

LIBERTY DEFENSE HOLDINGS, LTD.

**Annual General Meeting
to be held on December 6, 2024**

**Notice of Annual General Meeting
and
Information Circular**

November 6, 2024

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NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an in person annual general meeting (the “**Meeting**”) of the shareholders of Liberty Defense Holdings, Ltd. (the “**Company**”) will be held at the offices of McMillan LLP, 1500 – 1055 West Georgia Street, Vancouver, British Columbia on Friday, December 6, 2024 at 11:30 a.m. (Pacific time).

Should any changes to the Meeting format occur, the Company will announce any and all changes by way of news release, which will be filed under the Company’s corporate profile on SEDAR+ at www.sedarplus.ca. We strongly recommend you check the Company’s website <https://libertydefense.com> prior to the Meeting for the most current information. In the event of any changes to the Meeting format, the Company will **NOT** prepare or mail amended Meeting materials.

Purpose of the Meeting:

1. to table the audited consolidated financial statements of the Company for the fiscal year ended December 31, 2023 and 2022, together with the report of the auditor thereon and related management discussion and analysis;
2. to fix the number of directors at four (4);
3. to elect directors for the ensuing year;
4. to appoint Davidson & Company LLP, Chartered Professional Accountants, as Auditor of the Company for the ensuing year; and
5. to pass an ordinary resolution to ratify, confirm and approve the Company’s Omnibus Long-Term Incentive Plan, as required annually by the policies of the TSX Venture Exchange, as more particularly described in the accompanying Information Circular.

Shareholders of record on the Company’s books at the close of business on Thursday, October 31, 2024, are entitled to attend and vote at the Meeting or at any postponement or adjournment thereof. Each common share is entitled to one vote.

The Company’s audited consolidated financial statements for the fiscal year ended December 31, 2023, the auditor’s report thereon, and the related management’s discussion will be tabled at the Meeting. The financial statements will be made available at the Meeting and will be available on request to the Company and may be viewed under the Company’s corporate profile on SEDAR+ at www.sedarplus.ca.

General Matters

It is not known whether any other matters will come before the Meeting other than those set forth above and in the accompanying Information Circular, but if any other matters do arise, the person named in the Proxy submitted to the Company intends to vote on any poll, in accordance with his or her best judgement, exercising discretionary authority with respect to amendments or variations of matters set forth in this Notice of Meeting and other matters which may properly come before the Meeting or any adjournment of the Meeting.

The accompanying Information Circular provides additional information relating to the matters to be dealt with at the Meeting and is supplemental to, and expressly made a part of, this Notice of Meeting.

How to Vote

All shareholders are entitled to attend and vote at the Meeting in person or by proxy. The Board requests that all shareholders who will not be attending the Meeting in person read, date and sign the accompanying form of Proxy and deliver it to the Company’s transfer agent, to the attention of the Proxy Department, at Computershare Trust Company of Canada (“**Computershare**”), at 510 Burrard Street, 3rd Floor, Vancouver BC, V6C 3B9 in accordance with the instructions set out in the Proxy and in the accompanying Information Circular. If a shareholder does not deliver a Proxy to Computershare by 11:30 a.m. (Pacific Time) on Wednesday, December 4, 2024 (or before 48 hours,

excluding Saturdays, Sundays and holidays before any adjournment of the meeting at which the Proxy is to be used), then the shareholder will not be entitled to vote at the Meeting by Proxy.

Please note that attendance at the Meeting by teleconference will not allow Shareholders to vote. If you are a registered shareholder of the Company and unable to attend the Meeting in person, please complete, date and sign the accompanying form of Proxy and deposit it with Computershare at least 48 hours (excluding Saturdays, Sundays and holidays recognized in the Province of British Columbia) before the time and date of the Meeting or any adjournment or postponement thereof.

If you are a non-registered shareholder of the Company and received this Notice of Meeting and accompanying materials through a broker, a financial institution, a participant, or a trustee or administrator of a self-administered retirement savings plan, retirement income fund, education savings plan or other similar self-administered savings or investment plan registered under the *Income Tax Act* (Canada), or a nominee of any of the foregoing that holds your securities on your behalf (each, an “**Intermediary**”), please complete and return the materials in accordance with the instructions provided to you by your Intermediary.

An Information Circular and a form of Proxy accompany this Notice.

DATED at Vancouver, British Columbia, as at November 6, 2024.

ON BEHALF OF THE BOARD

“William Frain”

William Frain
Chief Executive Officer and Director

LIBERTY DEFENSE HOLDINGS, LTD.
187 Ballardvale St., Suite 110
Wilmington, Massachusetts 01887 USA
Telephone: (604) 809-2500

INFORMATION CIRCULAR

(as at October 31, 2024, unless otherwise stated)

This Information Circular (the “**Circular**”) is provided in connection with the solicitation of proxies by the Management of Liberty Defense Holdings, Ltd. (the “**Company**”). The form of Proxy which accompanies this Circular (the “**Proxy**”) is for use at the Annual General Meeting of the Shareholders of the Company to be held on Friday, December 6, 2024 (the “**Meeting**”), at the time and place set out in the accompanying Notice of Meeting (the “**Notice of Meeting**”). In this Circular, “**Common Shares**” means Common Shares without par value in the capital of the Company.

All references to Shareholders in the Notice of Meeting, Circular and the accompanying Proxy are to Registered Shareholders of the Company as set forth on the List of Registered Shareholders of the Company maintained by the Registrar and Transfer agent for the Company, Computershare Trust Company of Canada (“**Computershare**”), unless specifically stated otherwise.

“**Beneficial Shareholders**” means shareholders who do not hold Common Shares in their own name and “**Intermediaries**” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders.

GENERAL PROXY INFORMATION

Solicitation of Proxies

The solicitation of proxies will be primarily by mail, but proxies may be solicited personally or by telephone by directors, officers and regular employees of the Company. The Company will bear all costs of this solicitation. We have arranged for intermediaries to forward the meeting materials to beneficial owners of the Common Shares held of record by those intermediaries and we may reimburse the intermediaries for their reasonable fees and disbursements in that regard.

Appointment of Proxyholders

The individuals named in the accompanying form of proxy (the “**Proxy**”) are officers and/or directors of the Company. **If you are a Shareholder entitled to vote at the Meeting, you have the right to appoint a person or company other than the persons designated in the Proxy, who need not be a Shareholder, to attend and act for you and on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another suitable form of Proxy.**

Voting by Proxyholder

The persons named in the Proxy will vote or withhold from voting the Common Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Common Shares will be voted accordingly. The Proxy confers discretionary authority on the persons named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors;
- (b) any amendment to or variation of any matter identified therein; and
- (c) any other matter that properly comes before the Meeting.

In respect of a matter for which a choice is not specified in the Proxy, the management appointee acting as a proxyholder will vote in favour of each matter identified in the Proxy and, if applicable, for the nominees of management for directors and auditor as identified in the Proxy.

Registered Shareholders

Registered Shareholders may wish to vote by proxy whether or not they are able to attend the Meeting in person. Registered Shareholders who wish to submit a proxy may choose one of the following voting options:

- (a) complete, date and sign the Proxy and return it to Computershare by fax within North America at 1-866-249-7775, outside North America at (416) 263-9524, or by mail to the 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by hand delivery at 3rd Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9; or
- (b) use a touch-tone phone to transmit voting choices to the toll-free number given in the Proxy. Registered Shareholders who choose this option must follow the instructions of the voice response system and refer to the enclosed Proxy form for the toll-free number and the holder's 15-digit control number; or
- (c) via the internet at Computershare's website, www.investorvote.com. Registered Shareholders must follow the instructions provided and refer to the enclosed Proxy form for the holder's 15-digit control number.

In any case, Registered Shareholders must ensure the Proxy is received at least 48 hours (excluding Saturdays, Sundays and statutory holidays) before the Meeting or the adjournment thereof. Failure to complete or deposit a Proxy properly may result in its invalidation. The time limit for the deposit of Proxies may be waived by the Company's board of directors (the "Board") at the discretion of the Board without notice.

Beneficial Holders of Common Shares

The information set forth in this section is of significant importance to many shareholders, as a substantial number of shareholders do not hold common shares in their own name. Shareholders who hold their common shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their common shares in their own name (referred to herein as "**Beneficial Shareholders**") should note that only Proxies deposited by Shareholders who appear on the records maintained by the Company's registrar and transfer agent as registered holders of common shares will be recognized and acted upon at the Meeting. If common shares are listed in an account statement provided to a Beneficial Shareholder by a broker, then those common shares will, in all likelihood, not be registered in the Shareholder's name. Such common shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). In the United States, the vast majority of such common shares are registered under the name of Cede & Co., the registration name for The Depository Trust Company, which acts as nominee for many United States brokerage firms. Common shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted or withheld at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholder meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their common shares are voted at the Meeting. The form of instrument of Proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the Proxy provided directly to registered shareholders by the Company. However, its purpose is limited to instructing the registered shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. ("**Broadridge**") in Canada. Broadridge typically prepares a machine-readable voting instruction form ("**VIF**"), mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the VIFs to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder who receives a Broadridge VIF cannot use that form to vote common shares directly at the Meeting. The VIFs must be returned to Broadridge (or instructions respecting the voting of common shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the common shares voted. If you**

have any questions respecting the voting of common shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.

The Notice of Meeting, Circular, Proxy (or VIF, as applicable), are being provided to both Registered Shareholders and Beneficial Shareholders. Beneficial Shareholders fall into two categories – “objecting beneficial owners” are the beneficial shareholders who object to their identity being known to the issuers of securities which they own (“OBOs”); and (non-objecting beneficial owners”) the beneficial shareholders who do not object to their identity being made known to the issuers of the securities which they own (“NOBOs”). Subject to the provisions of National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“NI 54-101”), issuers may ask for and obtain a list of their NOBOs from intermediaries directly or via their transfer agent and may obtain and use the NOBO list for the distribution of proxy-related materials directly (not via Broadridge) to such NOBOs.

If you are a Beneficial Shareholder and the Company or its agent has sent these materials directly to you, your name, address and information about your holdings of common shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding the common shares on your behalf.

The Company has distributed copies of the Notice of Meeting, Circular and VIF to intermediaries for distribution to NOBOs. Unless you have waived your right to receive the Notice of Meeting, Circular and VIF, intermediaries are required to deliver them to you as a NOBO of the Company and to seek your instructions on how to vote your common shares.

The Company’s OBOs can expect to be contacted by Broadridge or their brokers or their broker’s agents. The Company does not intend to pay for intermediaries to deliver the Notice of Meeting, Circular and VIF to OBOs and accordingly, if the OBO’s intermediary does not assume the costs of delivery of those documents in the event that the OBO wishes to receive them, the OBO may not receive the documentation.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting common shares registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered shareholder and vote the common shares in that capacity. NI 54-101 allows a Beneficial Shareholder to submit to the Company or an applicable intermediary any document in writing that requests that such Beneficial Shareholder, or a nominee of the Beneficial Shareholder, be appointed as proxyholder. If such a request is received, the Company or an intermediary, as applicable, must arrange, without expenses to the Beneficial Shareholder, to appoint such Beneficial Shareholder or its nominee as a proxyholder and to deposit that Proxy within the time specified in this Circular, provided that the Company or the intermediary receives such written instructions from the Beneficial Shareholder at least one business day prior to the time by which proxies are to be submitted at the Meeting, with the result that such a written request must be received by 10:00 a.m. (Vancouver time) on the day which is at least three business days prior to the Meeting. **A Beneficial Shareholder who wishes to attend the Meeting and to vote their common shares as proxyholder for the registered shareholder, should enter their own name in the blank space on the VIF or such other document in writing that requests that the Beneficial Shareholder, or a nominee of the Beneficial Shareholder, be appointed as proxyholder and return the same to their broker (or the broker’s agent) in accordance with the instructions provided by such broker.**

Notice to Shareholders in the United States

This solicitation of proxies involves securities of an issuer located in Canada and is being effected in accordance with the corporate laws of the Province of British Columbia, Canada and the securities laws of the provinces of Canada. The proxy solicitation rules under the *United States Securities Exchange Act of 1934*, as amended, are not applicable to the Company or this solicitation, and this solicitation has been prepared in accordance with the disclosure requirements of the securities laws of the provinces of Canada. Shareholders should be aware that disclosure requirements under the securities laws of the provinces of Canada differ from the disclosure requirements under United States securities laws.

The enforcement by Shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Company is governed by the *Business Corporations Act* (British Columbia) (the “BCA”), as amended, certain of its directors and its executive officers are residents of Canada and a substantial portion of its assets and the assets of such persons are located outside the United States. Shareholders may not be able to sue a foreign company or its officers or directors in a foreign court for violations of United States federal securities laws. It may be difficult to compel a foreign company and its officers and directors to subject themselves to a judgment by a United States court.

Revocation of Proxies

In addition to revocation by any other manner permitted by law, a Registered Shareholder who has given a Proxy may revoke it by:

- (a) executing a Proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the Registered Shareholder or the Registered Shareholder's authorized attorney in writing, or, if the shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and delivering the Proxy bearing a later date or the valid notice of revocation to Computershare at the time and place noted above or to the Chairman of the Meeting on the day of the Meeting or adjournment thereof; or
- (b) attending the Meeting or any adjournment of the Meeting and registering with the scrutineer as a shareholder present in person.

CURRENCY

Unless otherwise noted, all amounts in this Circular are shown in United States dollars, which is the currency used to prepare the Company's financial statements. References to "C\$" are to Canadian dollars.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

No director or executive officer of the Company or any proposed nominee of Management of the Company for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, since the beginning of the Company's last financial year, in matters to be acted upon at the Meeting, other than the election of directors., the appointment of auditors and the ratification of the Company's Omnibus Long-Term Incentive Plan.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

As at October 31, 2024, the Company's authorized capital consists of an unlimited number of Common Shares of which 167,568,412 Common Shares are issued and outstanding. All Common Shares in the capital of the Company carry the right to one vote.

Shareholders registered as at October 31, 2024, are entitled to attend and vote at the Meeting. Shareholders who wish to be represented by Proxy at the Meeting must, to entitle the person appointed by the Proxy to attend and vote, deliver their Proxies at the place and within the time set forth in the Proxy.

Principal Holders of Common Shares of the Company

To the knowledge of the directors and executive officers of the Company, as at October 31, 2024, except as set forth below, there are no persons or corporations that beneficially owned, directly or indirectly, or exercised control or direction over, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common Shares of the Company.

Name	Number Common Shares Held and Percentage of Shares
CDS & Co. ⁽¹⁾	147,632,805 (88.10%)

Note:

- ⁽¹⁾ The information is based on information provided by the Company's transfer agent, Computershare Trust Company of Canada. CDS & Co. is a share depository, the beneficial ownership of which is unknown to the Company.

FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the years ended December 31, 2023 and December 31, 2022, together with the auditor's report thereon and related Management's Discussion and Analysis ("MD&A") will be presented to shareholders at the Meeting. These documents are available under the Company's profile on SEDAR+ at www.sedarplus.ca and will be tabled at the Meeting.

ELECTION OF DIRECTORS

Number of Directors

There are currently four (4) directors of the Company. The Board proposes to nominate for election at the Meeting, four (4) directors. Shareholders will be asked at the Meeting to approve an ordinary resolution to fix the number of directors to be elected to the Board at four (4).

At the Meeting, Shareholders will be asked to vote on the following ordinary resolution:

“BE IT RESOLVED that the number of directors for election at this Meeting be fixed at four (4).”

Management recommends the Shareholders approve the resolution to fix the number of directors of the Company at four. Unless otherwise indicated on the form of Proxy received by the Company, the persons designated as proxyholders in the accompanying form of proxy will vote the Common Shares represented by such form of proxy, properly executed, in favour of the resolution to fix the number of directors of the Company at four (4).

Nominees

The directors of the Company are elected annually and hold office until the next annual general meeting of the shareholders or until their successors are duly elected or appointed. Management of the Company proposes to nominate the persons listed below for election as directors of the Company to serve until their successors are duly elected or appointed. In the absence of instructions to the contrary, Proxies given pursuant to the solicitation by Management will be voted for the nominees listed in this Circular. Management does not contemplate that any of the nominees will be unable to serve as a director.

The following table sets out the names of the nominees for election as directors, the offices they hold within the Company, their occupations, the length of time they have served as directors of the Company, and the number of shares of the Company which each beneficially owns, directly or indirectly, or over which control or direction is exercised, as of the date of this Circular.

Name, province or state and country of residence and position, if any, held in the Company	Principal Occupation, Business or Employment during the past five years	Served as director of the Company since	Number of Common shares of the Company beneficially owned, directly or indirectly, or controlled or directed at present ⁽¹⁾
Daryl Rebeck ⁽²⁾⁽³⁾⁽⁴⁾ British Columbia, Canada <i>Chairman of the Board and Director</i>	Director of Liberty (2021 – Present); Director of DrawDown (2018 – Present); President of Lexagene Holdings Inc. (2017 – Present); Senior Vice President, Corporate Finance of Fury Gold Mines Limited (2013 – 2017).	March 17, 2021	3,008,500 ⁽⁵⁾
William Frain ⁽³⁾⁽⁴⁾ Massachusetts, USA <i>Chief Executive Officer and Director</i>	Chief Executive Officer and Director of Liberty (2021 – Present); Chief Executive Officer of DrawDown (2018 – Present); Senior Vice President of L3 Security & Detection Systems (2002 – 2018).	March 17, 2021	1,453,000 ⁽⁶⁾

Name, province or state and country of residence and position, if any, held in the Company	Principal Occupation, Business or Employment during the past five years	Served as director of the Company since	Number of Common shares of the Company beneficially owned, directly or indirectly, or controlled or directed at present ⁽¹⁾
Arjun Grewal ⁽²⁾⁽³⁾⁽⁴⁾ Ontario, Canada <i>Director</i>	Director of Liberty (2021 – Present); Cloud Client Advocacy Program Lead at IBM Canada Ltd. (2018 – Present); Solider with the Canadian Armed Forces (2000 – 2018).	March 17, 2021	300,000 ⁽⁷⁾
Linda Lee Jacksta ⁽²⁾ South Carolina, USA <i>Director</i>	Director of Liberty (2021 – Present); President and CEO of J2 Consulting Group LLC (2021 – Present); Deputy Executive Assistant Commissioner for U.S. Customs and Border Protection (1985 – 2021).	July 28, 2021	300,000 ⁽⁸⁾

Notes:

- (1) The information as to Common Shares beneficially owned or controlled has been provided by the director nominees.
- (2) A member of the Audit Committee.
- (3) A member of the Compensation Committee
- (4) A member of the Corporate Governance Committee
- (5) Mr. Rebeck also holds options to purchase 250,000 Common Shares at an exercise price of C\$0.50, expiring April 7, 2026, and 200,000 Common shares at an exercise price of C\$0.41, expiring April 26, 2027. Mr. Rebeck has also been granted 250,000 Restricted Share Units, which expire April 7, 2026, and 200,000 Restricted Share Units, which expire April 24, 2026.
- (6) Mr. Frain also holds options to purchase 250,000 Common shares at an exercise price of C\$0.50, expiring April 7, 2026 and 200,000 Common shares at an exercise price of C\$0.41, expiring April 26, 2027; Mr. Frain has also been granted 81,250 Restricted Share Units (“RSUs”) which expire June 10, 2026, 250,000 RSUs which expire April 7, 2026, and 200,000 RSUs which expire April 24, 2026.
- (7) Mr. Grewal holds options to purchase 125,000 Common Shares at an exercise price of C\$0.50, expiring April 7, 2026, 37,500 Common Shares at an exercise price of C\$0.50 expiring September 25, 2024 and 75,000 Common Shares at an exercise price of C\$0.41 expiring April 26, 2027, and 100,000 RSUs which expire October 16, 2027.
- (8) Ms. Jacksta holds options to purchase 125,000 Common Shares at an exercise price of C\$0.55, expiring July 28, 2026, and 75,000 Common shares at an exercise price of C\$0.41, expiring April 26, 2027, and 100,000 RSUs which expire October 16, 2027.

None of the director nominees noted above are proposed for election as director to be elected under any arrangement or understanding between the director nominee and any other person or company.

Corporate Cease Trade Orders or Bankruptcies

No director or proposed director:

- (a) is, as at the date of the information circular (the “Circular”), or has been, within 10 years before the date of this Circular, a director, chief executive officer (“CEO”) or chief financial officer (“CFO”) of any company (including the Company in respect of which this Circular is prepared) that,
 - (i) was subject to an order that was issued while the proposed director was acting in the capacity as director, CEO or CFO; or
 - (ii) was subject to an order that was issued after the proposed director ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO; or
- (b) is, as at the date of this Circular, or has been within 10 years before the date of this Circular, a director or executive officer of any company (including the Company in respect of which this Circular is prepared) 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;
or
- (c) has, within the 10 years before the date of this 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 Penalties or Sanctions

None of the proposed directors have been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable securityholder making a decision about whether to vote for the proposed director.

Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote FOR the election of the Nominees.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT EACH SHAREHOLDER VOTE “FOR” THE ELECTION OF THE ABOVE NOMINEES AS DIRECTORS.

APPOINTMENT OF AUDITOR

At the Meeting, Davidson & Company LLP, Chartered Professional Accountants, will be recommended by management and the Board of Directors for re-appointment as auditor of the Company. Davidson & Company LLP, Chartered Professional Accountants were appointed auditor of the Company effective February 8, 2022

Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote FOR the appointment of Davidson & Company LLP, Chartered Professional Accountants, as auditor of the Company until the close of the next annual general meeting.

THE BOARD RECOMMENDS THAT YOU VOTE IN FAVOR OF APPOINTMENT OF DAVIDSON & COMPANY LLP.

AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR

National Instrument 52-110 of the Canadian Securities Administrators (“NI 52-110”) requires the Company, as a venture issuer, to disclose annually in its Information Circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth below.

Audit Committee Charter

The text of the Audit Committee’s charter is attached as Schedule A to this Circular.

Composition of Audit Committee and Independence

The current members of the Company’s audit committee is comprised of Arjun Grewal (Chair), Daryl Rebeck and Linda Lee Jacksta. Of the current members of the audit committee, Arjun Grewal and Linda Lee Jacksta are independent. Daryl Rebeck (Chairman) is a non-independent member of the Audit Committee. In accordance with section 6.1.1(3) NI 52-110 relating to the composition of the audit committee for venture issuers, a majority of the members of the Audit Committee are not executive officers, employees or control persons of the Company. Each of the members are considered to be financially literate within the meaning of NI 52 110.

NI 52-110 provides that an individual is “financially literate” if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements. All of the members of the Audit Committee are “financially literate” as that term is defined. The following sets out the Audit Committee members’ education and experience that is relevant to the performance of his responsibilities as an Audit Committee member.

Relevant Education and Experience

Arjun Grewal currently serves as the Client Advocacy Program Lead for IBM Canada Ltd. Focused on collecting, analyzing, and giving effect to client feedback. Mr. Grewal is actively involved in managing and testing client

experience improvements. Mr. Grewal is a 19-year veteran of the Canadian Armed Forces and served 12 years of his career with the Canadian Special Operations Forces, having been deployed on operations globally.

Daryl Rebeck has over 15 years of capital market experience and an established international financial network. Mr. Rebeck was a Vice President and Senior Investment Advisor with Canada's largest independent investment bank, Canaccord Genuity, where he was responsible for raising significant risk capital for growth companies, with a particular focus on natural resources and medical technology. Mr. Rebeck has since worked to provide management expertise and grow shareholder value for organizations he has worked with. He served as Senior VP of Corporate Finance of TSX listed Fury Gold Mines Limited. Previous to this, Mr. Rebeck was a consultant of corporate finance with Cayden Resources Inc., which was sold to Agnico Eagle Mining Limited for \$205 million in November 2014.

Linda Lee Jacksta is a senior border security and intelligence leader with more than 35 years of service to the U.S. Department of Homeland Security's (DHS) CBP. As a member of the Senior Executive Service (SES), she developed and implemented a wide range of solutions to address some of the agency's most complex challenges. She led efforts to address border security threats and operational challenges, established an enterprise data analytics organization leveraging data for critical decision-making, developed extensive Intelligence Community (IC) partnerships, and was instrumental in formation of the agency's National Use of Force Control Board.

In her most recent role as Deputy Executive Assistant Commissioner, Operations Support, Ms. Jacksta led and directed the intelligence, international affairs, planning and requirements development, data analytics, emergency preparedness, forensic/scientific services, and use of force policy functions in support of mission effectiveness for CBPs 60,000 employees. Currently, Ms. Jacksta is President and CEO of J2 Consulting Group, a Board Member of Defense Holdings, Ltd. and a Principal at Deep Water Point (a GTSC Strategic Partner).

Such education and experience provides each member with:

- (a) an understanding of the accounting principles used by the issuer to prepare its financial statements;
- (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions;
- (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer's financial statements, or experience actively supervising individuals engaged in such activities; and
- (d) an understanding of internal controls and procedures for financial reporting.

Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, the Audit Committee of the Company has not made any recommendations to nominate or compensate an external auditor which were not adopted by the Board.

Reliance on Certain Exemptions

Since the commencement of the Company's most recently completed financial year, the Company has not relied on:

- (a) the exemption in section 2.4 (*De Minimis* Non-audit Services) of NI 52-110;
- (b) the exemption in subsection 6.1.1(4) (Circumstances Affecting the Business or Operations of the Venture Issuer) of NI 52-110;
- (c) the exemption in subsection 6.1.1(5) (Events Outside Control of Member) of NI 52-110;
- (d) the exemption in subsection 6.1.1(6) (Death, Incapacity or Resignation) of NI 52-110; or
- (e) an exemption from NI 52-110, in whole or in part, granted under Part 8 (Exemptions).

The Company is a "venture issuer" as defined under NI 52-110 and, as such, is relying on the exemption in section 6.1 (Venture Issuers) of NI 52-110 from the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) thereof.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted any specific policies and procedures for the engagement of non-audit services. Any exceptions to this policy must be pre-approved by the Audit Committee.

External Audit Service Fees

The following table sets forth the fees paid by the Company by the Company’s external auditors, Davidson & Company LLP, Chartered Professional Accountants, for services rendered in the last two fiscal years:

Nature of Services	2023 (C\$)	2022 (C\$)
Audit Fees ⁽¹⁾	\$95,653	\$90,000
Audit Related Fees ⁽²⁾	\$49,871	23,500
Tax Fees ⁽³⁾	Nil	Nil
All Other Fees ⁽⁴⁾	Nil	Nil
Total	\$145,524	\$113,500

Notes:

- (1) “Audit fees” include aggregate fees billed by the Company’s external auditor in each of the last two fiscal years for audit fees.
- (2) “Audited related fees” include the aggregate fees billed in each of the last two fiscal years for assurance and related services by the Company’s external auditor that are reasonably related to the performance of the audit or review of the Company’s financial statements and are not reported under “Audit fees” above. The services provided include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) “Tax fees” include the aggregate fees billed in each of the last two fiscal years for professional services rendered by the Company’s external auditor for tax compliance, tax advice and tax planning. The services provided include tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) “All other fees” include the aggregate fees billed in each of the last two fiscal years for products and services provided by the Company’s external auditor, other than “Audit fees”, “Audit related fees” and “Tax fees” above.

CORPORATE GOVERNANCE

National Instrument 58-101 - *Disclosure of Corporate Governance Practices*, requires all reporting issuers to provide certain annual disclosure of their corporate governance practices with respect to the corporate governance guidelines (the “**Guidelines**”) adopted in National Policy 58-201. These Guidelines are not prescriptive, but have been used by the Company in adopting its corporate governance practices. The Board and Management consider good corporate governance to be an integral part of the effective and efficient operation of Canadian corporations. The Company’s approach to corporate governance is set out below.

Board of Directors

Management is nominating four individuals to the Board, all of whom are current directors of the Company.

The Guidelines suggest that the board of directors of every reporting issuer should be constituted with a majority of individuals who qualify as “independent” directors under NI 52-110, which provides that a director is independent if he or she has no direct or indirect “material relationship” with the Company. The “material relationship” is defined as a relationship which could, in the view of the Company’s Board, reasonably interfere with the exercise of a director’s independent judgement. All of the current members of the Board are considered “independent” within the meaning of NI 52-110, except for William Frain, who is the Chief Executive Officer of the Company.

Directorships

Directors who are currently serving on Boards of other reporting companies (or equivalent) is set out below:

Name of Director	Name of Reporting Issuer	Exchange Listed
Daryl Rebeck	Galaxy Ventures Inc.	TSXV

Orientation and Continuing Education

The current members of the Company’s Corporate Governance Committee are Arjun Grewal (Chair), Daryl Rebeck and William Frain. The Corporate Governance Committee is responsible for the orientation of new directors and

overseeing continuing education for the directors. All new directors receive a comprehensive Board manual as part of their orientation. At this stage of the Company's development the Board, through its Corporate Governance Committee, does not feel it necessary to have a formal continuing education program in place.

Ethical Business Conduct

To date, the Board has not adopted a formal written Code of Business Conduct and Ethics. However, the current size of the Company's operations, and the number of officers and consultants, allow the Board to monitor, on an ongoing basis, the activities of management and to ensure that the highest standard of ethical conduct is maintained. As the Company grows in size and scope, the Board anticipates that it will formulate and implement a formal Code of Business Conduct and Ethics.

Nomination of Directors

The Corporate Governance Committee is responsible for identifying new candidates to the Board and recommending such candidates to the Board. The recruitment process involves both formal and informal discussions among Board members.

Compensation

The current members of the Compensation Committee are Arjun Grewal (Chair), Daryl Rebeck and William Frain. The Compensation Committee annually reviews the performance objectives for senior executive officers and recommends any changes to the Board for consideration. The Board also annually reviews the compensation of the directors and recommends any changes to the Board for consideration. In reviewing and making recommendations on the compensation of senior executive officers and directors, the Compensation Committee requires the members of the Committee to reflect the following approach:

- their respective duties and responsibilities;
- be competitive in attracting, retaining and motivating high quality and high performing Directors and senior executives of the Company;
- align the interests of the Directors and the senior executives of the Company with shareholders and the Company as a whole;
- be based on established corporate and individual performance objectives; and
- not encourage the taking of inappropriate or excessive risks.

Other Board Committees

At the present time, the Company has an Audit Committee, a Compensation Committee and a Corporate Governance Committee.

Assessments

The Corporate Governance Committee is responsible for the evaluation of the performance and effectiveness of the Board, committees of the Board and individual directors. At present, the Committee does not have a formal process in place for these evaluations but will consider implementing one in the future should circumstances warrant.

EXECUTIVE COMPENSATION

The following information is provided in accordance with National Instrument Form 51-102F6V – *Statement of Executive Compensation - Venture Issuers*.

For the purposes of this Circular:

“**company**” includes other types of business organizations such as partnerships, trusts and other unincorporated business entities;

“**compensation securities**” includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted stock units granted or issued by the company or one of its subsidiaries for services provided or to be provided, directly or indirectly, to the company or any of its subsidiaries;

“**external management company**” includes a subsidiary, affiliate or associate of the external management company;

“NEO” or “named executive officer” means each of the following individuals:

- (a) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief executive officer (“CEO”), including an individual performing functions similar to a CEO;
- (b) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief financial officer (“CFO”), including an individual performing functions similar to a CFO;
- (c) in respect of the company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000, as determined in accordance with the Form, for that financial year;
- (d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the company, and was not acting in a similar capacity, at the end of that financial year.

Named Executive Officers and Directors

The current NEOs of the Company are Daryl M. Rebeck, Chairman and Director, William Frain, Chief Executive Officer and Director, Michael Lanzaro, President and Chief Technology Officer, and Omar Garcia Abrego, Chief Financial Officer and Corporate Secretary. The current Directors of the Company who are not NEOs are: Arjan Grewal and Linda Lee Jacksta.

Director and NEO Compensation, Excluding Compensation Securities

The following table sets out all compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the Company and its subsidiaries, excluding compensation securities, to each NEO and director, in any capacity, for the two most recently completed financial years ended December 31, 2023, and December 31, 2022. For NEOs who are also directors, no compensation was paid to them in their capacity as directors. Options and compensation securities are disclosed under the heading “**Stock Options and Other Compensation Securities**”.

Table of Compensation excluding Compensation Securities (US Dollars)							
Name and position	Year (Dec. 31)	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites ⁽¹⁾ (\$)	Value of all other Compensation (\$)	Total Compensation (\$)
Daryl Rebeck ⁽²⁾ <i>Chairman and Director</i>	2023	177,830	53,293	Nil	Nil	79,015	310,138
	2022	184,431	66,280	Nil	Nil	204,302	455,052
William Frain ⁽³⁾ <i>Chief Executive Officer and Director</i>	2023	275,000	Nil	Nil	Nil	80,124	355,124
	2022	275,000	50,000	Nil	Nil	434,228	759,228
Michael Lanzaro ⁽⁴⁾ <i>President and Chief Technology Officer</i>	2023	260,000	Nil	Nil	Nil	103,378	363,378
	2022	260,000	37,500	Nil	Nil	125,887	423,387
Omar Garcia Abrego ⁽⁵⁾ <i>Chief Financial Officer and Corporate Secretary</i>	2023	97,807	Nil	Nil	Nil	2,701	100,507
	2022	101,437	Nil	Nil	Nil	13,361	114,798
Arjun Grewal ⁽⁶⁾ <i>Director</i>	2023	Nil	Nil	Nil	30,000	3,891	33,891
	2022	Nil	Nil	Nil	20,154	32,423	52,577

Table of Compensation excluding Compensation Securities (US Dollars)							
Name and position	Year (Dec. 31)	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites ⁽¹⁾ (\$)	Value of all other Compensation (\$)	Total Compensation (\$)
Linda Lee Jacksta ⁽⁷⁾ <i>Director</i>	2023	Nil	Nil	Nil	30,000	5,570	35,570
	2022	Nil	Nil	Nil	30,000	23,799	53,799

Notes:

- (1) Includes, if applicable, housing allowances, education, utilities, wellness subsidies and cash pension benefits.
- (2) Daryl Rebeck was appointed Chairman and a Director of the Company on March 17, 2021.
- (3) William Frain was appointed as Chief Executive Officer and a Director of the Company on March 17, 2021.
- (4) Michael Lanzaro was appointed the President and Chief Technology Officer of the Company on March 17, 2021. Mr. Lanzaro resigned as President and Chief Technology Officer of the Company on February 27, 2024.
- (5) Omar Garcia Abrego was appointed the Chief Financial Officer and Corporate Secretary of the Company on March 17, 2021.
- (6) Arjun Grewal was appointed a Director of the Company on March 17, 2021.
- (7) Linda Lee Jacksta was appointed a Director of the Company on July 28, 2021.

External Management Companies

Other than as disclosed elsewhere in this Form, none of the NEOs or directors of the Company have been retained or employed by an external management company which has entered into an understanding, arrangement or agreement with the Company to provide executive management services to the Company, directly or indirectly.

Stock Option Plans and Other Incentive Plans

Omnibus Long-Term Incentive Plan

The Company has an Omnibus Long-Term Incentive Plan dated for reference March 27, 2019, as amended October 25, 2022 and October 26, 2023 (“**Incentive Plan**”), as last approved by shareholders at the Company’s December 7, 2023 annual general meeting. A copy of the Incentive Plan was SEDAR+ filed under the Company’s SEDAR+ corporate profile at www.sedarplus.ca on January 15, 2024.

The following is a description of the key terms of the Incentive Plan, which is qualified in its entirety by reference to the full text of the Incentive Plan.

The Company’s directors, executive officers, employees, and consultants, are eligible to participate in the Company’s Incentive Plan, which is comprised of stock options (“**Options**”), restricted share units (“**RSUs**”) and deferred share units (“**DSUs**”) of the Company, issued pursuant to the Incentive Plan. The purpose of the Incentive Plan is to promote greater alignment of interests between employees and shareholders, and to support the achievement of the Company’s longer-term performance objectives, while providing a long-term retention element.

The Incentive Plan allows for a variety of equity-based awards that provide different types of incentives to be granted to the Company’s directors, executive officers, employees and consultants, and will facilitate the grant of Options, RSUs or DSUs (collectively, the “**Awards**”) representing the right to purchase one Common Share; and, in the case of RSUs and DSUs, the right to receive one Common Share, the cash equivalent of one Common Share, or a combination thereof, in accordance with the terms of the Incentive Plan. The following discussion is qualified in its entirety by the text of the Incentive Plan.

Under the terms of the Incentive Plan, the Board, or if authorized by the Board, a Committee of the Board, may grant Awards to eligible Participants, who are defined in the Incentive Plan as directors, officers, senior executives and other employees of the Company and its affiliates, who the Board may determine from time to time, in its sole discretion, to hold contributory positions in the Company or a subsidiary. Awards may be granted at any time and from time to time in order to: (a) increase Participants' interest in the Company's welfare; (b) provide incentives for Participants to continue their services; and (c) reward Participants for their performance of services. Participation in the Incentive Plan is voluntary and, if an Eligible Participant agrees to participate, the grant of Awards will be evidenced by a grant agreement with each such Participant. The interest of any Participant in any Award is non-assignable and non-transferable, whether voluntary, involuntary, by operation of law or otherwise, except upon the death of the Participant.

The Incentive Plan provides that appropriate adjustments, if any, are made by the Board in connection with a reclassification, reorganization, consolidation, distribution, merger, amalgamation, plan of arrangement, spin-off, dividend payment or other change of the Common Shares issuable or amounts payable to preclude a dilution or enlargement of the benefits under the Incentive Plan. In the event that a Participant receives Common Shares in satisfaction of an Award during a black-out period, such Participant shall not be entitled to sell or otherwise dispose of such Common Shares until such black-out period has expired.

The maximum number of Common Shares reserved for issuance, in aggregate, under the Incentive Plan, together with all share-based compensation arrangements of the Company, is 10% of the issued and outstanding Common Shares, calculated as at the date any Security Based Compensation is granted or issued to any Eligible Participant. The aggregate number of Common Shares (i) issued to Insiders under the Incentive Plan or any other proposed or established share-based compensation arrangement within any one-year period and (ii) issuable to Insiders at any time under the Incentive Plan or any other proposed or established share-based compensation arrangement, shall in each case not exceed 10% of the aggregate number of issued and outstanding Common Shares (on a non-diluted basis), or such other number as may be approved by the Exchange and the shareholders of the Company from time to time. The aggregate maximum number of Common Shares issued to any one Person under the Incentive Plan within any one-year period shall not exceed 5% of the issued and outstanding Common Shares. The maximum number of Awards, excluding Options, granted pursuant to the Incentive Plan to any one Eligible Participant shall not exceed: (i) 1% of the issued and outstanding Common Shares at the date of grant of such Award; and (ii) 2% of the issued and outstanding Common Shares within the most recent twelve-month period.

The aggregate number of Common Shares (i) issued to consultants under the Incentive Plan within any twelve-month period and (ii) issuable to Persons retained to provide investor relations activities under the Incentive Plan within any twelve-month period, shall in each case not exceed 2% of the issued and outstanding Common Shares, calculated at the date an Option is granted to such Investor Relations Individuals. Investor Relations Individuals are eligible to receive only Options pursuant to the Incentive Plan and are not eligible to receive RSUs or DSUs.

Pursuant to the Incentive Plan, Options must be granted by the Board, or its appointed Board Committee, pursuant to terms specified in the Option Grant Agreement, including designated Eligible Participants, setting the term of the Options, the number of Options granted, the Option Price which shall not be less than the closing price of the Common Shares on the Exchange on the day prior to the date of grant (the "**Market Value**"), and the relevant vesting provisions. An Option shall be exercisable during a period established by the Board, which shall commence on the date of the grant and shall terminate no later than ten (10) years after the date of grant of the Award or such shorter period as the Board may determine. The Incentive Plan provides that the exercise period shall automatically be extended if the date on which it is scheduled to terminate shall fall during a blackout period. In such cases, the extended exercise period shall terminate 10 business days after the last day of the blackout period.

With respect to Options granted to Investor Relations Individuals the Board will specify the particular terms of such Options and will determine, at its sole discretion, the Investor Relations Individuals who will receive Options, the number of Options to be granted and the date of grant of such Options, the Term and Option Price and the relevant vesting provisions, including Performance Criteria, if applicable. Vesting of Options granted to Investor Relations Individuals will occur in stages over a period of not less than twelve months with a maximum of 25% of the Options vesting in any three-month period, and there can be no acceleration of the vesting requirements applicable to Options granted to Investor Relations Individuals. All terms of Options awarded to Investor Relations Individuals are subject to the Option Grant Agreement by which such Options are awarded, as well as to any applicable rules of the Exchange.

There is a cashless exercise or net exercise provision incorporated into the Incentive Plan, which cashless or net exercise provisions are not available to Investor Relations Individuals. Cashless Exercise or Net Exercise allows for

the exercise of Options based on selling a sufficient number of the Common Shares available for issue upon exercise of the Options to realize the payment of the Option Price and all applicable withholding obligations.

The Incentive Plan provides that the Board, or its appointed Committee, determines, and the DSU Grant Agreement shall specify, that DSUs will vest after a minimum of one year has passed following the date of the DSU Grant Agreement. Each DSU awarded shall entitle the relevant Participant to receive one Common Share, or the Cash Equivalent, or a combination thereof. Each Participant may redeem their DSUs during the period commencing on the Business Day immediately following their Termination Date (as defined in the Incentive Plan), and ending on December 15 of the calendar year following the Termination Date, or a shorter redemption period set out in the applicable DSU Grant Agreement, which shorter redemption period must begin a minimum of one year following the date of grant of the DSUs; and such one year vesting period must be stated in the DSU Redemption Notice. Acceleration of vesting of a DSU is permitted when a Participant ceases to be eligible as a Participant in connection with the death of the relevant Participant; or in connection with a change of control, take-over bid, reverse-take-over or other similar transaction. If upon receipt by the Company of a DSU Redemption Notice, the Company does not have a sufficient number of Common Shares reserved for issuance under the Incentive Plan, in lieu of issuing Common Shares to settle the DSUs, the Company will make payment of a cash amount to the applicable Participant for a value equal to the number of DSUs multiplied by the Market Value, subject to any applicable deductions and withholdings.

The Incentive Plan also provides that the Board, or its appointed Committee, determines and the RSU Grant Agreement shall specify, the relevant conditions and vesting provisions, including the Performance Period and Performance Criteria required to achieve vesting. The Board shall also determine the RSU Restriction Period, provided that such RSU Restriction Period shall begin a minimum of one year following the date of the Award of the RSU as specified in the RSU Grant Agreement and such Restriction Period shall have an end date not exceeding three years after the calendar year in which the RSU Award was granted, subject to the RSU Vesting Determination Date. The RSU Vesting Determination Date must fall after the end of the Performance Period and must be no later than the last day of the RSU Restriction Period. Unless specified otherwise in the RSU Grant Agreement, one-third (1/3) of RSUs awarded pursuant to the RSU Grant Agreement shall vest on each of the first three anniversaries of the date of grant specified in the RSU Grant Agreement. No RSUs will vest prior to one year from the date of award of such RSU. Acceleration of vesting of RSUs is permitted in connection with the death of the relevant Participant; or in connection with a change of control, take-over bid, reverse-take-over or other similar transaction. Subject to the vesting and other conditions and provisions set forth *in the Incentive Plan* and in the RSU Grant Agreement, the Board shall determine whether each RSU awarded to a Participant shall entitle the Participant: (a) to receive one Share issued from treasury; (b) to receive the Cash Equivalent of one (1) Share; or (c) to elect to receive either One Share from treasury, the Cash Equivalent of one (1) Share or a combination of cash and Shares. For purposes of determining the Cash Equivalent of RSUs to be made pursuant to Incentive Plan, such calculation will be made on the RSU Settlement Date and shall equal the Market Value on the RSU Settlement Date multiplied by the number of vested RSUs in the Participant's Account which the Participant desires to settle in cash pursuant to the RSU Settlement Notice.

The following table describes the impact of certain events upon the rights of holders of Awards under the Incentive Plan, including termination for cause, resignation, termination other than for cause, retirement, death and change in control, subject to the terms of a participant's employment agreement:

Event	Provisions
Termination for cause	Immediate forfeiture of all vested and unvested Awards
Resignation	Forfeiture of all unvested Awards and the earlier of the original expiry date and 90 days after resignation to exercise vested Awards or such longer period as the Board may determine in its sole discretion.
Acceleration of Vesting	Acceleration of vesting is permitted if: (i) a Participant ceases to be an eligible Participant in connection with a change of control, take-over bid or other similar transaction; or (ii) after the death of a Participant, the relevant Exercise Notice or Redemption Notice must be submitted by the administrator or liquidator of the deceased Participant's estate; and the required vesting period minimum of one year prior to the date of redemption is waived, but such must be stated in the Exercise Notice or Redemption Notice.

Event	Provisions
Termination other than for cause	Subject to the terms of the grant or as determined by the Board, upon a Participant's termination without cause the number of Awards that may vest is subject to proration over the applicable performance or vesting period.
Retirement	Upon the retirement of a Participant's employment with the Company, any unvested Awards held by the Participant as at the termination date will continue to vest in accordance with the applicable vesting schedule, and all vested Awards held by the Participant at the termination date may be exercised until the earlier of the expiry date of the Awards or six months following the termination date, provided that if the Participant breaches any post-employment restrictive covenants in favour of the Company (including non-competition or non-solicitation covenants), then any Awards held by such Participant, whether vested or unvested, will immediately expire and the Participant shall pay to the Company any "in-the-money" amounts realized upon exercise of Awards following the termination date.
Death	All unvested Awards will vest and may be exercised within 180 days after death.
Change of Control	If a Participant is terminated without "cause" or resigns for good reason during the twelve (12) month period following a change in control, or after the Company has signed a written agreement to effect a change in control but before the change in control is completed, then any unvested Awards will immediately vest and may be exercised within thirty (30) calendar days of such date.

In connection with a change of control of the Company, the Board will take such steps as are reasonably necessary or desirable to cause the conversion or exchange or replacement of outstanding Awards into, or for, rights or other securities of substantially equivalent (or greater) value in the continuing entity, provided that the Board may accelerate the vesting of Awards if: (i) the required steps to cause the conversion or exchange or replacement of Awards are impossible or impracticable to take or are not being taken by the parties required to take such steps (other than the Company); or (ii) the Company has entered into an agreement which, if completed, would result in a change of control and the counterparty or counterparties to such agreement require that all outstanding Awards be exercised immediately before the effective time of such transaction or terminated on or after the effective time of such transaction.

The Board may, in its sole discretion, suspend or terminate the Incentive Plan at any time, or from time to time, amend, revise or discontinue the terms and conditions of the Incentive Plan or of any Award granted under the Incentive Plan and any grant agreement relating thereto, subject to any required regulatory, shareholder and Exchange approval, provided that such suspension, termination, amendment, or revision will not adversely alter or impair any Award previously granted except as permitted by the terms of the Incentive Plan or as required by applicable laws.

For greater certainty, without limitation, amendments to any of the following provisions of the Incentive Plan will be subject to Shareholder approval in the below particular amendments:

- to persons eligible to be granted or issued security-based compensation under the Incentive Plan;
- to the maximum number or percentage, as the case may be, of Listed Shares that may be issuable upon exercise of Options or conversion of DSUs or RSUs under the Incentive Plan;
- to the limits under the Incentive Plan on the number of Options, DSUs or RSUs that may be granted or issued to any one person or any category of persons (such as, for example, Insiders);
- to the method for determining the exercise price of Stock Options;
- to the maximum term of any Award granted under the Incentive Plan;
- to the expiry and termination provisions applicable to any Award granted under the Incentive Plan, including the addition of a blackout period;
- to include the addition of a Net Exercise provision; and

- to any method or formula for calculating prices, values, or amounts under the Incentive Plan that may result in a benefit to a Participant, including but not limited to the formula for calculating the appreciation of a Stock Appreciation Right.

Provided that Shareholder approval shall not be required for the following amendments, the Board may make any changes which may include but are not limited to amendments of a general “housekeeping” or clerical in nature that:

- correct typographical errors; and
- clarify the existing provisions of the Incentive Plan and do not have the effect of altering the scope, nature and intent of such provisions.

Disinterested shareholder approval is required for amendments to the Incentive Plan which:

- (i) change the maximum number of Common Shares issuance from treasury under Incentive Plan, other than as allowed under the Incentive Plan;
- (ii) an amendment that reduces the Exercise Price of an Award and the substitution of that Award by a new Award with a reduced price, except as permitted by the Incentive Plan;
- (iii) any amendment which extends the expiry date of any Award or the Restriction Period of any RSU beyond the original expiry date, except in case of an extension due to a Black-Out Period;
- (iv) any amendment which would permit a change to the pool of Eligible Participants, including a change which would have the potential of broadening or increasing participation by Insiders;
- (v) any amendment which increases the maximum number of Shares that may be issuable to Insiders and Associates of such Insiders and Associates of such Insiders at any time; or issued to Insiders and Associates of such Insiders under the Incentive Plan and any other proposed or established Share Compensation Arrangement in a one-year period, except in case of a permitted adjustment; or
- (vi) any amendment to the amendment provisions of the Plan, provided that Shares held directly or indirectly by Insiders benefiting from the amendments shall be excluded when obtaining such shareholder approval.

Refer to” **PARTICULARS OF MATTERS TO BE ACTED UPON** – Ratification of Omnibus Long-Term Incentive Plan” below.

Stock Options and Other Compensation Securities

The following table discloses all compensation securities granted or issued to each NEO of the Company and to a director who was not an NEO of the Company, or its subsidiaries, in the most recently completed financial year ended December 31, 2023 for services provided or to be provided, directly or indirectly, to the Company, or its subsidiaries.

Compensation Securities Currently Issued and Outstanding							
Name and Position	Type of Compensation Security ⁽¹⁾	Number of Compensation Securities, Number of Underlying Securities and Percentage of class ⁽²⁾	Date of Issue or Grant	Issue, Conversion or Exercise Price (C\$) ⁽³⁾	Closing price of security or underlying security on date of grant (C\$) ⁽³⁾	Closing price of security or underlying security at year end (C\$)	Expiry Date
William Frain <i>Chief Executive Officer and Director</i>	RSUs	418,500 7.05%	October 16, 2023	N/A	N/A	\$0.17	October 16, 2028
Omar Garcia Abrego <i>Chief Financial Officer and Corporate Secretary</i>	Stock Options	75,000 1.12%	October 16, 2023	\$0.19	\$0.17	\$0.135	October 16, 2028
Michael Lanzaro ⁽⁴⁾ <i>President and Chief Technology Officer</i>	RSUs	672,475 11.34%	October 16, 2023	N/A	N/A	\$0.17	October 16, 2028
Daryl Rebeck <i>Chairman and Director</i>	RSUs	300,000 5.06%	October 16, 2023	N/A	N/A	\$0.17	October 16, 2028
Arjun Grewal <i>Director</i>	RSUs	100,000 1.69%	October 16, 2023	N/A	N/A	\$0.17	October 16, 2028
Linda Lee Jacksta <i>Director</i>	RSUs	100,000 1.69%	October 16, 2023	N/A	N/A	\$0.17	October 16, 2028

Notes:

- (1) Each Stock Option is exercisable or redeemable into one Common Share of the Company.
- (2) Percentage of class represents % of compensation securities granted over the total number of compensation securities of the Company outstanding as of December 31, 2023.
- (3) All Options were granted in Canadian dollars.
- (4) Michael Lanzaro resigned as President and Chief Technology Officer of the Company on February 22, 2024. The RSUs awarded to Mr. Lanzaro expired 90 days after the effective date of Mr. Lanzaro's resignation, and all unexercised unvested awards granted to Mr. Lanzaro terminated on the effective date of Mr. Lanzaro's resignation.

Exercise of Compensation Securities by NEOs and Directors

No compensation securities were exercised by NEOs and directors of the Company during the year ended December 31, 2023.

Employment, Consulting and Management Agreements

The following is a summary of the terms of the employment, consulting and management agreements of the Company's directors and NEOs during the fiscal year ended December 31, 2023:

William Frain – CEO

Pursuant to an employment agreement dated December 7, 2018 (the "**Frain Employment Agreement**") between Mr. Frain and DrawDown Technologies, Inc., a wholly-owned US subsidiary of DrawDown ("**DrawDown US**"), Mr. Frain agreed to be employed as Chief Executive Officer in exchange for an annual base salary of \$275,000 and an option grant. On May 1, 2020, Mr. Frain's Employment Agreement was amended temporarily due to COVID-19, reducing Mr. Frain's annual compensation to \$220,000. Mr. Frain's annual salary was reinstated in 2021 to \$275,000 after COVID-19. Mr. Frain is eligible to receive an annual bonus in each calendar year, based upon the achievement of annual performance goals established by the Board. Mr. Frain is also entitled to participate in the Company's benefit plan and the Incentive Plan.

The initial term of the Frain Employment Agreement commenced on January 7, 2019 and continued for a period of two years. Upon expiry of the initial term, the agreement automatically extended for a one-year period thereafter and will continue to extend for subsequent one-year periods unless either party terminates the agreement in accordance with its terms.

In the case of his termination for cause or resignation without good reason, Mr. Frain will be entitled to: (a) any annual base salary earned, but unpaid as of the date of the termination or resignation; (b) any business expenses which he had incurred and had not yet been reimbursed; and (c) any amounts or benefits under any of the compensation, incentive or benefit plans to which he is a party. In the event of his termination without just cause or his resignation for good reason and provided Mr. Frain releases DrawDown and all of its affiliates from any potential claims, he will also be entitled to receive the equivalent of one years' annual base salary at the rate in effect on the date of his termination.

Omar Garcia Abrego – CFO and Corporate Secretary

Pursuant to a consulting agreement dated January 1, 2022, (the "Consulting Agreement") between the Company and 1214852 B.C. Ltd, company in which Omar Garcia Abrego is a shareholder, the Company has agreed to pay to a base fee of C\$11,000 per month for consulting services.

In connection to the agreement, Mr. Garcia may terminate this agreement providing the Company with two months' written notice. The Company may waive such notice in whole or in part in its sole discretion by paying an amount equal to the fees for the balance of such two month's notice period. If Mr. Garcia terminates this agreement, he will not be entitled to any termination payment, any bonus or other than what he has already earned.

The Company may terminate this agreement without just cause at any time, in accordance with the following: 1) all outstanding unvested equity awards granted to Mr. Garcia shall become fully vested and will be provided a period of not less than 90 days to exercise all outstanding equity awards, 2) the Company shall provide Mr. Garcia with pay in lieu of notice of termination as follows a) three months of fees and b) an additional one month of fees for each completed year that Mr. Garcia has been engaged by the Company to an aggregate maximum of six months.

Termination of Mr. Garcia upon change of control. If within one year immediately following a change of control this agreement is a) terminated by the Company b) terminated by the for good reason, then the Company will pay Mr. Garcia a lump sum termination payment equal to two times the amount that Mr. Garcia would have received under just case to an aggregate maximum of twelve months.

Michael Lanzaro – President and CTO

Pursuant to an employment agreement dated October 3, 2019 (the "**Lanzaro Employment Agreement**") between Mr. Lanzaro and DrawDown US, Mr. Lanzaro agreed to be employed as Chief Technology Officer in exchange for an annual base salary of \$190,000 in 2019 and \$200,000 in year 2020 and an option grant. On May 1, 2020, Mr. Lanzaro's Employment Agreement was amended temporarily due to COVID-19, reducing Mr. Lanzaro's annual compensation to \$170,000. In 2021 after COVID-19 Mr. Lanzaro's annual compensation was amended to \$260,000. Mr. Lanzaro is eligible to receive an annual bonus in each calendar year, based upon the achievement of annual performance goals established by the Board. Mr. Lanzaro is also entitled to participate in the Company's benefit plan and the Incentive Plan. The term of the Lanzaro Employment Agreement is an indefinite, "at-will" term of employment.

In the case of his termination for cause or resignation without good reason, Mr. Lanzaro will be entitled to: (a) any annual base salary earned, but unpaid as of the date of the termination or resignation; (b) any business expenses which he had incurred and had not yet been reimbursed; and (c) any amounts or benefits under any of the compensation, incentive or benefit plans to which he is a party. In the event of his termination without just cause or his resignation for good reason and provided Mr. Lanzaro releases DrawDown and all of its affiliates from any potential claims, he will also be entitled to receive the equivalent of one years' annual base salary at the rate in effect on the date of his termination. Mr. Lanzaro resigned as President and Chief Technology Officer of the Company on February 27, 2024.

Daryl Rebeck – Executive Chairman and Senior Member of the Executive Team

Under an employment agreement dated June 1, 2021 (the “Rebeck Employment Agreement”), between Daryl Rebeck and Liberty Defense Holdings, LTD., Mr. Rebeck agreed to serve as Executive Chairman and a Senior Member of the Executive Team with an annual salary of C\$240,000. According to the agreement, Mr. Rebeck is also eligible to receive a one percent bonus on all capital raised by the Company during completed financing activities. On January 1, 2024, due to a furlough within the Company, the Rebeck Employment Agreement was amended to suspend salary payments temporarily, though medical benefits continued. Mr. Rebeck’s salary payments were reinstated in February 2024.

Either party may terminate the Rebeck Employment Agreement if the other party is in material default of any obligation, representation, or warranty set forth in the agreement, or for just cause. The Company may also terminate the Rebeck Employment Agreement at any time upon payment of a termination fee equal to six months' base salary plus six months of benefits. If termination occurs within six months following a change of control, the same termination fee will apply.

Oversight and Description of Director and NEO Compensation

The Board has a compensation committee (the “**Compensation Committee**”) and a Corporate Governance Committee (the “**Corporate Governance Committee**”). The Compensation Committee is charged with reviewing, overseeing and evaluating the compensation policies of the Company, and the Corporate Governance Committee is charged with reviewing, overseeing and evaluating the governance and nominating policies of the Company. The Company’s compensation policies and programs are designed to be competitive with comparable companies in the defense technology industry and to recognize and reward executive performance consistent with the success of the Company’s business. These policies and programs are intended to attract and retain capable and experienced people. The Company’s compensation policy is to ensure that the Company’s compensation goals and objectives, as applied to the actual compensation paid to the Company’s CEO and other executive officers, are aligned with the Company’s overall business objectives and with shareholder interests.

In addition, the Compensation Committee is responsible for:

- assessing the effectiveness of the Board, each of its committees and individual directors;
- administering any stock option or purchase plan of the Company or any other compensation incentive programs;
- assessing the performance of the officers and other members of the executive management team of the Company;
- reviewing and approving the compensation paid by the Company, if any, to consultants of the Company; and
- reviewing and making recommendations to the Board concerning the level and nature of the compensation payable, if any, to the directors and officers of the Company.

During the year ended December 31, 2023 the Compensation Committee was composed of three members, being Arjun Grewal (Chair), Daryl Rebeck and William Frain.

During the year ended December 31, 2023, the Corporate Governance Committee was composed of three members, being Arjun Grewal (Chair), Daryl Rebeck and William Frain.

Pension Disclosure

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

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Equity Compensation Plan Information

The following table sets out equity compensation plan information of issued and outstanding share capital of 145,428,102 as at December 31, 2023.

Plan Category	Number of securities to be issued upon exercise of outstanding options, deferred share units and restricted share units (a)	Weighted-average exercise price of outstanding options, deferred share units and restricted share units (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by the securityholders – Omnibus Long-Term Incentive Plan	6,689,597 Options Nil DSUs 5,929,130 RSUs	C\$0.48 Stock Options DSUs NA RSUs N/A	7,853,213 Stock Options 14,542,810 DSUs 8,613,680 RSUs
Equity compensation plans not approved by the securityholders	N/A	N/A	N/A
Total	6,689,597 Stock Option Nil DSUs 5,929,130 RSUs		7,853,213 Stock Options 14,542,810 DSUs 8,613,680 RSUs

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the current or former directors, executive officers, employees of the Company, the proposed nominees for election to the Board, or their respective associates or affiliates, are or have been indebted to the Company since the beginning of the most recently completed financial year of the Company.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as set out below, none of the persons who were directors or executive officers of the Company or a subsidiary at any time during the Company's last completed financial year, the proposed nominees for election to the Board, any person or company who beneficially owns, directly or indirectly, or who exercises control or direction over (or a combination of both) more than 10% of the issued and outstanding common shares of the Company, nor the associates or affiliates of those persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction or proposed transaction which has materially affected or would materially affect the Company.

Non-Brokered Private Placement

The Company closed a non-brokered private placement on June 13, 2023 whereby a total of 10,261,061 units were purchased at a purchase price of \$0.20 per Share, with a total 5,130,530 share purchase warrants at an exercise price of \$0.30 per Share, expiring on June 9, 2025. William Frain, CEO and Arjun Grewal, Director, participated in this private placement as to a purchase of 320,000 units.

MANAGEMENT CONTRACTS

Other than as disclosed elsewhere in this Circular, no Management functions of the Company are to any substantial degree performed by a person or company other than the directors or NEOs of the Company.

PARTICULARS OF MATTERS TO BE ACTED ON

Ratification of Omnibus Long-Term Incentive Plan

As described above under heading “Stock Option Plans and Other Compensation Plans” above, the Company has in place an Omnibus Long-Term Incentive Plan dated for reference March 27, 2019, as amended October 25, 2022 and October 16, 2023 (the “**Omnibus Incentive Plan**”).

As the Omnibus Incentive Plan is considered a “rolling” plan, the TSX Venture Exchange requires the Company to obtain shareholder approval on an annual basis, shareholders will be asked to vote on and, if deemed appropriate, to pass an ordinary resolution to ratify, confirm and approve the Omnibus Incentive Plan”. Accordingly, shareholders will be asked to pass the following resolution at the Meeting, the text of which is set out below.

The Company’s Omnibus Incentive Plan was last approved by shareholders at the Company’s December 7, 2023 annual general meeting. A copy of the Omnibus Incentive Plan was SEDAR+ filed under the Company’s SEDAR+ corporate profile at www.sedarplus.ca on January 15, 2024. A copy of the Omnibus Incentive Plan referenced in this Circular will be made available for review at the Meeting.

Shareholder Approval

“**BE IT RESOLVED**, as an ordinary resolution of the shareholders, that:

1. the Omnibus Incentive Plan, dated for reference March 27, 2019, as amended October 25, 2022 and October 26, 2023 as disclosed in detail in the Information Circular prepared for the annual general meeting of the Company to be held December 6, 2024, be and is hereby ratified, confirmed and approved, and for continuation as required annually by the policies of the TSX Venture Exchange;
2. Any one director or officer of the Company be and is hereby authorized and directed to do such things and to execute and deliver all such instruments, deeds and documents, and any amendments thereto, as may be necessary or advisable in order to give effect to the foregoing resolution.”

The Board has determined that the Omnibus Incentive Plan is in the best interests of the Company and its shareholders and recommends that shareholders vote IN FAVOUR OF the foregoing resolution approving the Omnibus Incentive Plan.

Approval of the Omnibus Incentive Plan must be passed by a simple majority of votes cast in favour in respect thereof by shareholders present in person or represented by proxy at the Meeting.

UNLESS OTHERWISE DIRECTED, IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES TO VOTE THE PROXIES IN FAVOUR OF THE ORDINARY RESOLUTION TO RATIFY, CONFIRM AND APPROVE THE OMNIBUS INCENTIVE PLAN.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedarplus.ca. Financial information about the Company is provided in the Company’s comparative annual financial statements to December 31, 2023, a copy of which, together with the Management’s Discussion and Analysis thereon, can be found on the Company’s SEDAR+ profile at www.sedarplus.ca. Additional financial information concerning the Company may be obtained by any securityholder of the Company free of charge by contacting the Company by telephone at (604) 809-2500 or by email at info@libertydefense.com.

BOARD APPROVAL

The contents of this Circular have been approved and its mailing authorized by the directors of the Company.

DATED at Vancouver, British Columbia as at November 6, 2024.

ON BEHALF OF THE BOARD

“William Frain”

William Frain
Chief Executive Officer and Director

SCHEDULE A

LIBERTY DEFENSE HOLDINGS, LTD. (the “Company”)

AUDIT COMMITTEE CHARTER

1. MANDATE

The audit committee will assist the board of directors of the Company (the “**Board**”) in fulfilling its financial oversight responsibilities. The committee will review and consider, in consultation with the Company’s external auditors, the financial reporting process, the system of internal control over financial reporting and the audit process. In performing its duties, the audit committee will maintain effective working relationships with the Board, management and the external auditors. To effectively perform his or her role, each committee member must obtain an understanding of the principal responsibilities of committee membership as well as the Company’s business, operations and risks.

2. COMPOSITION

The Board will appoint, from among their membership, an audit committee after each annual meeting of the shareholders of the Company. The audit committee will consist of a minimum of three directors.

2.1 *Independence*

A majority of the members of the audit committee must be “independent” (as defined in Sec. 1.4 of National Instrument 52-110 (Audit Committees)) (“**NI 52-110**”).

2.2 *Expertise of Committee Members*

A majority of the members of the audit 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 his or her appointment to the committee. At least one member of the committee must have accounting or related financial management expertise.

3. MEETINGS

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

4. ROLES AND RESPONSIBILITIES

The audit committee shall fulfill the following roles and discharge the following responsibilities:

4.1 *External Audit*

The audit committee shall be directly responsible for 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 audit 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 Company;
- (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 or discharge of the external auditors;

- (d) review and recommend to the Board the compensation to be paid to the external auditors;
- (e) 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; and
- (f) review and approve the Company's hiring policies regarding partners and employees, and former partners and employees, of the present and former external auditor of the Company.

4.2 Internal Control

The audit 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 Company. In carrying out this duty, the audit committee shall:

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

4.3 Financial Reporting

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

General

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

Annual Financial Statements

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

Interim Financial Statements

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

Release of Financial Information

- (h) where reasonably possible, review and approve all public disclosure containing financial information, including news releases, prior to release to the public. An audit committee must be

satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, 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 Company or any subsidiary of the Company shall be subject to the prior approval of the audit committee.

Delegation of Authority

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

De-Minimis Non-Audit Services

- (b) The audit 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 Company 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 audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated.

Pre-Approval Policies and Procedures

- (c) The audit 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 audit committee is informed of each non-audit service; and
 - (iii) the procedures do not include delegation of the audit committee's responsibilities to management.

4.5 Other Responsibilities

The audit committee shall:

- (a) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
- (b) establish procedures for the confidential, anonymous submission by employees of the Company 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; and
- (f) review and update this Charter and receive approval of changes to this Charter from the Board.

4.6 Reporting Responsibilities

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

5. RESOURCES AND AUTHORITY OF THE AUDIT COMMITTEE

The audit 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 any advisors employed by the audit committee; and
- (c) communicate directly with the internal and external auditors.

6. GUIDANCE — ROLES & RESPONSIBILITIES

The audit committee should consider undertaking the actions described in the following guidance, which is intended to provide the audit 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,
- (c) understand industry best practices and the Company's adoption of them;

Annual Financial Statements

- (d) 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 Company reports or trades its shares;

- (e) pay attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;
- (f) 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;
- (g) consider management's handling of proposed audit adjustments identified by the external auditors;
- (h) ensure that the external auditors communicate all required matters to the committee;

Interim Financial Statements

- (i) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;
- (j) meet with management and the auditors, either telephonically or in person, to review the interim financial statements;
- (k) 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 Company'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 Company's financial and operating controls are functioning effectively;
 - (vii) the Company has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreement; 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

6.4 Other Responsibilities

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