is granted, issued or amended pursuant to a Security Based Compensation Plan:

- (a) a Form 4G - *Summary Form – Security Based Compensation*;
- (b) if the Participant is not an individual (but excluding Participants that are Consultant Companies or Eligible Charitable Organizations), a *Certification and Undertaking Required from a Company Granted Security Based Compensation* in the form of Schedule "A" to Form 4G - *Summary Form – Security Based Compensation*, as described in section 2(c); and
- (c) if the Participant is a new Insider or is an Investor Relations Service Provider, a Form 2A - *Personal Information Form* or, if applicable, a Form 2C1 - *Declaration*.

8. Amendments to Security Based Compensation

8.1 General Requirements

- (a) The Exchange will permit an Issuer to amend the terms of Security Based Compensation without the acceptance of the Exchange to:
 - (i) reduce the number of Listed Shares that may be issued under such Security Based Compensation;
 - (ii) increase the exercise price of a Stock Option; or
 - (iii) cancel Security Based Compensation;

provided the Issuer issues a news release outlining the terms of the amendment.

- (b) Except as provided under section 8.1(a) above, an Issuer can amend the other terms of Security Based Compensation only where prior Exchange acceptance is obtained and where the following requirements are met:
 - (i) the Issuer issues a news release outlining the terms of the amendment;
 - (ii) if the amendment is in respect of Security Based Compensation held by an Insider of the Issuer, the Issuer obtains disinterested Shareholder approval (as described in section 5.3);
 - (iii) if the Stock Option exercise price is amended, at least six months have elapsed since the later of the date of commencement of the term, the date the Issuer's Listed Shares commenced trading, or the date the Stock Option exercise price was last amended;
 - (iv) if the Stock Option exercise price is amended to less than the Market Price, the Exchange Hold Period is applied from the date of the amendment (and for greater certainty, where the Stock Option exercise price is amended to the Market Price, the Exchange Hold Period will not apply); and
 - (v) if the length of the Stock Option term is amended, any extension of the length of the term of the Stock Option is treated as a grant of a new Stock Option, and therefore the amended Stock Option must comply with the pricing and other requirements of this Policy as if it were a newly granted Stock Option. The term of a Stock Option cannot be extended so that the effective term of the Stock Option exceeds 10 years in total. A Stock Option must be outstanding for at least one year before the Issuer can extend its term.

The Exchange must accept a proposed amendment before the Security Based Compensation may be exercised, redeemed or settled as amended. For the purposes of this Policy, if an Issuer cancels any Security Based Compensation and within one year grants or issues any new Security Based Compensation to the same Person, the new Security Based Compensation will be subject to the requirements in sections 8.1(b)(i) to (v).

8.2 Filing Requirements

To obtain Exchange acceptance of an amendment to Security Based Compensation, an Issuer must file the following with the Exchange:

- (a) a letter setting out the terms of the proposed amendment;
- (b) the news release disclosing the terms of the proposed amendment, if required;

- (c) the directors' resolutions approving the proposed amendment;
- (d) where applicable, evidence of Shareholder approval of the proposed amendment; and
- (e) the applicable fee as prescribed in Policy 1.3 - *Schedule of Fees*.

Note that the Form 4G - *Summary Form – Security Based Compensation* that an Issuer is required to file with the Exchange under section 7.2 must include disclosure of any Security Based Compensation that has been amended.

9. Transition

9.1 Transition for Security Based Compensation Plans

All Security Based Compensation Plans which have been filed with the Exchange prior to November 24, 2021 (a “**Legacy Security Based Compensation Plan**”), and all Security Based Compensation granted, issued or amended before or after the date of this Policy pursuant to such Legacy Security Based Compensation Plans (“**Legacy Security Based Compensation**”), remain in force in accordance with their existing terms. However, any:

- (a) Legacy Security Based Compensation Plan that is to be placed before an Issuer's Shareholders for approval (including the yearly approval of a “rolling” Security Based Compensation Plan as described in section 5.2(c) or the approval of an amendment as described in section 5.2(f)); and
- (b) other Security Based Compensation Plan that is implemented or amended;

after November 23, 2021 must comply with this Policy.

9.2 Transition for Security Based Compensation

All Security Based Compensation which has been conditionally accepted by the Exchange prior to November 24, 2021 remain in force in accordance with their existing terms. Any Security Based Compensation that is granted, issued or amended after November 23, 2021, other than Legacy Security Based Compensation, must comply with this Policy.

10. Summary Table

10.1 Summary Table

The following table provides only a summary of the Shareholder approval requirements applicable to Security Based Compensation Plans and in the case of any discrepancy, the more detailed provisions of this Policy set out above prevail.

	Fixed Stock Option Plan up to 10%	Fixed up to 20%	Rolling up to 10%	Rolling Stock Option Plan up to 10% <u>and</u> Fixed up to 10% in one plan
Shareholder Approval on Adoption*	Not Required	Required	Required	Required
Shareholder Approval Annually*	Not Required	Not Required	Required	Required
Shareholder Approval on Amendment*	Required	Required	Required	Required

*Disinterested Shareholder approval is always required in the circumstances set out in section 5.3(a) of this Policy.