



MANAGEMENT INFORMATION CIRCULAR INTRODUCTION

This Management Information Circular (the “Information Circular”) accompanies the Notice of Annual General and Special Meeting given to the holders (the “Shareholders”) of common shares (the “Common Shares”) of Kelso Technologies Inc. (“Kelso” or the “Corporation”) in respect of the annual general and special meeting (the “Meeting”) of Shareholders to be held on Thursday, June 1, 2023 at the Delta Hotel by Marriott, 1310 Water Street, Kelowna, British Columbia, Canada V1Y 1P3, at the hour of 10:00 a.m. Pacific time. References in this Information Circular to the Meeting include any adjournment(s) or postponement(s) of the Meeting.

Figures in this Information Circular are expressed in United States dollars (“US\$”) or in Canadian dollars (“C\$”), unless otherwise stated. As at December 31, 2022 the value of the Canadian dollar, based on the Bank of Canada’s daily rate of exchanges, was US\$0.7383 respectively.

PROXIES AND VOTING RIGHTS

Solicitation of Proxies

The solicitation of proxies is being made on behalf of Management. Costs of the solicitation of proxies for the Meeting will be borne by the Corporation. It is expected that solicitations of proxies will be made primarily by mail, but proxies may also be solicited by telephone or other personal contact by directors, officers and employees of the Corporation without special compensation. In addition to the use of mail, proxies may be solicited by personal interviews, personal delivery, telephone or any form of electronic communication or by directors, officers and employees of the Corporation who will not be directly compensated, therefore. The Corporation has arranged for Intermediaries (as defined below) to forward Meeting Materials (as defined below) to Non-Registered Shareholders (as defined below) by those Intermediaries as the Registered Shareholders (as defined below) and the Corporation may reimburse the Intermediaries for their reasonable fees and disbursements in that regard.

Only a Shareholder whose name appears on the certificate(s) representing its Common Shares (a “Registered Shareholder”) or its duly appointed proxy nominee is permitted to vote at the Meeting. A Shareholder is a non-registered Shareholder (a “Non-Registered Shareholder”) if its Common Shares are registered in the name of an intermediary, such as an investment dealer, brokerage firm, bank, trust company, trustee, custodian, administrator or other nominee, or a clearing agency in which the intermediary participates (each, an “Intermediary”). Accordingly, most Shareholders of the Corporation are Non-Registered Shareholders because the Common Shares they own are not registered in their names but are instead registered in the name of the Intermediary through which they own the Common Shares.

More particularly, a person is a Non-Registered Shareholder in respect of Common Shares which are held on behalf of that person, but which are registered either: (a) in the name of an Intermediary that the Non-Registered Shareholder deals in respect of the Common Shares; or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited (“CDS”)) of which the Intermediary is a participant. In Canada, the vast majority of securities are registered under the name of CDS, which acts as nominee for many Canadian brokerage firms. Common Shares so held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Non-Registered Shareholder. Without specific instructions, Intermediaries are prohibited from voting Common Shares held for Non-Registered Shareholders.

These proxy solicitation materials are being sent to both Registered Shareholders and Non-Registered Shareholders. If the Corporation or its agent has sent these materials directly to a Non-Registered Shareholder, such Non-Registered Shareholder's name and address and information about its holdings of Common Shares have been obtained in accordance with the requirements under applicable securities laws from the Intermediary holding the Common Shares on such Non-Registered Shareholder's behalf.

Non-Registered Shareholders who have not objected to their Intermediary disclosing certain information about them to the Corporation are referred to as non-objecting beneficial owners (“**NOBOs**”), whereas Non-Registered Shareholders who have objected to their Intermediary disclosing ownership information about them to the Corporation are referred to as objecting beneficial owners (“**OBOs**”). In accordance with National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer (“**NI 54-101**”), the Corporation has elected to send the Notice of Meeting, this Information Circular and the related form of proxy or voting instruction form (collectively, the “**Meeting Materials**”) indirectly to the NOBOs and to the OBOs through their Intermediaries.

How to Vote

Your vote is important. It is recommended that you vote your shares in advance of the meeting. Only registered shareholders and duly appointed proxyholders will be permitted access to the meeting. The Corporation is not aware of any items of business to be brought before the Meeting other than those set out in the Notice of Meeting and further described in this Information Circular. There will be no management presentation on the business or operations of the Corporation at the Meeting.

Registered Shareholders who are unable to attend the Meeting in person, or any adjournment(s) or postponement(s) of the Meeting are requested to date, complete, sign and deposit the accompanying proxy for use at the Meeting or any adjournment(s) or postponement(s) of the Meeting. To be valid, proxies must be dated, completed, signed and deposited with Computershare Investor Services Inc., Proxy Department (a) by mail using the enclosed return envelope or one addressed to Computershare Investor Services Inc., Proxy Department, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1; (b) by telephone from a touch tone phone 1-866-732-VOTE (8683) (c) by facsimile to 1-(416) 263-9524 or 1-866-249-7775; or (c) through the internet at www.investorvote.com using your 15-digit control number found on your proxy. Your proxy must be received by no later than 10:00 a.m. Pacific time on Tuesday, May 30, 2023 or at least 48 hours (excluding Saturdays, Sundays and holidays) before the time that the Meeting is to be reconvened after any adjournment(s) or postponements(s) of the Meeting. The deadline for the deposit of proxies may be waived or extended by the Chair of the Meeting at the Chair's discretion without notice. If you vote by Telephone or the Internet, DO NOT mail back the proxy.

Non-Registered Shareholders will receive voting instructions from the Intermediary through which they hold their Common Shares. Please follow the instructions provided on your voting instruction form to vote your Common Shares. If you vote by Telephone or the Internet, DO NOT mail back the voting instruction form.

Registered Shareholders

The persons named in the accompanying form of proxy are nominees of the Corporation's Management. **A Shareholder has the right to appoint a person or company (who need not be a Shareholder) to attend and act for and on the Shareholder's behalf at the Meeting other than the persons designated as proxyholders in the accompanying form of proxy. To exercise this right, the Shareholder must either:**

- (a) on the accompanying form of proxy, strike out the printed names of the individuals specified as proxyholders and insert the name of the Shareholder's nominee in the blank space provided; or**
- (b) complete another proper form of proxy.**

In either case, to be valid, a proxy must be dated and signed by the Shareholder or by the Shareholder's attorney authorized in writing. In the case of a company, the proxy must be signed by a duly authorized officer of, or attorney for, the company.

The completed proxy, together with the power of attorney or other authority, if any, under which the proxy was signed, or a notarially certified copy of the power of attorney or other authority, must be delivered to Computershare Investor Services Inc., Proxy Department (a) by mail using the enclosed return envelope or one addressed to Computershare Investor Services Inc., Proxy Department, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1; (b) by telephone from a touch tone phone 1-866-732-VOTE (8683) (c) by facsimile to 1-(416) 263-9524 or 1-866-249-7775; or (c) through the internet at www.investorvote.com using your 15-digit control number found on your proxy. Your proxy must be received by no later than 10:00 a.m. Pacific time on Tuesday, May 30, 2023 or at least 48 hours (excluding Saturdays, Sundays and holidays) before the time that the Meeting is to be reconvened after any adjournment(s) or postponement(s) of the Meeting. The deadline for the deposit of proxies may be waived or extended by the Chair of the Meeting at the Chair's discretion without notice. If you vote by Telephone or the Internet, DO NOT mail back the proxy or the voting instruction form.

Non-Registered Shareholders

Only Registered Shareholders or duly appointed proxyholders for Registered Shareholders are permitted to vote at the Meeting. Non-Registered Shareholders (whether NOBOs or OBOs) are advised that only proxies from Shareholders of record can be recognized and voted at the Meeting.

The Intermediary holding Common Shares on behalf of a Non-Registered Shareholder is required to forward the Meeting Materials to such Non-Registered Shareholder (unless such Non-Registered Shareholder has waived its right to receive the Meeting Materials) and to seek such Non-Registered Shareholder's instructions as how to vote its Common Shares in respect of each of the matters described in this Information Circular to be voted on at the Meeting. Each Intermediary has its own procedures which should be carefully followed by Non-Registered Shareholders to ensure that their Common Shares are voted by the Intermediary on their behalf at the Meeting. The instructions for voting will be set out in the voting instruction form provided by the Intermediary. Non-Registered Shareholders should contact their Intermediary and carefully follow the voting instructions provided by such Intermediary. Alternatively, Non-Registered Shareholders who wish to vote their Common Shares in person at the Meeting may do so by appointing themselves as the proxy nominee by writing their own name in the space provided on the voting instruction form provided to them by the Intermediary and following the Intermediary's instructions for return of the executed voting instruction form.

All references to Shareholders in this Information Circular and the accompanying Notice of Meeting and proxy or voting instruction form are to Shareholders of record at the close of business on the Record Date (as defined below) unless specifically stated otherwise.

All references to Shareholders in this Information Circular and the accompanying Notice of Meeting and form of proxy are to Shareholders of record at the close of business on the Record Date (as defined below) unless specifically stated otherwise.

A Shareholder who has given a proxy may revoke it at any time before the proxy is exercised:

- (a) by an instrument in writing that is:
 - (i) signed by the Shareholder, the Shareholder's legal personal representative or trustee in bankruptcy or, where the Shareholder is a company, a duly authorized officer of, or attorney for, the company; and
 - (ii) delivered to Computershare Investor Services Inc., Proxy Department, at 8th Floor, 100 University Avenue, Toronto, Ontario, Canada M5J 2Y1 or to the registered office of the Corporation located at Suite 2600 – 595 Burrard Street, Vancouver, British Columbia, Canada V7X 1L3 at any time up to and including the last business day preceding the day of the Meeting or any adjournment(s) or postponement(s) of the Meeting;
- (b) by sending another proxy with a later date to Computershare Investor Services Inc., Proxy Department, before 10:00 a.m. Pacific time on Tuesday, May 30, 2023 or at least 48 hours (excluding Saturdays, Sundays and holidays) before any adjourned or postponed Meeting;
- (c) by attending the Meeting and notifying the Chair of the Meeting in writing prior to the commencement of the Meeting that the Shareholder has revoked its proxy; or
- (d) in any other manner provided by law.

A revocation of a proxy does not affect any matter on which a vote has been taken prior to the revocation.
Revocation of Proxies

Voting and Exercise of Discretion by Proxyholders

A Shareholder may indicate the manner in which the persons named in the accompanying form of proxy are to vote with respect to a matter to be acted upon at the Meeting by marking the appropriate space. **The Common Shares represented by the proxy will be voted for, against, or withheld from voting in accordance with the instructions given by the Shareholder in the proxy on any ballot that may be called for.**

If the Shareholder specifies a choice in the proxy with respect to a matter to be acted upon, then the Common Shares represented thereby will be voted for, against, or withheld from the vote on that matter accordingly. If no choice is specified in the proxy with respect to a matter to be acted upon, it is intended that the proxyholder named by Management in the accompanying form of proxy will vote the Common Shares represented by the proxy in favour of each matter identified in the proxy and for the nominees for election to the Corporation's Board of Directors and auditor.

The accompanying form of proxy also confers discretionary authority upon the named proxyholder with respect to amendments or variations to the matters identified in the accompanying Notice of Meeting and with respect to any other matters which may properly come before the Meeting. **As of the date of this Information Circular, Management of the Corporation is not aware of any such amendments or variations, or any other matters that will be presented for action at the Meeting other than those referred to in the accompanying Notice of Meeting. If, however, other matters that are not now known to Management properly come before the Meeting, then the persons named in the accompanying form of proxy intend to vote on them in accordance with their best judgment.**

The Corporation is not relying on the notice-and-access delivery procedures outlined in NI 54-101 to distribute copies of Meeting Materials.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as may be disclosed herein, no director or executive officer of the Corporation, or any person who has held such a position since the beginning of the last completed financial year end of the Corporation, nor any nominee for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Corporation is authorized to issue an unlimited number of common shares (the "Common Shares") without par value, of which 54,320,086 are issued and outstanding as of April 19, 2023, and an unlimited number of Class "A" preference shares (the "Preference Shares") without par value, of which 5,000,000 are designated Class "A" convertible voting preference, series 1 shares (the "Convertible Shares") without par value.

The Common Shares have been listed posted for trading on the TSX under the symbol "**KLS**" since May 22, 2014, prior to which the Common Shares traded on the TSX Venture Exchange ("**TSXV**"). The Common Shares have traded on the NYSE American ("NYSE American") under the symbol "**KIQ**" since October 14, 2014, prior to which the Common Shares traded on the U.S. OTCQX over the counter market ("**OTCQX International**") under the symbol "**KEOSF**".

In accordance with applicable laws, the board of directors of the Corporation (the "**Board**") has fixed a record date as at April 19, 2023 (the "**Record Date**") for the purposes of determining Shareholders entitled to receive notice of, and to vote at, the Meeting, and has obtained a list of all persons who are Registered Shareholders at the close of business on the Record Date and the number of Common Shares registered in the name of each Registered Shareholder on that date. Each Registered Shareholder as at the close of business on the Record Date will be entitled to receive notice of the Meeting and will be entitled to one vote at the Meeting for each Common Share registered in his or her name as it appears on the list.

To the knowledge of the directors and executive officers of the Corporation, as at the Record Date, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, securities carrying 10% or more of the voting rights attached to all outstanding voting securities of the Corporation:

BUSINESS OF THE MEETING

Receipt of Financial Statements

The audited consolidated annual financial statements of the Corporation for the year ended December 31, 2022 and accompanying auditor's report (the "Financial Statements") will be tabled at the Meeting. Copies of the Financial Statements have been provided to Shareholders who have opted to receive such materials. The Financial Statements can also be found on the Corporation's website at www.kelsotech.com and are also available under the Corporation's profile on SEDAR at www.sedar.com_in in Canada and on EDGAR at www.sec.gov in the United States. No vote by the Shareholders is required to be taken with respect to the Financial Statements.

Number of Directors

The Articles of the Corporation provide that the Board must consist of a minimum of three directors, to be elected annually by the Shareholders. The Board currently consists of seven (7) directors. At the Meeting, the Shareholders will be asked to set the number of directors of the Corporation at seven (7). **The Board recommends a vote "FOR" the setting of the number of directors of the Corporation at seven (7). In the absence of a contrary instruction, the persons designated by management of the Corporation in the enclosed proxy intend to vote FOR the setting of the number of directors of the Corporation at seven (7).**

Appointment and Remuneration of Auditors

Unless otherwise instructed, the proxies given pursuant to this solicitation will be voted for the appointment of Smythe, LLP as auditors of the Corporation to hold office until the close of the next annual meeting of the Corporation, at a remuneration to be fixed by the directors of the Corporation. Smythe, LLP were first appointed as auditors of the Corporation on November 16, 2009. **The Board recommends a vote "FOR" the appointment of Smythe, LLP, as the auditor of the Corporation to hold office until the close of the next annual meeting of Shareholders and to authorize the directors to fix the auditor's remuneration.**

ELECTION OF DIRECTORS

The term of office of each of the present directors expires at the Meeting. The Board proposes to nominate the persons named in the table below for re-election as directors of the Corporation. The nominees consist of the existing directors of the Corporation.

Each director elected will hold office until the next annual general meeting of the Corporation or until their successor is duly elected or appointed, unless the office is earlier vacated in accordance with the Articles of the Corporation or the *Business Corporations Act (British Columbia)* or he or she becomes disqualified to act as a director.

Advance Notice Policy

On June 5, 2013, the Shareholders approved the adoption of new articles of the Corporation (the "**New Articles**") which replaced the then existing Articles in their entirety. The New Articles contained an Advance Notice Policy (the "**ANP**"), which includes, among other things, a provision that requires advance notice be given to the Corporation in circumstances where nominations of persons for election to the Board are made by shareholders of the Corporation. The New Articles which contain the ANP are posted on the Corporation's website at www.kelsotech.com. As at the date of this Circular, the Corporation has not received notice of any director nominations pursuant to the ANP. Accordingly, at this time, the only persons eligible to be nominated for election to the Board at the Meeting are the below nominees.

Majority Voting Policy

In accordance with good corporate governance practices and procedures, the Board of directors of the Corporation adopted a Majority Voting Policy at a meeting of the Board on March 23, 2015. The Majority Voting Policy provides

that each director of the Corporation must be elected by the vote of a majority of the Corporation's Common Shares, represented in person or by Proxy, at any meeting held for the election of directors. Forms of Proxy for the election of directors will permit a shareholder to vote in favour of, or to withhold from voting, separately for each director nominee.

If any nominee for director does not receive a majority vote in favour of their election from the Common Shares voted at the meeting in person or by Proxy, that director must immediately tender their resignation. The Corporate Governance and Nominating Committee of the Corporation will expeditiously consider whether to recommend to the Board whether or not to accept the resignation. In making this recommendation, the Corporate Governance and Nominating Committee of the Corporation may consider such extenuating circumstances as it deems appropriate including without limitation circumstances relating to the composition of the Board or the voting results.

The Board shall determine whether or not to accept the resignation within ninety days of the relevant shareholders' meeting. The Board shall accept the resignation absent exceptional circumstances. The resignation will be effective when accepted by the Board. A director who tenders a resignation pursuant to this policy will not participate in any meetings of the Board or any sub-committee of the Board at which the resignation is considered.

The Corporation shall promptly issue a news release with the Board's decision, a copy of which must be provided to the Toronto Stock Exchange (the "TSX"). If the Board determines not to accept a resignation, the news release must fully state the reasons for that decision.

Director Nominees

The following table provides the name, residence, participation on the Corporation's Board and Board committees, number of Common Shares beneficially owned or controlled or directed as of the date of this Information Circular and principal occupation during the preceding five years of each of the nominated directors of the Corporation. The Corporation has been advised that each of the nominated directors is willing to serve on the Board for the ensuing year. Each director has provided the information about the securities that he or she owns or over which he or she exercises control or direction.

The Board recommends a vote "FOR" the appointment of each of the following nominees as directors. In the absence of a contrary instruction, the person(s) designated by management of the Corporation in the enclosed form of proxy intend to vote FOR the election as directors of the proposed nominees whose names are set forth below, each of whom has been a director since the date indicated below opposite the proposed nominee's name.

Name and Jurisdiction of Residence	Current Occupation/Age/Biography	Served as a Director Since	Number of Voting Securities of the Corporation Beneficially Owned or Controlled or Directed, Directly or Indirectly ⁽¹⁾
James R. Bond British Columbia, Canada	<p>Occupation: Director, President and CEO of the Corporation</p> <p>Age: 69</p> <p>Biography: President and CEO of the Corporation from April 2010 to present; President and CEO and director of SiQ Mountain Industries Inc., a company listed on the NEX board of the TSX Venture Exchange (the "NEX"). Mr. Bond is the President of Bondwest Enterprises Inc., a Canadian company established in 1988 that specializes in corporate architecture, financial networking, entrepreneurial management, strategic business development and distress turnarounds. Over the past 37 years he has served in advisory, consulting, executive management, director and corporate officer roles in numerous private and public companies conducting business in the technology, manufacturing and processing industries.</p>	April 7, 2010	1,368,300 Common Shares ⁽²⁾

Name and Jurisdiction of Residence	Current Occupation/Age/Biography	Served as a Director Since	Number of Voting Securities of the Corporation Beneficially Owned or Controlled or Directed, Directly or Indirectly ⁽⁴⁾
Peter Hughes ⁽⁴⁾ British Columbia, Canada	<p>Occupation: Independent businessman</p> <p>Age: 61</p> <p>Biography: Mr. Hughes has 35 years' business experience including senior-level executive and director positions in both private and public companies specializing in pharmaceuticals, alternative energy, mining, aquaculture and sports technology. Mr. Hughes is a graduate of the University of British Columbia with a Bachelors' degree in Science, Canadian Securities Course and Director's and Officer's Course. President, CEO and a director of Happy Creek Minerals Inc., CEO and director of Gourmet Ocean Products Inc. and a director of NOA Lithium Brines Inc., all of which are on the TSXV.</p>	October 4, 2010	16,000 Common Shares
Anthony ("Tony") Andrukaitis Texas, USA	<p>Occupation: Director, Chief Operating Officer of the Corporation from March 1, 2016 to present.</p> <p>Age: 68</p> <p>Biography: Mr. Andrukaitis has over 26 years of senior corporate management experience in finance, accounting, strategic planning, business development and turn-around activities. He was the Chief Operations Officer of Trinity Rail and former President of Trinity Tank Car, Inc., both subsidiaries of Trinity Industries of Dallas, Texas. Prior to that, he was the President and CEO of GATX Terminals Corporation of Chicago, IL. Mr. Andrukaitis is a CPA and holds a Bachelor of Science degree in Accounting from the University of Illinois and Master of Business Administration degree from DePaul University.</p>	August 24, 2011	264,000 Common Shares
Paul Cass ⁽³⁾⁽⁴⁾ British Columbia, Canada	<p>Occupation: Lead Director of the Corporation; Independent Businessman.</p> <p>Age: 66</p> <p>Biography: Mr. Cass was formerly COO of Whitewater West Industries, a privately held design/manufacturing firm specializing in waterpark and amusement park equipment installations around the world. Previously Mr. Cass was COO at Ballard Power Systems Ltd., a public company specializing in the development and manufacture of fuel cell technology for automotive and non-automotive markets. Mr. Cass is a registered Professional Engineer (Retired) in British Columbia, and he also holds an MBA from Simon Fraser University</p>	June 2, 2016	79,000 Common Shares
Laura Roach ⁽³⁾⁽⁵⁾ Texas, USA	<p>Occupation: Ms. Roach is an attorney and partner at McCathern Law, a law firm located in Texas and California.</p> <p>Age: 51</p> <p>Biography: Ms. Roach has a litigation practice. Ms. Roach has been recognized by various publications as being a top attorney in Texas. Texas Monthly recently named Ms. Roach in the top 50 female attorneys and top 100 of all attorneys in Texas. She is also an entrepreneur founding and running a referral and marketing business. Ms. Roach received her JD from St. Mary's University School of Law and her Bachelors degree from the University of Arizona.</p>	August 10, 2016	56,390 Common Shares

Name and Jurisdiction of Residence	Current Occupation/Age/Biography	Served as a Director Since	Number of Voting Securities of the Corporation Beneficially Owned or Controlled or Directed, Directly or Indirectly ⁽¹⁾
Jesse V. Crews ⁽⁴⁾⁽⁵⁾ California, USA	<p>Occupation: Senior Adviser to Trinity Industries Leasing Company (“TILC”). TILC is the railcar leasing subsidiary of Trinity Industries Inc.</p> <p>Age: 70</p> <p>Biography: Mr. Mr. Crews was the Chief Investment Officer of Trinity Industries Leasing Company (“TILC”), up until February 15, 2022 when he was appointed Senior Adviser to TILC. Mr. Crews joined TILC in August 2011. During his tenure as Chief Investment Officer, Mr. Crews was responsible for the leasing company’s long-term portfolio investment strategy, wide-ranging capital market activities, as well as major transaction initiatives. From 2009 to 2011, he served as the Chief Operating Officer and Executive Vice President of Willis Lease Finance Corp. From 2004 to 2009, he served as a Managing Director for Fortress Investment Group. Previously, he served as the President and Chief Executive Officer of GATX Financial Corporation (formerly GATX Capital Corporation). Mr. Crews joined GATX in 1977 as a Financial Analyst and held a progression of positions through 2002, including Manager in Singapore, Regional Manager in New Orleans/Houston, head of New Business Development in their San Francisco main office, head of Corporate Finance, Chief Investment Officer, and culminated in his election as Chief Executive Officer in 1998. Mr. Crews is a member “Emeritus” of the Board of Trustees for the Darden Graduate School of Business at the University of Virginia. He earned a Master’s in Business Administration from the University of Virginia and a Bachelor of Arts degree in Economics from Yale University.</p>	April 17, 2018	122,125 Common Shares
Frank Busch ⁽³⁾⁽⁵⁾ British Columbia, Canada	<p>Occupation: Director of Economic Development, Strategies North Inc.</p> <p>Age: 45</p> <p>Biography: As Director of Economic Development, Strategies North Inc., Mr. Busch is responsible for building and maintaining relationships with First Nations and providing information and advice to First Nation Councils, Staff and Membership that increases awareness of access to the Capital Markets, Private Equity & Debt Financing, Investment Strategy, as well as Financial Education. Mr. Busch received his Bachelor of Arts from the University of Manitoba and has completed five specialized financial certificates from the Canadian Securities Institute and a post-graduate Certificate in Finance from Harvard University.</p>	February 11, 2020	20,000

⁽¹⁾ Securities beneficially owned, directly or indirectly, or over which control or direction is exercised, as at April 19, 2023, based upon information furnished to the Corporation by the individual nominees.

⁽²⁾ Mr. Bond holds 552,500 common shares directly; 660,800 common shares indirectly through Bondwest Enterprises Inc., a company owned and controlled by Mr. Bond; and 155,000 common shares jointly with Serena Sardar, Mr. Bond’s spouse.

⁽³⁾ Member of the Audit Committee.

⁽⁴⁾ Member of the Compensation Committee.

⁽⁵⁾ Member of the Corporate Governance and Nominating Committee.

Corporate Cease Trade Orders or Bankruptcies

No proposed director is, as of the date hereof, or has been, within ten years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including the Corporation), that:

- (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (each, an “**order**”) that was issued while the proposed director was acting in the capacity as a director, chief executive officer or chief financial officer; or

- (b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer.

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

Individual Bankruptcies

No proposed director of the Corporation has, within ten years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Penalties or Sanctions

No proposed director of the Corporation has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for the proposed director.

Conflicts of Interest

Circumstances may arise where members of the Board are directors or officers of companies which are in competition to the interests of the Corporation. Pursuant to applicable law, directors who have an interest in a proposed transaction upon which the Board is voting are required to disclose their interests and refrain from voting on the transaction.

There is no family relationship between any of the individuals who are proposed nominees for election to the Board or executive officers of the Corporation.

As at the date of this Information Circular, the Corporation is not aware of any existing or potential material conflicts of interest between the Corporation and a subsidiary of the Corporation and a director or officer of the Corporation or of a subsidiary of the Corporation.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

For the purposes of this Information Circular, a named executive officer (“NEO”) of the Corporation means each of the following individuals: (a) the Chief Executive Officer of the Corporation (“CEO”), (b) the Chief Financial Officer of the Corporation (“CFO”), (c) each of the three most highly compensated executive officers of the Corporation including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 as determined in accordance with subsection 1.3(6) of Form 51-102F6; and (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Corporation or its subsidiaries, nor acting in a similar capacity, at the end of the financial year, for the year ended December 31, 2022.

During the year ended December 31, 2022, the Corporation had five NEOs, as set out in the following table:

Name	Title
James R. Bond	Chief Executive Officer
Richard Lee	Chief Financial Officer
Anthony Andrukaitis	Chief Operating Officer
Amanda Smith	Vice President Operations
Chris Stewart	President of KIQ X Industries Inc.

Overview of Compensation Philosophy

The administration of the Corporation’s compensation mechanism is handled by the compensation committee (the “**Compensation Committee**”) of the Board. On an annual basis, the Compensation Committee shall review the compensation of its NEOs to ensure that each is being compensated in accordance with the objectives of the Corporation’s compensation programs which are to:

- provide competitive compensation that attracts and retains talented employees;
- align compensation with Shareholder interests;
- pay for performance;
- support the Corporation’s vision, mission and values; and
- be flexible to recognize the needs of the Corporation in different business environments.

Compensation Committee – Members and Skills

The Board has established the Compensation Committee to, among other things, administer the Corporation’s executive compensation plan. The members of the Compensation Committee are Paul Cass (Chair), Peter Hughes and Jesse V. Crews. All the members of the Compensation Committee are considered independent directors. See “*Business of the Meeting – Election of Directors – Director Nominees*”.

The members of the Compensation Committee have a range of skills and experience which the Board believes provides the expertise necessary to oversee the Corporation’s executive compensation structure. In addition, when necessary, the Compensation Committee may obtain input from independent outside compensation consultants. The relevant experience and competence of the Compensation Committee members is summarized below.

Mr. Hughes has 35 years’ business experience including senior-level executive and director positions in both private and public companies.

Mr. Cass has held several positions at Ballard Power Systems Inc. including Vice President and Chief Operations Officer (2014 to March 31, 2016) and other senior level executive positions since 2009. Mr. Cass also held the position of Chief Operating Officer at Whitewater West Industries from 2016 to 2019.

Mr. Crews was the Chief Investment Officer of Trinity Industries Leasing Company (“TILC”) up until February 15, 2022 when he was appointed Senior Adviser to TILC. During his tenure as Chief Investment Officer, Mr. Crews was responsible for the leasing company’s long-term portfolio investment strategy, wide-ranging capital market activities, as well as major transaction initiatives. From 2009 to 2011, he served as the Chief Operating Officer and Executive Vice President of Willis Lease Finance Corp.

Executive Compensation Consultant

Over the last five years, the Compensation Committee has worked to ensure that the Corporation’s compensation program aligns with the Corporation’s stage of development and is sufficiently competitive to ensure that the Corporation is able to recruit, retain and motivate high performance executives and directors and to align the interests of such persons with those of its Shareholders. Throughout the Corporation’s growth, the Compensation Committee has periodically engaged the services of a compensation consultant, Roger Gurr & Associates (“**Gurr**”), advisors on board and executive compensation matters, to assist the Compensation Committee in designing and maintaining an equitable compensation program for the Corporation’s directors and executives.

Fees paid by the Corporation to Gurr over the last two fiscal years for compensation advisory services are as follows:

Year	Compensation Consulting Fees (US\$)	All Other Fees
2022	Nil	Nil
2021	\$3,797	Nil

Gurr did not provide any services to management in 2022. No other consulting services were provided by a compensation consultant to the Corporation, the Board or a committee of the Board in 2022 or 2021. In 2021, Gurr provided advice

regarding the Corporation's incentive plan design and the Corporation's overall compensation structure. During 2022, the Compensation Committee did not retain any independent consultants to assist with compensation matters.

Compensation Governance

The Compensation Committee receives information and makes recommendations to the Board and, if applicable, Shareholders, on matters relating to the principles of compensation, as well as all compensation and other terms of employment of executive officers. The Compensation Committee meets regularly, and its tasks include monitoring and evaluating programs for variable compensation for executive officers and the application of the executive compensation plan, as well as compensation structures, risks and levels throughout the Corporation.

The Compensation Committee, subject to the powers and duties of the Board, has the following responsibilities:

- (a) review and approve corporate goals and objectives relevant to CEO compensation;
- (b) evaluate the CEO's performance in light of the corporate goals and objectives, and make recommendations to the Board with respect to the CEO's compensation level based on the Compensation Committee's evaluation;
- (c) review and approve the appointment, compensation and other terms of employment of the CFO, all senior management reporting directly to the CEO and all other officers appointed by the Board;
- (d) review executive compensation disclosure before the Corporation publicly discloses this information;
- (e) periodically submit a report to the Board on human resources matters related to compensation;
- (f) prepare an annual report for inclusion in the Corporation's management information circular to shareholders respecting the process undertaken by the Compensation Committee in its review and preparing a recommendation in respect of CEO compensation; and
- (g) review and assess the adequacy of the Compensation Committee's mandate from time to time, as required, to ensure compliance with any rules or regulations promulgated by any regulatory body and recommend to the Board for its approval any modifications to the Compensation Committee's mandate as required.

The Compensation Committee is entitled to request the advice and assistance of additional external compensation consultants and other advisors. However, the Compensation Committee is required to ensure that there is no conflict of interest regarding other assignments that such consultants or advisors may have for the Corporation and its management.

The role of the Compensation Committee is to assist the Board in fulfilling its responsibilities with respect to compensation issues. The Compensation Committee is required to meet at least annually. The Compensation Committee evaluates the NEOs performance and establishes executive and senior officer compensation, determines the general compensation structure, policies and programs of the Corporation, including the extent and level of participation in incentive programs, and makes recommendations to the Board for its consideration and approval. The Compensation Committee has also been mandated to review the adequacy and form of the compensation of directors and to ensure that such compensation realistically reflects the responsibilities and risk involved in being an effective director as well as the risk any such compensation policy or practice would have a material adverse effect on the Corporation.

In making compensation decisions, the Compensation Committee strives to find a balance between short-term and long-term compensation and cash versus equity incentive compensation. Base salaries and discretionary cash bonuses primarily reward recent performance and incentive stock options encourage NEOs to continue to deliver results over a longer period of time and serve as a retention tool. The annual salary for each NEO is determined by the Compensation Committee based on the level of responsibility and experience of the individual, the relative importance of the position to the Corporation, the professional qualifications of the individual and the performance of the individual over time.

The NEOs' performances and salaries are to be reviewed periodically on the anniversary of their employment with the Corporation. Increases in salary are to be evaluated on an individual basis and are performance and market based. Except for named executive officers whose employment agreements provide a formula for calculation of the amount of cash bonuses, the amount and award of cash bonuses to key executives and senior management is discretionary, dependent on, among other factors, the financial performance of the Corporation and the position of a participant.

Role of Management in Determining Compensation

The accountability for decisions on executive remuneration is clearly within the mandate of the Compensation Committee, but management has a key role in helping support the committee in fulfilling its obligations. For example, the CEO and other senior executives make recommendations to the Compensation Committee regarding executive officer

base salary adjustments, stock-based grants and discretionary bonuses. The Compensation Committee reviews the basis for these recommendations and can exercise its discretion in modifying any of the recommendations prior to making its recommendations to the Board. The CEO does not make a recommendation to the Compensation Committee with respect to their own remuneration package.

Overview of Compensation Philosophy

The Corporation does not have a formal compensation program. The Corporation's core compensation philosophy is to pay our executive officers' competitive levels of compensation that best reflect their individual responsibilities and contributions to the Corporation, while providing incentives to achieve our business and financial objectives.

The Corporation's compensation structure is designed to reward performance and to be competitive with the compensation arrangements of other Canadian companies of similar size and scope of operations. A number of factors are considered when determining NEO compensation including, the overall financial and operating performance of the Corporation, the NEOs individual performance and contribution to the benefit of the Corporation, the individual NEOs responsibilities and length of service, levels of compensation provided by industry competitors, and the long-term interests of the Corporation and its shareholders.

Elements of Compensation

Compensation for the NEOs is composed primarily of four components; namely, base salary, participation in the Corporation's Stock Option Plan (the "**Stock Option Plan**"), the Restricted Share Unit Plan (the "**RSU Plan**"), the Non-Employee Directors Deferred Share Unit Plan (the "**DSU Plan**"), and short-term incentive compensation in the form of discretionary performance bonuses and other benefits. Other benefits do not form a significant part of the remuneration package of any of the NEOs.

Each element of the Corporation's executive compensation program is described in more detail below.

Base Salaries

An NEOs base salary is intended to remunerate the NEO for discharging job responsibilities and reflects the executive's performance over time. Individual salary adjustments take into account performance contributions in connection with their specific duties. The base salary of each executive officer is recommended by the Compensation Committee to the Board for approval based on an assessment of their sustained performance and consideration of competitive compensation levels for the markets in which the Corporation operates. In making its recommendations to the Board, the Compensation Committee also considers the particular skills and experience of the individual. The base salaries of executive officers are reviewed annually. As payment of base salaries does not depend on the performance of any specific targets or goals it is not viewed as "at risk" compensation.

Long Term Incentive Compensation – Stock Options and other Equity-Based Compensation Arrangements

Stock Options

The Corporation provides long-term incentives through Option grants pursuant to the Plan. Options are a variable, or "at-risk", component of compensation which are considered to be an effective vehicle for deepening a sense of ownership amongst executives and increasing alignment with the interests of Shareholders, as they vest over time and provide an incentive to create long-term growth.

The purpose of the Plan is to promote the interests of the Corporation by:

- providing its directors, officers, employees, management company employees and consultants (the "Eligible Persons") with additional incentive;
- encouraging stock ownership by such Eligible Persons;
- increasing proprietary interest of Eligible Persons in the success of the Corporation;
- encouraging Eligible Persons to remain with the Corporation or its affiliates; and
- attracting new employees, directors and officers.

All NEOs are eligible to participate in the Plan. Reference is made to the heading "Securities Authorized for Issuance under Equity Compensation Plan" for a description of the Plan.

Options are generally awarded to Eligible Persons at the commencement of employment and periodically thereafter. In making a determination as to whether a grant of Options is appropriate, and if so, the number of Options that should be granted, consideration is given to: in addition to the performance factors referred to under “Elements of NEO Compensation”, the number and terms of outstanding Options held by the NEO; past and expected future performance of the NEO; the potential dilution to Shareholders; general industry standards; and the limits imposed by the terms of the Plan and the TSX. The Corporation considers the granting of Options to be a particularly important element of compensation as it allows the Corporation to reward each NEO’s efforts to increase value for Shareholders without requiring the Corporation to use cash from its treasury. Options also allow the Corporation to be flexible to recognize the needs of the Corporation in different business environments. The terms and conditions of the Corporation’s Option grants, including vesting provisions and exercise prices, are governed by the terms of the Plan, which are described under “Outstanding share-based awards and option-based awards” and “Securities Authorized for Issuance under Equity Compensation Plan”.

Equity-based Compensation

The Board adopted the RSU Plan and the DSU Plan for the benefit of the Corporation’s directors, employees and consultants, on April 28, 2021 and shareholders of the Corporation approved the RSU Plan and the DSU Plan on June 3, 2021. The RSU Plan and DSU Plan were established as vehicles to: (i) promote a further alignment of interests between directors, employees, consultants and Shareholders; (ii) to associate a portion of a director’s, employee’s or consultant’s compensation with the returns achieved by Shareholders; and (iii) to attract and retain directors, employees and consultants with the knowledge, experience and expertise required by the Corporation.

The Board intends to use both the Restricted Share Units (“RSUs”) and Non-Employee Directors Deferred Share Units (the “DSUs”) issued under the respective plans as part of the Corporation’s overall executive compensation plan. Since the value of RSUs and DSUs increase or decrease with the price of the common shares, DSUs and RSUs reflect a philosophy of aligning the interests of holders there with those of the Shareholders by tying compensation to share price performance.

Short Term Incentive Compensation – Discretionary Cash Bonuses

As an additional incentive, the Corporation has management bonus agreements with each of Messrs. Bond, Lee and Andrukaitis whereby 10% of the annual net income of the Corporation, before taxes and share-based payments, if any, would be equally distributed to the NEOs.

The Corporation may award additional discretionary cash bonuses to executive officers and employees of Corporation from time to time. Other than with respect to the NEOs, the amount of the bonus that each individual may be eligible for is not set in relation to any formula or specific criteria but is the result of a subjective determination of the Corporation’s performance, overall industry conditions, as well as the individual’s performance and their contribution to overall corporate goals. The payment of bonuses is subject to the final approval of the Board and the Board has the discretion to amend or veto bonuses. This form of compensation is “at risk”.

Other Benefits

The purpose of other benefits is to complete the compensation package in line with levels of market terms and to facilitate the discharge of each individual’s duties.

Analysis of Elements

Base salary is used to provide the named executive officers a set amount of money during the year with the expectation that each NEO will perform their responsibilities to the best of their ability and in the best interests of the Corporation.

The Corporation considers the granting of incentive stock options, RSUs and DSUs, to be a significant component of executive compensation as it allows the Corporation to reward each NEO’s efforts to increase value for shareholders without requiring the Corporation to use cash from its treasury. Stock options are generally awarded to directors, officers, consultants and employees at the commencement of employment and periodically thereafter. The terms and conditions of the Corporation’s stock option grants, RSUs and DSUs, including vesting provisions and exercise prices, are governed by the terms of the Corporation’s stock option plan, the RSU Plan and DSU Plan. Reference is made to the heading

“Securities Authorized for Issuance Under Equity Compensation Plans” herein for details of each of the Stock Option Plan, the DSU Plan and the RSU Plan.

As an additional incentive, the Corporation has management bonus agreements with the NEOs whereby 10% of the annual net income before taxes and share-based payments would be equally distributed to the NEOs.

Compensation Benchmarking

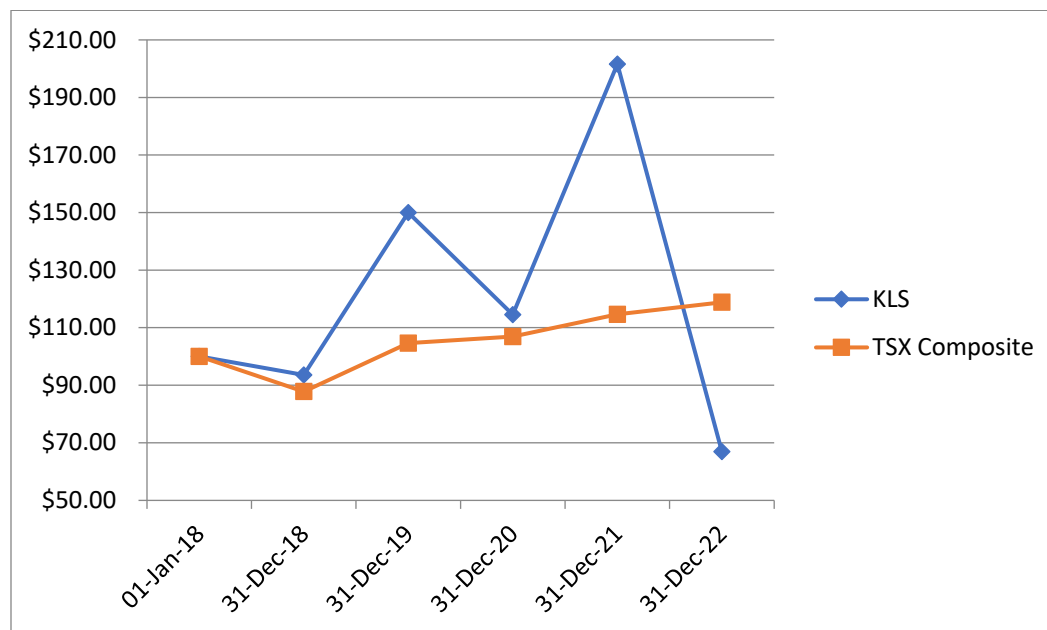
Since May of 2015, the Corporation’s Compensation Committee (the “**Compensation Committee**”) has engaged Gurr to assess the market competitiveness of the Corporation’s executive and director compensation. Gurr has assisted the Compensation Committee with establishing fair, reasonable and industry-specific advice on various aspects of Director, Executive and key employee cash and non-cash compensation. Gurr takes into consideration the stage of the Corporation’s development and the Corporation’s status as a publicly traded company in both Canada and the United States. After engaging with Gurr, the Compensation Committee then makes recommendations to the Board based on Gurr’s advice.

In 2021, the Compensation Committee consulted with Gurr to review the Corporation’s compensation program. This review indicated that, due to the lack of equity compensation, overall executive and director compensation was less than market. Gurr reported that comparable companies provided equity compensation to directors and executive officers, typically in the form of restricted share units and deferred share units. Based on this finding, on April 28, 2021 the Board adopted the DSU Plan and the RSU Plan (both, as defined herein). These plans were approved by shareholders at the June 3, 2021 annual meeting. No changes were recommended for director cash compensation, which has remained unchanged since 2020, given the difficult equity markets and the financial challenges of 2020 that continued into fiscal 2021. It is the Corporation’s intention to provide total direct compensation packages to its executive officers that are competitive with those of its industry peers in order to ensure its executive officers are appropriately rewarded, motivated and retained.

Performance Graph

As of market open on May 22, 2014 the Corporation’s Common Shares were listed for trading on the TSX and delisted from the TSX-V as of market close on May 21, 2014. The trading symbol remained “KLS”.

The following graph compares the yearly percentage change in the cumulative total shareholder return on the TSX for the years ending 2018 through 2022 for CDN\$100 invested in Common Shares of the Corporation on January 1, 2018. This is compared against the cumulative total shareholder return of the S&P/TSX Composite Index for the financial years ended 2018 through 2022.



The Share performance as set out in the above graph does not necessarily indicate future price performance.

The Corporation does not directly tie increases or decreases in the level of executive compensation year over year, if any, to the increases or decreases in the market performance of the Common Shares. That being said, the value of any equity component of executive compensation, including Options, will naturally fluctuate along with any fluctuations in the market performance of the Common Shares.

The Corporation's share price reflected the decline of the demand for hazardous tanks cars from 2017 through 2019. In 2020 and throughout 2021, the COVID-19 pandemic delivered a powerful economic setback for the Corporation as the pandemic negatively impacted the business dynamics in the rail tank car industry. During fiscal 2022, the owners and shippers that utilize rail tank cars began to cautiously commit to investment in new tank car equipment or retrofitting their current rail tank car inventories. New tank car demand is expected to be 9,900 tank cars in 2022 with growth to 10,950 tank cars in 2023. The anticipated upswing in new build and retrofit activity combined with a growing number of certified Kelso products is expected to provide better longer-term financial growth performance from rail operations. Management believes that there are significant opportunities to grow from the introduction of new innovative products in both the rail and automotive industries that are emerging from the Corporation's R&D activities.

Retirement Benefits

The Corporation does not have formal pension plans for its executives. However, from time to time, in order to attract and retain the right level of skill, expertise and talent, the Corporation may structure the overall compensation arrangements of one or more of its executives to include retirement compensation arrangements.

Prohibition on Hedging

The Corporation's directors and officers are prohibited from purchasing financial instruments that are designed to hedge or offset any decrease in the market value of the Corporation's equity securities that are held directly or indirectly by them or granted as compensation to them. Such prohibited financial instruments with respect to the Corporation's equity securities include prepaid variable forward contracts, equity swaps, collars, put or call options, and similar financial instruments.

Summary Compensation Table

During the year ended December 31, 2022, the Corporation had five NEOs. The following table sets forth all direct and indirect compensation for, or in connection with, services provided to the Corporation and its subsidiaries for the last three financial years.

Particulars of compensation paid to each NEO for each of the three most recently completed financial years are set out in the summary compensation table below:

Name and Principal Position	Year Ended Dec. 31	Salary (\$) (a)	Option-based Awards ⁽¹⁾ (\$) (b)	Share-based Awards ⁽²⁾ (\$) (c)	Non-equity Annual Incentive Plans ⁽³⁾ (\$) (d)	Pension Value (\$) (e)	All Other Compensation ⁽⁴⁾ (\$) (e)	Total Compensation (\$) (f)
James R. Bond President & CEO	2022	240,001	Nil	18,074	Nil	Nil	4,000	262,075
	2021	240,000	12,071	2,979	Nil	Nil	Nil	255,050
	2020	213,948	46,619	Nil	9,474	Nil	Nil	270,041
Richard Lee Chief Financial Officer	2022	240,001	Nil	18,074	Nil	Nil	4,000	262,075
	2021	240,000	12,071	2,979	Nil	Nil	Nil	255,050
	2020	213,948	46,619	Nil	9,474	Nil	Nil	270,041
Anthony Andrukaitis Chief Operating Officer	2022	240,001	Nil	18,074	Nil	Nil	4,000	262,075
	2021	240,923	12,071	2,979	Nil	Nil	Nil	255,973
	2020	213,948	46,619	Nil	9,474	Nil	Nil	270,041
Amanda Smith VP Operations	2022	145,000	Nil	18,074	Nil	Nil	1,000	164,074
	2021	145,000	1,845	745	Nil	Nil	Nil	147,590
	2020	135,000	10,160	Nil	Nil	Nil	Nil	145,160

Name and Principal Position	Year Ended Dec. 31	Salary (\$) (a)	Option-based Awards ⁽¹⁾ (\$) (b)	Share-based Awards ⁽²⁾ (\$) (c)	Non-equity Annual Incentive Plans ⁽³⁾ (\$) (d)	Pension Value (\$) (e)	All Other Compensation ⁽⁴⁾ (\$) (e)	Total Compensation (\$) (f)
Chris Stewart ⁽⁵⁾ President of KIQ X Industries Inc.	2022	140,000	Nil	18,074	Nil	Nil	4,000	162,074
	2021	120,000	Nil	3,834	Nil	Nil	Nil	123,834
	2020	n/a	n/a	n/a	n/a	n/a	n/a	n/a

⁽¹⁾ The value of the stock option grants has been determined using the Black-Scholes models on the date of grant and is consistent with the determinations used for financial statement purposes. The key assumptions used for this determination can be found in the notes to the 2022 consolidated financial statements. The amount presented in the table represents the fair value of the vested and unvested portion of the options granted in the period. For accounting purposes, the fair value of the award is amortized over the applicable vesting period. It should be recognized that the actual future value will be based on the difference between the market value at time of exercise and the exercise price. Therefore, the value attributed to the stock options under the Black-Scholes model does not necessarily correspond to the actual future value that will be realized.

⁽²⁾ The share-based awards referred to in column (c) are RSUs issued pursuant to the Corporation's RSU Plan. The value of RSUs is determined by multiplying the number of awards granted by the market value of the Common Shares on the grant date as determined under the RSU Plan.

⁽³⁾ The Corporation has management bonus agreements whereby 10% of the annual income before taxes, amortization and share-based expense is equally distributed to certain key members of management.

⁽⁴⁾ Other than as set out in column (e), perquisites have not been included as they do not reach the prescribed threshold of the lesser of \$CDN 50,000 and 10% of total salary for the financial year.

⁽⁵⁾ Mr. Stewart was appointed President of KIQ X Industries Inc. on January 20, 2021.

Outstanding share-based awards and option-based awards

The following table sets forth option-based and share-based awards for each of the NEOs outstanding as at the year ended December 31, 2022.

Name	Option-Based Awards				Share-Based (RSUs) Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (US\$)	Option Expiration Date	Value of Unexercised In-the-money Options ⁽¹⁾ (US\$)	Number of Shares or Units that have not Vested ⁽²⁾ (#)	Market or Payout Value of Share-Based Awards that have not Vested ⁽³⁾ (US\$)	Market or Payout Value of Vested Share-based awards not paid out or distributed ⁽³⁾ (US\$)
James R. Bond	100,000	0.50	August 20, 2023	Nil	26,000	7,800	4,000
	100,000	0.78	August 19, 2024	Nil	40,000	12,000	Nil
	100,000	0.75	August 18, 2025	Nil			
Richard Lee	100,000	0.50	August 20, 2023	Nil	26,000	7,800	4,000
	100,000	0.78	August 19, 2024	Nil	40,000	12,000	Nil
	100,000	0.75	August 18, 2025	Nil			
Anthony Andrukaitis	100,000	0.50	August 23, 2023	Nil	26,000	7,800	4,000
	100,000	0.78	August 19, 2024	Nil	40,000	12,000	Nil
	100,000	0.75	August 18, 2025	Nil			
Amanda Smith	25,000	0.50	August 20, 2023	Nil	6,666	2,000	1,000
	25,000	0.75	August 18, 2025	Nil	50,000	15,000	Nil
Chris Stewart	75,000	0.78	August 19, 2024	Nil	26,666	8,000	4,000
	25,000	0.75	August 18, 2025	Nil	50,000	15,000	Nil

⁽¹⁾ In-the-Money Options are those where the market value of the underlying securities as at the end of the most recent fiscal year end exceeds the option exercise price. Calculated based on the difference between the market value of the securities underlying the options as at December 31, 2022 (being US\$0.30) and the exercise price of the option. The remaining outstanding options may never be exercised and actual gains, if any, on exercise will depend on the value of the Common Shares on the date of exercise.

⁽²⁾ On October 27, 2021, each of the NEOs were awarded RSUs pursuant to the Corporation's RSU Plan. These RSUs vest as to one-third on the first anniversary date (October 27, 2022); one-third after the second anniversary date (October 27, 2023) and one-third on the third anniversary date (October 27, 2024). A total of 46,670 of these RSUs vested during fiscal 2022. On September 27, 2022, each of the NEOs were awarded RSUs pursuant to the Corporation's RSU Plan. These RSUs vest as to one-third on the first anniversary date (September 27, 2023); one-third after the second anniversary date (September 27, 2024) and one-third on the third anniversary date (September 27, 2025). None of these RSUs vested during fiscal 2022.

⁽³⁾ Calculated using the closing price of the Common Shares on the NYSE American on December 30, 2022 of US\$0.30 per share.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth details of the value of incentive plan awards vested or earned during the financial year ended December 31, 2022 for each NEO.

Name	Option-based awards – Value vested during the year ⁽¹⁾ (US\$)	Share-based awards – Value vested during the year ⁽²⁾ (US\$)	Non-equity incentive plan compensation – Value earned during the year (US\$)
James R. Bond	Nil	4,000	Nil
Richard Lee	Nil	4,000	Nil
Anthony Andrukaitis	Nil	4,000	Nil
Amanda Smith	Nil	1,000	Nil
Chris Stewart	Nil	4,000	Nil

⁽¹⁾ Calculated using the closing price of the Common Shares on the NYSE American on the dates on which stock options vested during 2022 or if the NYSE American is not open on such date, the closing price of the Common Shares on the NYSE American on the last date that the NYSE American is open preceding the vesting date and subtracting the exercise price of in-the-money stock options.

⁽²⁾ The amounts shown are the value of the total number of RSU's awarded to NEOs and vested as at December 31, 2022 multiplied by the closing price of the Common Shares on NYSE American on December 30, 2022 of US\$0.30.

There was no re-pricing of stock options under the Stock Option Plan or otherwise during the Corporation's completed financial year ended December 31, 2022 and there were no stock options exercised by NEOs during the financial year ended December 31, 2022.

Termination and Change of Control Benefits

On July 1, 2020, the Corporation and Bondwest Enterprises Inc., a private company 100% owned and controlled by Mr. Bond ("**Bondwest**") entered into a Professional Services Agreement expiring on June 30, 2023, unless extended thereafter for further 1-year terms, subject to the approval of the Board (the "**CEO PSA**"). Under the terms of the CEO PSA, Bondwest received a base fee of US \$20,000 per month (the "Base Fee") or US \$240,000 annually during the initial 3-year term with no escalation provision. The CEO PSA also provides that Bondwest is also eligible to receive an annual performance bonus not to exceed the equivalent of one year's Base Fee. The performance bonus will be calculated at one-third of 10% of the adjusted income which will be based on the audited annual income adjusted for non-cash items (e.g., stock-based compensation, deferred taxes, unrealized foreign exchange and amortization) and income taxes. The CEO PSA also provides that Bondwest shall be entitled to an annual stock option grant in accordance with the framework for option grants adopted by the Corporation, as amended from time to time, and includes a severance clause of equal to 24 months Base Fee in the event of termination without cause or a change of control in the Corporation. At a meeting of the Board held on February 15, 2023 the one year extension has been approved, the terms of the CEO PSA are currently under review.

On July 1, 2020, the Corporation and Kitchener Holdings Corp. ("**Kitchener**") a private company 100% owned and controlled by Mr. Lee entered into a Professional Services Agreement expiring on June 30, 2023, unless extended thereafter for further 1-year terms, subject to the approval of the Board (the "**CFO PSA**"). Under the terms of the CFO PSA, Kitchener received a base fee of US \$20,000 per month (the "Base Fee") or US \$240,000 annually during the initial 3-year term with no escalation provision. The CFO PSA also provides that Kitchener is also eligible to receive an annual performance bonus not to exceed the equivalent of one year's Base Fee. The performance bonus will be calculated at one-third of 10% of the adjusted income which will be based on the audited annual income adjusted for non-cash items (e.g., stock-based compensation, deferred taxes, unrealized foreign exchange and amortization) and income taxes. The CFO PSA also provides that Kitchener shall be entitled to an annual stock option grant in accordance with the framework for option grants adopted by the Corporation, as amended from time to time, and includes a severance clause of equal to 24 months Base Fee in the event of termination without cause or a change of control in the Corporation. At a meeting of the Board held on February 15, 2023 the one year extension has been approved, the terms of the CFO PSA are currently under review.

On July 1, 2020, the Corporation and Mr. Anthony Andrukaitis entered into a Professional Services Agreement expiring on June 30, 2023, unless extended thereafter for further 1-year terms, subject to the approval of the Board (the "**COO PSA**"). Under the terms of the COO PSA, Mr. Andrukaitis received a base fee of US \$20,000 per month (the "**Base Fee**") or US \$240,000 annually during the initial 3-year term with no escalation provision. The COO PSA also provides that

Mr. Andrukaitis is also eligible to receive an annual performance bonus not to exceed the equivalent of one year's Base Fee. The performance bonus will be calculated at one-third of 10% of the adjusted income which will be based on the audited annual income adjusted for non-cash items (e.g., stock-based compensation, deferred taxes, unrealized foreign exchange and amortization) and income taxes. The COO PSA also provides that Mr. Andrukaitis shall be entitled to an annual stock option grant in accordance with the framework for option grants adopted by the Corporation, as amended from time to time, and includes a severance clause of equal to 24 months Base Fee in the event of termination without cause or a change of control in the Corporation. At a meeting of the Board held on February 15, 2023 the one year extension has been approved, the terms of the COO PSA are currently under review.

The following table provides details regarding the estimated incremental payments from the Corporation of the NEOs assuming termination on December 31, 2022:

Name	Severance (Base Salary) (\$)	Severance (Bonus) (\$)	Severance (Value of Benefits) (\$)	Total (\$)
James R. Bond	Nil	Nil	480,000	480,000
Richard Lee	Nil	Nil	480,000	480,000
Anthony Andrukaitis	Nil	Nil	480,000	480,000
Chris Stewart	Nil	Nil	90,000	90,000

Other than as disclosed elsewhere in this Circular, the Corporation has no contract, agreement, plan or arrangement that provides for payments to any NEO, at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of the Corporation or a change in the NEOs responsibilities other than the standard thirty days notice as disclosed in the professional service agreements. There are no severance or parachute clauses for change of control, other than the 24-month payment clause for termination in the Professional Services Agreements entered into with each of Bondwest, Kitchener and Mr. Andrukaitis, as described above.

DIRECTORS' COMPENSATION

Non-Executive Directors' ("Eligible Directors") compensation is adjusted periodically to provide competitive compensation for services provided as a director of the Corporation. Current annual retainers for each Board position were made effective June 2, 2022, as follows:

Annual Cash Retainer Table – Eligible Directors	
Board Position	Retainer (US\$)
Non-Executive Board Member	24,000
Lead Director	42,000
Chair of Audit Committee ⁽¹⁾	10,000
Chair of Compensation Committee and Chair of the Corporate Governance and Nominating Committee ⁽¹⁾	7,500

⁽¹⁾ In addition to Non-Executive Board Member retainer.

⁽²⁾ Directors are reimbursed for out-of-pocket expenses incurred in attending meetings of the Board of committee meetings or otherwise on Corporation business; however, no fees are paid for attendance at meetings.

In 2015 Gurr recommended that Eligible Directors receive an annual issuance of 50,000 stock options with a term of 5 years and vesting provisions, one third at issuance and one third on each of the next two anniversaries. The Compensation Committee took into consideration the Gurr's recommendations and recommended to the Board, who approved the Compensation Committee recommendations, all future option issuances will have a term of five years and vest 1/3 at the first anniversary of the grant, 1/3 on the second anniversary of granting and 1/3 on the third anniversary of granting. In 2021, Gurr did not recommended any changes to the annual stock option grant structure but did recommend that in addition to stock options, non-employee directors compensation include a share-based component in the form of deferred share units. Based on Gurr's recommendations, the Board adopted the DSU Plan (as defined herein) to recruit and retain qualified individuals to serve on the Board.

A Director who is an employee of the Corporation does not receive director's fees.

Director Compensation Table

No director was compensated either directly or indirectly by the Corporation or its subsidiaries during the most recently completed financial year for services as consultants or experts.

The following table provides details of compensation paid/earned by the directors, other than the NEOs, during the Corporation's financial year ended December 31, 2022:

Name	Fees Earned (US\$)	Option-based Awards (US\$) ⁽¹⁾	Share-based Awards		All Other Compensation (US\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	Total (US\$)
			DSUs (US\$) ⁽²⁾	RSUs (US\$) ⁽³⁾				
Peter Hughes	36,625	10,907	Nil	1,489	Nil	Nil	Nil	47,532
Paul Cass	45,075	9,037	Nil	1,489	Nil	Nil	Nil	54,112
Laura Roach	30,375	9,037	Nil	1,489	Nil	Nil	Nil	39,412
Jesse V. Crews	29,125	9,037	Nil	1,489	Nil	Nil	Nil	38,162
Frank Busch	31,800	9,037	Nil	1,489	Nil	Nil	Nil	40,837

⁽¹⁾ The value of the stock option grants has been determined using the Black-Scholes models on the date of grant and is consistent with the determinations used for financial statement purposes. The key assumptions used for this determination can be found in the notes to the 2022 consolidated financial statements. The amount presented in the table represents the fair value of the vested and unvested portion of the options granted in the period. For accounting purposes, the fair value of the award is amortized over the applicable vesting period. It should be recognized that the actual future value will be based on the difference between the market value at time of exercise and the exercise price. Therefore, the value attributed to the stock options under the Black-Scholes model does not necessarily correspond to the actual future value that will be realized.

⁽²⁾ No DSU's were granted during 2022.

⁽³⁾ On October 27, 2021, each of the non-employee directors were awarded 20,000 RSUs pursuant to the Corporation's RSU Plan. These RSUs vest as to one-third on the first anniversary date (October 27, 2022); one-third after the second anniversary date (October 27, 2023) and one-third on the third anniversary date (October 27, 2024). An aggregate of 33,335 of these RSUs awarded to non-employee directors vested during 2022. On September 27, 2022, each of the non-employee directors were awarded 20,000 RSUs pursuant to the Corporation's RSU Plan. These RSUs vest as to one-third on the first anniversary date (September 27, 2023); one-third after the second anniversary date (September 27, 2024) and one-third on the third anniversary date (September 27, 2025). None of these RSUs awarded to non-employee directors vested during fiscal 2022.

Other than as set forth in the foregoing, no director of the Corporation who is not a NEO has received, during the most recently completed financial year, compensation pursuant to:

- (a) any standard arrangement for the compensation of directors for their services in their capacity as directors, including any additional amounts payable for committee participation or special assignments;
- (b) any other arrangement, in addition to, or in lieu of, any standard arrangement, for the compensation of directors in their capacity as directors; or
- (c) any arrangement for the compensation of directors for services as consultants or expert.

Incentive Plan Awards for Directors

Outstanding share-based awards and option-based awards

To encourage directors to align their interests with shareholders, directors are granted incentive stock options pursuant to the Corporation's Stock Option Plan, from time to time. The following table provides information with respect to outstanding option-based awards held by the directors of the Corporation at the end of the most recently completed financial year:

The following table sets forth the outstanding option-based and share-based awards held by the directors of the Corporation, outstanding as at December 31, 2022, other than James R. Bond and Anthony Andrukaitis, both of whom are NEOs:

Name	Option-Based Awards				Share-Based (RSUs) Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (US\$)	Option Expiration Date	Value of Unexercised In-the-money Options ⁽¹⁾ (US\$)	Number of Shares or Units that have not Vested (#)	Market or Payout Value of Share-Based Awards that have not Vested ⁽²⁾⁽³⁾ (US\$)	Market or Payout Value of Vested Share-based awards not paid out or distributed ⁽²⁾⁽³⁾ (US\$)
Peter Hughes	50,000	0.50	August 23, 2023	Nil	13,333	4,000	500
	50,000	0.78	August 19, 2024	Nil	20,000	6,000	n/a
	50,000	0.75	August 18, 2025	Nil			
Paul Cass	50,000	0.50	August 23, 2023	Nil	13,333	4,000	500
	50,000	0.78	August 19, 2024	Nil	20,000	6,000	n/a
	50,000	0.75	August 18, 2025	Nil			
Laura Roach	50,000	0.50	August 23, 2023	Nil	13,333	4,000	500
	50,000	0.78	August 19, 2024	Nil	20,000	6,000	n/a
	50,000	0.75	August 18, 2025	Nil			
Jesse V. Crews	200,000	0.57	April 17, 2023	Nil	13,333	4,000	500
	50,000	0.50	August 23, 2023	Nil	20,000	6,000	n/a
	50,000	0.78	August 19, 2024	Nil			
	50,000	0.75	August 18, 2025	Nil			
Frank Busch	200,000	0.76	February 11, 2025	Nil	13,333	4,000	500
	50,000	0.75	August 18, 2025	Nil	20,000	6,000	n/a

⁽¹⁾ In-the-Money Options are those where the market value of the underlying securities as at the end of the most recent fiscal year end exceeds the option exercise price. Calculated based on the difference between the market value of the securities underlying the options as at December 30, 2022 (being US\$0.30) and the exercise price of the option. The remaining outstanding options may never be exercised and actual gains, if any, on exercise will depend on the value of the Common Shares on the date of exercise.

⁽²⁾ On October 27, 2021, each of the non-executive Directors were awarded RSUs pursuant to the Corporation's RSU Plan. These RSUs vest as to one-third on the first anniversary date (October 27, 2022); one-third after the second anniversary date (October 27, 2023) and one-third on the third anniversary date (October 27, 2024). A total of 33,335 of these RSUs vested during fiscal 2022. On September 27, 2022, each of the non-executive Directors were awarded RSUs pursuant to the Corporation's RSU Plan. These RSUs vest as to one-third on the first anniversary date (September 27, 2023); one-third after the second anniversary date (September 27, 2024) and one-third on the third anniversary date (September 27, 2025). None of these RSUs vested during fiscal 2022.

⁽³⁾ Calculated using the closing price of the Common Shares on the NYSE American on December 30, 2022 of US\$0.30 per share.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth details of the value vested or earned for all incentive plan awards by each director, other than James R. Bond and Anthony Andrukaitis, both of whom are NEOs, during the year ended December 31, 2022.

Name	Option-based awards – Value vested during the year (US\$) ⁽¹⁾	Share-based awards – Value vested during the year (US\$) ⁽²⁾	Non-equity incentive plan compensation – Value earned during the year (US\$)
Peter Hughes	Nil	2,000	Nil
Paul Cass	Nil	2,000	Nil
Laura Roach	Nil	2,000	Nil
Jesse V. Crews	Nil	2,000	Nil
Frank Busch	Nil	2,000	Nil

⁽¹⁾ Calculated using the closing price of the Common Shares on the NYSE American on the dates on which stock options vested during 2022 or if the NYSE American is not open on such date, the closing price of the Common Shares on the NYSE American on the last date that the NYSE American is open preceding the vesting date and subtracting the exercise price of in-the-money stock.

⁽²⁾ None of the outstanding RSUs awarded to NEOs vested during fiscal 2022.

⁽³⁾ The amounts shown are the value of the total number of RSU's awarded to NEOs and vested as at December 31, 2022 multiplied by the closing price of the Common Shares on NYSE American on December 30, 2022 of US\$0.30.

Pension Plan Benefits

The Corporation does not have a pension plan that provides for payments or benefits to the directors at, following, or in connection with retirement.

The Corporation has no contract, agreement, plan or arrangement that provides for payments to directors, at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of the Corporation or a change in the director's responsibilities.

For compensation related to previous years, please refer to the Corporation's Management Information Circulars and its other public disclosure available under the Corporation's profile at www.sedar.com in Canada and on EDGAR at www.sec.gov in the United States.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation in the past has purchased and maintained liability insurance for its directors and officers acting in their respective capacities in an aggregate amount of US\$15 million, against liabilities incurred by such persons as directors and officers of the Corporation and its subsidiaries, except where the liability relates to such person's failure to act honestly and in good faith with a view to the best interests of the Corporation. The annual premium was paid by the Corporation for this insurance in respect of the directors and officers as a group. No premium for this insurance is paid by the individual directors and officers. The insurance contract underlying this insurance does not expose the Corporation to any liability in addition to the payment of the required premium. Due to the effects of COVID-19 on the insurance markets and that the Corporation is listed on both a Canadian and US stock exchange the Corporation has not been able to secure directors and officers liability insurance.

SUMMARY OF DIVIDEND POLICY AND DIVIDEND REINVESTMENT PLAN

The Corporation does not currently anticipate paying any dividends on its Common Shares in the foreseeable future. The Corporation currently intends to utilize its earnings to finance the growth and development of its business and to otherwise reinvest in its business. Any decision to pay dividends on the Common Shares in the future will be made by the Board on the basis of the Corporation's earnings and financial requirements as well as other conditions existing at such time. Unless the Corporation commences the payment of dividends, holders of Common Shares will not be able to receive a return on their Common Shares unless they sell them.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Set forth below is a summary of securities issued and issuable under all security-based compensation plans of the Corporation as at December 31, 2022:

Plan Category ⁽¹⁾ Column (a)	Number of securities to be issued upon exercise of outstanding options/equity compensation plans Column (b)	Percentage of Shares Outstanding ⁽³⁾ Column (c)	Weighted-average exercise price of outstanding options Column (d)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) ⁽⁴⁾
Equity compensation plans approved by securityholders				
- Stock Option Plan	2,560,000 ⁽²⁾	4.71%	\$0.68	2,227,019 ⁽⁴⁾
- RSU Plan	644,989	1.19%		
- DSU Plan	Nil	0%		
Equity compensation plans not approved by security holders	Nil	Nil	Nil	Nil

⁽¹⁾ The Corporation's shareholder approved compensation plans are the Stock Option Plan, the Restricted Share Unit Plan and the Deferred Share Unit Plan.

⁽²⁾ Of the 2,560,000 options outstanding as at December 31, 2022, 2,310,000 were exercisable and 250,000 were not.

⁽³⁾ Based on 54,320,086 Common Shares issued and outstanding as at December 31, 2022.

⁽⁴⁾ The Corporation can issue up to a combined total of 10% of its issued and outstanding shares pursuant to the Stock Option Plan, the RSU Plan (as to 5%) and the DSU Plan (as to 2%). As at December 31, 2022, an aggregate of 2,227,019 securities are available to be issued pursuant to the Stock Option Plan, the RSU Plan and the DSU Plan combined.

As at December 31, 2022, if all of the outstanding options and RSUs (assuming fully vested) were exercised or converted into Common Shares, the Common Shares which would be issued upon such exercise or conversion would total approximately 6.26% of the Corporation's issued and outstanding Common Shares. Approximately 3.74% Common Shares would remain available under the Corporation's equity compensation plans.

Awards Granted and Burn Rate

In accordance with the requirements of the TSX, the following table summarizes the number of security-based compensation awards granted to all of the Corporation's directors, officers and employees during the periods noted below and the annual burn rate of each security-based compensation arrangement.

	Weighted Average Shares Outstanding ⁽¹⁾	Stock Options		Full Value Share Awards (DSUs, RSUs)	
		Granted	Burn Rate ⁽²⁾	Granted	Burn Rate ⁽²⁾
December 31, 2022	54,320,086	Nil	Nil	410,000 ⁽³⁾	0.7%
December 31, 2021	53,082,689	Nil	Nil	355,000 ⁽⁴⁾	0.7%
December 31, 2020	47,170,086	950,000	2.0%	n/a	n/a

Notes:

- (1) Pursuant to the requirements of the TSX, the weighted average number of Common Shares outstanding during the period is the number of Common Shares outstanding at the beginning of the period, adjusted by the number of Common Shares bought back or issued during the period, multiplied by a time-weighting factor. The time-weighting factor is the number of days that the Common Shares are outstanding as a proportion of the total number of days in the period.
- (2) The burn rate for a given period is calculated by dividing the number of awards granted during such period by the weighted number of Common Shares outstanding during such period.
- (3) Comprised of 410,000 RSUs.
- (4) Comprised of 355,000 RSUs.

Amendments to the Stock Option Plan

At the Corporation's annual and special meeting of shareholders held on June 25, 2020 shareholders ratified their approval to the current Stock Option Plan and all unallocated options, rights or other entitlements issuable thereunder.

A description of the material terms of the Stock Option Plan as it exists on the date hereof follows below.

The TSX requires listed companies to seek shareholder approval of all rolling stock option plans and all unallocated options, rights or other entitlements thereunder every three years after a rolling stock option plan is first instituted. Accordingly, at the Meeting, Shareholders will be asked to approve certain amendments to the Stock Option Plan and all unallocated options issuable pursuant to the Stock Option Plan in order for subsequent grants under the Stock Option Plan to be valid. See "**Particulars of Other Matters to be Acted Upon**" hereinafter for details.

The Stock Option Plan is administered by the Board of the Corporation which shall, without limitation, have full and final authority in its discretion, but subject to the express provisions of the Stock Option Plan, to interpret the Stock Option Plan, to prescribe, amend and rescind rules and regulations relating to it and to make all other determinations deemed necessary or advisable for the administration of the Stock Option Plan, subject to any necessary shareholder or regulatory approval. The Board may delegate any or all of its authority with respect to the administration of the Stock Option Plan. The Board shall determine to whom options shall be granted, the terms and provisions of the respective option agreements, the time or times at which such options shall be granted and vested, and the number of Common Shares to be subject to each option.

Material terms of the Stock Option Plan

The material terms of the Stock Option Plan is qualified in its entirety by the full text of the Stock Option Plan and can be summarized as follows:

- (a) stock options may be issued to directors, senior officers, employees, consultants and management company employees of the Corporation and its subsidiaries;
- (b) the Board (or any committee delegated by the Board) in its sole discretion will determine the number of options to be granted to any optionee, the optionees to receive the options, and term of expiry which will not exceed 10 years from the date the option is granted;

- (c) the options will be non-assignable except that they will be exercisable by the personal representative of the option holder in the event of the option holder's death;
- (d) the number of Common Shares reserved for issuance to any one person pursuant to options granted under the Stock Option Plan or otherwise, shall not exceed the maximum percentage of the issued and outstanding Common Shares at the time of granting of the options, if any, as may be prescribed by the policies of the Exchange (as defined in the Stock Option Plan);
- (e) the aggregate number of Common Shares which may be subject to issuance pursuant to options granted under Stock Option Plan shall not exceed the equivalent of 10% of the total issued and outstanding Common Shares of the Corporation at the time of grant;
- (f) the exercise price of an option granted under the Stock Option Plan shall not be less than the Discounted Market Price (as defined in the Stock Option Plan) if the Corporation's Common Shares are traded on the TSX Venture Exchange, and the Market Price (as defined in the Stock Option Plan), if the Corporation's Common Shares are traded on the TSX Exchange, provided that:
 - (i) if options are granted within 90 days of a distribution by a prospectus, the minimum exercise price of those options will be the greater of the Discounted Market Price and the per share price paid by the public investors for Common Shares acquired under the distribution,
 - (ii) the 90-day period begins on the date a final receipt is issued for the prospectus,
 - (iii) for unit offerings, the minimum option exercise price will be the 'base' (or imputed) price of the Common Shares included in the unit, and
 - (iv) for all other financings, the minimum exercise price will be the average price paid by the public investors;
- (g) if an optionee ceases to be a director, officer, consultant or employee for any reason other than death, their option shall terminate as specified by the Board at the time of granting the option and all rights to purchase Common Shares under such option shall cease and expire and be of no further force or effect. All options must terminate within three months of the date of such cessation. If an optionee dies prior to the expiry of their option, their legal representatives may, exercise any portion of the option up to one year from the date of the optionees death or the expiry date of the option;
- (h) the Board may, subject to any required regulatory approval but without shareholder approval, make amendments to an option or the Stock Option Plan which include, but are not limited to:
 - (i) change the vesting provisions of an option or the Stock Option Plan,
 - (ii) change the termination provisions of an option or the Stock Option Plan, provided there is no extension beyond the original expiry date,
 - (iii) add a cashless exercise provision, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the Plan reserve, or
 - (iv) make other amendments of a "housekeeping" or non-material nature with requisite regulatory approval.
- (i) Notwithstanding the foregoing, the approval of the shareholders of the Corporation shall be required for any of the following amendments to an option or the Stock Option Plan:
 - (i) the limitations on grants of options to insiders and the number of Common Shares that may be reserved for issuance to insiders,
 - (ii) the maximum number or percentage of outstanding Common Shares that may be reserved for issuance upon exercise of options under the Stock Option Plan,
 - (iii) any amendment which would permit options granted under the Stock Option Plan to be transferable, other than for estate settlement purposes, or
 - (iv) any amendment to the amendment provisions already voted upon by shareholders.
- (j) Subject to the above paragraph, with the consent of the affected optionees, the Board may amend or modify any outstanding option in any manner to the extent that the Board would have had the authority to initially grant such award as so modified or amended, including without limitation, to change the date or dates as of which an option becomes exercisable, subject to the prior approval of the relevant stock exchanges, if required for such amendment or modification.
- (k) Any reductions in the exercise price or extension of the term of options granted to insiders will require approval of the shareholders of the Corporation excluding votes of securities held by the insiders benefiting from such amendment.
- (l) if the Common Shares are listed on the TSX Exchange options shall not be granted under the Stock Option Plan or securities be made issuable under any other share compensation arrangement which could result in:
 - (i) the number of Common Shares issuable to insiders exceeding 10% of the issued and outstanding Common Shares at the time of such grant; and

- (ii) the number of Common Shares issued within any one-year period pursuant to the exercise of options and any other share compensation arrangement to insiders, exceeding 10% of the issued and outstanding Common Shares;
- (m) Common Shares will not be issued unless fully paid and options granted will be fully vested on the date of grant; options granted to consultants providing investor relations services will be subject to vesting provisions as per the policies of the Exchange, if applicable;
- (n) every option granted under the Stock Option Plan shall be evidenced by a written agreement between the Corporation and the optionee;
- (o) any consolidation or subdivision of Common Shares will be reflected in an adjustment to the Options; and
- (p) any reduction in exercise price of options granted to the Corporation's insiders will be subject to approval of disinterested shareholders of the Corporation.

If at any time the expiry of the term of an option should be determined to occur either during a period in which the trading of Common Shares by the Optionee is restricted under the insider trading policy or other policy of the Corporation or within ten business days following such a period, then the expiry date (and the option term) of such option shall be automatically extended to the tenth trading day following the date the relevant black-out period or other trading restriction imposed by the Corporation is lifted, terminated or removed.

The Directors and Senior Management are eligible to participate in the Stock Option Plan. The Corporation does not provide any financial assistance to participants in order to facilitate the purchase of Common Shares under the Stock Option Plan.

2021 Restricted Share Unit Plan

The Board adopted the 2021 Restricted Share Unit Plan (the “**RSU Plan**”) for the benefit of the Corporation’s employees, directors and consultants on April 28, 2021. Shareholder approval to the RSU Plan was obtained at the Corporation’s Annual General and Special Meeting held on June 3, 2021. The material terms of the RSU Plan is qualified in its entirety by the full text of the RSU Plan and can be summarized as follows:

Eligible Participants

The RSU Plan is administered by the Compensation Committee of the Board or such other Committee of the Board as may be designated by the Board (the “**Committee**”). Employees, directors and eligible consultants of the Corporation and its designated subsidiaries are eligible to participate in the RSU Plan. In accordance with the terms of the RSU Plan, the Corporation, under the authority of the Board of Directors through the Committee, will approve those employees, directors and eligible consultants who are entitled to receive RSUs and the number of RSUs to be awarded to each participant. RSUs awarded to participants are credited to them by means of an entry in a notional account in their favour on the books of the Corporation. Each RSU awarded conditionally entitles the participant to receive one Common Share (or the cash equivalent) upon attainment of the RSU vesting criteria.

Vesting

The vesting of RSUs is conditional upon the expiry of a time-based or performance-based vesting period. The duration of the vesting period and other vesting terms applicable to the grant of the RSUs shall be determined at the time of the grant by the Compensation Committee.

Once the RSUs vest, the participant is entitled to receive the equivalent number of underlying Common Shares or cash equal to the Market Value of the equivalent number of Common Shares. The vested RSUs may be settled through the issuance of Common Shares from treasury (subject to the Shareholder approval being sought at this Meeting), by the delivery of Common Shares purchased in the open market, in cash or in any combination of the foregoing (at the discretion of the Corporation). If settled in cash, the amount shall be equal to the number of Common Shares in respect of which the participant is entitled multiplied by the Market Value of a Common Share on the payout date. Market Value per share is defined in the RSU Plan and means, subject to the exceptions, if any, prescribed by the Exchange from time to time (i) the last closing price of the Corporation’s Common Shares before the issuance of the RSUs; (ii) if the Corporation’s Common Shares trade on the TSX or another stock exchange where the majority of the trading volume and value of the shares occurs, the price is calculated based on a reasonable pre-determined formula, which formula is accepted by the Exchange and is based on a volume weighted average trading price or average daily high and low board lot trading price for the five trading days prior to the issuance of the RSUs. In the event that the Common Shares are not listed and posted

for trading on any stock exchange, the Share Price shall be the Share Price as determined by the Board in its discretion, acting reasonably and in good faith. Fractional Common Shares will not be issued and any fractional entitlements will be rounded down to the nearest whole number.

The RSUs may be settled on the payout date, which shall be the third anniversary of the date of the grant or such other date as the Committee may determine at the time of the grant, which in any event shall be no later than the expiry date for such RSUs. The expiry date of RSUs is the date determined by the Corporation for such purpose for such grant, which date shall be no later than the date which is one year after the Participant's Termination Date and shall, in all cases, be in compliance with the requirements pertaining to the exception to the application of the salary deferral arrangement rules in paragraph 248(1)(k) of the *Income Tax Act* (Canada), as such section may be amended or re-enacted from time to time.

Maximum Number of Common Shares Issued

- (a) shall not exceed 5% of the total number of issued and outstanding Common Shares on a non-diluted basis; and
- (b) in combination with the aggregate number of Common Shares which may be issuable under any and all of the Corporation's Security Based Compensation Arrangements, as defined in the RSU Plan, in existence from time to time, shall not exceed 10% of the total number of issued and outstanding Common Shares on a non-diluted basis, or such other number of Common Shares as shall have been duly approved by the Board, by the Exchange and by the Shareholders.

Participation Limits

The number of Common Shares which may be reserved for issuance under the RSU Plan within anyone-year period:

- (a) to any one Participant, shall not exceed 5% of the total number of issued and outstanding Common Shares on the Grant Date on a non-diluted basis;
- (b) under the RSU Plan and any other of the Corporation's Security Based Compensation Arrangements (i) the aggregate number of Common Shares issued to Insiders, within any one year period; and (ii) the aggregate number of Common Shares issuable to Insiders at any time, shall not exceed 10% of the issued and outstanding Common Shares; and
- (c) to any one Consultant shall not exceed 2% in the aggregate of the total number of issued and outstanding Common Shares on the Grant Date on a non-diluted basis.

Cessation of Entitlement

Unless otherwise determined by the Corporation in accordance with the RSU Plan, RSUs which have not vested on a participant's termination date shall terminate and be forfeited. If a participant who is an employee ceases to be an employee as a result of termination of employment without cause, in such case, at the Corporation's discretion, or for good reason (unless otherwise provided in the applicable Grant Agreement), all or a portion of such participant's RSUs may be permitted to continue to vest, in accordance with their terms, during any statutory or common law severance period or any period of reasonable notice required by law or as otherwise may be determined by the Corporation in its sole discretion. All forfeited RSUs are available for future grants.

Transferability

RSUs are not assignable or transferable other than by will or the laws of descent and distribution.

Amendments to the RSU Plan

Following receipt of the Shareholder approval contemplated hereunder the Board reserves the right, in its sole discretion, to amend, suspend or terminate the RSU Plan or any portion thereof at any time, in accordance with Applicable Law, without obtaining the approval of Shareholders, unless required by the policies of the Exchange. Notwithstanding the foregoing, the Corporation will be required to obtain disinterested Shareholder approval for any amendment related to:

- (a) the number or percentage of issued and outstanding Common Shares available for grant under the Plan (other than by virtue of adjustments pursuant to Section 13.1 of the RSU Plan);
- (b) a change in the method of calculation of the payout of RSUs held by Participants; and
- (c) an extension of the Payout Date of RSUs held by Participants.

The Board may, without notice, at any time and from time to time, without shareholder approval, amend the RSU Plan or any provisions thereof in such manner as the Board, in its sole discretion, determines appropriate including, without limitation:

- (a) amendments to the terms and conditions of the RSU Plan necessary to ensure that the RSU Plan complies with the applicable regulatory requirements, including the rules of the Exchange, in place from time to time;
- (b) amendments to the provisions of the RSU Plan respecting administration of the RSU Plan and eligibility for participation under the RSU Plan;
- (c) amendments to the provisions of the RSU Plan respecting the terms and conditions on which RSUs may be granted pursuant to the RSU Plan, including the provisions relating to the payment of the RSUs;
- (d) amendments necessary to suspend or terminate the RSU Plan;
- (e) amendments to the RSU Plan that are of a “housekeeping” nature; and
- (f) any other amendment, fundamental or otherwise, not requiring Shareholder approval under Applicable Laws or the applicable rules of the Exchange.

Provided, however, that no such amendment of the RSU Plan may be made without the consent of each affected Participant in the RSU Plan if such amendment would adversely affect the rights of such affected Participant(s) under the RSU Plan.

2021 Non-Employee Directors Deferred Share Unit Plan

The Board adopted a 2021 Non-Employee Directors Deferred Share Unit Plan (the “**DSU Plan**”) on April 28, 2021 for the benefit of the Corporation’s non-executive directors of which currently there are five. Shareholder approval of the DSU Plan was obtained at the Corporation’s Annual General and Special Meeting held on June 3, 2021. The material terms of the DSU Plan is qualified in its entirety by the full text of the DSU Plan and can be summarized as follows:

Administration of Plan

The DSU Plan provides that non-executive directors may elect to receive up to 50% of their annual compensation amount (the “**Annual Base Compensation**”) in DSUs. A DSU is a unit credited to a participant by way of a bookkeeping entry in the books of the Corporation, the value of which is equivalent to a Common Share. All DSUs paid with respect to Annual Base Compensation will be credited to the director by means of an entry in a notional account in their favour on the books of the Corporation (a “**DSU Account**”) when such Annual Base Compensation is payable. The director’s DSU Account will be credited with the number of DSUs calculated to the nearest thousandth of a DSU, determined by dividing the dollar amount of compensation payable in DSUs on the payment date by the Share Price of a Common Share at the time. Share Price is defined in the DSU Plan and means subject to the exceptions, if any, prescribed by the Exchange from time to time (i) the last closing price of the Corporation’s Common Shares before the issuance of the Share Units; (ii) if the Corporation’s Common Shares trade on the TSX or another stock exchange where the majority of the trading volume and value of the shares occurs, the price is calculated based on a reasonable pre-determined formula, which formula is accepted by the Exchange and is based on a volume weighted average trading price or average daily high and low board lot trading price for the five trading days prior to the issuance of the DSUs. In the event that the Common Shares are not listed and posted for trading on any stock exchange, the Share Price shall be the Share Price as determined by the Board in its discretion, acting reasonably and in good faith. Fractional Common Shares will not be issued and any fractional entitlements will be rounded down to the nearest whole number.

Additionally, subject to certain participation limits prescribed by the Exchange, the Board may award such number of DSUs to a non-executive director as the Board deems advisable to provide the director with appropriate equity-based compensation for the services he or she renders to the Corporation. The Board shall determine the date on which such DSUs may be granted and the date as of which such DSUs shall be credited to the director’s DSU Account. The Corporation and a director who receives such an additional award of DSUs shall enter into a DSU award agreement to evidence the award and the terms applicable thereto.

Generally, a participant in the DSU Plan shall be entitled to redeem their DSUs during the period commencing on the business day immediately following the date upon which the non-executive director ceases to hold any position as a director of the Corporation and its subsidiaries and is no longer otherwise employed by the Corporation or its subsidiaries, including in the event of death of the participant (the “**Termination Date**”) and ending on the 90th day following the Termination Date. Redemptions under the DSU Plan may be in Common Shares issued from treasury subject to the Shareholder approval being sought at this Meeting, may be purchased by the Corporation on the open market for delivery to the director, may be settled in cash or any combination of the foregoing.

Maximum Number of Common Shares Issued

- (a) shall not exceed 2% of the total number of issued and outstanding Common Shares on a non-diluted basis; and
- (b) in combination with the aggregate number of Common Shares which may be issuable under any and all of the Corporation’s Security Based Compensation Arrangements, as defined in the DSU Plan, in existence from time to time, shall not exceed 10% of the total number of issued and outstanding Common Shares on a non-diluted basis, or such other number of Common Shares as shall have been duly approved by the Board, by the Exchange and by the Shareholders.

Participation Limits

The number of Common Shares which may be reserved for issuance under the DSU Plan within any one-year period:

- (a) to any one Participant, shall not exceed 2% of the total number of issued and outstanding Common Shares on the Grant Date on a non-diluted basis; and
- (b) under the DSU Plan and any other of the Corporation’s Security Based Compensation Arrangements (i) the aggregate number of Common Shares issued to Insiders, within any one-year period; and (ii) the aggregate number of Common Shares issuable to Insiders at any time, shall not exceed 10% of the issued and outstanding Common Shares.

Transferability

No right to receive payment of deferred compensation or retirement awards shall be transferable or assignable by any participant under the DSU Plan except by will or laws of descent and distribution.

Amendments to the DSU Plan

Following receipt of the Shareholder approval contemplated hereunder, the Board may at any time, and from time to time, and without shareholder approval, amend any provision of the DSU Plan, subject to any regulatory or stock exchange requirement at the time of such amendment, including, without limitation:

- (a) amendments to the terms and conditions of the DSU Plan necessary to ensure that the Plan complies with the applicable regulatory requirements, including the rules of the Exchange, in place from time to time;
- (b) amendments to the provisions of the DSU Plan respecting administration of the DSU Plan and eligibility for participation under the DSU Plan;
- (c) amendments to the provisions of the DSU Plan respecting the terms and conditions on which DSUs may be granted pursuant to the DSU Plan, including the provisions relating to the payment of the DSUs;
- (d) amendments necessary to suspend or terminate the DSU Plan;
- (e) amendments to the DSU Plan that are of a “housekeeping” nature; and
- (f) any other amendment, fundamental or otherwise, not requiring shareholder approval under applicable laws or the applicable rules of the Exchange;

Provided, however, that no such amendment of the DSU Plan may be made without the consent of each affected participant if such amendment would adversely affect the rights of such affected participant(s) under the DSU Plan.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No current or former director, executive officer or employee, proposed nominee for election to the Board, or associate of such persons is, or has been, indebted to the Corporation since the beginning of the most recently completed financial year of the Corporation and no indebtedness remains outstanding as at the date of this Information Circular.

None of the directors or executive officers of the Corporation is or, at any time since the beginning of the most recently completed financial year, has been indebted to the Corporation or its subsidiaries. None of the directors' or executive officers' indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year, has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or its subsidiary, if any.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this Information Circular, no informed person of the Corporation, proposed director of the Corporation or any associate or affiliate of any informed person or proposed director of the Corporation has had any material interest, direct or indirect, in any transaction since the beginning of the Corporation's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries, if any.

"Informed person" means:

- (a) a director or executive officer of the Corporation;
- (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Corporation;
- (c) any person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Corporation or a combination of both carrying more than 10 percent of the voting rights attached to all outstanding voting securities of the Corporation other than voting securities held by the person or company as underwriter in the course of a distribution of it; and
- (d) the Corporation has purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

MANAGEMENT CONTRACTS

No management functions of the Corporation were, to any substantial degree, performed by a person other than the directors or executive officers of the Corporation.

CORPORATE GOVERNANCE

The Corporation is listed on the TSX and discloses its corporate governance practices using the disclosure requirements in National Instrument 58-101, *Disclosure of Corporate Governance Practices* ("NI 58-101") that apply to issuers listed on the TSX. The Corporation's statement of corporate governance practices is made with reference to National Policy 58-201, *Corporate Governance Guidelines* and NI 58-101 (collectively, the "**Governance Guidelines**") which are initiatives of the Canadian Securities Administrators ("CSA"). The corporate governance practices of the Corporation also conform to the TSX corporate governance guidelines, which have essentially been supplanted by the Governance Guidelines.

Board Governance

The Board has the responsibility for the overall stewardship of the conduct of the business of the Corporation and the activities of management. Management is responsible for the day-to-day conduct of the business. The Board's fundamental objectives are to enhance and preserve long-term shareholder value, and to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board considers the legitimate interests that its other stakeholders, such as employees, customers and communities, may have in the Corporation. In overseeing the conduct of the business, the Board, through the Chief Executive Officer, sets the standards of conduct for the Corporation.

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting nominating candidates for election to the Board and constituting committees of the Board. Subject to the Articles and By-Laws of the Corporation the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

Board Mandate

The Board has a written mandate, which is available on the Corporation’s website at www.kelsotech.com, which includes responsibility to supervise and evaluate management, to oversee the conduct of the Corporation’s business, to set policies appropriate for the business of the Corporation and to approve corporate strategies and goals. The Board is to carry out its mandate in a manner consistent with the fundamental objective of enhancing shareholder value. In discharging its duty of stewardship over the Corporation, the Board expressly undertakes the following specific duties and responsibilities: (i) adopting, supervising and providing guidance on the Corporation’s strategic planning process; (ii) identifying the principal risks of the Corporation’s business and ensuring the implementation of appropriate internal control and management information systems to effectively monitor and manage those risks with a view to the long-term viability of the Corporation and achieving a proper balance between the risks incurred and the potential return to the Corporation’s shareholders; (iii) ensuring that the Corporation has management of the highest calibre and maintaining adequate and effective succession planning for senior management; (iv) placing limits on management’s authority; (v) overseeing the integrity of the Corporation’s internal control and management information systems; and (vi) overseeing the Corporation’s communication policy with its shareholders and with the public generally.

Composition of the Board

The Board is currently comprised of seven (7) directors, five (5) of whom are “independent” directors within the meaning of the Governance Guidelines. A director is “independent” if he or she is independent of management and has no direct or indirect relationship with the Corporation which could, in the view of the Board, be reasonably expected to interfere with the exercise of the member’s independent judgment.

The Board has considered the relationship of each director to the Corporation. At the date of this Information Circular, two of the Corporation’s directors are not considered to be independent. Messrs. Bond and Andrukaitis were not independent because of their current management positions with the Corporation. Ms. Roach, as well as Messrs. Hughes, Cass, Crews and Mr. Busch are considered to be independent.

Although Messrs. Bond and Andrukaitis are not considered to be independent within the meaning of the Governance Guidelines, the Board has recently instituted a practice whereby at the conclusion of each regularly scheduled meeting of the Board, the Corporation’s independent directors may request an in-camera session at which non-independent directors and members of management are not in attendance.

Board and Committee Meetings – Attendance Record

Below is the attendance record of each director for all Board and Committee meetings held during the period from January 1, 2022 to December 31, 2022:

Director	Board (9 meetings)		Audit (4 meetings)		Compensation (1 meeting)		Corporate Governance and Nominating (1 meeting)	
	No.	%	No.	%	No.	%	No.	%
James R. Bond	9	100	x	x	x	x	x	x
Anthony Andrukaitis	9	100	x	x	x	x	x	x
Peter Hughes	9	100	x	x	1	100	x	x
Paul Cass	9	100	4	100	1	100	x	x
Laura Roach	8	90	x	x	1	100	1	100
Jesse V. Crews	9	100	4	100	x	x	1	100
Frank Busch	9	100	4	100	x	x	1	100

At each meeting of the Board the independent directors have the opportunity to hold a meeting without the non-independent directors and members of management not in attendance. The independent directors held did not hold any meetings without the non-independent directors and members of management not in attendance since January 1, 2022.

Currently, the following directors serve on the boards of directors of other public companies as listed below:

Director	Public Corporation Board Membership
James R. Bond	SiQ Mountain Industries Inc. (SIQ.H: NEX)
Peter Hughes	Happy Creek Minerals Ltd. (HPY: TSXV); Gourmet Ocean Products Inc. (GOP: TSXV); NOA Lithium Brines Inc (NOAL: TSXV).

Legend:
TSXV = TSX Venture Exchange
NEO = NEO Exchange, Canada
NEX = The NEX board of the TSX Venture Exchange

Position Descriptions

The Board has adopted a written position description for each of the Chairman/Lead Director, Chief Executive Officer, a Mandate for the board of directors and an individual director mandate. All of which are available on the Corporation's website at www.kelsotech.com.

Orientation and Education

Under its mandate, the Corporate Governance and Nominating Committee is responsible for developing and implementing an orientation program for new directors, where necessary. The Board briefs all new directors with respect to the Corporation's operations, information on the role of the board and each of its committees, industry information, corporate governance related materials and other information. Each director is responsible to maintain the skills and knowledge necessary to meet their obligations as a director of the Corporation.

Trips to where the Corporation's operations are located are arranged for directors from time to time so they have an opportunity to meet operational management and site personnel.

Board members are encouraged to communicate with management and auditors, to keep themselves current with industry trends and development, and to attend related industry seminars. Board members have full access to the Corporation's records.

Diversity of the Board and Senior Management

The Corporation recognizes the importance of diversity among the Board to create a diverse and inclusive culture that solicits multiple perspectives and enriches the decision-making process. The Board formally adopted a Diversity Policy in March 2019. In that Policy, the Corporation set out its commitment to diversity with particular emphasis on gender diversity.

Consistent with this commitment, the Board is proposing amendments to the Corporation's Diversity Policy to include representatives of "Designated Groups" as defined in the Employment Equity Act (Canada), which groups include women, Indigenous peoples, people with disabilities and members of visible minorities. At this time, the Board has not set diversity targets for persons from Designated Groups for either the Board or for senior management as the Corporation has shown good progress on diversity without firm targets. The Board currently has two members or 29% of the Board's composition that identify as representatives of such Designated Groups.

Board appointments will be made on merit, in the context of the skills, experience, independence, knowledge and other qualities which the Board as a whole requires to be effective, with due regard for the benefits of diversity, including the level of representation of the Designated Groups on the Board.

Director Retirement Policy and Term Limits

Each director serves on the Board until the next annual meeting of shareholders of the Corporation or until a successor is duly elected or appointed. The Board does not have a limit on the number of consecutive terms for which a director may serve. While there is a benefit to adding new perspectives to the Board from time to time, there are also benefits to having continuity and directors having in depth knowledge of each facet of the Corporation's business, which necessarily takes time to develop. As such and given that each member of the Board has had solid experience in the industry, as well as has had experience in acting as a director of public or private companies, or both, the Board believes that the imposition of term limits for its directors may run the risk of excluding experienced and potentially valuable Board members as a result of an arbitrary determination. The Board relies on thorough director assessment procedures for evaluating its members and uses rigorous identification and selection processes for new directors, having regard to a variety of factors. Through these processes, the Board believes that it is well-positioned to address any problems or deficiencies that may arise in an appropriate manner without having to adopt mandated term limits.

Ethical Business Conduct

The Board has adopted a formal written Code of Business Conduct and Ethics (the “**Code of Conduct**”) for its directors, officers and employees.

Individuals governed by the Code of Conduct are required to disclose in writing all business, commercial or financial interests or activities which might reasonably be regarded as creating an actual or potential conflict with their duties. Individuals must avoid all situations in which their personal interest conflicts or might conflict with their duties to the Corporation or with the economic interest of the Corporation. All business transactions with individuals, corporations or other entities that could potentially be considered, directly or indirectly, a related party, must be approved by the Board regardless of the amount involved.

Directors, officers and employees are encouraged to report violations of the Code of Conduct on a confidential and, if preferred, anonymous basis, in accordance with the complaint procedure set out in the Code of Conduct or the Corporation’s whistleblower procedures. The Audit Committee may request special treatment for any complaint, including the involvement of the Corporation’s external auditors or outside counsel or other advisors. All complaints are required to be documented in writing by the person(s) designated to investigate the complaint, who shall report forthwith to the Chair of the Audit Committee. On an annual basis, or otherwise upon request from the Board, the Code of Conduct requires the Chair of the Audit Committee to prepare a written report to the Board summarizing all complaints received during the previous year, all outstanding unresolved complaints, how such complaints are being handled, the results of any investigations and any corrective actions taken.

A copy of the Corporation’s Code of Conduct can be found on the Corporation’s website at www.kelsotech.com and is also available under the Corporation’s profile on SEDAR at www.sedar.com in Canada and on EDGAR at www.sec.gov in the United States

Corporate Governance and Nominating Committee of the Board

The purpose of the Corporate Governance and Nominating Committee is to provide a focus on corporate governance that will enhance corporate performance, and to ensure on behalf of the Board and Shareholders that the Corporation’s corporate governance system is effective in the discharge of its obligations to the Corporation’s shareholders.

The Corporate Governance and Nominating Committee also has the responsibility of proposing nominees for director. The Committee considers the competencies and skills that the Board as a whole should possess, the competencies and skills of existing Board members and the competencies and skills of proposed new Board members. The Committee members utilize their extensive knowledge of the industry and personal contacts to identify potential nominees that possess the desired skills and competencies.

In proposing any candidate for election to the Board, both the Corporate Governance and Nominating Committee and the Board seek to obtain the best possible candidate available, having regard to the current needs of the Board, while recognizing the benefits to the Corporation and its Board of advancing the principles of diversity in all its aspects when determining the composition of the Board. In particular, the Corporate Governance and Nominating Committee and the Board consider the level of representation of women on the Board when identifying and nominating candidates for election or re-election to the Board. When a vacancy occurs on the Board, or the need to add a new Board member is perceived to exist, the Corporate Governance and Nominating Committee will first assess the number and proportion of current directors who are women. Depending on the result of that initial assessment, the Corporate Governance and Nominating Committee takes active steps to seek out potential candidates who are female and gives close consideration to the background, characteristics and capabilities of the female candidates prior to making a final recommendation to the Board. The Corporation has not adopted a formal written policy on the representation of women on the Board, as the Board does not believe that quotas or strict rules will necessarily result in the identification or selection of the best candidates. While the Corporation takes active steps to seek out female candidates to fill existing vacancies, the Board is of the view that it would not be beneficial to the Corporation to impose artificial deadlines for that purpose, or to increase the size of the Board for the sole purpose of adding a director from any specific gender or identity group. The Corporation currently has one female Board member. The Board is also mindful of the potential advantages to broadening the diversity of the Board with reference to factors other than gender and does not wish to constrain itself to considering only one particular factor when conducting searches for Board candidates.

The duties and responsibilities of the Corporate Governance and Nominating Committee include, without limitation, the following:

- (a) to develop and monitor the Corporation's overall approach to corporate governance issues and, subject to approval by the Board, to implement and administer a system of corporate governance which reflects superior standards of corporate governance practices;
- (b) to report annually to the Corporation's Shareholders, through the Corporation's annual management information circular or annual report to Shareholders, on the Corporation's system of corporate governance and the operation of its system of governance;
- (c) to analyze and report annually to the Board the relationship of each director to the Corporation as to whether such director is a related director or an unrelated director; and
- (d) to advise the Board or any of the committees of the Board of any corporate governance issues which the Corporate Governance and Nominating Committee determines ought to be considered by the Board or any such committee.

The Corporation has adopted a formal written mandate for the Corporate Governance and Nominating Committee. The mandate provides that the Corporate Governance and Nominating Committee shall consist of at least three members of the Board, all of whom shall be "independent" within the meaning of NI 58-101. The members of the Corporate Governance and Nominating Committee members are Ms. Roach (Chair) and Messrs. Crews and Busch, all of whom are independent.

The Board appoints the members of the Corporate Governance and Nominating Committee for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the Shareholders of the Corporation. The Board may at any time remove or replace any member of the Corporate Governance and Nominating Committee and may fill any vacancy in the committee. Any Chairperson, either appointed by the Board or designated by a majority of the Committee, shall not serve in such capacity for more than three (3) consecutive terms, unless the Board, in its sole discretion, determines to extend the term of any Chairperson for one (1) additional year.

The Corporate Governance and Nominating Committee meets regularly each year on such dates and at such locations as the Chair of the committee determines. The Corporate Governance and Nominating Committee has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel and advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

AUDIT COMMITTEE DISCLOSURE

National Instrument 52-110F1 *Audit Committees Information Required in an AIF* ("NI 52-110") requires the Corporation to disclose annually in its Annual Information Form ("AIF") certain information concerning the constitution of its Audit Committee and its relationship with its independent auditor. The Corporation chooses to comply with the requirement to file an AIF by filing a Form 20 F – Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and disclose the information required by NI 52-110 in this Circular. A copy of the Corporation's Form 20-F dated April 3, 2023 is available on the Corporation's website at www.kelsotech.com and is also available under the Corporation's profile on SEDAR at www.sedar.com in Canada and on EDGAR at www.sec.gov in the United States.

Audit Committee Charter

The Corporation's Audit Committee of the Board is governed by a formal written audit committee charter, the text of which is attached as Schedule "A" to this Circular and which is available on the Corporation's website at www.kelsotech.com.

The principal purpose of the Audit Committee is to ensure that the Corporation's management has designed and implemented an effective system of internal financial controls, to review and report on the integrity of the consolidated financial statements of the Corporation and to review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts on financial and tax related matters.

The charter provides that the Audit Committee shall consist of at least three members of the Board, all of whom shall be "independent" and "financially literate" within the meaning of NI 52-110. NI 52-110 provides that a member of an audit

committee is “independent” if the member has no direct or indirect relationship with the issuer, which could, in the view of the issuer’s board of directors, reasonably interfere with the exercise of the member’s independent judgment.

The Audit Committee meets a minimum of four times a year, including the review of the interim and annual financial statements prior to their submission to the Board. The Audit Committee has direct communication channels with internal personnel responsible for financial statement preparation and with the Corporation’s external auditors. The Audit Committee may also engage independent counsel or other advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

The Board appoints the members of the Audit Committee for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the Corporation’s Shareholders. The Board may at any time remove or replace any member of the Audit Committee and may fill any vacancy in the committee. Any Chairperson, either appointed by the Board or designated by a majority of the Committee, shall not serve in such capacity for more than three (3) consecutive terms, unless the Board, in its sole discretion, determines to extend the term of any Chairperson for one (1) additional year.

Audit Committee Members and Relevant Education and Experience

Below are the details of each Audit Committee member, including their name, whether they are independent and financially literate, as such terms are defined under National Instrument 52-110 – *Audit Committees* (“NI 52-110”) and their education and experience as it relates to the performance of their duties as an Audit Committee member.

Member Name	Independent ⁽¹⁾	Financially Literate ⁽²⁾	Education and Experience Relevant to Performance of Audit Committee Duties
Frank Busch (Chair)	Yes	Yes	As Director of Economic Development, Strategies North Inc., Mr. Busch is responsible for building and maintaining relationships with First Nations and providing information and advice to First Nation Councils, Staff and Membership that increases awareness of access to the Capital Markets, Private Equity & Debt Financing, Investment Strategy, as well as Financial Education. Mr. Busch received his Bachelor of Arts from the University of Manitoba and has completed five specialized financial certificates from the Canadian Securities Institute and a post-graduate Certificate in Finance from Harvard University in preparation for entering the Master of Liberal Arts in Extension Studies Field: Finance at Harvard.
Paul Cass	Yes	Yes	Mr. Cass was formerly COO of Whitewater West Industries, a privately held design/manufacturing firm specializing in waterpark and amusement park equipment installations around the world. Prior to which Mr. Cass was COO at Ballard Power Systems Ltd., a public company specializing in the development and manufacture of fuel cell technology for automotive and non-automotive markets. Mr. Cass is a registered Professional Engineer (Retired) in British Columbia, and he also holds an MBA from Simon Fraser University.
Laura Roach	Yes	Yes	Ms. Roach is an attorney and partner at McCathern Law, a Law firm located in Frisco, Texas. Ms. Roach’s practice consists of family law with a primary focus on mediation, divorce and litigation. Ms. Roach is also an entrepreneur, founding and running a referral and marketing business. Ms. Roach has been recognized as one of D Magazine’s Best Lawyers in Texas and Texas Monthly magazine’s super lawyers every year since 2013. Ms. Roach earned a Juris Doctor from St. Mary’s University School of Law and a BSc from the University of Arizona.

⁽¹⁾ Independent within the meaning of NI 52-110.

⁽²⁾ An individual is financially literate within the meaning of NI 52-110 if they have the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues and can reasonably be expected to be raised by the Corporation’s financial statements.

Audit Committee Oversight

Since the commencement of the Corporation’s most recently completed financial year, the Corporation’s Board has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

Reliance on Certain Exemptions

Since the commencement of the Corporation's most recently completed financial year, the Corporation has not relied on the exemptions contained in sections 2.4 or Part 8 of NI 52-110. Section 2.4 (*De Minimis Non-audit Services*) provides an exemption from the requirement that the Audit Committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided. Part 8 (*Exemptions*) permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110 in whole or in part.

Pre-Approval Policies and Procedures

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

External Auditor Service Fees

The aggregate fees billed by the Corporation's external auditor during the fiscal year ended December 31, 2022 and December 31, 2021 by category, are as follows:

Financial Period Ended	Audit Fees ⁽¹⁾	Audit Related Fees ⁽²⁾	Tax Fees ⁽³⁾	All Other Fees ⁽⁴⁾
December 31, 2022	\$110,000	\$8,500	\$12,000	\$8,500
December 31, 2021	\$112,000	\$6,500	\$10,000	Nil

(1) This category includes the fees for the audit of our financial statements and the quarterly reviews of interim financial statements. This category also includes advice on audit and accounting matters that arose during or as a result of the audit or the review of interim financial statements and services in connection with Securities and Exchange Commission filings.

(2) This category includes assurance and related services that are reasonably related to the performance of the audit or review of the financial statements that are not reported under Audit Fees and describes the nature of the services comprising the fees disclosed under this category.

(3) This category includes the fees for professional services rendered for tax compliance, tax advice and tax planning, and describes the nature of the services comprising the fees disclosed under this category.

(4) This category includes products and services provided by the principal accountant, other than the services reported under Audit Fees, Audit-Related Fees or Tax Fees.

Compensation Committee

The principal purpose of the Compensation Committee is to implement and oversee compensation policies approved by the Board. The duties and responsibilities of the Compensation Committee include, without limitation, the following:

- (a) to recommend to the Board compensation policies and guidelines for the Corporation; and
- (b) to review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer and, in light of those goals and objectives, to recommend to the Board the annual salary, bonus and other benefits, direct and indirect, of the Chief Executive Officer and to approve compensation for all other designated officers of the Corporation, after considering the recommendations of the Chief Executive Officer, all within the human resources and compensation policies and guidelines approved by the Board.

The Corporation has adopted a formal written charter for the Compensation Committee, which is available on the Corporation's website at www.kelsotech.com. The charter provides that the committee shall consist of at least three members of the Board, a majority of whom shall be "independent" within the meaning of the Governance Guidelines. The members of the Compensation Committee are Messrs. Cass (Chair), Hughes and Crews. All members of the Compensation Committee are independent.

All members of the Compensation Committee have direct experience which is relevant to their responsibilities as Compensation Committee members. A majority of the members of the Compensation Committee are, or have acted, as a CEO or senior management of a public or private company, and therefore have a good understanding of how compensation works and how to motivate staff. All members have good financial understanding which allows them to assess the costs versus benefits of compensation plans. The members combined experience in the railway or trucking sector provides them with the understandings of the Corporation's success factors and risks which is very important when determining the metrics for measuring success.

The Board appoints the members of the Compensation Committee for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the Corporation's Shareholders. The Board may at any time remove or replace any member of the Compensation Committee and may fill any vacancy in the committee. Any Chairperson, either appointed by the Board or designated by a majority of the Committee, shall not serve in such capacity for more than three (3) consecutive terms, unless the Board, in its sole discretion, determines to extend the term of any Chairperson for one (1) additional year.

The Compensation Committee meets regularly each year on such dates and at such locations as the Chair of the Compensation Committee determines. The Compensation Committee has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel or advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

Assessment of the Board

Prior to the preparation of this Circular the Corporate Governance and Nominating Committee distributed a Board effectiveness assessment to directors. This assessment questions members as to their level of satisfaction with the functioning of the Board, its interaction with management and the performance of the standing committees of the Board. Board members conduct peer reviews and a self-assessment regarding their effectiveness as a Board member as part of this assessment process. To ensure the assessment process is candid, the individual assessments are returned on a confidential basis to the Chair of the Corporate Governance and Nominating Committee with a copy to the Corporate Secretary. The results are compiled for the Corporate Governance and Nominating Committee. The Committee reviews and discusses the results and makes recommendations to the Board regarding any action that may be deemed necessary or advisable to ensure the Board continues to function effectively and adequately perform its mandate. The Board aims for a 100% compliance rate for completion of the assessment by directors, which was achieved this year. The peer reviews and self-assessments by Directors are considered as part of the director nomination process.

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON AT THE MEETING

Approval of Amendments to the Stock Option Plan

On April 19, 2023, the Board approved certain amendments to the Stock Option Plan to provide greater clarity to certain terms set out in the Stock Option Plan. Accordingly, at the Meeting, Shareholders will be asked to consider and, if deemed appropriate, to pass, with or without variation, a resolution in the form set out below (the "**Stock Option Plan Resolution**"), subject to such amendments, variation or additions as may be approved at the Meeting, approving certain amendments to the Stock Option Plan. A copy of the Stock Option Plan containing the proposed amendments (the "**Plan Amendments**") is attached to this Information Circular as Schedule "B".

The more substantive Stock Option Plan amendments being proposed are as follows:

- (1) the addition of the definition of "Affiliate";
- (2) the addition of the definition of a "Change of Control", which means:
 - (i) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Corporation or any of its Affiliates and another corporation or other entity, as a result of which the holders of Shares prior to the completion of the transaction hold less than 50% of the outstanding shares of the successor corporation after completion of the transaction;
 - (ii) the sale, lease, exchange or other disposition, in a single transaction or a series of related transactions, of assets, rights or properties of the Corporation and/or any of its subsidiaries which have an aggregate book value greater than 50% of the book value of the assets, rights and properties of the Corporation and its subsidiaries on a consolidated basis to any other person or entity, other than a disposition to a majority-owned subsidiary of the Corporation in the course of a reorganization of the assets of the Corporation and its subsidiaries;
 - (iii) a resolution is adopted to wind-up, dissolve or liquidate the Corporation;
 - (iv) any person, entity or group of persons or entities acting jointly or in concert (an "Acquiror") acquires or acquires control (including, without limitation, the right to vote or direct the voting) of Voting Securities of the Corporation which, when added to the Voting Securities owned of record or beneficially by the Acquiror or which the Acquiror has the right to vote or in respect of which the Acquiror has the right to direct the voting, would entitle the Acquiror and/or Associates and/or Affiliates of the Acquiror to cast or to direct the casting of 40% or more of

the votes attached to all of the Corporation's outstanding Voting Securities which may be cast to elect directors of the Corporation or the successor corporation (regardless of whether a meeting has been called to elect directors), unless a majority of the Board as constituted immediately prior to the time that such person, entity or group of persons or entities acting jointly or in concert becomes the Acquiror determines that the circumstances are such that a Change of Control should be deemed to not have occurred and any such determination shall be binding and conclusive for all purposes of the Plan;

- (v) as a result of or in connection with: (A) a contested election of directors; or (B) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisitions involving the Corporation or any of its affiliates and another corporation or other entity, the nominees named in the most recent management information circular of the Corporation for election to the Board shall not constitute a majority of the Board; or
- (vi) the Board adopts a resolution to the effect that a Change of Control as defined herein has occurred or is imminent;

For the purposes of the foregoing, "Voting Securities" means Shares and any other shares entitled to vote for the election of directors and shall include any security, whether or not issued by the Corporation, which are not shares entitled to vote for the election of directors but are convertible into or exchangeable for shares which are entitled to vote for the election of directors including any options or rights to purchase such shares or securities;

- (3) the addition of the definition of a "Eligible Person", meaning any employee, officer, director, or consultant of the Corporation or any affiliate thereof;
- (4) removing the definition of "market price";
- (5) the addition of the definition of Security Based Compensation Arrangements;
- (6) removing the limitations and restrictions relating to consultants and investor relations persons;
- (7) revising the requirements for setting the exercise price of the Options, to read in part, "The Board will establish the Exercise Price of an Option at the time each Option is granted provided that such price shall not be less than the closing price of the Shares on the TSX (or, if such Shares are not then listed and posted for trading on the TSX, on such other stock exchange on which the Shares are listed and posted for trading as may be selected by the Board) on the last business day immediately preceding the date of grant of such Option";
- (8) revising the comprehensive provision regarding written agreements;
- (9) The clarification that the aggregate number of shares which may be subject to issuance pursuant to options granted under the Stock Option Plan shall not exceed the equivalent of 10% of the issued and outstanding Shares of the Corporation from time to time. In addition, the maximum equivalent of 10% of the issued and outstanding shares of the Corporation includes any and all of the Corporation's security-based compensation arrangements in existence from time to time;
- (10) revising the comprehensive provision regarding the death of an optionee to read "If an Optionee dies, the legal representatives of the Optionee may exercise the Options held by the Optionee, the Optionee's RRSP and the Optionee's holding company within a period after the date of the Optionee's death as determined by the Board, for greater certainty such determination may be made at any time subsequent to the date of grant of the Options, provided that no Option shall remain outstanding for any period which exceeds the earlier of (i) the expiry date of such Option; and (ii) 12 months following the date of death of the Optionee, but only to the extent the Options were by their terms exercisable on the date of death. The Board may determine at any time, including for greater certainty at any time subsequent to the date of grant of the Options, that such portion of the Option vests automatically or pursuant to a vesting schedule determined by the Board. The Board may delegate authority to the Chief Executive Officer, the President and/or the Chief Financial Officer to make any determination with respect to the expiry or Termination Date of Options or vesting of Options or any portion thereof held by any deceased Optionee. If the legal representative of an Optionee who has died exercises the Option of the Optionee or the Optionee's RRSP or the Optionee's holding company in accordance with the terms of this Plan, the Corporation will have no obligation to issue the Shares until evidence satisfactory to the Corporation has been provided by the legal representative that the legal representative is entitled to act on behalf of the Optionee, the Optionee's RRSP or the Optionee's holding company to purchase the Shares under this Plan";
- (11) revising the comprehensive provision regarding the expiry on termination or cessation to read "In the event of the Termination of an Optionee, by reason of dismissal without cause or voluntary termination by the Optionee, each Option held by the Optionee, the Optionee's RRSP or the Optionee's holding company will cease to be exercisable within a period of 90 days after the Termination Date, or such

longer period as determined by the Board. For greater certainty, such determination of a longer period may be made at any time subsequent to the date of grant of the Options and the Board may delegate authority to the Chief Executive Officer, the President and/or the Chief Financial Officer of the Corporation to make any determination with respect to the expiry or Termination Date of Options held by any departing Optionee, provided, however, that the Board may not extend the period for exercise beyond the original expiry date of the Option. If any portion of an Option has not vested on the Termination Date, the Optionee, the Optionee's RRSP or the Optionee's holding company may not, after the Termination Date, exercise such portion of the Option which has not vested, provided that the Board may determine at any time, including for greater certainty at any time subsequent to the date of grant of the Options, that such portion of the Option vests automatically or pursuant to a vesting schedule determined by the Board. The Board may delegate authority to the Chief Executive Officer, the President, and/or the Chief Financial Officer to make any determination with respect to vesting of Options or any portion thereof held by any departing Optionee. In the event an Optionee is dismissed with just cause, each Option held by such Optionee, the Optionee's RRSP or the Optionee's holding company shall cease to be exercisable immediately upon the Termination Date";

- (12) revising the comprehensive provision regarding payment and statutory withholdings;
- (13) the addition of a comprehensive provision regarding the acceleration on a Change of Control. "In the event of a Change of Control, all Options outstanding shall be immediately exercisable, notwithstanding any determination of the Board pursuant to Section 4.02 hereof, if applicable. For greater certainty, upon a Change of Control, an Optionee shall not be treated any more favourably than holders of Shares with respect to the consideration that the Optionee would be entitled to receive for the Shares issuable upon exercise of their Options. If the Optionee elects to exercise its Options following a Change of Control, the Optionee shall be entitled to receive, and shall accept, in lieu of the number of Shares which he was entitled upon such exercise, the kind and amount of shares and other securities, property or cash which such holder would have been entitled to receive as a result of such Change of Control, on the effective date thereof, had the Optionee been the registered holder of the number of Shares to which the Optionee was entitled to purchase upon exercise of such Options."
- (14) the addition of a comprehensive provision regarding the right to terminate options on the sale of the Corporation;
- (15) adding a clawback provision; and
- (16) certain housekeeping amendments.

The Board has approved the Plan Amendments, subject to shareholder and stock exchange approvals.

The Board and Management recommend the adoption of the resolution approving the Plan Amendments. To be effective, the Option Plan Resolution must be approved by not less than a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting.

The text of the Stock Option Plan Resolution to be submitted to shareholders at the Meeting is set forth below:

"BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

- (a) the 10% rolling stock option plan (the "**Stock Option Plan**") of Kelso Technologies Inc. (the "Corporation"), as approved by the board of directors (the "**Board**") and substantially in the form presented to the shareholders (the "Shareholders") of the Corporation is hereby approved;
- (b) the Board be authorized on behalf of the Corporation to make any amendments to the Stock Option Plan as may be required by regulatory authorities, without further approval of the Shareholders, in order to ensure adoption of the Stock Option Plan; and
- (c) the approval of the Stock Option Plan by the Board is hereby ratified and confirmed and any one director or officer of the Corporation is hereby authorized and directed on behalf of the Corporation to execute all documents and to do all such other acts and things as such director or officer may determine to be necessary or advisable to give effect to the foregoing provisions of this resolution."

The Board believes that the passing of the Stock Option Plan Resolution is in the best interests of the Corporation and recommend that Shareholders vote in favor of the Stock Option Plan Resolution.

The persons named as proxies in the enclosed Proxy intend to cast the votes represented by proxy in favor of the Stock Option Plan Resolution unless the holder of Common Shares who has given such proxy has directed that the votes be otherwise cast.

Approval by Shareholders of the Unallocated Stock Options

Pursuant to section 613 of the TSX Company Manual, unallocated options, rights or other entitlements under a security-based compensation plan which does not have a fixed maximum aggregate of securities issuable must be approved by a majority of the issuer's directors and by the issuer's security holders every three years.

Outstanding unexercised Options granted pursuant to the Plan are considered "allocated" Options by the TSX.

The Stock Option Plan provides that the maximum number of Common Shares issuable from treasury by the Corporation under the Stock Option Plan shall not exceed 10% (on a rolling basis) of the Corporation's issued and outstanding Common Shares from time to time, in combination with all other security-based compensation plans of the Corporation. The number of "unallocated" Options is calculated by subtracting (i) the number of Common Shares issuable pursuant to outstanding Options under the Stock Option Plan and the number of common shares issuable under all other security-based compensation plans (ii) from the number calculated as 10% of the issued and outstanding Common Shares at the time.

As at the date of this Information Circular, the Corporation has 54,320,086 Common Shares issued and outstanding, and accordingly, a maximum of 5,432,008 Common Shares are available for issuance under the Stock Option Plan. As of the date of this Information Circular, there were 2,560,000 Options (4.71%) outstanding under the Stock Option Plan and 644,989 (1.19%) of RSU's outstanding, leaving 2,227,019 unallocated Options (4.10%) available for grant.

If approval of the unallocated Options is obtained at the Meeting, the Corporation will not be required to seek further approval of the grant of unallocated Options under the Stock Option Plan until the Corporation's 2025 annual and special shareholders' meeting (provided that such meeting is held on or prior to June 1, 2025). If approval is not obtained at the Meeting, any currently unallocated Options under the Stock Option Plan will no longer be available for grant, and previously granted Options will not be available for reallocation if they are cancelled or forfeited prior to exercise. The Corporation is seeking shareholder approval of the unallocated Options with or without shareholder approval of the proposed amendments to the Stock Option Plan set out above.

The Corporation requests that the Shareholders approve the unallocated Options issuable pursuant to the Stock Option Plan. To be effective, the Unallocated Option Resolution must be approved by not less than a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting. Accordingly, the shareholders will be asked at the Meeting to pass the following ordinary resolution (the "**Unallocated Option Resolution**"):

"BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

- (a) all unallocated stock options issuable pursuant to the Stock Option Plan are hereby approved and authorized;
- (b) the Corporation is hereby authorized to continue granting options under the Stock Option Plan until June 1, 2025, being three years from the date of the Meeting;
- (c) any director or officer is hereby authorized to take all necessary steps and proceedings, and to execute, deliver and file any and all applications, declarations, documents and other instruments, and do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this resolution."

The Board believes that the passing of the Unallocated Option Resolution is in the best interests of the Corporation and recommend that Shareholders vote in favor of the Unallocated Option Resolution.

The persons named as proxies in the enclosed Proxy intend to cast the votes represented by proxy in favor of the Unallocated Option Resolution unless the holder of Common Shares who has given such proxy has directed that the votes be otherwise cast.

Management of the Corporation knows of no other matters to come before the Meeting other than those referred to in the Notice of Meeting. However, if any other matters that are not known to management should properly come before the Meeting, the accompanying form of proxy confers discretionary authority upon the persons named therein to vote on such matters in accordance with their best judgment.

OTHER BUSINESS

Other than the matters referred to in the Notice of Meeting, Management is not aware of any other matters to come before the Meeting. However, if any other matters which are not now known to Management should properly come before the Meeting, the Common Shares represented by proxies in favour of Management nominees will be voted on such matters as the proxy nominee sees fit.

ADDITIONAL INFORMATION

The Board approves the Corporation's annual Financial Statements and annual MD&A, interim quarterly reports to shareholders and the content of the Corporation's other significant public disclosure documents. These and other prescribed documents are available on the Corporation's website at www.kelsotech.com and are also available under the Corporation's profile on SEDAR at www.sedar.com_in in Canada and on EDGAR at www.sec.gov in the United States. Also available on the Corporation's website are copies of the mandate for the Chair and Lead Director as well as the Corporation's Board mandate.

The Corporation maintains a corporate website at www.kelsotech.com that includes, among other things, an investors section containing past annual and quarterly reports and press releases. Financial information regarding the Corporation is provided in the annual financial statements and annual MD&A for the period ended December 31, 2022. The Corporation will provide, at no charge to the shareholder, a copy of its latest Financial Statements and MD&A for the year ended December 31, 2022, interim quarterly reports for subsequent periods, and a copy of this Information Circular upon request to the to the Corporation as follows:

- (i) e-mail: klove@kelsotech.com
- (ii) telephone: 1 (250) 212-4318
- (iii) mail: Kelso Technologies Inc.
13966 18B Avenue
Surrey, British Columbia, Canada V4A 8J1
Attn: Corporate Development

DIRECTORS' APPROVAL

The contents and the distribution of this Information Circular to the Shareholders of the Corporation has been approved by the Board.

**BY ORDER OF THE BOARD OF DIRECTORS
KELSO TECHNOLOGIES INC.**

"James R. Bond"

James R. Bond,
President, Chief Executive Officer and Director

Dated: April 19, 2023

SCHEDULE “A”
MANDATE OF THE AUDIT COMMITTEE
(Amended, restated and adopted by the Board of Directors on April 28, 2021, reviewed and ratified by the Board of Directors on March 22, 2023)

1. MANDATE

The Audit Committee (the “**Committee**”) will assist the Board of Directors (the “**Board**”) of Kelso Technologies Inc. (the “**Corporation**”) in fulfilling its financial oversight responsibilities. The Committee will review and consider, in consultation with the Corporation’s external auditors, the accounting and financial reporting process, the system of internal control over financial reporting and the audit process. In performing its duties, the Committee will maintain effective working relationships with the Board, management and the external auditors. To effectively perform their role, each Committee member must obtain an understanding of the principal responsibilities of Committee membership as well as the Corporation’s business, operations and risks.

2. COMPOSITION

The Board will appoint, from among their membership, a Committee after each annual meeting of the shareholders of the Corporation. The Committee will consist of a minimum of three directors.

The Board may remove a member of the Committee at any time in its sole discretion by resolution of the Board. Unless a Chairperson is appointed by the Board, the members of the Committee may designate a Chairperson by majority vote of the Committee.

Any Chairperson, either appointed by the Board or designated by a majority of the Committee, shall not serve in such capacity for more than three (3) consecutive terms, unless the Board, in its sole discretion, determines to extend the term of any Chairperson for one (1) additional year.

2.1 Independence

Each member of the Committee must be “independent”, as defined in Sec. 1.4 of National Instrument 52-110 (Audit Committees) (“NI 52-110”) and in accordance with Rule 10A-3 of the United States Securities Exchange Act of 1934, as amended (“Rule 10A-3”).

2.2 Expertise of Committee Members

A majority of the members of the Committee must be “financially literate” (as defined in Sec. 1.6 of NI 52-110) or must become financially literate within a reasonable period of time after their appointment to the Committee, and each member must be financially literate in accordance with Rule 10A-3. At least one member of the Committee must have accounting or related financial management expertise in accordance with Rule 10A-3 and be considered an audit committee financial expert as defined in Item 407(d)(5)(ii) and (iii) of Regulation S-K.

3. MEETINGS

The Committee shall meet in accordance with a schedule established each year by the Board, and at other times that the Committee may determine. The Committee shall meet at least annually with the Corporation’s Chief Financial Officer and external auditors in separate executive sessions.

4. ROLES AND RESPONSIBILITIES

The Committee shall fulfill the following roles and discharge the following responsibilities:

4.1 External Audit

The Committee shall be directly responsible for appointing, compensating, retaining and overseeing the work of the external auditors in preparing or issuing the auditor’s report, or performing other audit, review or attestation services,

including the resolution of disagreements between management and the external auditors regarding financial reporting. In carrying out this duty, the Committee shall:

- (a) recommend to the Board that the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services for the Corporation;
- (b) review (by discussion and enquiry) the external auditors' proposed audit scope and approach;
- (c) review the performance of the external auditors and recommend to the Board the appointment, retention or discharge of the external auditors;
- (d) review and recommend to the Board the compensation to be paid to the external auditors;
- (e) resolve disagreements between management and the external auditor regarding financial reporting;
- (f) ensure receipt from the external auditors of a formal written statement delineating all relationships between the external auditors and the Company and actively engage in a dialogue with the external auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the external auditors;
- (g) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards;
- (h) take or recommend that the Board take appropriate action to oversee the independence of the external auditors; and
- (i) review and approve the Corporation's hiring policies regarding partners and employees, and former partners and employees, of the present and former external auditor of the Corporation.

4.2 Internal Control

The Committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Corporation. In carrying out this duty, the Committee shall:

- (a) evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Corporation; and
- (b) ensure that the external auditors discuss with the Committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.

4.3 Financial Reporting

The Committee shall review the financial statements and financial information of the Corporation prior to their release to the public. In carrying out this duty, the Committee shall:

General

- (a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions; and
- (b) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate.

Annual Financial Statements

- (a) review the draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;
- (b) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered; and
- (c) review management's discussion & analysis respecting the annual reporting period prior to its release to the public.

Interim Financial Statements

- (a) review and approve the interim financial statements prior to their release to the public; and
- (b) review management's discussion & analysis respecting the interim reporting period prior to its release to the public.

Release of Financial Information

- (a) where reasonably possible, review and approve all public disclosure containing financial information, including news releases, prior to release to the public. The Committee must be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and must periodically assess the adequacy of those procedures.

4.4 Non-Audit Services

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Corporation or any subsidiary of the Corporation shall be subject to the prior approval of the Committee.

Delegation of Authority

- (a) The Committee may delegate to one or more independent members of the Committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the Committee at its next scheduled meeting.

De-Minimis Non-Audit Services

- (a) The Committee may satisfy the requirement for the pre-approval of non-audit services if:
 - (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Corporation and its subsidiaries to the external auditor during the fiscal year in which the services are provided; or
 - (ii) the services are brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated.

Pre-Approval Policies and Procedures

- (a) The Committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:
 - (i) the pre-approval policies and procedures are detailed as to the particular service;
 - (ii) the Committee is informed of each non-audit service; and
 - (iii) the procedures do not include delegation of the Committee's responsibilities to management.

4.5 Other Responsibilities

The Committee shall:

- (a) establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters;
- (b) establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- (c) ensure that significant findings and recommendations made by management and the external auditor are received and discussed on a timely basis;
- (d) review the policies and procedures in effect for considering officers' expenses and perquisites;
- (e) perform other oversight functions as requested by the Board from time to time;
- (f) oversee and annually review the Corporation's Code of Business Conduct and Ethics as well as the Corporation's:
 - Blackout Period Policy
 - Internal Employee Alert Policy
 - Anti-Bribery and Anti-Corruption Policyand receive approval of any changes to such policies from the Board.

- (g) annually review and reassess the adequacy of this Mandate; and
- (h) update this Mandate and receive approval of changes to this Mandate from the Board.

4.6 Reporting Responsibilities

The Committee shall regularly update the Board about Committee activities and make appropriate recommendations.

5. RESOURCES AND AUTHORITY OF THE AUDIT COMMITTEE

The Committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to:

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for the external auditor and any advisors employed by the Committee;
- (c) pay ordinary administrative expenses that are necessary or appropriate in carrying out its duties; and
- (d) communicate directly with the internal and external auditors.

6. GUIDANCE – ROLES & RESPONSIBILITIES

The Committee should consider undertaking the actions described in the following guidance, which is intended to provide the Committee members with additional guidance on fulfilment of their roles and responsibilities on the Committee:

6.1 Internal Control

- (a) evaluate whether management is setting the goal of high standards by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities,
- (b) focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of an IT systems breakdown, and
- (c) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.

6.2 Financial Reporting

General

- (a) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements;
- (b) ask management and the external auditors about significant risks and exposures and the plans to minimize such risks; and
- (c) understand industry best practices and the Corporation's adoption of them.

Annual Financial Statements

- (a) review the annual financial statements and determine whether they are complete and consistent with the information known to Committee members, and assess whether the financial statements reflect appropriate accounting principles in light of the jurisdictions in which the Corporation reports or trades its shares;
- (b) pay attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;
- (c) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses; warranty, professional liability; litigation reserves; and other commitments and contingencies;
- (d) consider management's handling of proposed audit adjustments identified by the external auditors; and
- (e) ensure that the external auditors communicate all required matters to the Committee.

Interim Financial Statements

- (a) be briefed on how management develops and summarizes interim financial information and the extent to which the external auditors review interim financial information;

- (b) meet with management and the auditors, either telephonically or in person, to review the interim financial statements;
- (c) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:
 - (i) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;
 - (ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financials statements are consistent with changes in the Corporation's operations and financing practices;
 - (iii) generally accepted accounting principles have been consistently applied;
 - (iv) there are any actual or proposed changes in accounting or financial reporting practices;
 - (v) there are any significant or unusual events or transactions;
 - (vi) the Corporation's financial and operating controls are functioning effectively;
 - (vii) the Corporation has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreements; and
 - (viii) the interim financial statements contain adequate and appropriate disclosures.

6.3 Compliance with Laws and Regulations

- (a) periodically obtain updates from management regarding compliance with this policy and industry "best practices";
- (b) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements;
- (c) review the findings of any examinations by securities regulatory authorities and stock exchanges; and
- (d) be satisfied that the Corporation has adequate policies, procedures and practices for the maintenance of the books, records and accounts by the Corporation with respect to third party payments in compliance with applicable laws, including, without limitation, the *Corruption of Foreign Public Officials Act* (Canada) and the United States *Foreign Corrupt Practices Act*.

6.4 Other Responsibilities

- (a) review with the Corporation's counsel, any legal matters that could have a significant impact on the Corporation's financial statements.

This Mandate is a statement of broad policies and is intended as a component of the flexible governance framework within which the committees of the Board assist the Board in directing the affairs of the Corporation. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Corporation's articles, it is not intended to establish any legally binding obligations.

**SCHEDULE “B”
STOCK OPTION PLAN WITH THE PLAN AMENDMENTS**

**KELSO TECHNOLOGIES INC.
STOCK OPTION PLAN
As approved by the Shareholders
on June 1, 2023**

**PART 1
INTERPRETATION**

1.01 Definitions. In this Plan the following words and phrases shall have the following meanings, namely:

- (a) “Affiliate” means an affiliate of the Company within the meaning of Section 1.3 of National Instrument 45-106 – Prospectus Exemptions, as may be amended or replaced from time to time (“NI 45-106”);
- (b) “Associate” means, where used to indicate a relationship with any person:
 - (i) a partner, other than a limited partner, of that person;
 - (ii) a trust or estate in which that person has a substantial beneficial interest or for which that person serves as trustee or in a similar capacity;
 - (iii) a company in respect of which that person beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the company; or
 - (iv) a relative, including the spouse or child, of that person or a relative of that person’s spouse, where the relative has the same home as that person;

and for the purpose of this definition, “spouse” includes an individual who is living with another individual in a marriage-like relationship;

- (c) “Board” means the Board of Directors of the Company or, if applicable, the Committee;
- (d) “Change of Control” means the occurrence of any one or more of the following events:
 - (i) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Company or any of its Affiliates and another corporation or other entity, as a result of which the holders of Shares prior to the completion of the transaction hold less than 50% of the outstanding shares of the successor corporation after completion of the transaction;
 - (ii) the sale, lease, exchange or other disposition, in a single transaction or a series of related transactions, of assets, rights or properties of the Company and/or any of its subsidiaries which have an aggregate book value greater than 50% of the book value of the assets, rights and properties of the Company and its subsidiaries on a consolidated basis to any other person or entity, other than a disposition to a

majority-owned subsidiary of the Company in the course of a reorganization of the assets of the Company and its subsidiaries;

- (iii) a resolution is adopted to wind-up, dissolve or liquidate the Company;
- (iv) any person, entity or group of persons or entities acting jointly or in concert (an “Acquiror”) acquires or acquires control (including, without limitation, the right to vote or direct the voting) of Voting Securities of the Company which, when added to the Voting Securities owned of record or beneficially by the Acquiror or which the Acquiror has the right to vote or in respect of which the Acquiror has the right to direct the voting, would entitle the Acquiror and/or Associates and/or Affiliates of the Acquiror to cast or to direct the casting of 40% or more of the votes attached to all of the Company’s outstanding Voting Securities which may be cast to elect directors of the Company or the successor corporation (regardless of whether a meeting has been called to elect directors), unless a majority of the Board as constituted immediately prior to the time that such person, entity or group of persons or entities acting jointly or in concert becomes the Acquiror determines that the circumstances are such that a Change of Control should be deemed to not have occurred and any such determination shall be binding and conclusive for all purposes of the Plan;
- (v) as a result of or in connection with: (A) a contested election of directors; or (B) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisitions involving the Company or any of its affiliates and another corporation or other entity, the nominees named in the most recent management information circular of the Company for election to the Board shall not constitute a majority of the Board; or
- (vi) the Board adopts a resolution to the effect that a Change of Control as defined herein has occurred or is imminent;

For the purposes of the foregoing, “**Voting Securities**” means Shares and any other shares entitled to vote for the election of directors and shall include any security, whether or not issued by the Company, which are not shares entitled to vote for the election of directors but are convertible into or exchangeable for shares which are entitled to vote for the election of directors including any options or rights to purchase such shares or securities;

- (e) “Committee” means a committee of the Board appointed in accordance with this Plan or, if no such committee is appointed, the Board itself;
- (f) “Company” means Kelso Technologies Inc;
- (g) “Consultant” means, in relation to the Company, an individual (or a company wholly-owned by an individual) who:
 - (i) provides ongoing consulting services to the Company or an affiliate of the Company under a written contract;
 - (ii) possesses technical, business or management expertise of value to the Company or an affiliate of the Company;

- (iii) spends a significant amount of time and attention on the business and affairs 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 individual to be knowledgeable about the business and affairs of the Company;
- (e) “Director” means any director of the Company or of any of its subsidiaries.
- (f) “Discounted Market Price” means the Market Price less the maximum discounts based on closing price, if any, that are permitted by the policies of the Exchange;
- (h) “Disinterested Shareholder Approval” means that the proposal must be approved by a majority of the votes cast at the shareholders’ meeting other than votes attaching to securities beneficially owned by Insiders and their Associates to whom shares may be issued pursuant to this Plan and, for purposes of this Plan, holders of non-voting and subordinate voting securities (if any) will be given full voting rights on a resolution which requires disinterested shareholder approval;
- (g) “Eligible Person” means, subject to the terms hereof and to all applicable law, any Employee, officer, Director, or Consultant of the Company or any Affiliate thereof;
- (h) “Employee” means:
- (i) an individual who is considered an employee of the Company or any of its subsidiaries under the *Income Tax Act* (i.e. for whom deductions (income tax, EI and CPP) must be made at source);
 - (ii) an individual who is a full-time (i.e. 35 - 40 hours per week) dependent contractor, that is one who works full-time for the Company or any of its subsidiaries providing services normally provided by an employee and is subject to the same control and direction by the Company or its subsidiary over the detail and methods of work as an employee of the Company or its subsidiary, but for whom income tax deductions are not made at source; or
 - (iii) a part-time dependent contractor, that is an individual who works for the Company or any of its subsidiaries on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and is subject to the same control and direction by the Company or its subsidiary over the details and methods of work as an employee of the Company or its subsidiary, but for whom income tax deductions are not made at source;
- and includes Management Company Employees and Consultants;
- (i) “Exchange” means the TSX or another stock exchange where the majority of the trading volume and value of the common shares of the Company occurs;
- (j) “Holding Company” means a holding company wholly owned and controlled by an Eligible Person;

- (k) “Insider” means:
 - (i) a director or senior officer of the Company;
 - (ii) a director or senior officer of a person that is itself an insider or subsidiary of the Company;
 - (iii) a person that beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the Company; or
 - (iv) the Company itself if it holds any of its own securities.
- (h) “Management Company Employee” means an individual employed by a person providing management services to the Company, which are required for the ongoing successful operation of the business enterprise of the Company, but excluding a person engaged in investor relations activities;
- (i) “Officer” means any senior officer of the Company or of any of its subsidiaries as defined in the Securities Act (British Columbia);
- (j) “Optionee” shall mean an Eligible Person to whom or to whose RRSP or to whose Holding Company an Option has been granted under the terms of the Plan or who holds an Option that is otherwise subject to the terms of the Plan;
- (k) “Plan” means this stock option plan, as it may be amended from time to time;
- (l) “RRSP” means a registered retirement savings plan as defined in the Income Tax Act (Canada);
- (m) “Security Based Compensation Arrangements” means any and all plans or other arrangements whereby equity shares of the Company or securities convertible into shares are issued, reserved for issuance or rights to such securities granted, where such rights are granted primarily for compensation purposes and are not issued as part of a securities offering for cash or other tangible consideration;
- (n) “Shares” means common shares without par value in the capital of the Company;
- (o) “Shareholder” means the holders of Shares of the Company;
- (p) “subsidiary” means a corporation which is a subsidiary of the Company as defined under the Securities Act (British Columbia);
- (q) “Termination” means: (i) in the case of an Employee, the termination of the employment of the Employee by the Company or an Affiliate or cessation of employment of the Employee with the Company or an Affiliate as a result of resignation; (ii) in the case of an officer or Director, the removal or resignation of, or failure to re-elect or re-appoint the individual as an officer or Director of the Company or an Affiliate; and (iii) in the case of a Consultant, the termination of the services of a Consultant by the Company or an Affiliate;

- (r) “Termination Date” means the date on which an Optionee ceases to be an Eligible Person due to the Termination of the Optionee and shall not include any period of notice or payment in lieu of notice, severance or reasonable notice of termination, except to the extent required by minimum employment standards legislation, if applicable;
- (s) “Transfer” includes any sale, exchange, assignment, gift, bequest, disposition, mortgage, charge, pledge, encumbrance, grant of security interest or other arrangement by which possession, legal title or beneficial ownership passes from one person to another, or to the same person in a different capacity, whether or not voluntary and whether or not for value, and any agreement to effect any of the foregoing; and
- (t) “TSX” means the Toronto Stock Exchange.

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

PART 2

PURPOSE OF PLAN

- 2.01 The purpose of this Plan is to advance the interests of the Company by (i) providing Eligible Persons with additional incentive; (ii) encouraging stock ownership by Eligible Persons; (iii) increasing the proprietary interest of Eligible Persons in the success of the Company; (iv) encouraging Eligible Persons to remain with the Company or its Affiliates; and (v) attracting individuals to become Employees, officers, Directors and Consultants to the Company or its Affiliates.

PART 3

GRANTING OR AMENDING OF OPTIONS

- 3.01 Administration. This Plan shall be administered by the Board or, if the Board so elects, by a committee (consisting of not less than three (3) of its members) appointed by the Board. Any Committee shall administer the Plan on behalf of the Board in accordance with such terms and conditions as the Board may prescribe, consistent with this Plan. Once appointed, the Committee shall continue to serve until otherwise directed by the Board. From time to time, the Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and either appoint new members in their place or decrease the size of the Committee, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer the Plan. A majority of the members of the Committee shall constitute a quorum, and, subject to the limitations in this Part 3, all actions of the Committee shall require the affirmative vote of members who constitute a majority of such quorum. Members of the Committee may vote on any matters affecting the administration of the Plan or the grant of options pursuant to the Plan, except that no such member shall act upon the granting of an option to himself (but any such member may be counted in determining the existence of a quorum at any meeting of the Committee during which action is taken with respect to granting options to him).
- 3.02 Committee’s Recommendations. The Board may accept all or any part of the recommendations of the Committee or may refer all or any part thereof back to the Committee for further consideration and recommendation. Such recommendations may include, but not be limited to, the following:

- (a) resolution of questions arising in respect of the administration, interpretation and application of the Plan;
 - (b) reconciliation of any inconsistency or defect in the Plan in such manner and to such extent as shall reasonably be deemed necessary or advisable to carry out the purpose of the Plan;
 - (c) determination of the Eligible Persons, an Eligible Person's RRSP and an Eligible Person's Holding Company may receive Options on more than one occasion under this Plan and may receive separate Options on any one occasion;
 - (d) determination of the terms and conditions of the option agreement to be entered into with any optionee, consistent with this Plan; and
 - (e) determination of the duration and purpose of leaves of absence from employment which may be granted to optionees without constituting a termination of employment for purposes of the Plan.
- 3.03 Grant by Resolution. The Board, on its own initiative or, if a Committee of the Board shall have been appointed for the purpose of administering this Plan, upon the recommendation of such Committee, may by resolution designate those Employees, Officers and Directors to whom options should be granted (unless the Committee has been authorized by the Board to pass such resolution in which case they may do as so authorized).
- 3.04 Terms of Options. The resolution of the Board, or the Committee if applicable, shall specify the number of Shares that should be placed under option to each optionee, the price per Share to be paid upon exercise of the options, and the period during which such options may be exercised.
- 3.05 Written Agreements. Every option granted under this Plan shall be evidenced by a written agreement between the Company and the Optionee (the "Agreement"). The form of the Agreement may be determined by the Board from time to time, provided that such form is not contrary to the Plan or to TSX rules, signed by the Company and the Optionee or an RRSP of which the Optionee is an annuitant or the Optionee's Holding Company. Each Option Agreement shall, if the Optionee is an Employee, or a Consultant, contain a representation and warranty by the Company and such Optionee that such Optionee is a *bona fide* Employee, or Consultant, as the case may be, of the Company or an Affiliate. In the event of any discrepancy between this Plan and an Option Agreement, the provisions of this Plan shall govern.
- 3.06 Regulatory Approvals. The Board shall obtain all necessary regulatory approvals that may be required under applicable securities laws or the rules or policies of the Exchange. The Board shall also take reasonable steps to ensure that no options granted under the Plan, or the exercise thereof, shall violate the securities laws of the jurisdiction in which any optionee resides.
- 3.07 Amendment of Options. Options may also be amended under this Plan, whether granted under this Plan or otherwise, and the terms of this Plan shall apply *mutatis mutandis*.

PART 4
CONDITIONS GOVERNING THE GRANTING AND EXERCISING OF OPTIONS

- 4.01 Exercise Price. The Board will establish the Exercise Price of an Option at the time each Option is granted provided that such price shall not be less than the closing price of the Shares on the TSX (or, if such Shares are not then listed and posted for trading on the TSX, on such other stock exchange on which the Shares are listed and posted for trading as may be selected by the Board) on the last business day immediately preceding the date of grant of such Option. If there is no trading on that date, the Exercise Price shall not be less than the greater of (i) the volume weighted average of the trading prices or (ii) the average daily high and low board lot trading prices, on the five consecutive trading days preceding the date of the grant. In the event the Shares are not listed on any exchange and do not trade on any dealing network, the Exercise Price will be determined by the Board.
- 4.02 Expiry Date. Subject to section 9.05, each option shall, unless sooner terminated, expire on a date to be determined by the Board which will not exceed 10 years from the day the option is granted.
- 4.03 Different Exercise Periods, Prices and Number. The Board may, in its absolute discretion, upon granting options under this Plan, specify different time periods following the dates of granting the options during which the optionees may exercise their options to purchase Shares and may designate different exercise prices and numbers of Shares in respect of which each optionee may exercise his option during each respective time period.
- 4.04 Number of Shares. The number of Shares reserved for issuance to any one person pursuant to options granted under this Plan or otherwise, shall not exceed the maximum percentage of the issued and outstanding Shares at the time of granting of the options, if any, as may be prescribed by the policies of the Exchange.
- 4.05 Insider Participation Limit. If the Company's shares are listed for trading on the TSX options shall not be granted under the Stock Option Plan or securities be made issuable under any other share compensation arrangement which could result in:
- (a) the number of common shares issuable to Insiders exceeding 10% of the issued and outstanding shares at the time of such grant; and
 - (b) the number of common shares issued within any one year period pursuant to the exercise of options and any other share compensation arrangement to Insiders, exceeding 10% of the issued and outstanding shares.
- 4.06 Death of Optionee. If an Optionee dies, the legal representatives of the Optionee may exercise the Options held by the Optionee, the Optionee's RRSP and the Optionee's Holding Company within a period after the date of the Optionee's death as determined by the Board, for greater certainty such determination may be made at any time subsequent to the date of grant of the Options, provided that no Option shall remain outstanding for any period which exceeds the earlier of (i) the expiry date of such Option; and (ii) 12 months following the date of death of the Optionee, but only to the extent the Options were by their terms exercisable on the date of death. The Board may determine at any time, including for greater certainty at any time subsequent to the date of grant of the Options, that such portion of the Option vests automatically or pursuant to a vesting schedule determined by the Board. The Board may delegate authority to the Chief Executive Officer, the President and/or the Chief Financial Officer to make any determination with respect to the expiry or Termination Date of Options or vesting of Options or any portion thereof held by any deceased Optionee. If the legal representative of an Optionee who has died

exercises the Option of the Optionee or the Optionee's RRSP or the Optionee's Holding Company in accordance with the terms of this Plan, the Company will have no obligation to issue the Shares until evidence satisfactory to the Company has been provided by the legal representative that the legal representative is entitled to act on behalf of the Optionee, the Optionee's RRSP or the Optionee's Holding Company to purchase the Shares under this Plan.

- 4.07 Expiry on Termination or Cessation. In the event of the Termination (not a defined term) of an Optionee, by reason of dismissal without cause or voluntary termination by the Optionee, each Option held by the Optionee, the Optionee's RRSP or the Optionee's Holding Company will cease to be exercisable within a period of 90 days after the Termination Date, or such longer period as determined by the Board. For greater certainty, such determination of a longer period may be made at any time subsequent to the date of grant of the Options and the Board may delegate authority to the Chief Executive Officer, the President and/or the Chief Financial Officer of the Company to make any determination with respect to the expiry or Termination Date of Options held by any departing Optionee, provided, however, that the Board may not extend the period for exercise beyond the original expiry date of the Option. If any portion of an Option has not vested on the Termination Date, the Optionee, the Optionee's RRSP or the Optionee's Holding Company may not, after the Termination Date, exercise such portion of the Option which has not vested, provided that the Board may determine at any time, including for greater certainty at any time subsequent to the date of grant of the Options, that such portion of the Option vests automatically or pursuant to a vesting schedule determined by the Board. The Board may delegate authority to the Chief Executive Officer, the President, and/or the Chief Financial Officer to make any determination with respect to vesting of Options or any portion thereof held by any departing Optionee.

In the event an Optionee is dismissed with just cause, each Option held by such Optionee, the Optionee's RRSP or the Optionee's Holding Company shall cease to be exercisable immediately upon the Termination Date.

- 4.08 Leave of Absence. Employment shall be deemed to continue intact during any sick leave or other bona fide leave of absence if the period of such leave does not exceed 90 days or, if longer, for so long as the optionee's right to reemployment is guaranteed either by statute or by contract. If the period of such leave exceeds 90 days and the optionee's reemployment is not so guaranteed, then his employment shall be deemed to have terminated on the ninety-first day of such leave.
- 4.09 Assignment. No option granted under this Plan or any right thereunder or in respect thereof shall be transferable or assignable otherwise than by will or pursuant to the laws of succession except that, if permitted by the rules and policies of the Exchange, an optionee shall have the right to assign any option granted to him hereunder to a trust or similar legal entity established by such optionee.
- 4.10 Notice. Options shall be exercised only in accordance with the terms and conditions of the agreements under which they are respectively granted and shall be exercisable only by notice in writing to the Company at its principal place of business.
- 4.11 Payment. The Exercise Price of each Share purchased under an Option plus such amount as may be required by applicable legislation for statutory withholdings as set out more fully in Section 4.13 hereof must be paid in full to the Company and upon receipt of payment in full, but subject to the terms of this Plan, the number of Shares in respect of which the Option is exercised will be duly issued as fully paid and non-assessable. Share certificates representing the number of Shares in respect of which the Option has been exercised will be issued only upon payment in full of the relevant Exercise Price and, if applicable, statutory withholdings to the Company.

- 4.12 Share Certificate. As soon as practicable after due exercise of an option, the Company shall issue a share certificate evidencing the Shares with respect to which the option has been exercised. Until the issuance of such share certificate, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to such Shares, notwithstanding the exercise of the option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the share certificate is issued, except as provided in Part 6 hereof.
- 4.13 Statutory Withholdings. The exercise of each Option granted under the Plan is subject to the condition that if at any time the Company determines, in its discretion, that the satisfaction of withholding tax or other source deductions is necessary or desirable in respect of such exercise, such exercise is not effective unless such withholding has been effected to the satisfaction of the Company. In such circumstances, the Company may require that an Optionee pay to the Company, in addition to and in the same manner as the Exercise Price for the Shares, such amount as the Company is obliged to remit to the relevant taxing authority in respect of the exercise of the Option or, alternatively, the Company shall have the right in its discretion to satisfy any such liability for withholding or other required deduction by retaining any Shares acquired upon exercise of any Option and selling such Shares in the open market for and on behalf of the Optionee, or retaining any amount payable, to an Optionee by the Company, whether or not such amounts are payable under the Plan.
- 4.14 Vesting. Subject to the discretion of the Board, the options granted to an optionee under this Plan shall fully vest on the date of grant of such options.
- 4.15 Hold Period. In addition to any resale restrictions under applicable legislation, all options granted hereunder and all Shares issued on the exercise of such options will, if applicable under the policies of the Exchange, be subject to a four month hold period from the date the options are granted, and the stock option agreements and the certificates representing such Shares will bear the legend, if any, required by the policies of the Exchange.
- 4.16 Individuals. Options may be granted only to an individual or to a company that is wholly-owned by an individual who is eligible for an option grant. Only individuals who are Directors, Officers, Consultants, Employees or Management Company Employees may be granted stock options. If the optionee is a Consultant, Employee or Management Company Employee, the Company must represent that the optionee is a bona fide Consultant, Employee or Management Company Employee, as the case may be. If the optionee is a company, it must agree not to effect or permit any transfer of ownership or option of shares of the company or to issue further shares of any class in the company to any other individual or entity as long as the incentive stock option remains outstanding, except with the written consent of the Board and, if required, the Exchange.
- 4.17 Grant to Optionee's RRSP or Holding Company. Upon written notice from an Eligible Person, any Option that might otherwise be granted to that Eligible Person, will be granted, in whole or in part, to an RRSP or a Holding Company established by and for the sole benefit of the Eligible Person.
- 4.18 Acceleration on Change of Control. In the event of a Change of Control, all Options outstanding shall be immediately exercisable, notwithstanding any determination of the Board pursuant to Section 4.02 hereof, if applicable. For greater certainty, upon a Change of Control, an Optionee shall not be treated any more favourably than holders of Shares with respect to the consideration that the Optionee would be entitled to receive for the Shares issuable upon exercise of their Options.

If the Optionee elects to exercise its Options following a Change of Control, the Optionee shall be entitled to receive, and shall accept, in lieu of the number of Shares which he was entitled upon such exercise, the kind and amount of shares and other securities, property or cash which such holder would have been entitled to receive as a result of such Change of Control, on the effective date thereof, had the Optionee been the registered holder of the number of Shares to which the Optionee was entitled to purchase upon exercise of such Options.

PART 5

RESERVE OF SHARES FOR OPTIONS

- 5.01 Maximum Number of Shares Reserved Under Plan. The aggregate number of Shares which may be subject to issuance pursuant to options granted under this Plan:
- (a) shall not exceed the equivalent of 10% of the issued and outstanding Shares of the Company from time to time. In addition, all options granted outside of this Plan, which are in existence on the effective date of this Plan, shall be counted as if granted under this Plan. The terms of this Plan shall not otherwise govern such pre-existing options;
 - (b) in combination with the aggregate number of Shares which may be issuable under any and all of the Company's Security Based Compensation Arrangements in existence from time to time, shall not exceed 10% of the total number of issued and outstanding Shares on a non-diluted basis, or such other number of Shares as shall have been duly approved by the Board, by the Exchange and by the Shareholders (not a defined term?).
- 5.02 Sufficient Authorized Shares to be Reserved. Whenever the Memorandum or Articles of the Company limit the number of authorized Shares, a sufficient number of Shares shall be reserved by the Board to satisfy the exercise of options granted under this Plan or otherwise. Shares that were the subject of options that have lapsed or terminated shall thereupon no longer be in reserve and may once again be subject to an option granted under this Plan.
- 5.03 Disinterested Shareholder Approval. Disinterested Shareholder Approval will be sought, as and when required by applicable securities laws and the policies of the Exchange, in connection with this Plan, the administration thereof, and the grant of options hereunder. No actions requiring Shareholder Approval shall be taken by the Company unless the requisite approval has been obtained.

PART 6

CHANGES IN SHARES

- 6.01 Share Consolidation or Subdivision. In the event that the Shares are at any time subdivided or consolidated, the number of Shares reserved for option and the price payable for any Shares that are then subject to option shall be adjusted accordingly.
- 6.02 Stock Dividend. In the event that the Shares are at any time changed as a result of the declaration of a stock dividend thereon, the number of Shares reserved for option and the price payable for any Shares that are then subject to option may be adjusted by the Board to such extent as they deem proper in their absolute discretion.
- 6.03 Reorganization. Subject to any required action by its shareholders, if the Company shall be a party to a reorganization, merger, dissolution or sale or lease of all or substantially all of its assets, whether or not the Company is the surviving entity, the option shall be adjusted so as to

apply to the securities to which the holder of the number of shares of capital stock of the Company subject to the option would have been entitled by reason of such reorganization, merger or sale or lease of all or substantially all of its assets, provided however that the Company may satisfy any obligations to an optionee hereunder by paying to the said optionee in cash the difference between the exercise price of all unexercised options granted hereunder and the fair market value of the securities to which the optionee would be entitled upon exercise of all unexercised options, regardless of whether all conditions of exercise relating to continuous employment have been satisfied. Adjustments under this paragraph or any determinations as to the fair market value of any securities shall be made by the Board, or any committee thereof specifically designated by the Board to be responsible therefor, and any reasonable determination made by the said Board or committee thereof shall be binding and conclusive.

- 6.04 Rights Offering. If at any time the Company grants to the holders of its capital stock rights to subscribe for and purchase pro rata additional securities of the Company or of any other corporation or entity, there shall be no adjustments made to the number of shares or other securities subject to the option in consequence thereof and the said stock option of the optionee shall remain unaffected.

PART 7
EXCHANGE'S RULES AND POLICIES APPLY

- 7.01 Exchange's Rules and Policies Apply. This Plan and the granting and exercise of any options hereunder are also subject to such other terms and conditions as are set out from time to time in the rules and policies on stock options of the Exchange and any securities commission having jurisdiction and such rules and policies shall be deemed to be incorporated into and become a part of this Plan. In the event of an inconsistency between the provisions of such rules and policies and of this Plan, the provisions of such rules and policies shall govern.

PART 8
AMENDMENT OF PLAN

- 8.01 Board May Amend. The Board may, subject to any required regulatory approval but without shareholder approval, make amendments to an Option or the Plan which include, but are not limited to:
- (a) change the vesting provisions of an Option or the Plan,
 - (b) change the termination provisions of an Option or the Plan, provided there is no extension beyond the original expiry date,
 - (c) add a cashless exercise provision, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the Plan reserve, or
 - (d) make other amendments of a "housekeeping" or non-material nature with requisite regulatory approval.

Notwithstanding the foregoing, the approval of the shareholders of the Company shall be required for any of the following amendments to an Option or the Plan:

- (a) the limitations on grants of options to insiders and the number of shares that may be reserved for issuance to insiders,

- (b) the maximum number or percentage of outstanding shares that may be reserved for issuance upon exercise of options under the Plan,
- (c) any amendment which would permit options granted under the Plan to be transferable, other than for estate settlement purposes, or
- (d) any amendment to the amendment provisions already voted upon by shareholders.

Subject to the above paragraph, with the consent of the affected Optionees, the Board may amend or modify any outstanding Option in any manner to the extent that the Board would have had the authority to initially grant such award as so modified or amended, including without limitation, to change the date or dates as of which an Option becomes exercisable, subject to the prior approval of the relevant stock exchanges, if required for such amendment or modification.

Any reductions in the exercise price or extension of the term of Options granted to Insiders will require approval of the shareholders of the Company excluding votes of securities held by the Insiders benefiting from such amendment.

- 8.02 Exchange Approval. Any amendment to this Plan or options granted pursuant to this Plan shall not become effective until accepted for filing by the Exchange.

PART 9

MISCELLANEOUS PROVISIONS

- 9.01 Other Plans Not Affected. This Plan shall not in any way affect the policies or decisions of the Board in relation to the remuneration of Directors, Officers and Employees.
- 9.02 Effective Date of Plan. This Plan shall become effective upon the later of the date of acceptance for filing of this Plan by the Exchange and the approval of this Plan by the shareholders of the Company (i.e. by the holders of a majority of the Company's securities present or represented, and entitled to vote at a meeting of shareholders duly held) including, if applicable, Disinterested Shareholder Approval. However, options may be granted under this Plan prior to the receipt of approval of the Exchange or the shareholders. Any option granted before Exchange or shareholder approval is obtained, may not be exercised until both are obtained.
- 9.03 Clawback. Notwithstanding any other provisions in this Plan, any Option which is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Company pursuant to any such law, government regulation or stock exchange listing requirement). Without limiting the generality of the foregoing, the Board may provide in any case that outstanding Options (whether or not vested or exercisable) and the proceeds from the exercise or disposition of Options or Shares acquired under Options will be subject to forfeiture and disgorgement to the Company, with interest and other related earnings, if the Optionee to whom the Option was granted violates (i) a non-competition, non-solicitation, confidentiality or other restrictive covenant by which he or she is bound, or (ii) any policy adopted by the Company applicable to the Optionee that provides for forfeiture or disgorgement with respect to incentive compensation that includes Options under the Plan. In addition, the Board may require forfeiture and disgorgement to the Company of outstanding Options and the proceeds from the exercise or disposition of Options or Shares acquired under Options, with interest and other related earnings, to the extent required by law or applicable stock exchange listing standards, including and any related policy adopted by the Company. Each Optionee, by accepting or

being deemed to have accepted an Option under the Plan, agrees to cooperate fully with the Board, and to cause any and all permitted transferees of the Optionee to cooperate fully with the Board, to effectuate any forfeiture or disgorgement required hereunder. Neither the Board nor the Company nor any other person, other than the Optionee and his or her permitted transferees, if any, will be responsible for any adverse tax or other consequences to a Optionee or his or her permitted transferees, if any, that may arise in connection with this Section 9.03.

- 9.03 Use of Proceeds. Proceeds from the sale of Shares pursuant to the options granted and exercised under the Plan shall constitute general funds of the Company and shall be used for general corporate purposes.
- 9.04 Right to Terminate Options on Sale of Company. Notwithstanding any other provision of this Plan, if the Board at any time by resolution declares it advisable to do so in connection with any proposed sale or conveyance of all or substantially all of the property and assets of the Company or any proposed merger, consolidation, amalgamation or offer to acquire all of the outstanding Shares (collectively, the “**Proposed Transaction**”), the Company may give written notice to all Optionees advising that their respective Options, including Options held by their RRSP’s or Holding Companies, may be exercised only within 30 days after the date of the notice and not thereafter, and that all rights of the Optionees, their RRSP’s and Holding Companies under any Options not exercised will terminate at the expiration of the 30-day period, provided that the Proposed Transaction is completed within 180 days after the date of the notice. If the Proposed Transaction is not completed within the 180-day period, no right under any Option will be affected by the notice, except that the Option may not be exercised between the date of expiration of the 30-day period and the day after the expiration of the 180-day period.
- 9.05 Automatic Extension of Term of Option. The expiry date of the options will be automatically extended if the expiry date falls within a blackout period during which the Company prohibits optionees from exercising their options, provided that:
- (a) the blackout period has been formally imposed by the Company pursuant to its internal trading policies as a result of the bona fide existence of undisclosed Material Information (as defined in the policies of the Exchange). For greater certainty, in the absence of the Company formally imposing a blackout period, the expiry date of any options will not be automatically extended in any circumstances;
 - (b) the blackout period expires upon the general disclosure of the undisclosed Material Information and the expiry date of the affected options is extended to no later than ten (10) business days after the expiry of the blackout period; and
 - (c) the automatic extension will not be permitted where the optionee or the Company is subject to a cease trade order (or similar order under applicable securities laws) in respect of the Company’s securities.
- 9.06 Headings. The headings used in this Plan are for convenience of reference only and shall not in any way affect or be used in interpreting any of the provisions of this Plan.
- 9.07 No Obligation to Exercise. Optionees shall be under no obligation to exercise options granted under this Plan.
- 9.08 Termination of Plan. This Plan shall only terminate pursuant to a resolution of the Board or the Company’s shareholders.

9.09 Governing Law. This Plan and the administration hereof shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein