

COVALON TECHNOLOGIES LTD.

AMENDED AND RESTATED
STOCK OPTION PLAN

Adopted as of January 23, 2019

**COVALON TECHNOLOGIES LTD.
AMENDED AND RESTATED STOCK OPTION PLAN**

The purpose of this Amended and Restated Stock Option Plan (the “**Plan**”) is to advance the interests of Covalon Technologies Ltd. (the “**Company**”) by:

- (i) providing Eligible Persons (as defined herein) with additional incentives;
- (ii) encouraging share ownership by Eligible Persons;
- (iii) increasing the proprietary interest of Eligible Persons in the success of the Company;
- (iv) encouraging Eligible Persons to remain with the Company or its Affiliates (as defined herein); and
- (v) attracting new employees, executive officers, directors and Consultants (as defined herein) to the Company or its Affiliates.

**ARTICLE 1
GENERAL PROVISIONS**

Section 1.1 Interpretation

- (1) For the purposes of this Plan, the following terms will have the following meaning unless otherwise defined elsewhere in this Plan:
 - (a) “**Affiliate**” means a related entity of the Company within the meaning of National Instrument 45-106 - *Prospectus Exemptions*, as amended or replaced from time to time;
 - (b) “**Applicable Law**” means all legal requirements relating to the administration of stock option plans, if any, under applicable corporate laws, any applicable state or provincial securities laws, the rules and regulations promulgated thereunder, and the requirements of the Stock Exchange, and the laws of any foreign jurisdiction applicable to Stock Options granted to residents therein;
 - (c) “**Board**” means the board of directors of the Company or, as applicable, such committee of the board of directors of the Company to which the board of directors may choose to delegate authority to administer the Plan;
 - (d) “**Change of Control**” means:
 - (i) a reorganization, amalgamation, merger or other business combination (or a plan of arrangement in connection with any of the foregoing), other than solely involving the Company and any one or more of its Affiliates, with respect to which all or substantially all of the persons who were the beneficial owners of the Shares and other securities of the Company immediately prior to such reorganization, amalgamation, merger, business combination or plan of arrangement do not, following the

completion of such reorganization, amalgamation, merger, business combination or plan of arrangement, beneficially own, directly or indirectly, more than fifty percent (50%) of the resulting voting rights (on a fully-diluted basis) of the Company or its successor;

- (ii) the sale to a person other than an Affiliate of the Company of all or substantially all of the Company's assets; or
 - (iii) a change in the composition of the Board, which occurs at a single meeting of the shareholders of the Company or upon the execution of a shareholders' resolution, such that individuals who are members of the Board immediately prior to such meeting or resolution cease to constitute a majority of the Board, without the Board, as constituted immediately prior to such meeting or resolution, having approved of such change.
- (e) **"Consultant"** means a person or company, other than an employee, executive officer or director of the Company or an Affiliate, that: (i) is engaged to provide services to the Company or an Affiliate, other than services provided in relation to a distribution; (ii) provides the services under a written contract with the Company or an Affiliate; and (iii) spends or will spend a significant amount of time and attention on the affairs and business of the Company or an Affiliate, and includes, for an individual consultant, a corporation of which the individual consultant is an employee or shareholder, and a partnership of which the individual consultant is an employee or partner;
- (f) **"Company"** means Covalon Technologies Ltd. or any successor thereof;
- (g) **"Date of Grant"** means the date on which a particular Stock Option is granted by the Board;
- (h) **"Disability"** means the inability of a Participant to perform the duties associated with his or her position for 270 consecutive days as a result of his or her incapacity due to physical or mental illness;
- (i) **"Eligible Person"** means, subject to all applicable laws, any employee, executive officer, director or Consultant of: (i) the Company; or (ii) any Affiliate of the Company (and includes any such person who is on a leave of absence authorized by the Board or the board of directors of any Affiliate), and also includes any Permitted Assign of any such person;
- (j) **"Exchange Policies"** mean the policies of the Stock Exchange, including those set forth in the Stock Exchange's Corporate Finance Manual, as amended from time to time;
- (k) **"Exercise Period"** means the period from the Vesting Date to the Expiry Date, both inclusive, during which a particular Stock Option may be exercised;
- (l) **"Exercise Price"** means, with respect to a Stock Option:

- (A) if a Participant was granted Stock Options prior to the date the 2007 Stock Option Plan was amended and restated, the Exercise Price of a Stock Option will be the Exercise Price as provided for on the Participant's option agreement;
- (B) if, a Participant was granted Stock Options on or after the date the 2007 Stock Option Plan was amended and restated, the Exercise Price will be the volume weighted average trading price of the Shares on such Stock Exchange for the five (5) trading days immediately preceding the day on which the Stock Option is granted, or such greater amount as the Board may determine; provided, however, that the Exercise Price of a Stock Option shall not be less than the minimum Exercise Price required by the applicable rules of the Stock Exchange; and
 - (i) The Exercise Price is subject to adjustment in accordance with the provisions of Section 3.1 hereof. In no event will the Exercise Price be lower than the minimum exercise price permitted by the Stock Exchange.
- (m) "**Expiry Date**" means the date after which a particular Stock Option can no longer be exercised, subject to amendment in accordance with the terms hereof;
- (n) "**Governmental Entity**" means any applicable: (a) multinational, federal, provincial, state, municipal, local or other governmental or public department, commission, board, bureau or agency; (b) any subdivision or authority of any of the foregoing; or (c) any quasi-governmental body exercising (with proper jurisdiction) any regulatory or taxing authority under or in respect of any of the above;
- (o) "**holding entity**" means a holding entity within the meaning of National Instrument 45-106 - *Prospectus Exemptions*, as amended or replaced from time to time;
- (p) "**insider**" means an "insider" as defined under Section 1 of the *Securities Act* (Ontario);
- (q) "**Investor Relations Activities**" has the meaning ascribed thereto in the Exchange Policies and, for clarity, persons retained to provide Investor Relations Activities include any Consultant that performs Investor Relations Activities and any Employee or Director whose role and duties primarily consist of Investor Relations Activities;
- (r) "**Involuntary Termination**" means, in the event of a Substitution Event under Section 3.1:
 - (i) in respect of any employee or executive officer of the Company or any of its Affiliates:
 - (A) any express or implied termination by the Company or any of its Affiliates of such employee or executive officer's employment

which is not due to the termination of his or her employment for cause or on account of death or Disability;

- (B) the assignment of duties to such employee or executive officer that are materially and negatively inconsistent with his or her position, duties, responsibilities and status immediately prior to such assignment;
 - (C) any material reduction of such employee's or executive officer's total compensation including base salary and incentive compensation package, vacation entitlement or employee benefits; or
 - (D) any change in excess of 100 kilometres in the location at which the employee or executive officer predominantly performs his or her duties without his or her consent, except for required travel on business to an extent substantially consistent with his or her business obligations; and
- (ii) in respect of any director who is not an employee or executive officer of the Company or any of its Affiliates, such director ceasing to be a director for any reason other than as a result of voluntary resignation, death or Disability, including, for greater certainty, ceasing to be a director as a result of resignation following a request therefor or following a material reduction in the director's compensation, removal or failure to be elected or appointed.
- (s) **"Notice of Grant"** means a notice of grant in substantially the form attached hereto as Schedule "A";
- (t) **"Participant"** means an Eligible Person to whom a Stock Option has been granted;
- (u) **"Permitted Assign"** means, for an employee, executive officer, director or Consultant of the Company or an Affiliate:
- (i) a trustee, custodian or administrator acting on behalf of, or for the benefit of, the person;
 - (ii) a holding entity of the person;
 - (iii) an RRSP or RRIF of the person;
 - (iv) a spouse of the person;
 - (v) a trustee, custodian or administrator acting on behalf of, or for the benefit of the spouse of the person;
 - (vi) a holding entity of the spouse of the person; or

- (vii) an RRSP or a RRIF of the spouse of the person.
 - (v) **"Plan"** means this Amended and Restated Stock Option Plan;
 - (w) **"Reserved for Issuance"** means Shares which may be issued upon the exercise of Stock Options;
 - (x) **"RRIF"** means a registered retirement income fund as defined in the *Income Tax Act* (Canada);
 - (y) **"RRSP"** means a registered retirement savings plan as defined in the *Income Tax Act* (Canada);
 - (z) **"Shares"** means common shares in the capital of the Company, or any other shares of the Company as the Board may from time to time determine, and includes any shares of the Company into which such shares may be changed, classified, reclassified, subdivided, consolidated or converted from time to time;
 - (aa) **"Stock Option"** means an option to purchase Shares from treasury granted hereunder to a Participant;
 - (bb) **"Stock Exchange"** means the TSX Venture Exchange or such other stock exchange or quotation system on which the Shares are listed or quoted from time to time;
 - (cc) **"Substitution Event"** means: (i) a Change of Control; or (ii) a merger, amalgamation, arrangement, business combination or other transaction pursuant to which the Shares of the Company are converted into, or exchanged for, other property, whether in the form of securities of another corporation, cash or otherwise;
 - (dd) **"Termination Date"** means the date on which a Participant ceases to be an Eligible Person;
 - (ee) **"Transfer"** includes any sale, exchange, assignment, gift, bequest, disposition, mortgage, charge, pledge, encumbrance, grant of security interest or other arrangement by which possession, legal title, beneficial ownership or the risk of economic exposure passes from one person to another, or to the same person in a different capacity, whether voluntary or not voluntary and whether or not for value, and any agreement to effect any of the foregoing; and
 - (ff) **"Vesting Date"** means the date or dates determined in accordance with Section 2.3 on and after which a particular Stock Option, or any part thereof, may be exercised, subject to amendment or acceleration from time to time in accordance with the terms hereof.
- (2) In this Plan words importing the singular number include the plural and vice versa and words importing the masculine gender includes the feminine.

- (3) This Plan is to be governed by and interpreted in accordance with the laws of the Province of Ontario.

Section 1.2 Administration

- (a) The Board, or such committee of the Board to which the Board may choose to delegate such authority, will administer this Plan. In the event of such delegation, all references to the term "Board" will be deemed to include references to such committee.
- (b) Subject to the limitations of this Plan, the Board has the authority: (i) to grant Stock Options to purchase Shares to Eligible Persons; (ii) to determine the terms, including the limitations, restrictions, vesting period and conditions, if any, upon such grants; (iii) to interpret this Plan and to adopt, amend and rescind such administrative guidelines and other rules relating to this Plan as it may from time to time deem advisable, subject to required prior approval by any applicable Stock Exchange or Governmental Entity; and (iv) to make all other determinations and to take all other actions in connection with the implementation and administration of this Plan as it may deem necessary or advisable. The Board's guidelines, rules, interpretations and determinations will be conclusive and binding upon the Company and all Participants and Eligible Persons. No member of the Board or any person acting pursuant to authority delegated by it hereunder shall be liable for any action or determination in connection with the Plan made or taken in good faith, and the Company shall indemnify and save harmless each member of the Board with respect to any such action or determination provided that it was made or taken in good faith.

Section 1.3 Shares Reserved

- (a) The maximum number of Shares Reserved for Issuance under the Plan (and under any other share compensation arrangements of the Company) shall be equal to 10% of the number of shares in the capital of the Company that are outstanding from time to time. For greater certainty, any increase in the issued and outstanding Shares will result in an increase in the available number of the Shares issuable under the Plan, and any exercise of Stock Options will make new grants available under the Plan.
- (b) In addition to the foregoing (unless disinterested shareholder approval is obtained):
- (i) the number of Shares issuable to insiders, at any time, under all security based compensation arrangements of the Company, cannot exceed 10% of the number of Shares in the capital of the Company that are outstanding from time to time; and
 - (ii) the number of Shares issued to insiders, within any one (1) year period, under all security based compensation arrangements of the Company, cannot exceed 10% of the number of Shares in the capital of the Company that are outstanding from time to time.

**ARTICLE 2
SHARE OPTION PLAN**

Section 2.1 Application

Grants of Stock Options to Eligible Persons shall be governed by this Article 2.

Section 2.2 Grants

The Board may from time to time in its sole discretion determine those Eligible Persons, if any, to whom Stock Options are to be granted, the terms of any such grant and the number of Shares in respect of which each Stock Option may be exercised. The award of a Stock Option to an Eligible Person at any time shall neither entitle such Eligible Person to receive nor preclude such Eligible Person from receiving a subsequent Stock Option. In the case of Stock Options granted to Consultants and Employees, the Company represents that the Participant is a bona fide Employee or Consultant, as applicable.

Section 2.3 Expiry Date; Vesting of Stock Options

- (a) Subject to Section 2.5 and any applicable rules of the Stock Exchange, and unless otherwise fixed by the Board at the time the particular Stock Option is granted and set forth in the Notice of Grant, the Expiry Date of a Stock Option will be the fifth (5th) anniversary of the Date of Grant.
- (b) Unless otherwise fixed by the Board at the time the particular Stock Option is granted and set forth in the Notice of Grant, or unless otherwise determined by the Board in its sole discretion at or any time following the date that a particular Stock Option is granted, and subject to Section 2.5 and Section 2.7(k), Stock Options will vest over a three (3) year period and may be exercised in whole or in part at any time from time to time as follows:

PERIOD	NUMBER OF STOCK OPTIONS VESTED
On or after the first anniversary of Date of Grant	34%
On or after the second anniversary of Date of Grant	33%
On or after the third anniversary of Date of Grant	33%

Section 2.4 Exercise Price

The exercise price for the Shares underlying a Stock Option will be the Exercise Price.

Section 2.5 Termination, Retirement, Death, Departure

Any Stock Option or part thereof granted before the 2007 Stock Option Plan was amended and restated will be governed by the default expiry terms of the 2007 Stock Option Plan together with the expiry date shown on the relevant Notice of Grant. Any Stock Option or part thereof granted on or after the date that the 2007 Stock Option Plan was amended and restated that is not exercised within the Exercise Period will terminate and become null, void

and of no effect as of the day immediately following the Expiry Date determined under Section 2.3(a) hereof, unless the Expiry Date is determined to be an earlier date as follows:

- (a) **Death** - The Expiry Date of a Stock Option held by a Participant that had vested immediately prior to his or her death will be the earlier of the expiry date shown on the relevant Notice of Grant and the date that is ninety (90) days after the date of his or her death. Stock Options that are outstanding but unvested immediately prior to a Participant's death will immediately terminate and become null, void and of no effect upon the death of the Participant. If a Participant dies, the legal representatives of the Participant may exercise such of the Participant's Stock Options that, by their terms, were exercisable on the date of death, prior to the Expiry Date.
- (b) **Disability** - In the event of the Disability of a Participant, the Board may in its discretion determine that such Participant shall no longer be an Eligible Person. In the event a Participant ceases to be an Eligible Person as a result of Disability, then the Expiry Date of a Stock Option that had vested on the date such Participant ceases to be an Eligible Person will be the earlier of the expiry date shown on the relevant Notice of Grant and the date ninety (90) days following the date such Participant ceases to be an Eligible Person. Stock Options that are outstanding but unvested on the date such Participant ceases to be an Eligible Person will immediately terminate and become null, void and of no effect.
- (c) **Retirement** - In the event a Participant ceases to be an Eligible Person as a result of his or her retirement in accordance with the Company's then applicable retirement policy or a determination of the Board, the Expiry Date of a Stock Option that had vested on the date such Participant ceases to be an Eligible Person will be the earlier of the Expiry Date shown on the relevant Notice of Grant and the date ninety (90) days following the date such Participant ceases to be an Eligible Person. The Stock Options that are outstanding but unvested on the date such Participant ceases to be an Eligible Person will immediately terminate and become null, void and of no effect.
- (d) **Termination for Cause** - If the employment of a Participant is terminated for cause (as defined in any employment agreement with the Company, and if no employment agreement exists, then under common law), all vested and unvested Stock Options held by such Participant will immediately terminate and become null, void and of no effect on the date on which the Company, or any of its Affiliates, gives a notice of termination for cause to such Participant. For purposes of the Plan, a Participant's employment shall conclusively be deemed to have been terminated for cause on the date that such Participant received notice of termination (and for greater certainty shall not include any notice period required by any applicable statute or common law).
- (e) **Voluntary Resignation or Termination without Cause** - In the event a Participant ceases to be an Eligible Person as a result of his or her voluntary resignation or termination without cause (as defined in any employment agreement with the Company, and if no employment agreement exists, then under common law) from any position or employment with the Company or its

Affiliates (other than his or her retirement), then the Expiry Date of a Stock Option that had vested on the date such Participant ceases to be an Eligible Person will be the earlier of the Expiry Date shown on the relevant Notice of Grant and the date ninety (90) days following the date such Participant ceases to be an Eligible Person. The Stock Options that are outstanding but unvested on the date such Participant ceases to be an Eligible Person will, subject to Section 5.1, immediately terminate and become null, void and of no effect. For purposes of the Plan, a Participant's employment shall conclusively be deemed to have ceased on the date that such Participant ceases to be actually and actively employed by the Company or its Affiliates (and for greater certainty shall not include any notice period required by any applicable statute or common law).

- (f) **Ceasing to be a Director** - In the event that a Participant who is a director of the Company (and not an employee or executive officer of the Company or any of its Affiliates) ceases to be a director, then the Expiry Date of a Stock Option that had vested on the date such Participant ceases to be a director will be the earlier of the Expiry Date shown on the relevant Notice of Grant and the date that is ninety (90) days following the date such Participant ceases to be an Eligible Person. The Stock Options that are outstanding but unvested on the date such Participant ceases to be a director will, subject to Section 5.1, immediately terminate and become null, void and of no effect.
- (g) **Discretion of Board** - Notwithstanding Section 2.5(a), (b), (c), (d), (e) or (f) above, but subject to applicable laws, rules and regulations of any applicable Stock Exchange or Governmental Entity, the Board may, in its sole discretion, extend the Expiry Date of any Stock Options in whole or in part.

Section 2.6 Notice of Grant

Each Stock Option must be confirmed, and will be governed, by a Notice of Grant signed by the Company and the Participant.

Section 2.7 Payment of Exercise Price; Exercise of Stock Options

- (a) Stock Options may only be exercised by the Participant or his or her legal representative. Participants may exercise their Stock Options, subject to the restrictions set out below, to acquire Shares by delivering to the Company a notice of option exercise (the "**Exercise Notice**"), substantially in the form attached hereto as Schedule "B", together with a bank draft or certified cheque in an amount equal to the aggregate Exercise Price of the Shares to be purchased pursuant to the exercise of Stock Options or pursuant to the "cashless exercise" option contemplated by Section 2.7(g).
- (b) Notwithstanding Section 2.7(a) hereof, but subject to any adjustments contemplated by Section 5.2, Stock Options may not be exercised unless the aggregate number of Shares acquired upon the exercise of such Stock Options is greater than or equal to 100 Shares.

- (c) Subject to Section 2.7(e), Section 2.7(g) and any provisions of the Plan to the contrary, as soon as practicable following the receipt of the Exercise Notice and a bank draft or certified cheque in accordance with Section 2.7(a), the Company will deliver to the Participant a certificate for the Shares so purchased.
- (d) The issuance of Shares by the Company to a Participant pursuant to the exercise of any Stock Option is subject to compliance with all applicable laws, rules and regulations of all Governmental Entities applicable to the issuance and distribution of such Shares and to the requirements of any Stock Exchange on which the Shares may be listed or quoted, including any requirements with respect to the legending of certificates representing the Shares issued pursuant to the exercise of any Stock Option. The Participant agrees: (i) to comply with all such laws, rules, regulations and requirements; (ii) to furnish to the Company any information, report and/or undertakings required to comply with all such laws, rules, regulations and requirements; and (iii) to fully cooperate with the Company in complying with such laws, rules, regulations and requirements.
- (e) Any Stock Option granted under the Plan shall be subject to the provision that the Company shall require the Participant to reimburse the Company for any amounts required to be paid by the Company to any taxing or other Governmental Entity on behalf of the Participant or on its own behalf in respect of the grant of the Stock Options hereunder or the issuance or disposition of the Shares including, without limitation, excise, employment, income or withholding taxes. In lieu thereof, the grant of the Stock Options and the issuance of the Shares upon the exercise thereof by the Participant is conditional upon the Company's reservation, in its discretion, of the right to withhold, consistent with any applicable law, from any compensation or other amounts payable to the Participant, any amounts required to be paid by the Company to any taxing or other Governmental Entity on behalf of the Participant or its own behalf under any federal, provincial, state or local law as a result of the grant or exercise of the Stock Option or the issuance or disposition of the Shares. To the extent that compensation or other amounts, if any, payable to the Participant are insufficient to pay any amounts required to be so paid by the Company, the Company may, in its sole discretion, require the Participant, as a condition to the exercise of the Stock Option, to pay in bank draft or by certified cheque to the Company an amount sufficient to cover such liability or otherwise make adequate provision for the Company's satisfaction of its obligations under federal, provincial, state and/or local law, including, without limitation: (i) the holding by the Company of the share certificate to which the Participant is entitled upon the exercise of the Stock Option as security for the payment of such obligation, until cash sufficient to pay that liability has accumulated; (ii) to retain some or all of the Shares, having a fair market value at the date of the exercise of the Stock Option which is equal to the amount of the Company's obligations set forth above; or (iii) to direct the Participant's selling broker to withhold from the proceeds realized from the sale of the Shares an amount which is equal to the Company's obligations set forth above and to pay such amount directly to the Company.
- (f) In the event that a Participant receives Shares from the Company in satisfaction of a grant of Stock Options during a Company-imposed black-out period, the

Participant shall not be entitled to sell or otherwise dispose of such Shares until such black-out period has expired. In the event that a Participant's Stock Options are set to expire during a black-out period, such expiry date shall be automatically extended for ten (10) business days after the expiry of the black-out period following the date the relevant black-out period is lifted, terminated or removed.

- (g) Subject to Board approval, a Participant may elect, in its sole discretion, to undertake: (i) a broker assisted "cashless exercise" pursuant to which the Company or its designee (including third party administrators) may deliver a copy of irrevocable instructions to a broker engaged for such purposes to sell the Shares otherwise deliverable upon the exercise of the Stock Options and to deliver promptly to the Company an amount equal to the Exercise Price and all applicable required withholding obligations contemplated by Section 2.7(e) against delivery of the Shares to settle the applicable trade; or (ii) a "net exercise" procedure effected by the Participant surrendering the Stock Options to the Company in consideration for the Company delivering Shares to the Participant but withholding the minimum number of Shares otherwise deliverable in respect of a Stock Option that are needed to pay for the Exercise Price and withholding obligations contemplated by Section 2.7(e). In all events of cashless or net exercise pursuant to this Section 2.7(g): (a) the Participant shall comply with Section 2.7(e) of the Plan with regards to any applicable withholding obligations; and (b) shall comply with all such other procedures and policies as the Board may prescribe or determine to be necessary or advisable from time to time including prior written consent of the Board, in connection with such exercise.
- (h) The number of Stock Options granted to any one Eligible Person, within any twelve (12) month period, cannot exceed 5% of the number of Shares in the capital of the Company that are outstanding from time to time, calculated at the date a Stock Option is granted to the Eligible Person, unless the Company obtains the requisite disinterested shareholder approval.
- (i) The number of Stock Options granted to any one Consultant, within any twelve (12) month period, cannot exceed 2% of the number of Shares in the capital of the Company that are outstanding from time to time, calculated at the date a Stock Option is granted to the Consultant.
- (j) The number of Stock Options granted to all Eligible Persons retained to provide Investor Relations Activities, within any twelve (12) month period, cannot exceed 2% of the number of issued Shares in the capital of the Company that are outstanding from time to time, calculated at the date the Stock Option is granted to such Eligible Person.
- (k) Stock Options granted to Eligible Persons retained to provide Investor Relations Activities must vest over a period of not less than twelve (12) months with no more than $\frac{1}{4}$ of the Stock Options vesting in any three (3) month period.

Section 2.8 Amendment of Stock Option Terms

- (1) The Board may, subject to any necessary regulatory approval, at its discretion from time to time, amend the Plan and the terms and conditions of any Stock Option thereafter to be granted and, without limiting the generality of the foregoing, may make such amendment for the purpose of complying with any changes in any relevant law, rule, regulation, regulatory requirement or requirement of the Stock Exchange, or for any other purpose which may be permitted by law, provided always that any such amendment will:
 - (a) not adversely alter or impair any Stock Option previously granted except as permitted by the terms of this Plan;
 - (b) be in compliance with applicable law and subject to any regulatory approvals including, where required, the approval of the Stock Exchange; and
 - (c) be subject to shareholder approval, where required by law, the requirements of the Stock Exchange or this Plan or any Governmental Entity.

- (2) Subject to Section 2.8(1), the Board may from time to time, in its discretion and without the approval of shareholders or Participants, make changes to the Plan or any Stock Option that does not require the approval of Shareholders under Section 2.8(3) (if applicable), which may include but are not limited to:
 - (a) any amendment of a "housekeeping" nature, including without limitation those made to clarify the meaning of an existing provision of the Plan, correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan, correct any grammatical or typographical errors or amend the definitions in the Plan regarding administration of the Plan;
 - (b) any procedures associated with the cashless exercise as set out under Section 2.7(g);
 - (c) changes that alter, extend or accelerate the terms of vesting or settlement applicable to any Stock Options;
 - (d) any amendment to the Plan respecting administration; and
 - (e) an amendment of the Plan or a Stock Option as necessary to comply with applicable law or the requirements of the Stock Exchange or any other Governmental Entity or regulatory body having authority over the Company, the Plan, the Participants or the shareholders.

- (3) In addition and subject to approvals required as specified elsewhere in the Plan and by the Stock Exchange, shareholder approval is required for the following amendments to the Plan (except under (d) below, which requires disinterested shareholder approval):
- (a) any increase in the maximum number of Shares that may be issuable from treasury pursuant to Stock Options granted under the Plan (as set out in Section 2.2), other than an adjustment pursuant to Section 5.2;
 - (b) extending the time for which a Stock Option expires beyond its original expiry date;
 - (c) any amendment to Section 2.8(2) and this Section 2.8(3);
 - (d) any reduction in the Exercise Price if the Participant is an insider of the Company at the time of the proposed amendment;
 - (e) persons eligible to be granted Stock Options under the Plan;
 - (f) amends the termination provisions of Stock Options (as set out in Section 2.5 and Section 5.1);
 - (g) amends the limitations on the number of Stock Options that may be granted under the Plan to any one person or category of persons (including, as set out in Section 1.3(b) and Section 2.7(h),(i) and (j)).
- (4) No such amendment to the Plan shall cause the Plan to cease to be a plan described in section 7 of the *Income Tax Act* (Canada) or any successor to such provision.

Section 2.9 Assignment of Stock Options

Stock Options (and any rights thereunder) are not assignable or Transferable. Any purported assignment or Transfer of Stock Options will not be recognized by the Company and will result in the immediate expiry and termination of any such Stock Options and any rights relating thereto.

Section 2.10 Alternative Share Compensation Arrangements

Notwithstanding any other provision of this Plan, the Board may, in its discretion, enter into alternative share compensation arrangements with non-resident directors of the Company if the Board determines that the tax consequences of granting Stock Options under this Plan to such non-resident directors are adverse to such non-resident directors as compared to the tax consequences of Stock Option grants to directors that are not non-residents. In such circumstances the Board may choose to structure an alternative share compensation arrangement that does not provide adverse tax consequences to such non-resident directors, but that is substantially economically equivalent, in the Board's determination, to the grant of Stock Options under the Plan and is not otherwise materially prejudicial to the Company. For greater certainty, any Shares issued pursuant to any alternative share compensation arrangements under this Section 2.10 shall be considered to be Stock Options for the purposes of determining the number of Shares issuable pursuant to this Plan.

ARTICLE 3
ASSUMPTION OR SUBSTITUTION OF STOCK OPTIONS

Section 3.1 Substitution

- (a) In the event of a Substitution Event, any surviving or acquiring corporation must, unless Article 4 applies:
 - (i) assume any Stock Option outstanding under the Plan on substantially the same economic terms and conditions as the Plan; or
 - (ii) substitute or replace similar stock options (including an award to acquire the same consideration paid to the securityholders of the Company in the transaction effecting the Substitution Event) for those Stock Options outstanding under the Plan on substantially the same economic terms and conditions as the Plan.
- (b) In the event any surviving or acquiring Company neglects or refuses (as determined by the Board, acting reasonably) to assume any Stock Options or to substitute or replace similar stock options for those outstanding Stock Options under the Plan in connection with a Substitution Event, then with respect to any Stock Options held by Participants, the vesting of such Stock Options (and, if applicable, the time during which such Stock Options may be exercised) will automatically and without further action by the Board or the Company be immediately accelerated so that such Stock Options will be fully vested. In addition, in such event, the Board may determine that outstanding Stock Options will terminate if not exercised (if applicable) at or prior to such Substitution Event.
- (c) No fractional Shares or other security will be issued upon the exercise of any Stock Option and, accordingly, if as a result of a Substitution Event or otherwise, a Participant would become entitled to a fractional Share or other security, such Participant will have the right to acquire only the next lowest whole number of Shares or other security and no payment or other adjustment will be made with respect to the fractional interest so disregarded; provided, however, that a cash payment equal to the value of all fractional interests disregarded pursuant to this Section 3.1(c) shall be made to a Participant if the number of Stock Options so disregarded exceeds five percent (5%) of the total number of Stock Options exercised by such Participant.
- (d) Notwithstanding any other provision of this Plan, in the event of a potential Substitution Event, the Board may, in its discretion: (i) terminate, conditionally or otherwise and on such terms as it sees fit, the Stock Options not exercised following successful completion of such Substitution Event; and (ii) accelerate, conditionally or otherwise and on such terms as it sees fit, the Vesting Date or otherwise modify the terms of the Stock Options to assist the Participants to obtain the advantage of holding Shares during the Substitution Event. If the Substitution Event referred to in this Article 3 is not completed during the time specified therein (as the same may be extended), the Stock Options which vested

pursuant to this Article 3 must be returned by the Participant to the Company and will be reinstated as unvested Stock Options and the original terms applicable to such Stock Options will apply. If any of the Stock Options that vested pursuant to this Article 3 were exercised, such Shares must be returned to the Company for cancellation. The determination of the Board in respect of any such Substitution Event will for the purposes of this Plan be final, conclusive and binding.

ARTICLE 4 TAKE-OVER BIDS

Section 4.1 Take-over Bids

- (a) In the event of a “potential change of control following a take-over bid” (as defined herein), the Board may, in its discretion, conditionally or otherwise and on such terms as it sees fit, accelerate the Vesting Date of all of a Participant’s unvested Stock Options to a date prior to the expiry date of such bid or offer, such that all of a Participant’s Stock Options will immediately vest at such time and the Vesting Date in connection with such Stock Options will be adjusted accordingly. In such event, all Stock Options so vested will be exercisable, conditionally or otherwise, from such date until their respective Expiry Dates so as to permit the Participant to tender the Shares received upon such exercise pursuant to the bid or offer. For purposes of this Article 4, a “potential change of control following a take-over bid” will be deemed to occur upon a formal bid or tender offer for Shares being made as a result of which the offeror and its affiliates would, if successful, beneficially own, directly or indirectly, fifty percent (50%) or more of the Shares then outstanding.
- (b) Notwithstanding any other provisions of this Plan, in the event of a potential change of control following a take-over bid, the Board will have the power, if determined appropriate: (i) to terminate, conditionally or otherwise and on such terms as it sees fit, the Stock Options not exercised following successful completion of such event; and/or (ii) to modify the terms of the Stock Options, conditionally or otherwise and on such terms as it sees fit, in order to assist the Participants to tender their securities into the take-over bid, including for greater certainty permitting such Participants to exercise their Stock Options on a “cashless” basis. For greater certainty, in the event that the acquiring entity acquires one hundred percent (100%) of the outstanding Shares following the take-over bid, the Board will have the power, if determined appropriate, to terminate the Stock Options not exercised upon the expiry of the time period for tendering to the acquiring entity for purchase.
- (c) If the take-over bid referred to in Section 4.1(a) is not completed within the time specified therein (as the same may be extended), the Stock Options that vested pursuant to Section 4.1(a) (if any) must be returned by the Participant to the Company and will be reinstated as unvested Stock Options and the original terms applicable to such Stock Options will apply. If any of the Stock Options that vested pursuant to this Section 4.1(a) (if any) were exercised, such Shares must be returned to the Company for cancellation. The determination of the

Board with respect to any such event will for the purposes of this Plan be final, conclusive and binding.

ARTICLE 5 MISCELLANEOUS

Section 5.1 Involuntary Termination

In the event of an Involuntary Termination as a result of a Substitution Event under Section 3.1, at any time within the ninety (90) day period prior to or the one hundred and eighty (180) day period following the date of completion of the transaction effecting a Substitution Event, all of the Participant's unvested Stock Options will immediately vest, and the Vesting Date in connection with such Stock Options will be adjusted accordingly.

Section 5.2 Capital Adjustments

If there is any change in the outstanding Shares by reason of a stock dividend or split, recapitalization, consolidation, combination or exchange of shares, reclassification, conversion or other fundamental corporate change, the Board will make, subject to any prior approval required of the Stock Exchange or other applicable Governmental Entities, if any, an appropriate substitution or adjustment to the Shares or other securities of the Company, including in: (i) the number or kind of shares or other securities reserved for issuance pursuant to this Plan; and (ii) the exercise price of those unexercised Stock Options; provided, however, that no substitution or adjustment will obligate the Company to issue fractional Shares upon the exercise of a Stock Option.

Section 5.3 Non-Exclusivity

Nothing contained herein will prevent the Board from adopting other or additional compensation arrangements for the benefit of any Eligible Person or Participant, subject to any required Stock Exchange, regulatory or shareholder approval.

Section 5.4 Termination

- (a) The Board may amend, suspend or terminate this Plan or any portion thereof at any time in accordance with applicable legislation, and subject to any required regulatory or shareholder approval. Subject to Articles 3 and 4 hereof, no amendment, suspension or termination will alter or impair any Stock Options under the Plan, or any rights pursuant thereto, granted previously to any Participant without the consent of that Participant.
- (b) If this Plan is terminated, the provisions of this Plan and any administrative guidelines, and other rules adopted by the Board and in force at the time of this Plan, will continue in effect as long as any Stock Options under the Plan or any rights pursuant thereto remain outstanding. However, notwithstanding the termination of the Plan, the Board may make any amendments to the Plan or Stock Options it would be entitled to make if the Plan were still in effect.

Section 5.5 Compliance with Legislation

The Board may postpone or adjust the exercise of any Stock Option or the issue of any Shares pursuant to this Plan as the Board in its discretion may deem necessary in order to permit the Company to effect or maintain qualification of this Plan or the Shares issuable pursuant thereto under the securities laws of any applicable jurisdiction, or to determine that the Shares and this Plan are exempt from such registration. The Company is not obligated by any provision of this Plan or any grant hereunder to sell or issue shares in violation of any applicable law. In addition, if the Shares are listed on a Stock Exchange, the Company will have no obligation to issue any Shares pursuant to this Plan unless the Shares have been duly listed, upon official notice of issuance, on the Stock Exchange on which the Shares are listed for trading.

Section 5.6 Effective Date

This Plan will become effective upon the approval of the Plan by the Board.

Section 5.7 No Other Rights

Nothing herein contained and no grant of Stock Options pursuant to the Plan shall be deemed to give any Eligible Person the right to be retained as an Eligible Person or the right to be retained as an employee, executive officer, director or Consultant of the Company. For greater certainty, a period of notice, if any, or payment in lieu thereof, upon termination of employment, wrongful or otherwise, shall not be considered as extending the period of employment for the purposes of the Plan. Stock Options are not Shares, and the grant of a Stock Option to an Eligible Person does not entitle such Eligible Person to any rights as a shareholder of the Company.

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