

**LIBERTY DEFENSE HOLDINGS, LTD.**

**Annual General Meeting  
to be held on November 30, 2021**

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

**October 27, 2021**

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**LIBERTY DEFENSE HOLDINGS, LTD.  
SUITE 1030 – 200 GRANVILLE STREET  
VANCOUVER, BRITISH COLUMBIA  
V6C 2R3**

**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that an 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 Tuesday, November 30, 2021 at 10:00 a.m. (Vancouver time) for the following purposes:

1. to set the number of directors of the Company for the ensuing year at four (4);
2. to elect directors for the ensuing year;
3. to appoint Davidson & Company LLP, Chartered Professional Accountants, as Auditor of the Company for the ensuing year and to authorize the board of directors of the Company to determine the remuneration to be paid to the Auditor;
4. to table the audited consolidated financial statements of the Company for the fiscal years ended December 31, 2020 and December 31, 2019, together with the report of the auditor thereon and related management discussion and analysis (“MD&A”); and
5. to consider, and, if thought fit, to pass an ordinary resolution approving the renewal of the Company’s Omnibus Equity Incentive Plan, as required annually by the policies of the TSX Venture Exchange.

The 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.

*At the date of this Notice and the accompanying Information Circular, it is the intention of the Company to hold the Meeting at the location stated above in this Notice. We are continuously monitoring development of the current coronavirus (COVID-19) outbreak (“COVID-19”). **In light of the rapidly evolving public health guidelines related to COVID-19, we ask shareholders to consider voting their shares by proxy and not attend the Meeting in person.** Those shareholders who do wish to attend the Meeting in person, should carefully consider and follow the instructions of the federal Public Health Agency of Canada available at: <https://www.canada.ca/en/public-health/services/diseases/coronavirus-disease-covid-19.html>. We ask that shareholders also review and follow the instructions of any regional health authorities of the Province of British Columbia, including the Vancouver Coastal Health Authority, the Fraser Health Authority and any other health authority holding jurisdiction over the areas you must travel through to attend the Meeting. Do not attend the Meeting in person if you are experiencing any cold or flu-like symptoms, or if you or someone with whom you have been in close contact has travelled to/from outside of Canada within the 14 days immediately prior to the Meeting. All shareholders are strongly encouraged to vote by submitting their completed form of proxy (or voting instruction form) prior to the Meeting by one of the means described in the Information Circular accompanying this Notice.*

*The Company reserves the right to take any additional precautionary measures deemed to be appropriate, necessary or advisable in relation to the Meeting in response to further developments in the COVID-19 outbreak, including: (i) holding the Meeting virtually or by providing a webcast of the Meeting; (ii) hosting the Meeting solely by means of remote communication; (iii) changing the Meeting date and/or changing the means of holding the Meeting; (iv) denying access to persons who exhibit cold or flu-like symptoms, or who have, or have been in close contact with someone who has travelled to/from outside of Canada within the 14 days immediately prior to the Meeting; (v) denying access to persons that do not have evidence of full vaccination or a negative COVID-19 rapid test result completed within 24 hours immediately prior to the Meeting, and (vi) such other measures as may be recommended by public health authorities in connection with gatherings of persons such as the Meeting. Should any changes to the Meeting format occur, the Company will announce any and all of these changes by way of news release, which will be filed under the Company’s profile on SEDAR. We strongly recommend you check the Company’s SEDAR profile prior to*

*the Meeting for the most current information. In the event of any changes to the Meeting format due to the COVID-19 outbreak, the Company will **NOT** prepare or mail amended Meeting Proxy Materials.*

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 Proxy and deliver it to the Company's transfer agent, Computershare Trust Company of Canada. ("**Computershare**") at 510 Burrard Street, 3rd Floor, Vancouver BC, V6C 3B9 Attention: Proxy Department in accordance with the instructions set out in the Proxy and in the Information Circular for the Meeting. If a shareholder does not deliver a Proxy to Computershare by 10:00 a.m. (Vancouver Time) on November 26, 2021 (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.

Only shareholders of record at the close of business on October 27, 2021 will be entitled to vote at the Meeting.

**In view of the precautions required with respect to COVID-19, any shareholder who wishes to attend the Meeting in person must contact the Company at least 48 hours prior to the Meeting at 604 809-2500.**

The Company will offer Shareholders the option to listen and participate (but not vote) at the Meeting in real time by conference call at the following co-ordinates:

Canada Toll Free:	1 855 244 8677
US Toll Free:	1 855 282 6330
Access Code:	244 105 85

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 October 27, 2021.

**ON BEHALF OF THE BOARD**

*"William Frain"*

William Frain  
Chief Executive Officer and Director

**LIBERTY DEFENSE HOLDINGS, LTD.**  
**Suite 1030 – 200 Granville Street**  
**Vancouver, British Columbia**  
**V6C 2R3**

**INFORMATION CIRCULAR**  
*(as at October 27, 2021, 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 Tuesday, November 30, 2021 (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.

Unless otherwise indicated, all security amounts included herein are provided on a post-Consolidation basis, reflecting the consolidation of the Common Shares on the basis of 6.2 pre-Consolidation Common Shares for one (1) post-Consolidation Common Share effective as of March 17, 2021 (the “Consolidation”).

**In view of the precautions required with respect to COVID-19, any Shareholder who wishes to attend the Meeting in person must contact the Company at least 48 hours prior to the Meeting at 604 809-2500.**

**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](http://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 and VIF, as applicable, are being provided to both Registered Shareholders and Beneficial Shareholders. Beneficial Shareholders fall into two categories - those who object to their identity being known to the issuers of securities which they own (“**OBOs**”) and those 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 request 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 who is a NOBO to submit to the Company or an applicable intermediary any document in writing that requests that the NOBO or a nominee of the NOBO be appointed as proxyholder. If such a request is received, the Company or an intermediary, as applicable, must arrange, without expenses to the NOBO, to appoint such NOBO 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 NOBO 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 NOBO or a nominee of the NOBO 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 Proxy

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.

## FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the years ended December 31, 2020 and December 31, 2019, 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.sedar.com](http://www.sedar.com).

## VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

As at October 27, 2021, the Company’s authorized capital consists of an unlimited number of Common Shares of which 63,993,345 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 27, 2021 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.

To the knowledge of the directors and executive officers of the Company, as of the date of this Circular, no person beneficially owns, directly or indirectly, or exercises control or direction over, 10% or more of the issued and outstanding common shares of the Company.

## ELECTION OF DIRECTORS

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.

Shareholders are being asked to set the number of directors to comprise the Board for the ensuing year at four (4). 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 <sup>(1)</sup>
<b>William Frain</b> <sup>(3)(4)</sup> Massachusetts, USA <i>Chief Executive Officer &amp; 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	406,250 <sup>(5)</sup>
<b>Arjun Grewal</b> <sup>(2)(3)(4)</sup> 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	Nil <sup>(6)</sup>
<b>Daryl Rebeck</b> <sup>(2)(3)(4)</sup> British Columbia, Canada <i>Chairman &amp; 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 Auryn Resources Inc. (2013 – 2017).	March 17, 2021	1,725,000 <sup>(7)</sup>
<b>Linda Lee Jacksta</b> 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	Nil <sup>(8)</sup>

**Notes:**

- (1) The information as to common shares beneficially owned or controlled has been provided by the nominees themselves.
- (2) A member of the Audit Committee.
- (3) A member of the Compensation Committee
- (4) A member of the Corporate Governance Committee

- (5) Mr. Frain also holds options to purchase 250,000 Common shares at an exercise price of C\$0.50, expiring April 7, 2026; Mr. Frain has also been granted 81,250 Restricted Share Units (“RSUs”) which expire June 10, 2026 and 250,000 RSUs which expire April 7, 2026.
- (6) Mr. Grewal holds options to purchase 125,000 Common Shares at an exercise price of C\$0.50, expiring April 7, 2026 and 37,500 Common Shares at an exercise price of C\$0.50 expiring September 25, 2024.
- (7) Mr. Rebeck also holds options to purchase 250,000 Common Shares at an exercise price of C\$0.50, expiring April 7, 2026. Mr. Rebeck has also been granted 250,000 Restricted Share Units which expire April 7, 2026.
- (8) Ms. Jacksta holds options to purchase 125,000 Common Shares at an exercise price of C\$0.55, expiring July 28, 2026.

John McCoach, currently a director of the Company and Chair of the Audit Committee, will not stand for re-election as a director at the Meeting.

No proposed director is being elected under any arrangement or understanding between the proposed director and any other person or company.

### **Corporate Cease Trade Orders or Bankruptcies**

Except as disclosed below, 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 the assets of the proposed director.

John McCoach was a director and an officer of Nautilus Minerals Inc. (“**Nautilus**”) at the time Nautilus 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. Mr. McCoach resigned from Nautilus in April 2019.

### **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.

### **STATEMENT OF 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 Statement of Executive Compensation:

“**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;

“**named executive officer**” or “**NEO**” 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 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 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 subsection 1.3(5), 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;

“**plan**” includes any plan, contract, authorization, or arrangement, whether or not set out in any formal document, where cash, compensation securities or any other property may be received, whether for one or more persons;

“**underlying securities**” means any securities issuable on conversion, exchange or exercise of compensation securities.

Effective April 3, 2019, the Company completed a reverse-takeover transaction (the “**RTO**”) with Liberty Defense Holdings, Inc. (“**LPC**”). Pursuant to the RTO, LPC amalgamated with a wholly-owned subsidiary of the Company to form Amalco. The Company then completed the acquisition of all of the issued and outstanding shares of Amalco and concurrently changed its name to “Liberty Defense Holdings, Ltd.” from Gulfstream Acquisition 1 Corp. As part of the RTO, the board and management of LPC were reconstituted to be the current Board and Management of the Company. As a result of the RTO, the executive compensation below includes compensation paid by LPC prior LPC becoming a wholly-owned subsidiary of the Company.

Effective March 17, 2021, the Company completed a reverse-takeover transaction (the “**DrawDown RTO**”) with DrawDown Detection Inc. (“**DrawDown**”). Pursuant to the DrawDown RTO, DrawDown amalgamated with a wholly-owned subsidiary of the Company and the newly formed entity continued as “DrawDown Detection Inc.”. The Company then completed the acquisition of all of the issued and outstanding shares of DrawDown. As part of the DrawDown RTO, the board and management of DrawDown were reconstituted to be the current Board and Management of the Company. As a result of the DrawDown RTO, the executive compensation below includes compensation paid by DrawDown prior to DrawDown becoming a wholly-owned subsidiary of the Company.

During the year ended December 31, 2020, the Company had six NEOs, namely: William Frain (CEO and Director), Omar Garcia Abrego (CFO and Corporate Secretary), Michael Lanzaro (President and CTO), Aman Bhardwaj (COO and President of US operations), William E. Riker Jr. (former CEO and Director) and Damian Towns (former CFO, Corporate Secretary and Director).

During the year ended December 31, 2019, the Company had five NEOs, namely: William E. Riker Jr. (CEO and Director), Aman Bhardwaj (COO and President of US operations), David Sidoo (former Executive Chairman and former Director of LPC), Damian Towns (CFO, Corporate Secretary and Director) and Bart Smudde (CTO).

**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, 2020 and December 31, 2019. For NEOs who are also directors, no compensation was paid to them in their capacity as directors.

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 <sup>(1)</sup> (\$)	Value of all other Compensation (\$)	Total Compensation (\$)
<b>William Frain</b> <sup>(2)</sup> <i>CEO and Director</i>	2020	239,038	Nil	Nil	Nil	18,120	257,158
	2019	153,846	50,000	Nil	Nil	17,086	220,932
<b>Omar Garcia Abrego</b> <sup>(3)</sup> <i>CFO and Corporate Secretary</i>	2020	37,280	Nil	Nil	Nil	Nil	37,280
	2019	37,685	Nil	Nil	Nil	Nil	37,685
<b>Michael Lanzaro</b> <sup>(4)</sup> <i>President and CTO</i>	2020	180,385	Nil	Nil	Nil	18,045	198,430
	2019	29,231	Nil	Nil	Nil	2,847	32,078
<b>Daryl Bebeck</b> <sup>(5)</sup> <i>Chairman and Director</i>	2020	44,736	Nil	Nil	Nil	Nil	44,736
	2019	45,222	Nil	Nil	Nil	Nil	45,222
<b>Aman Bhardwaj</b> <sup>(10)</sup> <i>Chief Operating Officer President of US Operations</i>	2020	198,993	Nil	Nil	Nil	Nil	198,993
	2019	230,000	Nil	Nil	Nil	Nil	230,000
<b>Arjun Grewal</b> <sup>(6)</sup> <i>Director</i>	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil
<b>Linda Lee Jacksta</b> <sup>(7)</sup> <i>Director</i>	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil
<b>John McCoach</b> <sup>(14)</sup> <i>Director</i>	2020	13,980	Nil	Nil	Nil	Nil	13,980
	2019	17,279	Nil	Nil	Nil	Nil	17,279

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 <sup>(1)</sup> (\$)	Value of all other Compensation (\$)	Total Compensation (\$)
<b>William E. Riker, Jr.</b> <sup>(8)</sup> <i>Former CEO and Director</i>	2020	6,213	Nil	Nil	Nil	Nil	6,213
	2019	280,008	Nil	Nil	Nil	Nil	280,008
<b>Damian Towns</b> <sup>(9)</sup> <i>Former CFO, Corporate Secretary and Director</i>	2020	123,192	Nil	Nil	Nil	Nil	123,192
	2019	151,444	Nil	Nil	Nil	Nil	151,444
<b>David Sidoo</b> <sup>(11)</sup> <i>Former Executive Chairman and Director of LPC</i>	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	214,085	Nil	Nil	Nil	Nil	214,085
<b>Bart Smudde</b> <sup>(12)</sup> <i>Former CTO</i>	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	150,000	Nil	Nil	Nil	Nil	150,000
<b>Jeremy Morton</b> <sup>(13)</sup> <i>Former Chairman and Director</i>	2020	13,980	Nil	Nil	Nil	Nil	13,980
	2019	47,474	Nil	Nil	Nil	Nil	47,474
<b>Corby Marshall</b> <sup>(15)</sup> <i>Former Director</i>	2020	4,971	Nil	Nil	Nil	Nil	4,971
	2019	17,279	Nil	Nil	Nil	Nil	17,279
<b>Sam Parrotta</b> <sup>(16)</sup> <i>Former Director</i>	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	10,971	Nil	Nil	Nil	Nil	10,971
<b>Charles Shin</b> <sup>(17)</sup> <i>Former CEO and Director</i>	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil
<b>Mark Korol</b> <sup>(17)</sup> <i>Former CFO and Director</i>	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil
<b>Frank Dottori</b> <sup>(17)</sup> <i>Former Director</i>	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil

**Notes:**

- (1) Includes, if applicable, housing allowances, education, utilities, wellness subsidies and cash pension benefits.
- (2) Mr. Frain was appointed CEO and a director of the Company on March 17, 2021 in connection with the DrawDown RTO. Mr. Frain served as CEO and a director of DrawDown since January 21, 2019.

- (3) Mr. Garcia Abrego was appointed CFO and Corporate Secretary of the Company on March 17, 2021 in connection with the RTO. Mr. Garcia Abrego served as CFO of DrawDown since August 1, 2019.
- (4) Mr. Lanzaro was appointed CTO of the Company on March 17, 2021 and as President of the Company on April 22, 2021 in connection with the DrawDown RTO. Mr. Lanzaro served as CTO of DrawDown since October 3, 2019.
- (5) Mr. Rebeck was appointed as a director of the Company on March 17, 2021 in connection with the DrawDown RTO. Mr. Rebeck served as a director of DrawDown since October 26, 2018.
- (6) Mr. Grewal was appointed as a director of the Company on March 17, 2021 in connection with the DrawDown RTO.
- (7) Ms. Jacksta was appointed as a director of the Company on July 28, 2021.
- (8) Mr. Riker was appointed CEO and director of the Company on April 3, 2019 in connection with the Gulfstream RTO. Mr. Riker served as CEO and director of LPC since October 4, 2018 and received a signing bonus of \$75,000 upon joining LPC. Mr. Riker resigned on April 30, 2021 in connection with the DrawDown RTO.
- (9) Mr. Towns was appointed CFO, Corporate Secretary and Director of the Company on April 3, 2019 in connection with the Gulfstream RTO. Mr. Towns served as CFO, Corporate Secretary and Director of LPC since November 28, 2018. Mr. Towns resigned on April 30, 2021 in connection with the DrawDown RTO.
- (10) Mr. Bhardwaj was appointed Chief Operating Officer and President of US Operations of the Company on April 3, 2019 in connection with the Gulfstream RTO. Mr. Bhardwaj served as COO and President of US Operations of LPC since October 8, 2018. Mr. Bhardwaj served as interim CEO and a director of the Company from May 1, 2020 to March 17, 2021
- (11) Mr. Sidoo resigned as Executive Chairman of LPC effective March 12, 2019 and was paid C\$200,000 in severance. The compensation noted above does not include administrative, finance and office expenses paid to or reimbursed to Makena Management Group Ltd., of which Mr. Sidoo is a principal.
- (12) Mr. Smudde was appointed CTO of the Company on April 3, 2019 in connection with the Gulfstream RTO. Mr. Smudde served as CTO of LPC since September 24, 2018. Mr. Smudde resigned prior to the completion of the DrawDown RTO.
- (13) Mr. Morton was appointed director of the Company on May 7, 2019 and resigned on March 17, 2021 in connection with the DrawDown RTO.
- (14) Mr. McCoach was appointed director of the Company on April 3, 2019 in connection with the Gulfstream RTO. Mr. McCoach served as a director of LPC since October 4, 2018. Mr. McCoach will not stand for re-election at the Meeting.
- (15) Mr. Marshall was appointed director of the Company on April 3, 2019 in connection with the Gulfstream RTO. Mr. Marshall served as a director of LPC since October 4, 2018 and resigned prior to the completion of the DrawDown RTO.
- (16) Mr. Parrotta resigned effective August 30, 2019. Mr. Parrotta served as a director of LPC since October 4, 2018.
- (17) Resigned from the Company effective April 3, 2019 in connection with the Gulfstream RTO.

### ***External Management Companies***

Other than as disclosed elsewhere in this Circular, 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 Options and Other Compensation Securities***

No compensation securities were granted or issued to any NEO or director by the Company for services provided or to be provided, directly or indirectly, to the Company during the Company's most recently completed financial year ended December 31, 2020.

As of the date of this Circular, the following Compensation Securities granted or issued to NEOs or directors are currently issued and outstanding:

<b>Compensation Securities Currently Issued and Outstanding</b>						
<b>Name and Position</b>	<b>Type of Compensation Security<sup>(1)</sup></b>	<b>Number of Compensation Securities, Number of Underlying Securities</b>	<b>Date of Issue or Grant</b>	<b>Issue, Conversion or Exercise Price (C\$)<sup>(2)</sup></b>	<b>Closing price of security or underlying security on date of grant (C\$)<sup>(2)</sup></b>	<b>Expiry Date</b>
<b>William Frain</b> <i>Chief Executive Officer and Director</i>	Stock Options RSUs	250,000	April 7, 2021	\$0.50	\$0.58	April 7, 2026
		81,250	June 10, 2021	N/A	N/A	June 10, 2026
		250,000	April 7, 2021	N/A	N/A	April 7, 2026

Compensation Securities Currently Issued and Outstanding						
Name and Position	Type of Compensation Security <sup>(1)</sup>	Number of Compensation Securities, Number of Underlying Securities	Date of Issue or Grant	Issue, Conversion or Exercise Price (C\$) <sup>(2)</sup>	Closing price of security or underlying security on date of grant (C\$) <sup>(2)</sup>	Expiry Date
<b>Omar Garcia Abrego</b> <i>Chief Financial Officer and Corporate Secretary</i>	Stock Options	100,000	April 7, 2021	\$0.50	\$0.58	April 7, 2026
<b>Aman Bhardwaj</b> <i>Chief Operating Officer and President of US Operations</i>	Stock Options	300,000 96,774	April 7, 2021 April 9, 2019	\$0.50 \$4.86	\$0.58 \$0.58	April 7, 2026 April 9, 2024
<b>Michael Lanzaro</b> <i>President and Chief Technology Officer</i>	Stock Options RSUs	250,000 250,000	April 7, 2021 April 7, 2021	\$0.50 N/A	\$0.58 N/A	April 7, 2026 April 7, 2026
<b>John McCoach</b> <i>Director</i>	Stock Options	125,000 40,323	April 7, 2021 April 9, 2019	\$0.50 \$4.86	\$0.58 \$0.58	April 7, 2026 April 9, 2024
<b>Daryl Rebeck</b> <i>Chairman and Director</i>	Stock Options RSUs	250,000 250,000	April 7, 2021 April 7, 2021	\$0.50 N/A	\$0.58 N/A	April 7, 2026 April 7, 2026
<b>Arjun Grewal</b> <i>Director</i>	Stock Options Stock Options	125,000 37,500 <sup>(3)</sup>	April 7, 2021 September 25, 2019	\$0.50 \$0.50	\$0.58 \$0.64	April 7, 2026 September 25, 2024
<b>Linda Jacksta</b> <i>Director</i>	Stock Options	125,000	July 28, 2021	\$0.55	\$0.66	July 28, 2026

**Notes:**

- (1) Each Stock Option is exercisable or redeemable into one Common Share of the Company.
- (2) All Options were granted in Canadian dollars.
- (3) These options are DrawDown options that represent the right to acquire Common Shares as a result of the DrawDown RTO.

***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, 2020.

**Stock Option Plans and Other Incentive Plans**

***Equity Incentive Plan***

The Company's Omnibus Equity Incentive Plan (the "**Incentive Plan**") is comprised of Options, restricted share units ("**RSUs**") and deferred share units ("**DSUs**") issued pursuant to the Incentive Plan. The maximum number of Common Shares reserved for issuance, in the aggregate, under the Incentive Plan is 10% of the aggregate number of Common Shares issued and outstanding. In accordance with Exchange policies, a plan with a rolling 10% maximum must be confirmed by shareholders of the Company at each annual general meeting. The Incentive Plan was last confirmed by the shareholders of the Company at a special meeting of shareholders held on April 6, 2020.

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. See "Approval of Omnibus Equity Incentive Plan" under "Particulars of Matters to be Acted On" for description of key terms of the Incentive Plan.

### **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, 2020:

#### ***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 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***

The Company and 1214852 B.C. Ltd., a numbered company in which Omar Garcia Abrego is a shareholder, entered into a consulting agreement dated July 1, 2019 (the "**CFO Agreement**"). Under the CFO Agreement, the Company engaged Mr. Garcia Abrego as CFO of the Company and agreed to pay an annual service fee of C\$50,000 for services provided in 2019, plus discretionary long-term incentives such as stock options granted from time to time at the discretion of the Board. The parties verbally agree to renew the agreement on a yearly basis. The Company may terminate this agreement at any time by providing notice in writing to Mr. Garcia Abrego. All services will cease immediately upon receipt of such notice and the Company will be required to pay all outstanding fees and expenses to the date of termination. Either party may terminate the agreement immediately for failure of the other party to meet its obligations thereunder. If the Company terminates the agreement without cause, the Company will be required to compensate Mr. Garcia Abrego for the services provided and expenses incurred through the effective date of termination. Omar Garcia Abrego, CFO of the Company, provides CFO services through and is compensated by 1214852 B.C. Ltd.

#### ***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. 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 year’s annual base salary at the rate in effect on the date of his termination.

***William E. Riker Jr. – Former CEO***

Pursuant to an employment agreement dated August 20, 2018 (the “**Riker Employment Agreement**”) between Mr. Riker and Liberty Defense Technologies, Inc., a wholly-owned US subsidiary of the Company (“**Liberty US**”), Mr. Riker agreed to be employed as Chief Executive Officer in exchange for an annual base salary of \$280,000 and an option grant. As disclosed in the compensation table above, Mr. Riker received a total grant of 700,000 Options with an exercise price of C\$0.62 (on a pre-Consolidation basis). Mr. Riker is eligible to receive an annual bonus in each calendar year in an amount of up to 50% of his annual base salary, based upon the achievement of annual performance goals established by the Board. Mr. Riker is also entitled to participate in the Company’s benefit plan and the Incentive Plan.

The term of the Riker Employment Agreement is an indefinite, “at-will” term of employment. In the event the Riker Employment Agreement is terminated by Liberty US without Just Cause or by Mr. Riker for Good Reason (both as defined therein), Mr. Riker is entitled to receive: (a) his annual base salary earned, but unpaid as of the date of the termination or resignation; (b) any business expenses incurred but not yet reimbursed; and (c) any amounts or benefits under any of the compensation, incentive or benefit plans to which he is a party. In addition, provided that Mr. Riker executes a severance agreement in favour of Liberty US, Mr. Riker is entitled to receive an amount equal to 24 months’ annual base salary in effect on the date of his Separation of Service (as defined therein).

In connection with the Proposed Transaction, Mr. Riker and Liberty US entered into an Amendment to Employment Agreement dated January 27, 2020 (the “**Amended Riker Employment Agreement**”), which amended certain terms of the Riker Employment Agreement. The Amended Riker Employment Agreement became effective on January 28, 2020, upon the Company entering the Letter Agreement with DrawDown in respect of the Proposed Transaction. In the event that the Letter Agreement is terminated, the Amended Riker Employment Agreement will be null and void.

Under the Amended Riker Employment Agreement, Mr. Riker’s annual base salary was amended to US\$11,667 per month, and his term of employment will terminate on April 30, 2020 (the “**Term**”), unless terminated at an earlier date by either Liberty US or Mr. Riker.

Upon expiry of the Term, or in the event the Amended Riker Employment Agreement is terminated by the Company without Just Cause or by Mr. Riker for Good Reason (both as defined therein), Mr. Riker is entitled to receive any amounts or benefits under any compensation, incentive, or benefit plans vested but not paid as of the date of the termination. In addition, provided that Mr. Riker executes a severance agreement in favour of Liberty US, he is entitled to a cash payment of \$50,000 and, at his sole discretion, either: (a) 100,000 Options with an exercise price equal to the deemed price per share at which the common shares of DrawDown are exchanged for Common Shares of the Company pursuant to the Proposed Transaction; or (b) 100,000 restricted share units of the Company.

Mr. Riker resigned on April 30, 2021 in connection with the DrawDown RTO.

***Damian Towns –Former CFO and Corporate Secretary***

Pursuant to an employment agreement dated November 19, 2018 (the “**Towns Employment Agreement**”), between Mr. Towns and LPC, Mr. Towns agreed to be employed as Chief Financial Officer in exchange for an annual base salary of C\$200,000. In addition to his base salary, Mr. Towns was granted 200,000 Common Shares as well as 600,000 Options with an exercise price of C\$0.62 (on a pre-Consolidation basis). Mr. Towns is eligible to receive an annual bonus in each calendar year in an amount of up to 50% of his annual base salary. Mr. Towns is also entitled to participate in the Incentive Plan.

The term of the Towns Employment Agreement is indefinite. The Company may terminate the Towns Employment Agreement without cause following six months' written notice or payment of six months' gross Standard Fee (as defined therein) in lieu of notice. If Mr. Towns terminates his employment for Good Reason, he will be entitled to six months' gross Standard Fee (as defined therein).

In the event the Company terminates the Towns Employment Agreement without cause within six months of a Control Change (as defined therein), Mr. Towns will receive all accrued unpaid remuneration owed to him, earned by him, or payable to him on or before the date of termination and an amount equal to two and-one-half (2.5) times his annual compensation. If Mr. Towns resigns for Good Reason (as defined therein) or is terminated without just cause at any other time, he will be entitled to a pro-rata portion of his bonus, if otherwise eligible, up to the effective date of his resignation or termination.

Unvested Awards will immediately vest as of the termination date of termination for Good Reason by Mr. Towns or without cause by the Company, and any Awards, benefits or other rights held by Mr. Towns at the time, regardless of the vesting or exercise thereof, will be available for exercise for a period of 60 business days.

In connection with the Proposed Transaction, Mr. Towns and the Company entered into an Amendment to Employment Agreement dated January 27, 2020 (the "**Amended Towns Employment Agreement**"), which amended certain terms of the Towns Employment Agreement. The Amended Towns Employment Agreement became effective on January 28, 2020, upon the Company entering into the Letter Agreement with DrawDown in respect of the Proposed Transaction. In the event that the Letter Agreement is terminated, the Amended Towns Employment Agreement will be null and void.

Under the Amended Towns Employment Agreement, Mr. Towns' annual base salary was amended to C\$12,500 per month, and his term of employment will terminate on April 30, 2020 (the "**Term**"), unless terminated at an earlier date by either the Company or Mr. Towns.

In the event Mr. Towns terminates the Amended Towns Employment Agreement for Good Reason within six months of a Control Change, he will be entitled to receive all accrued unpaid remuneration owed to him, earned by him, or payable to him on or before the date of termination and an amount equal to two and-one-half (2.5) times his annual compensation. If he terminates the Agreement for Good Reason at any other time, he is entitled to one month's base salary.

In addition, provided Mr. Towns signs a severance agreement in favour of the Company upon termination, Mr. Towns is entitled at his sole discretion to either: (a) a cash payment of C\$100,000; or (b) a cash payment of C\$50,000; and: either (i) 100,000 Options, or (ii) 100,000 restricted share units of the Company.

If the Amended Towns Employment Agreement is terminated by the Company for reasons other than for Just Cause, disability or death, or if Mr. Towns terminates the agreement for Good Reason, Mr. Towns will be entitled to any amount or benefits under any Company compensation, incentive or benefit plans vested but not paid as of the date of termination.

Mr. Towns resigned on April 30, 2021 in connection with the DrawDown RTO.

***Aman Bhardwaj – Chief Operating Officer and President of US Operations***

Pursuant to an employment agreement dated August 17, 2018 (the "**Bhardwaj Employment Agreement**") between Mr. Bhardwaj and Liberty US, Mr. Bhardwaj agreed to be employed by Liberty US in exchange for an annual base salary of \$230,000 and an option grant. On January 1, 2020, Mr. Bhardwaj's Employment Agreement was amended temporarily due to COVID-19, reducing Mr. Bhardwaj's annual compensation to \$200,000. As disclosed in the compensation table above, Mr. Bhardwaj received a total grant of 600,000 Options with an exercise price of C\$0.62 (on a pre-Consolidation basis). Mr. Bhardwaj is eligible to receive a bonus subject to the discretion of the Board. Mr. Bhardwaj is also entitled to participate in the Company's benefit plan and the Incentive Plan.

The term of the Bhardwaj Employment Agreement is an indefinite, "at-will" term of employment. In the event the Bhardwaj Employment Agreement is terminated by Liberty US without Cause or by Mr. Bhardwaj for Good Reason (both as defined therein), Mr. Bhardwaj is entitled to receive: (a) his annual base salary earned, but unpaid as of the

date of the termination or resignation; (b) any business expenses incurred but not yet reimbursed; and (c) any amounts or benefits under any of the compensation, incentive or benefit plans to which he is a party. In addition, provided that Mr. Bhardwaj executes a severance agreement in favour of Liberty US, Mr. Bhardwaj is entitled to receive an amount equal to 24 months' annual base salary in effect on the date of his Separation of Service (as defined therein).

### **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:

- (a) assessing the effectiveness of the Board, each of its committees and individual directors;
- (b) administering any stock option or purchase plan of the Company or any other compensation incentive programs;
- (c) assessing the performance of the officers and other members of the executive management team of the Company;
- (d) reviewing and approving the compensation paid by the Company, if any, to consultants of the Company; and
- (e) 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, 2020, the Compensation Committee was composed of three members, being John McCoach (Chair), Daryl Rebeck and William Frain.

During the year ended December 31, 2020, the Corporate Governance Committee was composed of three members, being John McCoach (Chair), Daryl Rebeck and William Frain.

John McCoach is not standing for re-election as a director at the Meeting and was replaced as Chair of the Compensation Committee and the Corporate Governance Committee on October 26, 2021.

### **EQUITY COMPENSATION PLAN INFORMATION**

The following table sets out those securities of the Company which have been authorized for issuance under equity compensation plans, as at the end of the most recently completed financial year:

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (C\$) (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by the securityholders	230,645	C\$4.96	842,734
Equity compensation plans not approved by the securityholders	N/A	N/A	N/A
<b>Total</b>	<b>230,645</b>	<b>C\$4.96</b>	<b>842,734</b>

### **PENSION PLAN BENEFITS**

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

### **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 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 approval of the Incentive Plan.

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

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.

### **APPOINTMENT OF AUDITOR**

Management intends to nominate Davidson & Company LLP, Chartered Professional Accountants, of Vancouver, British Columbia, who were the auditor for DrawDown, for appointment as auditor of the Company in place of the Company's current auditor, PricewaterhouseCoopers LLP. PricewaterhouseCoopers LLP have been the Company's auditor since February 20, 2019.

Forms of Proxies given pursuant to this solicitation will, on any poll, be voted as directed and, if there is no direction, FOR the appointment of Davidson & Company LLP, Chartered Professional Accountants, as the Auditor of the Company to hold office for the ensuing year and that the Auditor's remuneration be determined by the Board.

## 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.

## AUDIT COMMITTEE

The Company is required to have an audit committee (the “Audit Committee”) comprised of not less than three directors, a majority of whom are not officers, control persons or employees of the Company or an affiliate of the Company.

### 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

Upon completion of the DrawDown RTO on March 17, 2021, the Board appointed an audit committee comprised of John McCoach (Chair), Daryl Rebeck and Arjun Grewal. Of the current members of the audit committee, John McCoach and Arjun Grewal 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

**John McCoach** has almost 40 years’ experience in the investment industry, including serving as President of the TSX Venture Exchange Inc. from July 2009 until he retired in July 2016. Prior to joining TMX Group, Mr. McCoach served as a Senior Vice President of Corporate Finance for a Canadian investment dealer. Mr. McCoach was formerly a director of Capital Markets Authority Implementation Organization. He is also a non-executive director of two other publicly listed companies.

**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 Auryn Resources. 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.

**Arjun Grewal** is currently serves as the Client Advocacy Program Lead for IBM Canada Ltd. Focused on collecting, analyzing, and actioning 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. Mr. Grewal served 12 years of his career with the Canadian Special Operations Forces, having deployed on operations globally.

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.

### **Audit Fees**

The following table sets forth the fees paid by the Company and its subsidiaries to PricewaterhouseCoopers LLP, Chartered Professional Accountants, for services rendered in the last two fiscal years:

<b>Nature of Services</b>	<b>2020 (C\$)</b>	<b>2019 (C\$)</b>
Audit Fees <sup>(1)</sup>	\$40,000	\$50,000
Audit Related Fees <sup>(2)</sup>	\$42,500	66,000
Tax Fees <sup>(3)</sup>	\$17,750	\$29,042
All Other Fees <sup>(4)</sup>	Nil	Nil
<b>Total</b>	<b>\$100,250</b>	<b>\$145,042</b>

**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 DISCLOSURE**

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. John McCoach, currently a director of the Company, will not stand for re-election at the Meeting.

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 and Daryl Rebeck, who is the Chairman of the Board of the Company.

### **Directorships**

The following directors of the Company are also directors of other reporting issuers as stated:

<b>Name of Director</b>	<b>Name of Reporting Issuer</b>	<b>Market</b>
John McCoach	KWESST Micro Systems Inc. Principal Technologies Inc.	TSXV TSXV

### **Orientation and Continuing Education**

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 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 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. The written charter of the Audit Committee, as required by NI 52-110, is attached as Schedule “A” to this Circular.

## **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.

## **PARTICULARS OF MATTERS TO BE ACTED ON**

### **Approval of the Omnibus Equity Incentive Plan**

The Board has approved the adoption of an Omnibus Equity Incentive Plan (the “**Incentive Plan**”), which it believes is in the best interests of the Company and its shareholders. Shareholders of the Company previously approved the Incentive Plan at a special meeting of shareholders held on February 20, 2019. The Incentive Plan was last confirmed by the shareholders of the Company at an annual general and special meeting of shareholders held on April 4, 2020. Pursuant to Policy 4.4 – *Incentive Stock Options* of the TSX Venture Exchange (the “**Exchange**”), shareholders will again be asked to vote on and, if deemed appropriate, approve the Incentive Plan at this year’s Meeting.

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. There have been no amendments to the terms of the Incentive Plan since its prior approval on February 20, 2019.

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, the Compensation and Governance Committee, may grant Awards to eligible participants. 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 not assignable or 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 or other change of Common Shares, consolidation, distribution, merger or amalgamation, in 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 the aggregate, under the Incentive Plan is 10% of the aggregate number of Common Shares issued and outstanding. 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 number of Common Shares issued to any one participant under the Incentive Plan within any one-year period shall not exceed 5% of the aggregate number of issued and outstanding Common Shares (on a non-diluted basis). The aggregate number of Common Shares (i) issued to consultants under the Incentive Plan within any one-year period and (ii) issuable to persons retained to provide investor relations activities under the Incentive Plan within any one-year period, shall in each case not exceed 2% of the aggregate number of issued and outstanding Common Shares (on a non-diluted basis).

Unless the Board decides, or the grant agreement specifies otherwise, the Incentive Plan provides that Options will vest as to approximately 16.67% (1/6) every six-month interval following the date of such grant for those participants who have provided their services to the Company for at least one year. For those participants who have provided their services to the Company for less than one year, Options will vest as to 33.34% (1/3) one year from the date of grant, and 16.67% (1/6) vesting every six months thereafter. The Board shall fix the exercise price of any Option when such Option is granted, 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"). 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 RSUs, unless otherwise approved by the Board and except as otherwise provided in a participant's grant agreement or any other provision of the Incentive Plan, RSUs will vest as to 1/3 each on the first, second and third anniversary date of their grant. With respect to DSUs, unless otherwise approved by the Board and except as otherwise provided in a participant's grant agreement or any other provision of the Incentive Plan, DSUs will vest 50% on the date that is six months from the date of grant and 50% on the one-year anniversary of the date of grant.

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:

<b>Event Provisions</b>	<b>Provisions</b>
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.
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 pro-ratio 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 its 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 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.

The Board may amend the Incentive Plan or any Award at any time without the consent of a participant provided that such amendment shall: (a) not adversely alter or impair any Award previously granted except as permitted by the terms of the Incentive Plan; (b) be in compliance with applicable law and subject to any regulatory approvals including, where required, relevant exchange approval; and (c) be subject to shareholder approval, where required by law, the

relevant exchange requirements or the Incentive Plan, provided however that shareholder approval shall not be required for the following amendments and the Board may make any changes which may include but are not limited to:

- amendments of a general housekeeping or clerical nature that, among others, clarify, correct or rectify any ambiguity, defective provision, error or omission in the Incentive Plan;
- changes that alter, extend or accelerate the terms of vesting or settlement applicable to any Awards; and
- a change to the eligible participants under the Incentive Plan,

provided that the alteration, amendment or variance does not:

- increase the maximum number of Common Shares issuable under the Incentive Plan, other than an adjustment pursuant to a change in capitalization;
- reduce the exercise price of the Awards; or
- amend the amendment provisions of the Incentive Plan.

As the Incentive Plan is considered a “rolling” plan, the Exchange requires the Company to obtain the approval of its shareholders on an annual basis. Accordingly, shareholders will be asked to pass the following resolution at the Meeting:

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

1. the Incentive Plan, as disclosed in the Information Circular of the Company dated as at October 27, 2021, be and is hereby approved, ratified and confirmed for renewal 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 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 Incentive Plan.**

The resolution regarding the approval of the Incentive Plan must be passed by the majority of the votes cast by shareholders present or represented by proxy who are entitled to vote at the Meeting.

#### **General Matters**

It is not known whether any other matters will come before the Meeting other than those set forth above and in the Notice of Meeting, but if any other matters do arise, the person named in the Proxy 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 the Notice of Meeting and other matters which may properly come before the Meeting or any adjournment of the Meeting.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information about the Company is provided in the Company’s comparative annual financial statements to December 31, 2020, a copy of which, together with the Management’s Discussion and Analysis thereon, can be found on the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com). 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](mailto: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 October 27, 2021.

**ON BEHALF OF THE BOARD**

*“William Frain”*

William Frain  
Chief Executive Officer and Director

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**SCHEDULE "A"**

**AUDIT COMMITTEE CHARTER**

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(SEE ATTACHED)

## 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.