



Liberty Defense Holdings, Ltd.

Charter of the Compensation Committee

Approved by the Board on [--]

1. Purpose

The purpose of this charter (the “**Charter**”) is to stipulate the mission, composition and duties of the Compensation Committee (the “**Committee**”) of Liberty Defense Holdings, Ltd. (the “**Company**”). The Committee is created by the board of directors of the Company (the “**Board**”) to oversee the discharge of the responsibilities of the Board relating to compensation of the Company’s Board members and executive officers and the administration of the Company’s compensation plans and policies.

For the purposes of this Charter, “executive officers” refers to an individual who is: (a) the chair, vice-chair or president; (b) a chief executive officer, chief financial officer; (c) a vice-president in charge of a principal business unit, division or function; or (d) performing a policy-making function in respect of the Company.

2. Membership

The Committee shall consist of at least three members, comprised solely of directors deemed by the Board to be “independent” (as defined in Section 1.4 of National Instrument 52-110 – *Audit Committees*) and who meet the independence requirements of the Nasdaq Stock Market LLC (“**Nasdaq**”), except as otherwise permitted.

Committee members shall be appointed by a majority vote of the Board. No member of the Committee shall be removed except by a majority vote of the Board. The Board shall appoint the Chair of the Committee. The Chair of the Committee may, at his/her discretion, appoint a secretary of the Committee, who does not need to be a member of the Committee.

3. Responsibilities

In addition to any other responsibilities which may be assigned from time to time by the Board, the Committee is responsible for the following matters.

3.1 Executive and Non-Employee Director Compensation

- The Committee shall review and approve the compensation of each of the Company’s executive officers, except that with respect to the compensation of any executive officers then serving on the Committee, the Committee shall review and recommend their compensation for approval to the Board, and in each such case the Board shall review and approve the compensation for such officers (subject to any such officer not being present during voting or deliberations related to such officer’s compensation). The Chief Executive Officer may not be present during voting or deliberation on his or her compensation.
- In reviewing or approving, as applicable, such compensation of the executive officers, the Committee shall, among other things:
 - identify, review and approve corporate goals and objectives relevant to executive officer compensation;

- rely on the Corporate Governance & Nominating Committee's evaluation of the performance of each of the executive officers in setting executive officer compensation, including any short-term and/or long-term incentive component, based on such evaluation and such other factors as the Committee deems appropriate and in the best interests of the Company and its shareholders (including the cost to the Company of such compensation); and
- determine or recommend, as applicable, any long-term incentive component of each executive officer's compensation.
- The Committee shall review and approve compensation (including equity-based compensation) for the Company's non-employee directors. In so reviewing and approving such non-employee director compensation, the Committee shall:
 - identify corporate goals and objectives relevant to non-employee director compensation; and
 - evaluate the performance of the Board in light of such goals and objectives and set non-employee director compensation, including any long-term incentive component, based on such evaluation and such other factors as the Committee deems appropriate and in the best interests of the Company and its shareholders (including the cost to the Company of such compensation).
- The Committee shall oversee the preparation of, review and approve the executive compensation disclosure to be included in the statement of executive compensation under Form 51-102F6 – *Statement of Executive Compensation*, the management proxy circular and other applicable public disclosure of the Company before the Company publicly discloses this information.

3.2 Compensation Policies and Plans

- The Committee shall review and make recommendations to the Board regarding compensation and benefits policies, strategy and plans of the Company and its subsidiaries (cash and/or equity-based plans), and where appropriate or required, make recommendations to adopt, amend and terminate such plans. In reviewing such compensation and benefits policies, the Committee may consider the recruitment, development, promotion, retention and compensation of members of management and other employees of the Company and its subsidiaries and any other factors that it deems appropriate.
- The Committee shall administer the compensation and benefits plans of the Company and its subsidiaries.
- The Committee shall construe, interpret and administer the Company's Clawback Policy.
- The Committee shall review and assess risks arising from the Company's employee compensation policies and practices and whether any such risks are reasonably likely to have a material adverse effect on the Company.

3.3 Reporting to the Board

- The Chair of the Committee shall report and update the Board at the next Board meeting on the Committee's activities, decisions taken and considerations which led to such decisions. Important findings arising from the Committee's activities, which are urgent and should be known by the Chair of the Board, must be reported immediately by the Chair of the Committee to the Chair of the Board. Upon request of the Chair of the Board, the Chair of the Committee shall report on any other issue.
- At least annually, the Committee shall evaluate its own performance and report to the Board on such evaluation.
- At least annually, the Committee shall review and assess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

4. Authority

The Committee is authorized (without seeking further Board approval) to:

- collect any information and assistance from within the Company that is needed to perform its functions;
- request any officer or employee of the Company or the Company's outside counsel to meet with any members of, or advisors to, the Committee;
- retain and terminate any advisors, including compensation consultants and legal counsel, at the Company's costs and whose fees and other retention terms the Committee has the sole authority to approve; *provided* that the Committee may select such advisors or receive advice from such advisors only after taking into consideration all factors relevant to that advisor's independence from management (including those independence factors enumerated by Nasdaq rules); and
- delegate its authority to subcommittees or the Chair of the Committee when it deems it to be appropriate and in the best interests of the Company, subject to ensuring adequate reporting by the subcommittee to the Committee or the Chair of the Committee.

The Committee shall have available appropriate funding from the Company as determined by the Committee for payment of (a) compensation to any advisors employed by the Committee and (b) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

5. Procedures

The Committee shall meet as often as it determines is appropriate to carry out its responsibilities under this Charter. The Chair of the Committee shall preside at each meeting and, in the absence of the Chair, one of the other members of the Committee shall be designated as the acting Chair of the meeting. The Chair of the Committee, in consultation with the other committee members, shall determine the frequency and length of the Committee meetings and shall set meeting agendas consistent with this Charter.

The Committee shall keep minutes of its meetings and report the same to the Board when required and shall observe such procedures as are prescribed by the Board.

A majority of members of the Committee present in person or by means of a conference telephone, video or other communications equipment by means of which all persons participating in the

meeting can hear each other shall constitute a quorum. The action of a majority of members at a meeting at which a quorum is present will be the action of the Committee.

6. Amendments

This Charter may be amended at any time by resolution of the Board.