

CANADA RARE EARTH CORP.
MANAGEMENT INFORMATION CIRCULAR

As at June 7, 2021
unless otherwise noted

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies by the management of Canada Rare Earth Corp. (“CREC” or the “Company”), at the time and place and for the purposes set forth in the Notice of Meeting.

Note: The term "shareholder" as defined in the *Business Corporations Act* S.B.C. 2002, c.57 (the "Act"), except in section 385, means a person whose name is entered in a securities register of a company as a registered owner of a share of the company or, until such an entry is made for the company:

- (a) in the case of a company incorporated before the coming into force of the Act, a subscriber, or
- (b) in the case of a company incorporated under the Act, an incorporator.

APPOINTMENT OF PROXYHOLDER

A duly completed form of proxy will constitute the person(s) named in the enclosed form of proxy as the proxyholder for the shareholder (the “Registered Shareholder”). The persons whose names are printed in the enclosed form of proxy for the Meeting are officers or directors of CREC (the “Management Proxyholders”).

A Registered Shareholder has the right to appoint a person other than a Management Proxyholder to represent the Registered Shareholder at the Meeting by striking out the names of the Management Proxyholders and by inserting the desired person's name in the blank space provided or by executing a proxy in a form similar to the enclosed form. A proxyholder need not be a Registered Shareholder.

The persons named in the accompanying Form of Proxy are nominees of CREC’s management. **A shareholder desiring to appoint some other person (who need not be a shareholder) to represent him at the meeting may do so either by:**

- (a) STRIKING OUT THE PRINTED NAMES AND INSERTING THE DESIRED PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY; OR
- (b) BY COMPLETING ANOTHER PROPER FORM OF PROXY.

The completed proxy must be deposited at the office of Computershare Trust Company of Canada, 8th Floor, 100 University Ave., Toronto, Ontario M5J 2Y1, attention: Proxy Department

not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time fixed for the meeting.

A shareholder who has given a proxy may revoke it by an instrument in writing delivered to the office of Computershare Trust Company of Canada, Corporate Trust Department, or to the registered office of CREC, 2110, 650 West Georgia Street, Vancouver, BC V6B 4N8, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, or to the Chairman of the meeting or any adjournment thereof, or in any other manner provided by law.

VOTING OF PROXIES

If the instructions as to voting indicated in the proxy are certain, the shares represented by the proxy will be voted on any poll and where a choice with respect to any matter to be acted upon has been specified in the proxy, the shares will be voted on any poll in accordance with the specifications so made. IF A CHOICE IS NOT SO SPECIFIED, IT IS INTENDED THAT THE PERSON DESIGNATED BY MANAGEMENT IN THE ACCOMPANYING FORM OF PROXY WILL VOTE THE SHARES REPRESENTED BY THE PROXY IN FAVOUR OF EACH MATTER IDENTIFIED ON THE FORM OF PROXY AND FOR THE NOMINEES OF MANAGEMENT FOR DIRECTORS AND AUDITOR.

The form of proxy accompanying this Information Circular confers discretionary authority upon the named proxyholder with respect to amendments or variations to the matters identified in the accompanying Notice of Meeting and with respect to any other matters which may properly come before the meeting. As of the date of this Information Circular, the management of CREC knows of no such amendment or variation or matters to come before the meeting other than those referred to in the accompanying Notice of Meeting.

NON-REGISTERED HOLDERS

Only Registered Shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most shareholders of CREC are “non-registered” shareholders because the Shares they own are not registered in their own names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the Shares. More particularly, a person is not a Registered Shareholder in respect of Shares which are held on behalf of that person (the “Non-Registered Holder”) but which are registered either: (a) in the name of an intermediary (an “Intermediary”) that the Non-Registered Holder deals with in respect of the Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees of administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited (“CDS”)), of which the Intermediary is a participant.

Non-Registered Holders who have not objected to their Intermediary disclosing certain ownership information about themselves to CREC are referred to as “NOBOs”. Those Non-Registered Holders who have objected to their Intermediary disclosing ownership information about themselves to CREC are referred to as “OBOs”.

In accordance with the requirements of National Policy 54-101, *Communication with Beneficial Owners of Securities of a Reporting Issuer*, of the Canadian Securities Administrators, CREC has elected to send the notice of meeting, this information circular and proxy (collectively the “Meeting Materials”) directly to the NOBOs, and indirectly through Intermediaries to the OBOs.

The Intermediaries (or their service companies) are responsible for forwarding the Meeting Materials to each OBO, unless the OBO has waived the right to receive them.

Meeting Materials sent to Non-Registered Holders who have not waived the right to receive Meeting Materials are accompanied by a request for voting instructions (a "VIF"). This form is instead of a proxy. By returning the VIF in accordance with the instructions noted on it a Non-Registered Holder is able to instruct the Registered Shareholder how to vote on behalf of the Non-Registered Shareholder. VIFs, whether provided by CREC or by an Intermediary, should be completed and returned in accordance with the specific instructions noted on the VIF.

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Shares which they beneficially own. Should a Non-Registered Holder who receives a VIF wish to attend the Meeting or have someone else attend on his/her behalf, the Non-Registered Holder may request a legal proxy as set forth in the VIF, which will grant the Non-Registered Holder or his/her nominee the right to attend and vote at the Meeting. **Non-Registered Holders should carefully follow the instructions set out in the VIF including those regarding when and where the VIF is to be delivered.**

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

CREC is authorized to issue an unlimited number of Common Shares without par value (the "Common Shares") and an unlimited number of preference shares without par value, of which 202,594,532 Common Shares are issued and outstanding.

Only the holders of Common Shares are entitled to vote at the Meeting and the holders of Common Shares are entitled to one vote for each Common Share held. The directors of CREC fixed **June 7, 2021** as the record date for the determination of the shareholders entitled to vote at the Meeting.

Each shareholder is entitled to one vote for each common share registered in his/her/its name on the list of shareholders.

To the knowledge of the directors and senior officers of the Company, the only persons or companies that beneficially own, directly or indirectly, or exercise control or direction over shares carrying more than 10% of the voting rights attached to all outstanding shares of the Company as at the date of the Record Date are:

Shareholder Name	Number of Shares Held	Percentage of Issued Shares
RareX Limited	24,579,658	12.1%

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

Other than as disclosed elsewhere herein, none of the following persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon other than the election of directors or the appointment of auditors:

- (a) any director or executive officer of CREC at any time since the commencement of CREC's last completed financial year;
- (b) any proposed nominee for election as a director of CREC; and
- (c) any associate or affiliate of any of the foregoing persons.

ANNUAL MEETING BUSINESS

Election of Directors

The number of directors on the board of directors is currently set at four. Management of the Company proposes to nominate the persons named in the following table for election as Directors of the Company. The term of each of the current directors of the Company will expire at the Meeting and each Director elected will hold office until the next Annual General Meeting or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with the Articles of the Company or he becomes disqualified to act as a Director. In the absence of instructions to the contrary, proxies given pursuant to the solicitation by the management of the Company will be voted for the nominees set out below. **Management does not contemplate that any of the nominees will be unable to serve as a director.**

The following information concerning the proposed nominees has been furnished by each of them:

Name and Present Office Held	Director Since	# of Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction is Exercised at the Date of This Information Circular	Principal Occupation and if not at Present an Elected Director, Occupation During the Past Five (5) Years
Tracy A. Moore, President, CEO and Director ⁽³⁾	September 2012	9,582,000	Mr. Moore is CEO of Canada Rare Earth Corp.
Peter Shearing, COO and Director ⁽¹⁾⁽²⁾⁽³⁾	September 2012	8,675,000	Mr. Shearing is COO of Canada Rare Earth Corp.

Name and Present Office Held	Director Since	# of Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction is Exercised at the Date of This Information Circular	Principal Occupation and if not at Present an Elected Director, Occupation During the Past Five (5) Years
Gordon Fretwell, Director ⁽¹⁾⁽²⁾	December 2015	9,414,667	Mr. Fretwell is a self-employed solicitor in Vancouver practicing primarily in the areas of corporate and securities law.
Mark Peters, Director ¹⁾⁽²⁾⁽³⁾	March 21, 2017	NIL	Mr. Peters is a CPA with over 17 years' experience in finance and taxation, working primarily with Canadian and US public corporations. He is the CFO of Hunter Dickinson Services Inc. (HDSI), a diversified global mining group with over 25 years' success in mineral development. Mr. Peters is also CFO of Northern Dynasty Minerals Ltd., a publicly traded company on the TSX.

NOTES:

- (1) Member of Audit Committee
- (2) Member of Compensation Committee
- (3) Member of Corporate Governance Committee

No proposed director is being elected under any arrangement or understanding between the proposed director and any other person or company except the directors and executive officers of the Company acting solely in such capacity.

The Company has established a number of committees, the current members of which are as follows:

Audit	Compensation	Corporate Governance
Mark Peters Peter Shearing Gordon Fretwell	Mark Peters Peter Shearing Gordon Fretwell	Tracy A. Moore Peter Shearing Mark Peters

Audit Committee Disclosure

The Company is required to disclose certain information relating to its audit committee pursuant to National Instrument 52-110, *Audit Committees*. Reference is made to the Company's disclosure in their MD&A, which may be found on SEDAR at www.sedar.com.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation of Officers

For the financial year ended March 31, 2021, the objective of the Company's compensation strategy was to ensure that compensation for its Named Executive Officers ("NEOs") was sufficiently attractive to recruit, retain and motivate high performing individuals to assist CREC in achieving its goals.

Compensation for the NEOs is composed primarily of three components: base fees, milestone-based incentives, and stock-based compensation.

Base Fees:

Base Fees form an essential component of CREC's compensation strategy as they are key to the Company remaining competitive. These fees are fixed and therefore not subject to uncertainty and can be used as the base to determine other elements of compensation and benefits.

In determining the base fees of executive officers, the Compensation Committee considers the following:

- a) the recommendations of the Chief Executive Officer of the Company (other than with respect to the compensation of the President and Chief Executive Officer);
- b) the particular responsibilities related to the position;
- c) the experience, expertise and level of the executive officer;
- d) the executive officer's length of service to the Company; and
- e) the executive officer's overall performance based on informal feedback.

There is no mandatory framework that determines which of the above-referenced factors may be more or less important and the emphasis placed on any of these factors is at the discretion of the Compensation Committee and may vary among the executive officers. In respect of the base fees paid to the Chief Executive Officer, the Board of Directors also broadly considered the performance of the Chief Executive Officer against the Company's performance in the previous year. The Company does not engage in benchmarking and did not focus on any particular performance metric.

Milestone-Based Incentives

The Compensation Committee, in collaboration with the Board of Directors and the NEOs, establishes specific milestone-based incentives in the form of cash pay-outs that are awarded to the NEOs once the specific milestones have been achieved. The milestones are established with specific timing and documentation requirements that determine whether the milestone-based incentive has been earned by the NEOs. These milestone-based incentives and the associated milestones are revised on an annual basis to align with the Company's objectives and strategy.

Long-Term Incentives:

The Compensation Committee believes that granting stock options to officers, directors, consultants and employees encourages retention and more closely aligns the interests of such key personnel with the interests of Shareholders while at the same time not drawing on the limited cash resources of the Company.

CREC does not utilize a set of formal objective measures to determine long-term incentive entitlements, rather, long-term incentive grants, such as stock options, to NEOs are determined in a discretionary manner on a case by case basis, having consideration to the number of options previously granted. There are no other specific quantitative or qualitative measures associated with option grants and no specific weights are assigned to any criteria individually, rather, the performance of the Company is broadly considered as a whole when determining the number of stock based compensation (if any) to be granted and CREC does not focus on any particular performance metric.

NEO Compensation

The Board of Directors:

- a) will periodically review the terms of reference for the Company's NEOs and recommend any changes;
- b) will review the compensation of the NEOs and make recommendations; and
- c) reviews, and if appropriate recommends for approval, any agreements between the Company and the NEOs, including protections in the event of a change of control or other special circumstances, as appropriate.

The components of the NEO compensation are the same as those that apply to the other senior executive officers of the Company, namely base salary and long-term incentives in the form of stock options.

The Compensation Committee reviews and ensures that the compensation of the NEOs complies with the principles underlying the Company's overall compensation philosophy. The Board of Directors believes that the compensation paid to each NEO during the most recently completed fiscal year was commensurate with the NEO's position, experience and performance.

Named Executive Officers

Pursuant to applicable securities regulations, the Company must disclose the compensation paid to its NEOs. This includes the Company's Chief Executive Officer, the Chief Operating Officer, the Company's Chief Financial Officer and the other three most highly compensated executive officers provided that disclosure is not required for those executive officers, other than the Chief

Executive Officer, Chief Operating Officer and Chief Financial Officer, whose total compensation did not exceed **\$150,000**. During the fiscal year ended March 31, 2021, the Named Executive Officers were:

- (a) Tracy A. Moore, Chief Executive Officer;
- (b) Peter S. Shearing, Chief Operating Officer;
- (c) Michael Lee, Chief Financial Officer (appointed September 14, 2020); and
- (d) Salil Dhaumya, Chief Financial Officer (resigned September 14, 2020).

The following table sets forth, for the periods indicated, the compensation of the Named Executive Officers.

Summary Compensation Table

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Tracy A. Moore President, CEO & Director	2021	Nil	Nil	63,622 ⁽³⁾	Nil	Nil	Nil	204,000	267,622
	2020	Nil	Nil	1,270 ⁽¹⁾	Nil	Nil	Nil	204,000	205,270
Peter S. Shearing COO and Director	2021	Nil	Nil	63,622 ⁽³⁾	Nil	Nil	Nil	204,000	267,622
	2020	Nil	Nil	1,270 ⁽¹⁾	Nil	Nil	Nil	204,000	205,270

Michael Lee ^{(b)(4)} CFO	2021	Nil	Nil	11,093 ⁽²⁾	Nil	Nil	Nil	13,688	24,781
Salil Dhaumya ^(a) CFO	2021	Nil	Nil	595 ⁽¹⁾	Nil	Nil	Nil	20,000	20,595
	2020	Nil	Nil	4,793 ⁽¹⁾	Nil	Nil	Nil	37,500	42,293

(a) Salil Dhaumya resigned as CFO of CREC September 14, 2020

(b) Michael Lee was appointed CFO of CREC September 14, 2020

Notes:

- (1) Grant date fair value of the Options of \$0.058 per Option based on the Black Scholes option pricing model with the following assumptions: dividend yield of 0%; volatility of 179.80%; risk-free interest rate of 1.58%; and expected life of 5 years.
- (2) Grant date fair value of the Options of \$0.066 per Option based on the Black Scholes option pricing model with the following assumptions: dividend yield of 0%; volatility of 173%; risk-free interest rate of 0.5%; and expected life of 5 years.
- (3) Grant date fair value of the Options of \$0.102 per Option based on the Black Scholes option pricing model with the following assumptions dividend yield of 0%; volatility of 158.99%; risk-free interest rate of 0.5%; and expected life of 5 years.
- (4) Compensation for Michael Lee is based upon estimated time spent providing services to the company, Mr Lee did not serve the company on a full-time basis.

Incentive Plan Awards

The following table sets forth details for all awards currently outstanding for each of the NEOs at the end of the most recently completed financial year:

Name and principal position	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) (1)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Tracy A. Moore	1,500,000	\$0.05	2022-12-04	\$37,500	Nil	Nil

President, CEO & Director	750,000	\$0.07	2021-10-26	\$3,750	Nil	Nil
	1,000,000	\$0.11	2026-03-11	Nil	Nil	Nil
Peter Shearing Director, COO	1,500,000	\$0.05	2022-12-04	\$37,500	Nil	Nil
	750,000	\$0.07	2025-10-26	\$3,750	Nil	Nil
	1,000,000	\$0.11	2026-03-11	Nil	Nil	Nil
Michael Lee CFO	250,000	\$0.07	2025-10-26	Nil	Nil	Nil

Incentive Plan Awards – Value Vested or Earned During the Year

(a) Salil Dhaumya resigned as CFO of CREC September 14, 2020

(b) Michael Lee was appointed CFO of CREC September 14, 2020

Name and principal position		Option based awards – Value vested during the year (\$)	Share based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year
Tracy A. Moore	2021	437,500	Nil	Nil
President, CEO & Director	2020	375,000	Nil	Nil
Peter Shearing	2021	437,500	Nil	Nil
Director, COO	2020	375,000	Nil	Nil
Salil Dhaumya ^(a)	2021	37,500	Nil	Nil
CFO	2020	112,500	Nil	Nil

Michael Lee ^(b)	2021	62,500	Nil	Nil
CFO				

(a) Salil Dhaumya resigned as CFO of CREC September 14, 2020

(b) Michael Lee was appointed CFO of CREC September 14, 2020.

Pension Plan Benefits and Deferred Compensation Plans

The Company and its subsidiaries do not have any pension plan arrangements in place, nor do they have any deferred compensation plans.

Director Compensation

The Company has no arrangements, standard or otherwise, pursuant to which Directors are compensated by the Company or its subsidiaries for their services in their capacity as Directors, or for committee participation, involvement in special assignments or for services as consultants or experts during the most recently completed financial year or subsequently, up to and including the date of this information circular.

The Company has a Stock Option Plan for the granting of incentive stock options to the officers, employees and directors. The purpose of granting such options is to assist the Company in compensating, attracting, retaining and motivating the Directors of the Company and to closely align the personal interests of such persons to that of the shareholders.

The following table sets forth information concerning individual grants of options to purchase securities of the Company made during the most recently completed financial year to the Directors of the Company (not including compensation paid to NEO's, whose compensation is as a director is fully reflected in the chart above entitled "Summary Compensation Table"):

Name	Fees Earned (\$)	Share-based awards (\$)	Option-based awards (\$)⁽¹⁾	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total compensation (\$)
Gordon Fretwell	Nil	Nil	8,638	Nil	Nil	Nil	8,638
Mark Peters	Nil	Nil	7,449	Nil	Nil	Nil	7,449

William Purcell (resigned January 29, 2021)	Nil	Nil	5,230	Nil	Nil	Nil	5,230
Christopher Goodman (resigned May 6, 2021)	Nil	Nil	5,230	Nil	Nil	107,451	112,681

Notes:

- (1) Grant date fair value of the options of \$0.066 per option based on the Black Scholes option pricing model with the following assumptions: dividend yield of 0%; volatility of 173%; risk-free interest rate of 0.5%; and expected life of 5 years.

The following table sets forth details for all awards currently outstanding for each of the directors, not including the NEOs, at the end of the most recently completed financial year:

Name and principal position	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) (1) options (#)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Gordon Fretwell, Director	800,000	\$0.05	2022-12-04	20,000	NIL	NIL
	500,000	\$0.05	2021-03-22	12,500	NIL	NIL
	150,000	\$0.07	2025-10-26	750	NIL	NIL
Mark Peters, Director	300,000	\$0.05	2022-02-17	7,500	NIL	NIL
	250,000	\$0.05	2022-12-04	6,250	NIL	NIL
	200,000	\$0.05	2024-03-22	5,000	NIL	NIL
	150,000	\$0.07	2025-10-26	750	NIL	NIL
William Purcell, Director (resigned	150,000	\$0.05	2022-12-04	3,750	NIL	NIL
	200,000	\$0.05	2024-03-22	5,000	NIL	NIL

January 29, 2021)	100,000	\$0.07	2025-10-26	500	NIL	NIL
Christopher Goodman, Director (resigned May 6, 2021)	3,000,000	\$0.05	2022-12-04	75,000	NIL	NIL
	200,000	\$0.05	2024-03-22	5,000	NIL	NIL
	100,000	\$0.07	2025-10-26	500	NIL	NIL

Incentive Plan Awards – Value Vested or Earned During the Year

Name and principal position	Year	Option based awards – Value vested during the year (\$)	Share based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year
Gordon Fretwell, Director	2021	162,500	Nil	Nil
	2020	550,000	Nil	Nil
Mark Peters, Director	2021	87,500	Nil	Nil
	2020	162,500	Nil	Nil
William Purcell, Director (Resigned January 29, 2021)	2021	75,000	Nil	Nil
	2020	137,500	Nil	Nil
Christopher Goodman, Director (Resigned May 6, 2021)	2021	75,000	Nil	Nil
	2020	475,000	Nil	Nil

CORPORATE GOVERNANCE

Effective June 30, 2005, National Instrument 58-101 Disclosure of Corporate Governance Practices (“NI 58-101”) and National Policy 58-201 Corporate Governance Guidelines (“NP 58-201”) were adopted in each of the provinces and territories of Canada. NI 58-101 requires issuers to disclose the corporate governance practices that they have adopted. NP 58-201 provides guidance on corporate governance practices.

The Board believes that good corporate governance improves corporate performance and benefits all shareholders. The Canadian Securities Administrators (the “CSA”) have adopted National Policy 58-201 *Corporate Governance Guidelines*, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Company. In addition, the CSA have implemented National Instrument 58-101 *Disclosure of Corporate Governance Practices*, which prescribes certain disclosure by the Company of its corporate governance practices. This section sets out the Company’s approach to corporate governance and addresses the Company’s compliance with NI 58-101.

1. Board of Directors

Directors are considered to be independent if they have no direct or indirect material relationship with the Company. A “material relationship” is a relationship which could, in the view of the Company’s Board of Directors, be reasonably expected to interfere with the exercise of a director’s independent judgment. 2 of the 4 members of the Board are independent: Mark Peters and Gordon Fretwell. The non-independent directors are Tracy A. Moore (President and Chief Executive Officer) and Peter R. Shearing (Chief Operating Officer).

Management has been delegated the responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on the Company’s business in the ordinary course, managing cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The board facilitates its independent supervision over management by reviewing and approving long-term strategic, business and capital plans, material contracts and business transactions, and all debt and equity financing transactions. Through its audit committee, the Board examines the effectiveness of the Company’s internal control processes and management information systems.

2. Directorships

Certain directors are also directors of other public companies as follows:

Gordon Fretwell	Pucara Gold Ltd., Galiano Gold Inc., RE Royalties Ltd.
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Cease Trade Orders, Bankruptcies, Penalties or Sanctions

None of the individuals names above is or has been within the past ten years a director, chief executive officer or chief financial officer of any company that:

- a) was subject to a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a

- period of more than 30 consecutive days that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- b) was subject to a cease trade order or similar order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as disclosed below, none of the individuals named above is or has been within the past ten years, a director or executive officer of any company 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 has, within the past ten years 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 assets of the proposed director.

Mr. Fretwell was a director of TSX-V listed Lignol Energy Corporation (“**Lignol**”) until May 1, 2015. Lignol went into receivership on August 22, 2014.

3. Orientation and Continuing Education

Orientation and education of new members of the Board is conducted informally by management and members of the Board. The orientation provides background information on the Company’s history, performance and strategic plans.

4. Other Board Committees

The Board has no other committees other than the Audit Committee, the Compensation Committee and the Corporate Governance Committee.

5. Assessments

The Board monitors on an on-going basis the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board and committees.

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 of directors of the Company, or their respective associates or affiliates, are or have been indebted to the Company since the beginning of the last completed financial year.

INTEREST OF CERTAIN PERSONS 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 or the appointment of auditors.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

None of the persons who were directors or executive officers of the Company or a subsidiary of the Company at any time during the Company's last financial year, the proposed nominees for election to the board of directors of the Company, 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 any associate or affiliate of any such person, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction, which has materially affected or would materially affect the Company except as set out herein.

MANAGEMENT CONTRACTS

No management functions of the Company are to any substantial degree performed by a person or company other than the directors or executive officers of the Company.

APPOINTMENT OF AUDITOR

Management of the Company proposes to nominate DeVisser Gray, Chartered Accountants, for appointment as auditors of the Company to hold office until the next Annual General Meeting of the shareholders at remuneration to be fixed by the directors. DeVisser Gray, Chartered Accountants has been the Company's auditors since May 2009.

AUDIT COMMITTEE

The Audit Committee reviews the annual and quarterly financial statements of the Company, oversees the annual audit process, the Company's internal accounting controls, the resolution of issues identified by the Company's auditors and recommends to the Board the firm of independent auditors to be nominated for appointment by the shareholders at the next annual general meeting. In addition, the Audit Committee meets annually with the external auditors of the Company.

Composition of Audit Committee

The Company is required to have an Audit Committee comprised of not less than three directors, a majority of whom are not officers, control persons or employees of the Company or of an affiliate of the Company. The Company's current Audit Committee consists of Mark Peters, Peter Shearing and Gordon Fretwell, two of whom (being Mark Peters and Gordon Fretwell) are independent. National Instrument 52-110 *Audit Committees*, ("NI 52-110") provides that a member of an audit committee is "independent" if the member has no direct or indirect material relationship with the Company, which could, in the view of the Company's board of directors, reasonably interfere with the exercise of the member's independent judgment.

Financial Literacy

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 directors of the Company are financially literate as that term is defined.

Audit Committee Charter

The Audit Committee Charter is also available upon request to the Company’s Corporate Secretary.

Audit Committee Oversight

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

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; or
- (b) an exemption from NI 52-110, in whole or in part, granted under Part 8 (Exemptions).

Pre-Approval Policies and Procedures

The Board of Directors has adopted a pre-approval policy requiring that the Audit Committee pre-approve the audit and non-audit services performed by the independent auditor in order to assure that the provision of such services do not impair the auditor’s independence.

Audit Fees

The following table sets forth the fees paid during the last two fiscal years by the Company to De Visser Gray, Chartered Accountants for services rendered:

	Fiscal 2020 \$	Fiscal 2021 \$
Audit Fees	15,000	23,010
Audit Related Fees	Nil	Nil
Tax Fees	2,900	Nil
All Other Fees	1,750	Nil
Totals	19,650	23,010

Exemption

The Company is a “venture issuer” as defined in NI 52-110 and is relying on the exemption in section 6.1 of NI 52-110 relating to Parts 3 (*Composition of Audit Committee*) and 5 (*Reporting Obligations*).

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

AMENDMENT OF STOCK OPTION PLAN

The Company’s Stock Option Plan (the “Plan”) currently provides that a total of 33,880,028 shares are reserved for issuance upon exercise of stock options granted under the Plan of which 12,925,000 are currently issued.

It is proposed that the Plan be amended to increase the number of shares reserved for issuance under the Plan from 33,880,028 to 40,518,906 which represents 20% of the common shares currently issued and outstanding. If the amendment is approved, there will be 12,925,000 options outstanding to purchase shares issued under the Plan and 27,593,906 reserved and available for issue under options to be granted under the Plan. The increased number of available options will facilitate the Company’s search for and retention of senior management and to provide incentive to the Company’s employees, officers and directors;

Under the amended Plan, the number of shares which may be reserved for issuance will be as follows:

- (a) to all optionees under the Plan in aggregate shall not exceed 20% of the current issued and outstanding share capital;
- (b) to all insiders as a group may not exceed 20% of the issued shares; and
- (c) to any one individual may not exceed:
 - (i) 5% of the issued shares on a yearly basis; and
 - (ii) 2% of the issued shares on a yearly basis if the optionee is engaged in investor relations activities or is a consultant.

The full text of the amended Plan will be available for review at Meeting.

Accordingly, at the Meeting, shareholders will be asked to pass a resolution in the following form:

“BE IT RESOLVED THAT the Company amends its Stock Option Plan to increase the number of shares reserved for issuance under the Plan from 33,880,028 to 40,518,906”.

Since the amended Plan also permits the directors to reserve up to 20% of the issued shares of the Company under options granted to insiders as a group, the Company must obtain approval of a majority of the shareholders at the Meeting, excluding insiders and their associates, (the “disinterested shareholders”) to such specific term of the amended Plan.

For the purposes hereof, an “insider” is a director or senior officer of the Company, a director or senior officer of a company that is itself an insider or subsidiary of the Company, or a person whose control, or direct or indirect beneficial ownership, or a combination thereof, over securities of the Company extends to securities carrying more than 10% of the voting rights attached to all the Company’s outstanding voting securities.

The amended Plan is also subject to approval by the TSX Venture Exchange.

SUMMARY OF THE SHARE UNIT PLAN

The Company wishes to adopt the Share Unit Plan to assist the Company in the recruitment and retention of highly qualified employees, directors and service providers by providing a means to reward performance, to motivate participants under the Share Unit Plan to achieve important corporate and personal objectives and, through the proposed issuance by the Company of Common Shares under the Share Unit Plan, to better align the interests of participants with the long-term interests of Shareholders. A copy of the Share Unit Plan is appended as Appendix A hereto.

If approved by Shareholders, the Share Unit Plan will be administered by the Compensation Committee of the Board. Employees, directors and service providers of the Company and its designated subsidiaries will be eligible to participate in the Share Unit Plan. In accordance with the terms of the Share Unit Plan, the Company, under the authority of the Board through the Compensation Committee, will approve those employees, directors and service providers who are entitled to receive Share Units and the number of Share Units to be awarded to each participant. Share Units awarded to participants will be credited to them by means of an entry in a notional account in their favour on the books of the Company. Each Share Unit awarded will conditionally entitle the participant to receive cash, one Common Share without par value in the capital of the Company, or a combination thereof, as determined by the Compensation Committee, in an amount equal to the volume weighted average trading price as defined and calculated pursuant to the rules and policies of the TSX Venture Exchange, as amended from time to time (“**Market Price**”) of the Share Unit, upon attainment of the Share Unit vesting criteria. Each grant of Share Units will be subject to any policy of the Company that may be in place from time to time relating to the “clawback” of the value of any Share Units in certain circumstances.

The vesting of Share Units pursuant to the Share Unit Plan, if approved by Shareholders, may be conditional upon the expiry of time-based vesting conditions, performance-based vesting conditions or a combination of the two. The duration of the vesting period, performance criteria and other vesting terms applicable to the grant of the Share Units will be determined at the time of the grant by the Compensation Committee.

Once the Share Units vest pursuant to the Share Unit Plan, if approved by Shareholders, the participant will be entitled to receive, and the Company will issue and/or pay, a payout in cash, Common Shares or a combination thereof with respect to those vested Share Units. The expiry date of Share Units will be the date on which the Share Units lapse as specified in the grant agreement or in accordance with the Share Unit Plan. Pursuant to the terms of the proposed Share Unit Plan, on the date a participant has left the employ or office with the Company or on such date a participant’s service contract is terminated, Share Units in such participant’s account which are unvested shall terminate and be forfeited. All unvested or expired Share Units will be available for future grants.

The maximum number of Common Shares which may be reserved, set aside and made available for issuance under the Share Unit Plan, if approved by the Shareholders, will not exceed 10% of the number of issued and outstanding Common Shares at such time; and when combined with securities available for issuance under any other security-based compensation arrangement of the Company, shall not exceed 27.4% of the issued and outstanding Common Shares of the Company.

As of June 10, 2021, there were no Share Units outstanding, representing 0% of the Company's issued and outstanding Common Shares. Assuming the Share Unit Plan is approved by Shareholders, 15,000,000 Share Units will be available for grant representing approximately 7.4% of the Company's issued and outstanding Common Shares. The number of Share Units which may be issuable under the Plan and all of the Company's other security based compensation arrangements within any one year period : a) to any one participant, shall not exceed 5% of the total number of issued and outstanding Common Shares on the Grant Date on a non-diluted basis; and (b) to any one eligible consultant shall not exceed 2% of the total number of issued and outstanding Common Shares on the Grant Date on a non-diluted basis.

The number of Share Units that may be granted to non-employee directors under the Share Unit Plan, if the Share Unit Plan is approved by Shareholders, in combination with all other equity awards granted to non-employee directors under any other security-based compensation arrangement of the Company, at any time, shall be limited to an annual equity award value (based on grant date fair value as determined by the Board) of \$150,000 per non-employee director, provided that the total value (based on grant date fair value as determined by the Board) of options issuable to any one non-employee director in any 12 month period will not exceed \$100,000.

Assuming the Share Unit Plan is approved by Shareholders, at any time within one year from the date of a "Change of Control" (meaning (i) the direct or indirect acquisition by a person, or group of persons, acting jointly, or in concert, of Common Shares which total more than (A) 50% of the then outstanding Common Shares; or (B) 30% of the then outstanding Common Shares followed, within 12 months of such acquisition, by the removal by Shareholders of more than 51% of the then incumbent directors election by Shareholders of a majority of the directors to the Board who were not nominees of the Board immediately preceding such election, (ii) the sale of all or substantially all of the assets of the Company, or the consummation of a transaction which has substantially the same effect, or (iii) a transaction which has substantially the same effect as (i) or (ii)) if a participant who was also an officer or employee of, or service provider to, the Company prior to the "Change of Control" has their employment or service contract or position with the Company or the continuing entity resulting or continuing from the "Change of Control" (as applicable), terminated without cause, or altered in such a way that the holder is effectively constructively dismissed from their position with the Company, all outstanding Share Units held by such participant shall vest and the pay-out date in connection with such participant's Share Units shall be accelerated to the date of such participant's termination or dismissal and the Company shall issue Common Shares and/or pay cash to such participant with respect to such Share Units. In the event the Share Units are subject to performance based vesting conditions and are accelerated as a result of a "Change of Control", then an assessment shall be done by the Compensation Committee and the Compensation Committee shall accelerate only to the extent that such performance based vesting conditions are considered in the Plan Administrator's discretion to have been satisfied.

Share Units under the proposed Share Unit Plan will not be assignable or transferable other than by operation of law, except, if and on such terms as the Company may permit, to a spouse or minor children or grandchildren or a personal holding company or family trust controlled by a

participant, the sole shareholders or beneficiaries of which, as the case may be, are any combination of the participant, the participant's spouse, minor children or minor grandchildren, and after the participant's lifetime shall enure to the benefit of and be binding upon the participant's designated beneficiary, on such terms and conditions as are appropriate for such transfers.

Pursuant to the proposed Share Unit Plan, the Company may, without notice, at any time and from time to time, without Shareholder approval, amend the Share Unit Plan, any entitlements granted thereunder or any provisions thereof in such manner as the Company, in its sole discretion, determines appropriate including, without limitation:

- (a) for the purposes of making formal minor or technical modifications to any of the provisions of the Share Unit Plan;
- (b) to correct any ambiguity, defective provision, error or omission in the provisions of the Share Unit Plan;
- (c) to change the vesting and/or termination provisions applicable to Share Units provided that such change does not entail an extension of the expiry date of the Share Units beyond the original Expiry Date of the Share Units;
- (d) to preserve the intended tax treatment of the benefits provided by the Share Unit Plan, as contemplated therein; or
- (e) to make any amendments necessary or advisable because of any change in applicable laws;

provided, however, that:

- (f) no such amendment to the Share Unit Plan may be made without the consent of each affected participant if such amendment would adversely affect the rights of such affected participant(s) under the Share Unit Plan; and
- (g) Shareholder approval shall be obtained in accordance with the requirements of the TSX for any amendment that results in;
 - (i) any increase in the number of Common Shares reserved for issuance under the Share Unit Plan or the maximum number of Common Shares available for issuance pursuant to the Share Unit Plan;
 - (ii) the cancellation and re-issuance of Share Units;
 - (iii) the extension of the term of a Share Unit beyond the original expiry date;
 - (iv) the removal or exceeding of the limitations on Common Shares issuable to non- employee directors;
 - (v) permitting Share Units to be transferable or assignable other than for normal estate settlement purposes;

- (vi) the removal or exceeding of the limitation on Common Shares issuable to insiders; or
- (vii) an amendment to the amendment provisions of the Share Unit Plan.

APPROVAL OF THE SHARE UNIT PLAN

At the Meeting, Shareholders will be asked to consider, and if deemed appropriate, to pass, without or without variation, the following ordinary resolutions (the “Share Unit Plan Resolutions”):

RESOLVED THAT

1. The Share Unit Plan, as described in this Information Circular, is hereby approved, and the Company is hereby authorized to issue securities pursuant to the Share Unit Plan;
2. The Board be and is hereby authorized and directed to reserve a sufficient number of Common Shares to satisfy the requirements for the issuance of Common Shares under the Share Unit Plan;
3. The unallocated entitlements under the Share Unit Plan are hereby approved and the Company will have the ability to grant units under the Share Unit Plan until the date that is three years from the date of the Meeting, being July 12, 2024; and
4. Any director or officer of the Company be and is hereby authorized and directed to take all such action and execute and deliver all such documents as any such director or officer may, in his or her sole discretion, determine are necessary, desirable or useful to implement the foregoing resolutions.

Pursuant to TSX policies, all unallocated options, rights or entitlements under a security-based compensation arrangement which does not have a fixed maximum number of securities issuable, must be approved by the listed issuer’s security holders every three years after the institution of the arrangement. The Share Unit Plan is subject to the approval of the TSX Venture Exchange. Accordingly, if the Share Unit Plan is approved by Shareholders and by the TSX Venture Exchange, the Company will be able to grant Share Units pursuant to the terms of the Share Unit Plan until July 12, 2024.

The Board recommends that Shareholders vote FOR the Share Unit Plan Resolutions. Unless otherwise instructed, Common Shares represented by proxies in favour of management will be voted FOR the Share Unit Plan Resolutions.

If the Shareholders do not approve the Share Unit Plan Resolutions, the Board will not be able to implement the Share Unit Plan. This means that the Board will not be able to grant share unit entitlements settled in Common Shares of the Company. In the event that the Share Unit Plan Resolutions are approved, grants of Share Units going forward will be subject to and governed by the terms of the Share Unit Plan.

APPROVAL OF AMENDMENT TO SHAREHOLDER RIGHTS PLAN

On September 15, 2010, the Board adopted a Shareholder Rights Plan Agreement (the "Shareholder Rights Plan" or "Rights Plan") as summarized below. The Rights Plan currently includes the following definition that would, without the adoption of the proposed amendment herein, result in the termination of the Rights Plan following the Meeting of the Company (also referred to as the "Corporation" in this section):

"Expiration Time" means the earlier of: (i) the Termination Time, and (ii) the close of business on the date immediately following the date of the Corporation's annual meeting of shareholders to be held in 2020."

In order to extend the life of the Rights Plan Shareholders are being asked to approve an amendment to the Rights Plan (the "Rights Plan Amendment") by deleting the current definition of Expiration Time and replacing it with the following: "Expiration Time" means the earlier of: (i) the Termination Time, and (ii) the close of business on the date immediately following the date of the Corporation's annual meeting of shareholders to be held in 2024."

The Rights Plan Amendment will be contained in an agreement to be entered into between the Company and Computershare Trust Company of Canada, subject to approval of the Rights Plan Amendment by the Shareholders (the "Rights Plan Amendment Agreement"). The Rights Plan Amendment Agreement will also be subject to the approval of the Exchange.

Rights Plan

The Rights Plan has the following objectives:

- a. to prevent creeping acquisitions of control;
- b. to give adequate time for the Board and Shareholders to properly assess a take-over bid without undue pressure;
- c. to provide the Board and Shareholders adequate time to consider the value of all assets of the Company and for the Company to undertake a value recognition program, if necessary, to demonstrate the value of one or more assets;
- d. to provide the Board time to consider value-enhancing alternatives to a take-over bid and to possibly allow competing bids to emerge; and
- e. to ensure that Shareholders of the Company are provided equal treatment under a take-over bid.

The Rights Plan is not intended to prevent take-over bids that treat Shareholders fairly and has not been adopted in response to any proposal to acquire control of the Company.

The summary of the Rights Plan below is qualified in its entirety by reference to the text of the Rights Plan, which is available upon request from the Secretary of the Company at 2110, 650 West Georgia Street, Vancouver, British Columbia, V6B 4N8, Telephone 604.689.1280 or Fax 604.689.1288. Capitalized terms used in the summary without express definition have the meanings ascribed thereto in the Rights Plan.

It is intended that all proxies received will be voted in favour of the approval of the Rights Plan Amendment, unless a proxy contains instructions to vote against the Rights Plan Amendment. The Rights Plan Amendment will become effective only if it is approved by greater than 50% of the votes cast by shareholders present in person or by proxy at the Meeting. The text of the resolution approving the Rights Plan Amendment (the "Rights Plan Amendment Resolution") is set forth below under the heading "Text of Ordinary Resolution to Approve the Rights Plan Amendment".

Recommendation of the Board of Directors

The Board has determined that the extension of the Rights Plan pursuant to the Rights Plan Amendment is in the best interests of the Company and the holders of its common shares. The Board unanimously recommends that Shareholders vote **IN FAVOUR** of the approval of the Rights Plan Amendment Resolution.

The Company has been advised that the directors and senior officers of the Company intend to vote all common shares held by them in favour of the approval of the Rights Plan Amendment Resolution.

Text of Ordinary Resolution to Approve the Rights Plan Amendment

The text of the ordinary resolution to approve the Rights Plan Amendment is as follows:

BE IT RESOLVED THAT:

1 The Rights Plan adopted by the Company's Board of Directors on September 15, 2010, on the terms set out in the Shareholder Rights Plan Agreement dated September 15, 2010, between the Company and Computershare Trust Company of Canada, as Rights Agent is amended by deleting the reference to "2020" in the definition of "Expiration Time" therein and replacing it with "2024"; and

2 Any director or officer of the Company is authorized and directed, on behalf of the Company, to do all acts and to sign, whether under the corporate seal of the Company or otherwise and deliver all documents that the Company considers necessary or desirable to give effect to this resolution."

If the Shareholders do not pass the Rights Plan Amendment Resolution at the Meeting, the Rights Plan will terminate.

Background and Objectives of the Rights Plan

The Rights Plan: (a) provides the Company's directors and Shareholders with more time to fully consider any unsolicited take-over bid for the Company without undue pressure; (b) allows the directors to explore and develop, if appropriate, other alternatives to maximize shareholder value; and (c) allows additional time for competing bids to emerge.

Take-over bid contests for corporate control provide a singular opportunity for shareholders to obtain a one-time gain. After acquisition of effective control, the opportunity for this one-time gain normally does not re-occur. As with most public companies, a person could probably secure control of the Company through the ownership of much less than 50% of the Company's shares.

Without a shareholder rights plan, a bidder could acquire effective control of the Company over a relatively short period of time, through open market and private purchases and using various techniques permitted under Canadian securities legislation, all without making a bid available to all shareholders. This acquisition of control would probably be an effective deterrent to other potential offerors. The person acquiring control might also be able to consolidate and increase its control, over a period of time, without the price for control ever being tested through an open market auction. Shareholder rights plans are designed to prevent this occurrence by forcing all acquisitions of control into a public offer mode.

A public offer will not necessarily achieve all of the objectives of ensuring the maximum value to shareholders. Canadian securities legislation requires a take-over bid to remain open for only 35 days. The Board of Directors does not believe that 35 days would give it enough time to determine whether there are alternatives available to maximize shareholder value or whether there are other potential bidders prepared to pay more than the offeror for the Company's shares. The Rights Plan is intended to provide the Board with sufficient time to pursue alternatives and to provide shareholders with sufficient time to properly assess any take-over bid. The securities commissions have concluded in decisions relating to rights plans that a target company's directors will not be permitted to maintain a rights plan solely to prevent a successful take-over bid. The directors must actively seek alternatives to a take-over bid and there must be a real possibility that they will be able to increase shareholder choice and maximize shareholder value.

The Company is not proposing the Rights Plan Amendment in response to or in anticipation of any acquisition or take-over bid. The Rights Plan is not intended to prevent a take-over of the Company, to secure continuance of current management or the directors in office, or to deter fair offers for the Company's common shares. The Rights Plan does not inhibit or prevent any Shareholder from using the proxy mechanism set out in the British Columbia Business Corporations Act to promote a change in the management or direction of the Company. The Rights Plan may, however, increase the price paid by a potential offeror to obtain control of the Company and may discourage certain transactions.

The Rights Plan does not affect in any way the Company's financial condition. The initial issuance of the Rights will not dilute the Company's shares and will not affect reported earnings or cash flow per share until the Rights separate from the underlying common shares and become exercisable. The adoption of the Rights Plan will not lessen or affect the duty of the Company's directors to act honestly, in good faith, and in the Company's best interests. The Rights Plan is designed to provide the directors with the means to negotiate with an offeror and with sufficient time to seek out and identify alternative transactions on behalf of the Company's shareholders.

Terms of the Rights Plan

The following is a summary of the terms of the Rights Plan. This summary is qualified in its entirety by the Shareholder Rights Plan Agreement.

Summary of the Plan

A summary of the principal terms of the Rights Plan is set forth below.

Effective Date. The effective date of the Rights Plan is September 15, 2010 (the "Effective Date").

Shareholder Approval. For the Rights Plan to continue in effect following the Meeting, the Rights Plan Amendment Resolution must be approved by a majority of the votes cast at the Meeting by

shareholders voting in person and by proxy.

Issue of Rights. On the Effective Date, one right (a “Right”) is issued and attached to each Common share outstanding and will attach to each Common share subsequently issued.

Rights Exercise Privilege. The Rights will separate from the Common shares and will be exercisable eight business days (or such later business day as may be determined by the board of directors) (the “Separation Time”) after a person has acquired, or commences or publicly announces or discloses its intention to commence a take-over bid to acquire, 20% or more of the Common shares, other than by an acquisition pursuant to a take-over bid permitted by the Rights Plan (a “Permitted Bid”). The acquisition by any person (an “Acquiring Person”) of 20% or more of the Common shares, other than by way of a Permitted Bid, is referred to as a “Flip-in Event”. Any Rights held by an Acquiring Person will become void upon the occurrence of a Flip-in Event. From and after the Separation Time, each Right (other than those held by the Acquiring Person), will permit the purchase of CDN\$100 worth of Common shares (at the market price on the date of the Flip-in Event) for CDN\$50 (i.e., at a 50% discount). The issue of the Rights is not initially dilutive; however, upon a Flip-in Event occurring and the Rights separating from the Common shares, reported earnings per Common share on a fully diluted or non-diluted basis may be affected. Holders of Rights not exercising their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

Certificates and Transferability. Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on certificates for Common shares issued from and after the Effective Date and will not be transferable separately from the Common shares. From and after the Separation Time, the Rights will be evidenced by Rights certificates which will be transferable and traded separately from the Common shares.

Permitted Bid Requirements. The requirements for a Permitted Bid include the following:

- (i) the take-over bid must be made by way of a take-over bid circular;
- (ii) the take-over bid must be made to all holders of Common shares;
- (iii) the take-over bid must be outstanding for a minimum period of 60 days and Common shares tendered pursuant to the take-over bid may not be taken up and paid for prior to the expiry of such 60-day period and only if at such time more than 50% of the Common shares held by shareholders other than the bidder, its affiliates and persons acting jointly or in concert with the bidder (collectively, the “Independent Shareholders”) have been tendered to the take-over bid and not withdrawn;
- (iv) the Common shares deposited pursuant to the take-over bid may be withdrawn until taken up and paid for; and
- (v) if more than 50% of the Common shares held by Independent Shareholders are tendered to the take-over bid within such 60-day period, then the bidder must make a public announcement of that fact and the take-over bid must remain open for deposits of Common shares for an additional 10 business days from the date of such public announcement.

The Rights Plan allows for a competing Permitted Bid (a “Competing Permitted Bid”) to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all of the requirements of a Permitted Bid except that it may expire on the same date as the Permitted Bid.

Waiver and Redemption. The board of directors may, prior to the Flip-in Event, waive the dilutive effects of the Shareholder Rights Plan in respect of a particular Flip-in Event resulting from a takeover bid made by way of a take-over bid circular to all holders of Common shares, or to waive

one or more of the requirements of a Permitted Bid, or a Competing Permitted Bid, in which event such waiver would be deemed also to be a waiver in respect of any other Flip-in Event, and any such requirement, occurring under a take-over bid made by way of a take-over bid circular to all holders of Common shares. The board of directors may also waive the Shareholder Rights Plan in respect of a particular Flip-in Event that has occurred through inadvertence, provided that the Acquiring Person that inadvertently triggered such Flip-in Event reduces its beneficial holdings to less than 20% of the outstanding voting shares of the Company within 14 days or such later date as may be specified by the board of directors. With the majority consent of shareholders or Rights holders at any time prior to the later of a Flip-in Event and the Separation time, the board of directors may at its option redeem all, but not less than all, of the outstanding Rights at a price of CDN\$0.00001 each.

Exemptions for Investment Advisors. Investment advisors (for client accounts), trust companies (acting in their capacities as trustees and administrators), statutory bodies managing investment funds (for employee benefit plans, pension plans, insurance plans or various public bodies) and administrators or trustees of registered pension funds or plans acquiring greater than 20% of the Common shares are exempted from triggering a Flip-in Event, provided that they are not making, or are not part of a group making, or proposing to make or participate in, or has not announced a current intention to make, a take-over bid.

Exemptions for Lock-up Agreements. A person is deemed not to be the beneficial owner of Common shares if the holder of such Common shares has agreed to deposit or tender its Common shares pursuant to a "Permitted Lock-up Agreement" to a take-over bid (the "Lock-up Bid") made by such person. In order for an agreement to constitute a Permitted Lock-up Agreement, certain conditions must be met including, among other things, (i) any "break-up" fees payable by the tendering shareholder, cannot exceed in the aggregate the greater of the cash equivalent of 2.5% of the price or value of the consideration payable under the Lock-up Bid and 50% of the amount by which the price or value of the consideration payable under another take-over bid or transaction exceeds the price or value of the consideration that would have been received under the Lock-up Bid and (ii) the terms of such agreement are publicly disclosed and a copy of which is made available to the public (including to the Company) and the Permitted Lock-up Agreement permits the tendering shareholder to withdraw its Common shares in order to deposit or tender the Common shares to another take-over bid or support another transaction where the price or value offered under such other bid is at least 7% higher than the price or value offered under the Lockup Bid or the number of Common shares to be purchased under another take-over bid or transaction is at least 7% more than the number proposed to be purchased under the Lock-up Bid.

Supplements and Amendments. The Company is authorized to make amendments to the Shareholder Rights Plan to correct any clerical or typographical error or to maintain the validity of the Shareholder Rights Plan as a result of changes in law, regulation or rules. Prior to the Meeting, the Company is authorized to amend or supplement the Shareholder Rights Plan as the board of directors may in good faith deem necessary or desirable. No such amendments have been made to date. The Company will issue a press release relating to any significant amendment made to the Shareholder Rights Plan prior to the Meeting and will advise the shareholders of any such amendment at the Meeting. Other amendments or supplements to the Shareholder Rights Plan may be made with the prior approval of shareholders or Rights holders.

Canadian Federal Income Tax Consequences of the Shareholder Rights Plan

Under the *Income Tax Act* (Canada) (the "Tax Act"), the issue of the Rights under the Shareholder

Rights Plan should not be a taxable benefit because the Rights are provided to all shareholders and the Rights are identical. The Company considers that the Rights, when issued, will have negligible monetary value, there being only a remote possibility that the Rights will ever be exercised.

The Rights should be considered to be issued at no cost and, as a result, the holder of Rights may have income tax or be subject to withholding tax under the Tax Act if the holder of the Rights disposes of the Rights or disposes of the Common shares granted upon exercise of the Rights.

This statement is of a general nature only and is not intended to constitute nor should it be construed as legal or tax advice to any particular holder of Common shares. Such holders are advised to consult their own tax advisors regarding the consequences of acquiring, holding, exercising or otherwise disposing of their Rights, taking into account their own particular circumstances and applicable federal, provincial, territorial, state or foreign legislation.

The Board has determined that the Shareholder Rights Plan as amended by the Rights Plan Amendment is in the best interests of the Company and the Shareholders. The board of directors unanimously recommends that the Shareholders vote in favour of the Rights Plan Amendment Resolution in the form set out in this section.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Financial information is provided in the Company's audited financial statements and MD&A for its years ended March 31, 2017, March 31, 2018, March 31, 2019 and March 31, 2020. Shareholders may contact the Company at 2110, 650 West Georgia Street, Vancouver, BC V6B 4N8 or by telephone at 604-638-8886 to request copies of the Company's financial statements and MD&A including audited financial statements.

BOARD APPROVAL

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

CERTIFICATE

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

DATED at Vancouver, British Columbia, this 10th day of June, 2021

ON BEHALF OF THE BOARD OF DIRECTORS

"Tracy A. Moore"

Tracy A. Moore
President

APPENDIX “A”
SHARE UNIT PLAN

1. PURPOSE

- 1.1 This Plan has been established by the Corporation to assist the Corporation in the recruitment and retention of highly qualified directors, employees and consultants by providing a means to reward superior performance, to motivate Participants under the Plan to achieve important corporate and personal objectives and, through the issuance of Share Units in the Corporation to Participants under the Plan, to better align the interests of Participants with the long-term interests of Shareholders.

2. PLAN DEFINITIONS AND INTERPRETATIONS

In this Plan, the following terms have the following meanings:

- (a) **“Account”** means the bookkeeping account established and maintained by the Corporation for each Participant in which the number of Share Units of the Participant are recorded;
- (b) **“Applicable Law”** means any applicable provision of law, domestic or foreign, including, without limitation, applicable securities legislation, together with all regulations, rules, policy statements, rulings, notices, orders or other instruments promulgated thereunder and Stock Exchange Rules;
- (c) **“Beneficiary”** means any person designated by the Participant as his or her beneficiary under the Plan in accordance with Section 14.1 or, failing any such effective designation, the Participant’s legal representative;
- (d) **“Board”** means the Board of Directors of the Corporation;
- (e) **“Cause”** has the meaning ascribed to the phrase “cause” or “just cause for termination” under the laws of British Columbia;
- (f) **“Change of Control”** means:
 - (i) the acquisition whether directly or indirectly, by a person or company, or any persons or companies acting jointly or in concert (as determined in accordance with the Securities Act (British Columbia) and the rules and regulations thereunder) of voting securities of the Corporation which, together with any other voting securities of the Corporation held by such person or company or persons or companies, constitute, in the aggregate, more than 50% of all outstanding voting securities of the Corporation;
 - (ii) an amalgamation, arrangement or other form of business combination of the Corporation with another company which results in the holders of voting securities of that other company holding, in the aggregate, 50% or more of all outstanding voting securities of the Corporation (including a merged or successor company) resulting from the business combination; or

- (iii) the sale, lease or exchange of all or substantially all of the property of the Corporation to another person, other than a subsidiary of the Corporation or other than in the ordinary course of business of the Corporation;
- (g) “**Committee**” means the Compensation Committee of the Board or any other committee or person designated by the Board to administer the Plan, provided, however, if the Company ceases to qualify as a “foreign private issuer” (as defined in Rule 3b-4 under the Exchange Act), the Committee shall be a committee of the Board comprised of not less than two Directors, and each member of the Committee shall be a “non-employee director” within the meaning of Rule 16b-3;
- (h) “**Consultant Company**” means for an individual Eligible Consultant, a company or partnership of which the individual is an employee, shareholder or partner;
- (i) “**Corporation**” means Canada Rare Earth Corp. and its respective successors and assigns, and any reference in the Plan to action by the Corporation means action by or under the authority of the Board or any person or committee that has been designated for the purpose by the Board including, without limitation, the Committee;
- (j) “**Designated Subsidiary**” means an entity (including a partnership) in which the Corporation holds, directly or indirectly, a majority voting interest and which has been designated by the Corporation for purposes of the Plan from time to time;
- (k) “**Director**” means a *bona fide* director of the Corporation or any of its Designated Subsidiaries;
- (l) “**Eligible Consultant**” means an individual or Consultant Company, other than an Employee, that (i) is engaged to provide on a *bona fide* basis consulting, technical, management or other services to the Corporation or any Designated Subsidiary under a written contract between the Corporation or the Designated Subsidiary and the individual or Consultant Company, (ii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or a Designated Subsidiary, and (iii) does not provide services in connection with the offer or sale of securities in a capital-raising transaction and does not directly or indirectly promote or maintain a market for the registrant's securities;
- (m) “**Employee**” means a *bona fide* employee of the Corporation or any of its Designated Subsidiaries or any combination or partnership of such corporations;
- (n) “**Employer**” means the Corporation, the Designated Subsidiary or the combination or partnership of such corporations that employs the Participant or that employed the Participant immediately prior to the Participant's Termination Date;
- (o) “**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended;
- (p) “**Expiry Date**” means, with respect to Share Units granted to a Participant, the date determined by the Corporation for such purpose for such grant, which date shall be no later than the earlier of the date which is (i) ten years from the Grant Date and (ii) two years after the Participant's Termination Date and shall, in all cases,

regardless of any other section of this Plan, be in compliance with the requirements pertaining to the exception to the application of the salary deferral arrangement rules in paragraph 248(1)(k) of the *Income Tax Act* (Canada), as such section may be amended or re-enacted from time to time;

- (q) **“Fiscal Year”** means a fiscal year of the Corporation;
- (r) **“Good Reason”** means the occurrence of any one or more of the following without a Participant’s written consent:
 - (i) a material diminution in the Participant’s position or duties, responsibilities, title or office in effect immediately prior to a Change of Control, which includes any removal of the Participant from or any failure to re-elect or re-appoint the Participant to any such position or office;
 - (ii) a material reduction in the Participant’s overall annual compensation for services provided to the Corporation in the cumulative amount of 5% or more within a 12 month period;
 - (iii) any change to the terms or conditions of the employment of the Participant that would constitute “constructive dismissal” as that term is defined at common law which the Company fails to remedy within thirty (30) days of receiving written notice from the Participant of any such change;
 - (iv) the Corporation making a material change to the location of the Corporation’s offices and/or relocating the Participant to any place other than the location at which the Participant reported for work on a regular basis immediately prior to a Change of Control or a place within 15 kilometres of that location; or
 - (v) a material breach by the Corporation of this Plan.
- (s) **“Grant Agreement”** means an agreement between the Corporation and a Participant under which Share Units are granted, together with such amendments, deletions or changes thereto as are permitted under the Plan;
- (t) **“Grant Date”** of a Share Unit means the date a Share Unit is granted to a Participant under the Plan;
- (u) **“Insider”** has the meaning given to such term in Policy 1.1 of the TSXV Policies;
- (v) **“Joint Actor”** means a person acting “jointly or in concert with” another person within the meaning of Section 96 of the *Securities Act* (British Columbia) or as such section may be amended or re-enacted from time to time;
- (w) **“Market Value”** with respect to a Share as at any date means the arithmetic average of the closing price of the Shares traded on the TSX-V for the five (5) trading days on which a board lot was traded immediately preceding such date (or, if the Shares are not then listed and posted for trading on the TSX-V, on such stock exchange on which the Shares are then listed and posted for trading as may be selected for such purpose by the Corporation). In the event that the Shares are

not listed and posted for trading on any stock exchange, the Market Value shall be the Market Value of the Shares as determined by the Board in its discretion, acting reasonably and in good faith;

- (x) **“Participant”** means a full-time or part-time Employee, an Eligible Consultant or a Director who, in any such case, has been designated by the Corporation for participation in the Plan provided that investor relations service providers shall not be eligible Participants;
- (y) **“Payout Date”** means a date selected by the Corporation, in accordance with and as contemplated by Sections 3.2, 6.1 and 7.1;
- (z) **“Plan”** means this Share Unit Plan;
- (aa) **“Reorganization”** means any (i) capital reorganization, (ii) merger, (iii) amalgamation, or (iv) arrangement or other scheme of reorganization;
- (bb) **“Rule 16b-3”** means Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act or any successor rule or regulation;
- (cc) **“Section 409A”** means Section 409A of the *U.S. Internal Revenue Code of 1986, as amended*, and the Treasury Regulations promulgated thereunder as in effect from time to time;
- (dd) **“Securities Act”** means the U.S. Securities Act of 1933, as amended;
- (ee) **“Shareholders”** means the holders of Shares;
- (ff) **“Shares”** mean common shares of the Corporation and includes any securities of the Corporation into which such common shares may be converted, reclassified, redesignated, subdivided, consolidated, exchanged or otherwise changed, pursuant to a Reorganization or otherwise;
- (gg) **“Share Unit”** means a unit credited by means of an entry on the books of the Corporation to a Participant pursuant to the Plan, representing the right to receive, subject to and in accordance with the Plan, for each Vested Share Unit one Share, at the time, in the manner, and subject to the terms, set forth in the Plan and the applicable Grant Agreement;
- (hh) **“Stock Exchange Rules”** means the applicable rules of any stock exchange upon which Shares are listed;
- (ii) **“Termination Date”** means the date on which a Participant ceases, for any reason including resignation, termination, death or disability, to be an active Employee, an Eligible Consultant, or a Director, as the case may be, and, in the case of a Participant who is an Employee, where the employment is terminated by the Employer, whether wrongful or for Cause or otherwise, such date shall be the date notice of termination is provided and, in the case of a Participant who is an Eligible Consultant, the date the written contract between the Eligible Consultant and the Corporation or any Designated Subsidiary is terminated or expires and the Eligible Consultant no longer provides services thereunder;

- (jj) “**TSX-V**” means the TSX Venture Exchange;
- (kk) “**TSX-V Policies**” means the policies included in the TSX Venture Exchange Corporate Finance Manual and “**TSX-V Policy**” means any one of them; and
- (ll) “**Vested Share Units**” shall mean Share Units in respect of which all vesting terms and conditions set forth in the Plan and the applicable Grant Agreement have been either satisfied or waived in accordance with the Plan.

2.2 In this Plan, unless the context requires otherwise, words importing the singular number may be construed to extend to and include the plural number, and words importing the plural number may be construed to extend to and include the singular number.

3. GRANT OF SHARE UNITS AND TERMS

3.1 The Corporation may grant Share Units to such Participant or Participants in such number and at such times as the Corporation may, in its sole discretion, determine, as a bonus or similar payment in respect of services rendered by the Participant for a Fiscal Year or otherwise as compensation, including as an incentive for future performance by the Participant.

3.2 In granting any Share Units pursuant to Section 3.1, the Corporation shall designate:

- (a) the number of Share Units which are being granted to the Participant;
- (b) any time based conditions as to vesting of the Share Units to become Vested Share Units;
- (c) any performance based conditions as to vesting of the Share Units to become Vested Share Units;
- (d) the Payout Date, which shall in no event be later than the Expiry Date; and
- (e) the Expiry Date;

which shall be set out in the Grant Agreement.

3.3 The conditions may relate to all or any portion of the Share Units in a grant and may be graduated such that different percentages of the Share Units in a grant will become Vested Share Units depending on the extent of satisfaction of one or more such conditions. The Corporation may, in its discretion and having regard to the best interests of the Corporation, subsequent to the Grant Date of a Share Unit, waive any such conditions, provided that the waiver of such conditions will not accelerate the time of payment with respect to such Share Units, and the payout will occur on the Payout Date as set forth in the Grant Agreement or pursuant to Sections 7.1 or 8.3 of the Plan, if applicable.

4. GRANT AGREEMENT

4.1 Each grant of a Share Unit will be set forth in a Grant Agreement containing terms and conditions required under the Plan and such other terms and conditions not inconsistent herewith as the Corporation may, in its sole discretion, deem appropriate.

5. SHARE UNIT GRANTS AND ACCOUNTS

- 5.1 An Account shall be maintained by the Corporation for each Participant. On the Grant Date, the Account will be credited with the Share Units granted to a Participant on that date.

6. PAYOUTS

- 6.1 On each Payout Date, the Participant shall be entitled to receive, and the Corporation shall issue or provide, a payout with respect to those Vested Share Units in the Participant's Account to which the Payout Date relates, in one of the following forms:

- (a) subject to the limitations set forth in Section **Error! Reference source not found.** below, Shares issued from treasury equal in number to the Vested Share Units in the Participant's Account to which the Payout Date relates, subject to any applicable deductions and withholdings;
- (b) subject to and in accordance with any Applicable Law, Shares purchased by an independent administrator of the Plan in the open market for the purposes of providing Shares to Participants under the Plan equal in number to the Vested Share Units in the Participant's Account to which the Payout Date relates, subject to any applicable deductions and withholdings;
- (c) the payment of a cash amount to a Participant on the Payout Date equal to the number of Vested Share Units in respect of which the Corporation makes such a determination, multiplied by the Market Value on the Payout Date, subject to any applicable deductions and withholdings; or
- (d) any combination of the foregoing,

as determined by the Corporation, in its sole discretion.

- 6.2 No fractional Shares shall be issued and any fractional entitlements will be rounded down to the nearest whole number.
- 6.3 Shares issued by the Corporation from treasury under Section 6.1(a) of this Plan shall be considered fully paid in consideration of past service that is no less in value than the fair equivalent of the money the Corporation would have received if the Shares had been issued for money.
- 6.4 The Corporation or a Designated Subsidiary may withhold from any amount payable by the Corporation to a Participant, including income or any other payments, such amount as may be necessary so as to ensure that the Corporation or the Designated Subsidiary will be able to comply with the applicable provisions of any federal, provincial, state or local law relating to the withholding of tax or other required deductions, including on the amount, if any, includable in the income of a Participant. Each of the Corporation or a Designated Subsidiary shall also have the right in its discretion to satisfy any such withholding tax liability by retaining, acquiring or selling on behalf of a Participant any Shares which would otherwise be issued to a Participant hereunder.

7. CHANGE OF CONTROL

- 7.1 Subject to Section 16 hereof, notwithstanding the conditions as to vesting of Share Units contained in any individual Grant Agreement, if at any time within one year from the date of a Change of Control: (i) a Participant's relationship with the Corporation is terminated by the Corporation other than for Cause or (ii) a Participant resigns for Good Reason, all outstanding Share Units held by such Participant shall become Vested Share Units and the Payout Date in connection with such Participant's Vested Share Units shall be accelerated to the date of such Participant's termination or resignation for Good Reason and the Corporation shall issue Shares to such Participants with respect to such Vested Share Units in accordance with Sections 6 and 8; provided that in the event that any Share Units are subject to performance-based vesting conditions, then the vesting of such Share Units shall accelerate only to the extent that such performance-based vesting conditions have been satisfied and further provided that if a performance-based vesting condition is, in the Board's discretion, capable of being partially performed, then vesting shall be accelerated on a pro rata basis to reflect the degree to which the vesting condition has been satisfied, as determined by the Board. Notwithstanding the foregoing nor the conditions as to vesting of Share Units contained in any individual Grant Agreement, the vesting and payout of Share Units held by a Participant engaged in Investor Relation Activities shall not be accelerated without prior TSX-V approval.

8. TERMINATION OF EMPLOYMENT AND FORFEITURES

- 8.1 Unless otherwise determined by the Corporation pursuant to Section 7.1 or 8.2, on a Participant's Termination Date, any Share Units in a Participant's Account which are not Vested Share Units shall terminate and be forfeited.
- 8.2 Notwithstanding Section 8.1, where a Participant ceases to be an Employee as a result of the termination of his or her employment without Cause, then in respect of each grant of Share Units made to such Participant, at the Corporation's discretion, all or a portion of such Participant's Share Units may be permitted to continue to vest, in accordance with their terms, during any statutory or common law severance period or any period of reasonable notice required by law or as otherwise may be determined by the Corporation in its sole discretion.
- 8.3 Except (i) as otherwise provided in Section 16, (ii) to the extent that a Participant's Vested Share Units are subject to U.S. Federal Income Tax, and (iii) to the extent that Section 409A applies to a Participant's Vested Share Units; then in the event a Participant's Termination Date is prior to the Payout Date with respect to any Vested Share Units in such Participant's Account, the Payout Date with respect to such Vested Share Units shall, notwithstanding any provision in the Grant Agreement, be accelerated to the Participant's Termination Date and the Corporation shall, as soon as practicable following such Termination Date, issue Shares such Participant, or Beneficiary thereof, as applicable, with respect to such Vested Share Units in accordance with Section 6.

9. FORFEITED UNITS

- 9.1 Notwithstanding any other provision of the Plan or a Grant Agreement, Share Units granted hereunder shall terminate on, if not redeemed or previously terminated and forfeited in accordance with the Plan, and be of no further force and effect after, the Expiry Date.

10. ALTERATION OF NUMBER OF SHARES SUBJECT TO THE PLAN

- 10.1 In the event that the Shares shall be subdivided or consolidated into a different number of Shares or a distribution shall be declared upon the Shares payable in Shares, the number of Share Units then recorded in the Participant's Account shall be adjusted by replacing such number by a number equal to the number of Shares which would be held by the Participant immediately after the distribution, subdivision or consolidation, should the Participant have held a number of Shares equal to the number of Share Units recorded in the Participant's Account on the record date fixed for such distribution, subdivision or consolidation.
- 10.2 In the event there shall be any change, other than as specified in Section 10.1, in the number or kind of outstanding Shares or of any shares or other securities into which such Shares shall have been changed or for which they shall have been exchanged, pursuant to a Reorganization or otherwise, then there shall be substituted for each Share referred to in the Plan or for each share into which such Share shall have been so changed or exchanged, the kind of securities into which each outstanding Share shall be so changed or exchanged and an equitable adjustment shall be made, if required, in the number of Share Units then recorded in the Participant's Account, such adjustment, if any, to be reasonably determined by the Committee and to be effective and binding for all purposes.
- 10.3 In the case of any such substitution, change or adjustment as provided for in this Section 10, the variation shall generally require that the aggregate Market Value of the Share Units then recorded in the Participant's Account prior to such substitution, change or adjustment will be proportionately and appropriately varied so that it be equal to such aggregate Market Value after the variation.

11. RESTRICTIONS ON ISSUANCES

- 11.1 The number of Shares which may be reserved for issuance under the Plan:
- (a) shall not exceed 15,000,000 Shares, or such greater number of Shares as shall have been duly approved by the Board and, if required by the TSX-V or any other stock exchange on which the Shares of the Corporation may then be listed, by the Shareholders; and
 - (b) in combination with the aggregate number of Shares which may be issuable under any and all of the Corporation's security based compensation arrangements in existence from time to time, including the Corporation's stock option plan, shall not exceed 27.4% of the total number of issued and outstanding Shares on a non-diluted basis, or such greater number of Shares as shall have been duly approved by the Board and, if required by the TSX-V or any other stock exchange on which the Shares of the Corporation may then be listed, by the Shareholders.
- 11.2 The number of Shares which may be issuable under the Plan and all of the Corporation's other security based compensation arrangements in existence from time to time on and after the effective date of the Plan, within any one-year period:
- (a) to any one Participant, shall not exceed 5% of the total number of issued and outstanding Shares on the Grant Date on a non-diluted basis; and

- (b) To any one Eligible Consultant shall not exceed 2% of the total number of issued and outstanding Shares on the Grant Date on a non-diluted basis.
- 11.3 The number of Share Units granted to non-Employee Directors under the Plan, in combination with all other equity awards granted to non-Employee Directors under any other security based compensation arrangement, shall be limited to an annual equity award value (based on grant date fair value as determined by the Board) of \$150,000 per non-Employee Director, provided that the total value (based on grant date fair value as determined by the Board) of stock options issuable to any one non-Employee Director in any one year period shall not exceed \$100,000.
- 11.4 The number of Share Units (or portions thereof) that: (i) have been settled or paid-out; or (ii) have expired or been forfeited, surrendered, cancelled or otherwise terminated prior to the delivery of the Shares pursuant to a grant of Share Units, shall, in each case, automatically become available to be made and subject to new grants under this Plan. In addition, the number of Share Units (or portions thereof) that the Corporation settles in cash in lieu of settlement in Shares shall automatically become available to be made the subject of new grants under this Plan.
12. AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN
- 12.1 Subject to the provisions herein, the Plan may be amended, suspended or terminated at any time by the Board in whole or in part. No amendment of the Plan shall, without the consent of the Participants affected by the amendment, or unless required by Applicable Law, adversely affect the rights accrued to such Participants with respect to Share Units granted prior to the date of the amendment.
- 12.2 The Corporation may, without notice, at any time and from time to time, with the approval of the TSX-V and without shareholder approval, amend the Plan or any provisions thereof in such manner as the Corporation, in its sole discretion, determines appropriate, including, without limitation:
- (a) for the purposes of making formal minor or technical modifications to any of the provisions of the Plan;
 - (b) to correct any ambiguity, defective provision, error or omission in the provisions of the Plan;
 - (c) to change the vesting provisions of Share Units;
 - (d) to change the termination provisions of Share Units or the Plan which does not entail an extension beyond the original Expiry Date of the Share Units;
 - (e) to make the amendments contemplated by Section 16.1(f); or
 - (f) to make any amendments necessary or advisable because of any change in Applicable Law;
- provided, however, that:

- (g) no such amendment of the Plan may be made without the consent of each affected Participant in the Plan if such amendment would adversely affect the rights of such affected Participant(s) under the Plan; and
- (h) shareholder approval shall be obtained in accordance with the requirements of the TSX-V for any amendment that results in:
 - (i) an increase in the maximum number of Shares issuable under Sections **Error! Reference source not found.** and **Error! Reference source not found.** of the Plan (other than pursuant to Section 10);
 - (ii) an extension of the Expiry Date for Share Units granted to Insiders under the Plan;
 - (iii) other types of compensation through Share issuance;
 - (iv) an expansion of the rights of a Participant to assign Share Units other than as set forth in Section 15.2;
 - (v) the addition of additional categories of Participants (other than as contemplated by Section 10);
 - (vi) an amendment to the number of Share Units which may be granted to non-Employee Directors as set out in Section 11.3 of this Plan; or
 - (vii) an amendment to the amendment provisions of the Plan contained in this Article 12.

12.3 If the Corporation terminates the Plan, Share Units previously credited shall, at the discretion of the Corporation, either (a) be settled immediately in accordance with the terms of the Plan in effect at such time, or (b) remain outstanding and in effect and settled in due course in accordance with the applicable terms and conditions, in either case without shareholder approval.

13. ADMINISTRATION

13.1 Unless otherwise determined by the Board, the Plan shall be administered by the Committee subject to Applicable Laws. The Committee shall have full and complete authority to interpret the Plan, to prescribe such rules and regulations and to make such other determinations as it deems necessary or desirable for the administration of the Plan. All actions taken and decisions made by the Committee shall be final, conclusive and binding on all parties concerned, including, but not limited to, the Participants and their beneficiaries and legal representatives, each Designated Subsidiary and the Corporation. All expenses of administration of the Plan shall be borne by the Corporation.

13.2 The Corporation shall keep or cause to be kept such records and accounts as may be necessary or appropriate in connection with the administration of the Plan and the discharge of its duties. At such times as the Corporation shall determine, the Corporation shall furnish the Participant with a statement setting forth the details of his or her Share Units including the Grant Date and the Vested Share Units and unvested Share Units held by each Participant. Such statement shall be deemed to have been accepted by the

Participant as correct unless written notice to the contrary is given to the Corporation within 30 days after such statement is given to the Participant.

- 13.3 The Corporation may, at its discretion, appoint one or more persons or companies to provide services in connection with the Plan including without limitation, administrative and record-keeping services.

14. BENEFICIARIES AND CLAIMS FOR BENEFITS

- 14.1 Subject to the requirements of Applicable Law, a Participant may designate in writing a Beneficiary to receive any benefits that are payable under the Plan upon the death of such Participant. The Participant may, subject to Applicable Law, change such designation from time to time. Such designation or change shall be in such form and executed and filed in such manner as the Corporation may from time to time determine.

15. GENERAL

- 15.1 The transfer of an Employee from the Corporation to a Designated Subsidiary, from a Designated Subsidiary to the Corporation or from a Designated Subsidiary to another Designated Subsidiary, shall not be considered a termination of employment for the purposes of the Plan, nor shall it be considered a termination of employment if a Participant is placed on such other leave of absence which is considered by the Corporation as continuing intact the employment relationship.
- 15.2 The Plan shall enure to the benefit of and be binding upon the Corporation, its successors and assigns. The interest of any Participant under the Plan or in any Share Unit shall not be transferable or assignable other than by operation of law, except, if and on such terms as the Corporation may permit, to a spouse or minor children or grandchildren or a personal holding company or family trust controlled by a Participant, the sole shareholders or beneficiaries of which, as the case may be, are any combination of the Participant, the Participant's spouse, the Participant's minor children or the Participant's minor grandchildren, and after his or her lifetime shall enure to the benefit of and be binding upon the Participant's Beneficiary, on such terms and conditions as are appropriate for such transferees to be included in the class of transferees who may rely on a Form S-8 registration statement under the Securities Act to sell shares received pursuant to the Share Unit; provided that in the event that an interest of a Participant in any Share Unit is assigned or transferred hereunder as a result of the Participant's death, either pursuant to Section 8.2 or because such Share Units are Vested Share Units as of the date of the Participant's death but the Payout Date has not yet occurred, then the Payout Date shall be no later than the date that is one year from the date of the Participant's death.
- 15.3 The Corporation's grant of any Share Units or issuance of any Shares hereunder is subject to compliance with Applicable Law applicable thereto. As a condition of participating in the Plan, each Participant agrees to comply with all Applicable Law and agrees to furnish to the Corporation or a Designated Subsidiary all information and undertakings as may be required to permit compliance with Applicable Law.
- 15.4 A Participant shall not have the right or be entitled to exercise any voting rights, receive any distribution or have or be entitled to any other rights as a Shareholder in respect of any Share Units.

- 15.5 Neither designation of an Employee as a Participant nor the grant of any Share Units to any Participant entitles any Participant to the grant, or any additional grant, as the case may be, of any Share Units under the Plan. Neither the Plan nor any action taken thereunder shall interfere with the right of the Corporation or a Designated Subsidiary to terminate a Participant's employment, or service under contract, at any time. Neither any period of notice, if any, nor any payment in lieu thereof, upon termination of employment, wrongful or otherwise, shall be considered as extending the period of employment for the purposes of the Plan.
- 15.6 Participation in the Plan shall be entirely voluntary and any decision not to participate shall not affect any Employee's employment or any consultant's contractual relationship with the Corporation or a Designated Subsidiary.
- 15.7 The Plan shall be an unfunded obligation of the Corporation. Neither the establishment of the Plan nor the grant of any Share Units or the setting aside of assets by the Corporation (if, in its sole discretion, it chooses to do so) shall be deemed to create a trust. The right of the Participant or Beneficiary to receive a Payout pursuant to the Plan shall be no greater than the right of other unsecured creditors of the Corporation.
- 15.8 This Plan is established under the laws of the Province of British Columbia and the rights of all parties and the construction of each and every provision of the Plan and any Share Units granted hereunder shall be construed according to the laws of the Province of British Columbia.
16. SECTION 409A
- 16.1 It is intended that the provisions of this Plan will comply with IRS Code Section 409A, and the interpretive guidance thereunder, including the exceptions for short-term deferrals, separation pay arrangements, reimbursements and in-kind distributions, and this Plan shall be administered accordingly, and interpreted and construed on a basis consistent with such intent. Subject to the provisions of Section 12, to the extent that any provision of this Plan would fail to comply with the applicable requirements of 409A, the Corporation may, in its sole and absolute discretion, and without requiring Participant's consent, make such modifications to the Plan and/or payments/grants thereunder to the extent it deems necessary or advisable to comply with the requirements of 409A; provided, however, that the Corporation shall in no event be obligated to pay any interest, compensation or penalties in respect of such modifications. Participant acknowledges that the Corporation is authorized to amend this Plan, to void or amend any election made by participant under this Plan, and/or to delay the payment of any benefit under this Plan, in each case, in such manner as may be determined by Corporation, in its sole and absolute discretion, to be necessary and appropriate to comply with 409A. Participant hereby releases and holds harmless the Corporation, its directors, officers and shareholders from any and all claims that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by Participant as a result of the application of 409A. Nothing in this Plan shall be construed as a guarantee of any particular tax effect for the Participant's compensation and benefits and the Corporation does not guarantee that any compensation or benefits provided under this Plan will satisfy the provisions of 409A.
- (a) Except as permitted under Section 409A, any Share Units, or payment with respect to Share Units, may not be reduced by, or offset against, any amount owing by the Participant to the Corporation or any Designated Subsidiary.

- (b) If a Participant otherwise would become entitled to receive payment in respect of any Share Units as a result of his or her ceasing to be an Employee, an Eligible Consultant or Director upon a Termination Date, any payment made on account of such person ceasing to be an Employee or Eligible Consultant shall be made at that time only if the Participant has experienced a "separation from service" (within the meaning of Section 409A).
- (c) Notwithstanding any provision of this Plan to the contrary, if a Participant is a "specified employee" (within the meaning of Section 409A) at the time he or she otherwise would be entitled to payment or arrangement as a result of his or her separation from service, and does not otherwise qualify under the exemptions under Treas. Regs, Section 1.409A-1 (including without limitation, the short term deferral exemption or the permitted payments under Treas. Regs. Section 1.409A-1(b)(9)(iii)(A)) payment shall be delayed and paid or provided on the earlier of (a) the date which is six months after Participant's "separation from service" for any reason other than death, or (b) the date of Participant's death. Upon expiration of the foregoing delay period, all payments and benefits delayed pursuant to this delay period (whether they would have been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Participant in a lump sum, and any remaining payments and benefits due under this Plan shall be paid or provided in accordance with the normal payment dates specified for them herein.
- (d) A Participant's status as a specified employee shall be determined by the Corporation as required by Section 409A on a basis consistent with the regulations under Section 409A and such basis for determination will be consistently applied to all plans, programs, contracts, agreements, etc. maintained by the Corporation that are subject to Section 409A.
- (e) Each Participant, any beneficiary or the Participant's estate, as the case may be, is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or for the account of such Participant in connection with this Plan (including any taxes and penalties under Section 409A), and neither the Corporation nor any Designated Subsidiary or affiliate shall have any obligation to indemnify or otherwise hold such Participant or beneficiary or the Participant's estate harmless from any or all of such taxes or penalties.
- (f) If and to the extent that Share Units would otherwise become payable upon a Change of Control as defined in the Plan, such payment will occur at that time only if such change of control also constitutes a "change in ownership", a "change in effective control" or a "change in the ownership of a substantial portion of the assets of the Corporation" as defined under Section 409A and applicable regulations (a "409A Change in Control"). If a Change of Control as defined in the Plan is not also a 409A Change in Control, unless otherwise permitted under Section 409A the time for the payment of Share Units will not be accelerated and will be payable pursuant to the terms of the Plan and applicable Grant Agreement as if such Change of Control had not occurred.
- (g) In the event that the Committee determines that any amounts payable under the Plan will be taxable to a Participant under Section 409A prior to payment to such Participant of such amount, the Corporation may, subject to the provisions of

Section 12, (i) adopt such amendments to the Plan and Share Units and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the benefits provided by the Plan and Grant Agreement and/or (ii) take such other actions as the Corporation determines necessary or appropriate to avoid or limit the imposition of an additional tax under Section 409A.

- (h) In the event the Corporation terminates the Plan in accordance with Section 12.3, the time and manner of payment of amounts that are subject to 409A will be made in accordance with the rules under Section 409A. The Plan will not be terminated except as permitted under Section 409A. No change to the termination provisions of Share Units or the Plan pursuant to Section 12.2(d) will be made except as permitted under Section 409A.

EFFECTIVE DATE: Effective June 10, 2021.