

# **SPOT COFFEE (CANADA) LTD.**



## **NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**To be held on Friday, April 9, 2021**

**at 2:00 p.m. (Toronto time)**

**at 141 Adelaide Street West, Suite 1007, Toronto, Ontario**

## **MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT**

March 3, 2021

# **SPOT COFFEE (CANADA) LTD.**

## **NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**TAKE NOTICE** that the annual and special meeting (the "Meeting") of the shareholders of SPOT COFFEE (CANADA) LTD. ("Spot Coffee" or the "Corporation") will be held on April 9, 2021 at 2:00 p.m. (Toronto time) at 141 Adelaide Street West, Suite 1007, Toronto, Ontario, for the following purposes:

- (a) to receive the audited financial statements of Spot Coffee for the years ended December 31, 2019, 2018 and 2017;
- (b) to fix the number of directors to be elected at the Meeting at six (6);
- (c) to elect the directors of the Corporation for the ensuing year;
- (d) to appoint Richter LLP as the auditors of the Corporation and to authorize the directors to fix the auditors' remuneration;
- (e) to consider and, if deemed advisable, to pass an ordinary resolution, the full text of which is set forth in the accompanying Management Proxy Circular, ratifying, adopting and approving the Stock Option Plan of the Corporation in the form set out in Schedule "A" to the Management Proxy Circular; and
- (f) to transact such further or other business as may properly come before the Meeting or any adjournment(s) thereof.

The board of directors has fixed the close of business on February 24, 2021 as the record date for determination of shareholders entitled to notice of the Meeting, or any adjournment thereof, and the right to vote thereat.

Accompanying this Notice is the complete text of the Management Proxy Circular in respect of the Meeting, which includes the full text of the above resolutions and detailed information relating to matters to be addressed at the Meeting, together with an Instrument of Proxy. Shareholders who are unable to attend at the Meeting in person are requested to complete, sign, date and return the enclosed Instrument of Proxy. An Instrument of Proxy will not be valid unless it is deposited at the office of Computershare Investor Services, not less than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting or any adjournment(s) thereof, or deposited with the Chairman of the Meeting on the day of the Meeting.

The enclosed Instrument of Proxy appoints nominees of management as proxyholder and you may amend the Instrument of Proxy, if you wish, by inserting in the space provided the name of the person you wish to represent you as proxyholder at the Meeting.

If you are a non-registered holder of shares and received these materials through your broker or another intermediary, please complete and return the Instrument of Proxy in accordance with instructions provided to you by your broker or such other intermediary.

**DATED:** March 3, 2021.

**By Order of the Board of Directors  
(signed) John Lorenzo  
Chief Executive Officer and Director**

# SPOT COFFEE (CANADA) LTD.

## MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT

March 3, 2021

IN RESPECT OF THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON April 9, 2021

### INFORMATION REGARDING PROXIES AND VOTING AT THE MEETING

#### Solicitation of Proxies

This Management Information Circular and Proxy Statement (the "Management Proxy Circular") is furnished in connection with the solicitation of proxies by the management of Spot Coffee (Canada) Ltd. (the "Corporation") for use at the Annual and Special Meeting of the holders (the "Shareholders") of common shares ("Common Shares") of the Corporation to be held at 2:00 p.m. (Toronto time) on Friday, April 9, 2021 at 141 Adelaide Street West, Suite 1007, Toronto, Ontario (the "Meeting"), for the purposes set forth in the Notice of Annual and Special Meeting (the "Notice") accompanying this Management Proxy Circular. Solicitation of proxies will be primarily by mail, but may also be undertaken by way of telephone, facsimile or oral communication by the directors, officers and regular employees of the Corporation, at no additional compensation. Costs associated with the solicitation of proxies will be borne by the Corporation.

#### Appointment of Proxyholders

Accompanying this Management Proxy Circular is an instrument of proxy for use at the Meeting. Shareholders who are unable to attend the Meeting in person and wish to be represented by proxy are required to date and sign the enclosed instrument of proxy and return it in the enclosed return envelope. **All properly executed instruments of proxy for Shareholders must be mailed so as to reach or be deposited at the offices of Computershare Investor Services at 100 University Avenue Toronto, Ontario, M5J 2Y1, not later than 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Ontario) prior to the time set for the Meeting or any adjournment thereof.**

The persons designated in the instrument of proxy are officers and directors of the Corporation. **A Shareholder has the right to appoint a person (who need not be a Shareholder) other than the persons designated in the accompanying instrument of proxy, to attend at and represent the Shareholder at the Meeting.** To exercise this right, a Shareholder should insert the name of the designated representative in the blank space provided on the instrument of proxy and strike out the names of management's nominees. Alternatively, a Shareholder may complete another appropriate instrument of proxy.

#### Signing of Proxy

The instrument of proxy must be signed by the Shareholder or the Shareholder's duly appointed attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by a duly authorized officer or attorney of the Corporation. An instrument of proxy signed by a person acting as attorney or in some other representative capacity (including a representative of a corporate Shareholder) should indicate that person's capacity (following his or her signature) and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has previously been filed with the Corporation).

#### Revocability of Proxies

A Shareholder who has submitted an instrument of proxy may revoke it at any time prior to the exercise thereof. In addition to any manner permitted by law, a proxy may be revoked by instrument in writing executed by the Shareholder or by his or her duly authorized attorney or, if the Shareholder is a corporation, under its corporate seal or executed by a duly authorized officer or attorney of the corporation and deposited either: (i) at the registered

office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournments thereof, at which the instrument of proxy is to be used; or (ii) with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof. In addition, an instrument of proxy may be revoked: (i) by the Shareholder personally attending the Meeting and voting the securities represented thereby or, if the Shareholder is a corporation, by a duly authorized representative of the corporation attending at the Meeting and voting such securities; or (ii) in any other manner permitted by law.

### **Voting of Proxies and Exercise of Discretion by Proxyholders**

All Common Shares represented at the Meeting by properly executed proxies will be voted on any ballot that may be called for and, where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy, the Common Shares represented by the instrument of proxy will be voted in accordance with such instructions. The management designees named in the accompanying instrument of proxy will vote or withhold from voting the Common Shares in respect of which they are appointed in accordance with the direction of the Shareholder appointing him or her on any ballot that may be called for at the Meeting. **In the absence of such direction, such Common Shares will be voted "FOR" the proposed resolutions at the Meetings. The accompanying instrument of proxy confers discretionary authority upon the persons named therein with respect to amendments of or variations to the matters identified in the accompanying Notice and with respect to other matters that may properly be brought before the Meeting.** In the event that amendments or variations to matters identified in the Notice are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the management designees to vote in accordance with their best judgment on such matters or business. At the time of printing this Management Proxy Circular, the management of the Corporation knows of no such amendment, variation or other matter to come before the Meeting other than the matters referred to in the accompanying Notice.

### **Notice-and-Access**

We have elected to use the "notice-and-access" provisions under National Instrument 54-101 *Communications with Beneficial Owners of Securities of a Reporting Issuer* (the "**Notice-and-Access Provisions**") for the Meeting to Shareholders who do not hold their Common Shares in their own name. The Notice-and-Access Provisions are a new set of rules developed by the Canadian Securities Administrators that reduce the volume of materials that the Corporation must physically mail to its Shareholders by allowing the Corporation to post its information circular – proxy statement in respect of the Meeting and related materials online.

The Corporation has also elected to use procedures known as 'stratification' in relation to our use of the Notice-and-Access Provisions. Stratification occurs when the Corporation, while using the Notice-and-Access Provisions, provides a paper copy of our notice of meeting and information circular – proxy statement and a paper copy of our consolidated financial statements and related management's discussion and analysis to some of our Shareholders. In relation to the Meeting, our registered Shareholders will receive a paper copy of each of the Notice of the Meeting, this Information Circular – Proxy Statement dated March 3, 2021, our consolidated financial statements and related Management's Discussion and Analysis and a form of proxy whereas our Shareholders who do not hold their Common Shares in their own name will receive only a Notice-and-Access Notification and a Voting Instruction Form. Furthermore, a paper copy of our consolidated financial statements and related management's discussion in respect of the most recent financial year will be mailed to those Shareholders who do not hold their Common Shares in their own name but who have previously requested to receive paper copies of the financial information.

The Corporation anticipates that notice-and-access will directly benefit the Corporation through substantial reductions in postage and printing costs. The Corporation believes that notice-and-access is also environmentally responsible to the extent that it decreases the large volume of paper documents generated by printing proxy related materials.

Shareholders with questions about notice-and-access can call Computershare Investor Services at 1-866-964-0492.

In order to receive a paper copy of this Circular and other relevant information, requests by Shareholders may be made up to one year from the date the Circular was filed on System for Electronic Document Analysis and Retrieval ("**SEDAR**") by: (i) mailing a request to the Corporation at 141 Adelaide Street West, Suite 1007, Toronto, Ontario

M5H 3L5, Attention: Chief Executive Officer; or (ii) calling the Corporation at 416-368-2220. The Corporation estimates that a Shareholder's request for paper copies of the Circular and other relevant information will need to be received prior to March 30, 2021 in order for such Shareholder to have sufficient time to receive and review the materials requested and return the completed form of proxy as set forth in this Circular.

## **INTERESTS OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED ON**

Except as disclosed in this Management Proxy Circular, none of the directors or senior officers of the Corporation at any time since the beginning of the Corporation's last financial year, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise in any matter to be acted on, other than the election of directors or the appointment of auditors.

## **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

### **Voting Shares and Record Date**

The authorized share capital of the Corporation consists of an unlimited number of Common Shares without nominal or par value. The record date for the determination of Shareholders entitled to receive notice of and to vote at the Meeting is February 24, 2021 (the "Record Date"). As at the Record Date, there were 135,408,170 Common Shares issued and outstanding as fully paid and non-assessable.

### **Common Shares**

The holders of Common Shares are entitled to notice of and to vote at all annual and special meetings of shareholders and are entitled to one vote per Common Share. The holders of Common Shares are entitled to receive such dividends as the board of directors of the Corporation (the "Board of Directors" or the "Board") declares and, upon liquidation, dissolution or winding-up, to receive such assets of the Corporation as are distributable to holders of Common Shares.

### **Voting of Common Shares – General**

Only Shareholders whose names are entered in the Corporation's register of shareholders at the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting.

### **Voting of Common Shares – Advice to Non-Registered Holders**

Only registered holders of Common Shares, or the persons they appoint as their proxies, are permitted to attend and vote at the Meeting. However, in many cases, Common Shares beneficially owned by a holder (a "Non-Registered Holder") are registered either:

- a) in the name of an intermediary (an "Intermediary") that the Non-Registered Holder deals with in respect of the Common Shares. Intermediaries include banks, trust companies, securities dealers or brokers, and trustees or 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 or "CDS").

In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Corporation has distributed copies of the Notice, this Management Proxy Circular and the instrument of proxy (collectively, the "Meeting Materials") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward meeting materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Typically, Intermediaries will use a service company (such as Broadridge Investor Communication Solutions ("Broadridge")) to forward meeting materials to Non-Registered Holders.

Generally, Non-Registered Holders who have not waived the right to receive meeting materials will:

- a) have received as part of the Meeting Materials a voting instruction form which must be completed, signed and delivered by the Non-Registered Holder in accordance with the directions on the voting instruction form; voting instruction forms sent by Broadridge permit the completion of the voting instruction form by telephone or through the Internet at [www.proxyvotecanada.com](http://www.proxyvotecanada.com); or
- b) less typically, be given a proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of Common Shares beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. This form of proxy need not be signed by the Non-Registered Holder. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it with Computershare Investor Services at the address referred to above.

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Holder wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the Non-Registered Holder's (or such other person's) name in the blank space provided or, in the case of a voting instruction form, follow the corresponding instructions on the form. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediaries and their service companies.**

Only registered Shareholders have the right to revoke a proxy. Non-Registered Holders who wish to change their vote must in sufficient time in advance of the Meeting, arrange for their respective Intermediaries to change their vote and if necessary revoke their proxy in accordance with the revocation procedures set above.

### Principal Holders of Common Shares

To the knowledge of the directors and executive officers of the Corporation, the only person who beneficially owns, directly or indirectly, or exercises control or direction over, securities carrying more than 10% of the voting rights attaching to any class of voting securities of the Corporation is set forth below.

<u>Name and Municipality of Residence</u>	<u>Type of Ownership</u>	<u>Number of Common Shares</u>	<u>Percentage of Outstanding Common Shares</u>
Glenn Abadir <i>San Diego, USA</i>	Legal and Beneficial	23,610,888 <sup>(1)</sup>	17.44%

(1) Of these Common Shares, an aggregate of 20,333,333 are held by a private holding company owned by Mr. Abadir and the balance are held by Mr. Abadir personally.

## STATEMENT OF EXECUTIVE COMPENSATION

### GENERAL

The following information, dated as of March 3, 2021, is provided in accordance with Form 51-102F6V – Statement of Executive Compensation – Venture Issuers (the "Form"), in such term as defined by National Instrument 51-102.

For the purposes of this Form, a "Named Executive Officer", or "NEO", means each of the following individuals:

- (a) each individual who, in respect of the Corporation, during any part of the most recently completed financial year, served as chief executive officer ("CEO"), including an individual performing functions similar to a CEO;

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

Based on the foregoing definitions, the Corporation's NEO's in respect of the year ended December 31, 2020 were John Lorenzo, Chief Executive Officer (since August 2020), Anton Ayoub, President and CEO (until August 2020), Randy Koroll, CFO (since June 2020) and Colleen Hobson, CFO (until June 2020).

## DIRECTOR AND NEO COMPENSATION

### Director and NEO compensation, excluding stock options and other compensation securities

The following table sets forth all direct and indirect compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by the Corporation, or a subsidiary of the Corporation thereof to each director and each NEO of the Corporation, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given or otherwise provided to the NEO or director for services provided and for services to be provided, directly or indirectly, to the Corporation, for each of the Corporation's 2 most recently completed financial years:

Table of Compensation Excluding Compensation Securities							
Name and Position	Year	Salary, Consulting fee, retainer or commission (\$)	Bonus	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
John Lorenzo <i>Chief Executive Officer<sup>(1)</sup>, Director and Executive Chairman</i>	Dec. 31/20	144,526	9,696	Nil	Nil	Nil	154,222
	Dec. 31/19	165,360	19,392	Nil	Nil	Nil	184,752
Anton Ayoub, <i>President, CEO<sup>(2)</sup> and Director</i>	Dec. 31/20	151,569	9,396	Nil	Nil	Nil	160,965
	Dec. 31/19	177,600	18,096	Nil	Nil	Nil	195,696
Randy Koroll <sup>(3)</sup> <i>CFO</i>	Dec. 31/20	90,749	Nil	Nil	Nil	Nil	90,749
	Dec. 31/19	Nil	Nil	Nil	Nil	Nil	Nil
Colleen Hobson <sup>(4)</sup> <i>CFO</i>	Dec. 31/20	6,000	Nil	Nil	Nil	Nil	6,000
	Dec. 31/19	48,000	4,800	Nil	Nil	Nil	52,800
Raymond Stapell <i>Director and Legal Consultant</i>	Dec. 31/20	48,000 <sup>(5)</sup>	Nil	Nil	Nil	Nil	48,000 <sup>(5)</sup>
	Dec. 31/19	48,000 <sup>(5)</sup>	Nil	Nil	Nil	Nil	48,000 <sup>(5)</sup>
Khaled Al-Hamdan <i>Director</i>	Dec. 31/20	Nil	Nil	Nil	Nil	Nil	Nil
	Dec. 31/19	Nil	Nil	Nil	Nil	Nil	Nil

#### Notes:

- (1) Mr. Lorenzo has served as Chief Executive Officer since August 2020. Mr. Lorenzo's services as Chief Executive Officer have been provided through a consulting arrangement between the Corporation and a private, non-operational corporation of which Mr. Lorenzo is an officer and a shareholder.
- (2) Mr. Ayoub served as President and Chief Executive Officer until August 2020, following which he has served as President alone. Mr. Ayoub's services as President are provided through a consulting arrangement between the Corporation and a private, non-operational

- corporation of which Mr. Ayoub is an officer and a shareholder.
- (3) Mr. Koroll has served as Chief Financial Officer since June 2020. Mr. Koroll's services as Chief Financial Officer are provided through a consulting arrangement between the Corporation and a private corporation of which Mr. Koroll is an officer and a shareholder.
  - (4) Ms. Hobson served as Chief Financial Officer from June 2018 until June 2020. Ms. Hobson's services as Chief Financial Officer were provided through a consulting arrangement between the Corporation and a private corporation of which Ms. Hobson is an officer and a shareholder.
  - (5) These amounts represent payments in United States dollars.
  - (6) For further details regarding consulting arrangements, see "Employment, consulting and management agreements" below.

### **External management companies**

None of the Named Executive Officers are employees of the Corporation. They provide executive management services through the companies described in the notes to the table above.

### **Stock options and other compensation securities**

There were no stock options outstanding as at December 31, 2020 and there were no exercise of stock options by any of the NEOs or directors during the year ended December 31, 2020.

### **Stock option plans and other incentive plans**

The Corporation has no other incentive plans other than its stock option plan (the "**Plan**"). The Plan provides that the board of directors may from time to time, in its discretion grant to directors, officers and employees of the Corporation and to consultants retained by the Corporation, non-transferable options to purchase common shares ("**Common Shares**"), or such other shares as may be substituted therefore, in the capital of the Corporation for a period of up to five years from the date of the grant provided that the number of Common Shares reserved for issuance may not exceed 10% of the total issued and outstanding Common Shares of the Corporation at the date of the grant.

The purpose of this Plan is to advance the interests of the Corporation by encouraging the directors, officers and employees of the Corporation and consultants retained by the Corporation to acquire Common Shares, thereby: (i) increasing the proprietary interests of such persons in the Corporation; (ii) aligning the interests of such persons with the interests of the Corporation's shareholders generally; (iii) encouraging such persons to remain associated with the Corporation and (iv) furnishing such persons with an additional incentive in their efforts on behalf of the Corporation.

The following is a summary of the material terms of the Plan:

- The number of Common Shares to be reserved and authorized for issuance pursuant to options granted under the Plan shall not exceed ten percent (10%) of the total number of issued and outstanding shares in the Corporation.
- Under the Plan, the aggregate number of optioned Common Shares granted to any one optionee in a 12 month period must not exceed 5% of the Corporation's issued and outstanding shares. The number of optioned Common Shares granted to any one consultant in a 12 month period must not exceed 2% of the Corporation's issued and outstanding shares. The aggregate number of optioned Common Shares granted to an optionee who is employed to provide investor relations' services must not exceed 2% of the Corporation's issued and outstanding Common Shares in any 12 month period.
- The exercise price for options granted under the Plan will not be less than the market price of the Corporation's Common Shares at the time of the grant, less applicable discounts permitted by the policies of the TSX Venture Exchange ("TSX-V").
- Options will be exercisable for a term of up to five years, subject to earlier termination in the event of the optionee's death or the cessation of the optionee's services to the Corporation.

- Options granted under the Plan are non-assignable, except by will or by the laws of descent and distribution.

The Corporation's Plan was approved by shareholders at the Corporation's Annual and Special Meeting of the Shareholders held on January 4, 2019. The Plan will be subject for approval at the Corporation's next Annual Meeting of the Shareholders.

### **Employment, consulting and management agreements**

The Corporation previously had an agreement with a corporation of which Mr. Lorenzo is an officer and shareholder to provide executive management services to the Corporation. Under this agreement, the Corporation paid an annual fee of \$184,752. This agreement is no longer in effect.

The Corporation previously had an agreement with a corporation of which Mr. Ayoub is an officer and shareholder to provide executive management services to the Corporation. Under this agreement, the Corporation paid an annual fee of \$195,696 for services, an additional monthly fee for car allowance, car insurance, medical and dental coverage, in lieu of vacation time, business expense reimbursement, a performance bonus that equals to 10% of the annual fee. This agreement is no longer in effect.

The Corporation has an agreement with a corporation of which Mr. Koroll is an officer and shareholder to provide accounting and financial services to the Corporation. The fees were paid in amounts commensurate to the volume of work conducted on monthly basis.

The Corporation had an agreement with a corporation of which Ms. Hobson is an officer and shareholder to provide accounting and financial services to the Corporation. The fees were paid in amounts commensurate to the volume of work conducted on monthly basis. Ms. Hobson ceased to serve as Chief Financial Officer in June 2020 and the foregoing agreement was terminated at that time.

The Corporation has a contract with Mr. Stapell to pay him a monthly fee of US\$4,000 in respect of his consulting services to the Corporation from January 1, 2016 to Present.

The Corporation has an understanding with Mr. Al-Hamdan to provide financial consulting services to the Corporation. The fees are paid in amounts commensurate to the volume of work conducted on annual basis.

### **Oversight and description of directors and NEO compensation**

The Remuneration Committee recommends to the Board of Directors of the Corporation the compensation of the Corporation's directors, NEO and senior officers that the Committee feels is suitable, primarily by comparison of the remuneration paid by other companies that the Committee feels are similarly placed within the same business as the Corporation.

Market comparisons as well as evaluation of similar positions in the same industry and/or in the same geography are among the criteria used in recommending compensation levels. Following a review of such criteria, the Remuneration Committee makes a recommendation to the Board of Directors, which may adopt the recommendation or modify it as it sees fit.

The objective of the Board of Directors and the Remuneration Committee in setting compensation levels is to attract and retain individuals of high calibre to serve as officers of the Corporation, to motivate their performance in order to achieve the Corporation's strategic objectives and to align the interests of executive officers with the long term interests of the shareholders, while at the same time preserving cash flows. These objectives are designed to ensure that the Corporation continues to grow on an absolute basis as well as to grow cash flow and earnings for Shareholders. The Board of Directors (following recommendation of the Remuneration Committee) sets the compensation received by NEO so as to be generally competitive with the compensation received by persons with similar qualifications and responsibilities who are engaged by other companies of corresponding size, stage of development, having similar assets, number of employees, market capitalization and profit margin. In setting such

levels, the Board of Directors and the Remuneration Committee relies primarily on their own experience and knowledge.

#### **Pension disclosure**

The Corporation does not have any defined benefit or defined contribution pension plans in place which provide for payments or benefits at, following, or in connection with retirement for the Directors and NEOs.

#### **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table sets out information as at the end of the Corporation's most recently completed financial year with respect to compensation plans under which equity securities of the Corporation are authorized for issuance.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensating plans approved by the security holders	Nil	N/A	13,540,817
Equity compensation plans not approved by security holders	Nil	N/A	Nil
<b>TOTAL</b>	Nil		13,540,817

#### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

None of the directors and officers of the Corporation, any proposed management nominee for election as a director of the Corporation or any associate of any director, officer or proposed management nominee is or has been indebted to the Corporation at any time during the last completed financial year.

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

Except as disclosed in this Management Proxy Circular, none of the informed persons of the Corporation (as defined in National Instrument 51-102), nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons has any material interest, direct or indirect, in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which, in either case, has or will materially affect the Corporation.

#### **MANAGEMENT CONTRACTS**

Except as disclosed in this Management Proxy Circular, the Corporation does not have in place any management contracts between the Corporation and any directors or officers and there are no management functions of the Corporation that are to any substantial degree performed by a person or company other than the directors or officers (or private companies controlled by them, either directly or indirectly) of the Corporation.

#### **CORPORATE GOVERNANCE**

Please see the attached Schedule "B" for information on the Corporation's Corporate Governance (Form 58-101F2).

#### **AUDIT COMMITTEE DISCLOSURE**

##### *Audit Committee Charter*

The Charter of the Corporation's Audit Committee (the "Audit Committee") is attached to this Management Proxy Circular as Schedule "C".

### ***Composition of the Audit Committee***

The following are the proposed members of the Audit Committee:

<b>Name</b>	<b>Independent</b>	<b>Financially literate<sup>(1)</sup></b>
John Lorenzo	No	Financially literate
Mario Giorgio	Yes	Financially literate
Raymond J. Stapell	Yes	Financially literate

**Notes:**

- (1) As defined by MI 52-110.

### ***Education and Experience***

Mr. Lorenzo graduated from the American university of Beirut in 1969 with an M.A. (comprehensive) in Political Science and Economics. From 1969 to 2001, he established, controlled and managed several private companies in Kuwait, Canada, the UK and Belgium that specialized in financial services, real estate development, construction, commercialization of certain technologies, jet trainer aircraft technology transfer and assembly, oil services and food manufacturing. Mr. Lorenzo currently serves as the President and Chief Executive Officer of Canadian Oil Recovery and Remediation Enterprises Ltd., a public oil recovery and remediation company, and as the President of Bourgnine Holdings Ltd., an investment management company incorporated under the laws of the Province of Ontario, Canada.

Mr. Giorgio serves as Chairman, Chief Executive Officer and a Director of Avant Imaging & Integrated Media Inc., a privately held company that provides print, data driven digital print communications and digital cross media, which operates from its 80,000 square foot campus in Aurora, Ontario, with over 60 full-time employees. He began his career in the printing industry in 1965 as a journeyman press operator. In 1967, he joined Addressograph Multigraph, selling automated printing systems competing with Xerox 8200 systems. In 1970, with a loan of \$2,500, Mr. Giorgio ventured into the printing business and founded Print Three Inc. as Vice President with two (2) other partners. Mr. Giorgio managed the operation of corporate owned quick print outlets and later to franchising the operations. In 1976, with his younger brother Frank, he founded Consumer Graphics Inc. as President. The company grew in sales from \$450,000 the first year to \$8,000,000 in 1989. In 1990, as a result of change in partnership, Avant Lithographics acquired the assets of Consumer Graphics Inc. In 1990, entrepreneurial brothers, Mario and Frank Giorgio opened the doors to AIIM under the name of "Avant Lithography". Foreshadowing a niche fifteen years ahead of its time, they changed their company's name to "Avant Imaging and Information Management" in 1992 and since day one, they have been driven to help their customers do more every day. In 1992, a new digital print division was formed by the name of "J.I.T. (Just In Time) Demand Print" and by 1997 digital sales had reached the \$10,000,000 figure. That division was purchased by Ricoh Canada in September of 1997. The company introduced e-Source Print Purchasing and Solutions based printing in 1998 and as a result were awarded numerous new contracts. E-Source Print Purchasing eliminated the conventional way of estimating and developed on-line self-serve system for contract customers.

Mr. Stapell has been an attorney at law for over 40 years, primarily focused on advising businesses and economic development activities in both the private and public sector. He was the managing partner of the Buffalo office of Harris Beach PLLC since 1991 and previously served as the Chairman of the Board and General Counsel to NOCO Incorporated, a privately held corporation engaged in the distribution of energy and related products both in the United States and Canada. Mr. Stapell is a graduate of Le Moyne College and State University of New York Law School.

### ***Audit Committee Oversight***

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

### ***Reliance on Certain Exemptions***

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of MI 52-110 (*De Minimis Non-Audit Services*), the exemption in Section 6.1.1(4) of MI 52-110 (*Circumstances Affecting the Business or Operations of the Venture Issuer*), the exemption in Section 6.1.1(5) of MI 52-110 (*Events Outside Control of Member*), the exemption in Section 6.1.1(6) of MI 52-110 (*Death, Incapacity or Resignation*), or an exemption from MI 52-110, in whole or in part, granted under Part 8 of Multilateral Instrument 52-110.

### ***Pre-Approval Policies and Procedures***

The Committee has not adopted specific policies and procedures for the engagement of non-audit services as described below under the heading "External Auditors", however it is within the mandate of the Audit Committee to arrange for the engagement of such services.

### ***External Auditor Service Fees (By Category)***

The aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years for audit fees are as follows:

<b>Financial Year Ending</b>	<b>Audit Fees</b>	<b>Audit Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>
2020	\$90,000	Nil	Nil	Nil
2019	\$136,500	Nil	Nil	Nil

### ***Exemption***

The Corporation is relying on the exemption provided in Section 6.1 of MI 52-110 and, as such, the Corporation is exempt from Parts 3 (*Composition of the Audit Committee*) and 5 (*Reporting Obligations*) of MI 52-110.

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

### **Financial Statements**

The financial statements of the Corporation for the years ended December 31, 2019, 2018 and 2017 and the Auditors' Report thereon accompanying this Management Proxy Circular will be placed before the Shareholders at the Meeting for their consideration. Shareholders who wish to receive interim financial statements are encouraged to send the enclosed notice, in the addressed envelope to the Corporation. No formal action will be taken at the Meeting to approve the financial statements, which have been approved by the Board of Directors of the Corporation in accordance with applicable corporate and securities legislation.

### **Election of Directors**

The term of office of each of the present directors expires at the Meeting. At the Meeting, the Shareholders will be asked to approve an ordinary resolution to fix the number of directors of the Corporation to be elected at six (6) members. Management of the Corporation proposes to nominate the persons named below for election as directors of the Corporation at the Meeting, each to serve until the next annual meeting of the Shareholders of the Corporation, unless his office is earlier vacated. All of the nominees are currently members of the Board of Directors of the Corporation, with the exception of Mr. Giorgio.

Shareholders can vote for all of the proposed directors set forth herein, vote for some of them and withhold for others, or withhold for all of them. **Unless otherwise instructed, the named proxyholders intend to vote "FOR" the election of each of the proposed nominees set forth below as Directors of the Corporation.** If, prior to the Meeting, any vacancies occur in the list of proposed nominees herein submitted, the persons named in the enclosed form of proxy intend to vote FOR the election of any substitute nominee or nominees recommended by management of the Corporation and FOR the remaining proposed nominees. Management has been informed that each of the proposed nominees listed below is willing to serve as a director if elected.

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

<b>Name and Place of Residence</b>	<b>Principal Occupation</b>	<b>Director or Officer Since</b>	<b>Number of Common Shares Beneficially Owned or Controlled<sup>(1)</sup> and percentage of total issued and outstanding</b>
<b>John Lorenzo</b> <sup>(2)(3)</sup> Toronto, Ontario, Canada <i>Chief Executive Officer Director</i>	Mr. Lorenzo is the Chief Executive Officer of the Corporation and is the President and CEO of Canadian Oil Recovery & Remediation Enterprises Ltd.	July 17, 2009	11,074,050 <sup>(5)</sup> (8.18%)
<b>Anton Ayoub</b> Toronto, Ontario, Canada <i>President and Director</i>	Mr. Ayoub is the President of the Corporation. He is a Professional Engineer in Ontario.	May 2, 2011	2,595,958 (1.92%)
<b>Raymond J. Stapell</b> <sup>(2)(3)(4)</sup> Buffalo, New York, USA <i>Director</i>	Mr. Stapell has been an attorney at law for over 40 years.	November 24, 2010	1,069,705 (0.79%)
<b>Khaled Al-Hamdan</b> <sup>(3)(4)</sup> Saudi Arabia <i>Director</i>	Mr. Al-Hamdan is currently the Vice President of Ahmed bin Abdul Aziz Alhamdan for Consultancy & Dev. Group.	June 19, 2015	200,000 (0.15%)
<b>Glenn Abadir</b> <sup>(4)</sup> San Diego, CA, USA <i>Director</i>	Mr. Abadir is the President of Just In Time Supplier Inc. and New A.G.E. Global Inc.	November 4, 2016	23,610,888 <sup>(6)</sup> (17.44%)
<b>Mario Giorgio</b> <sup>(2)</sup> Toronto, Ontario, Canada <i>Nominee Director</i>	Mr. Giorgio is the Chairman and the Chief Executive Officer of Avant Imaging & Integrated Media Inc.	Proposed Nominee	3,000,000 (2.22%)

**Notes:**

- (1) The information as to the number of Common Shares beneficially owned, not being within the knowledge of the Corporation, has been furnished by the respective nominees. These figures do not include any securities that are convertible into or exercisable for Common Shares.
- (2) Member of the Audit Committee.
- (3) Member of the Corporate Governance Committee.
- (4) Member of the Compensation Committee.
- (5) These Common Shares are held by a private holding company for Mr. Lorenzo's family trust (in respect of which Mr. Lorenzo serves as President).
- (6) Of these Common Shares, an aggregate of 20,333,333 are held by a private holding company owned by Mr. Abadir and the balance are held by Mr. Abadir personally.

**Corporate Cease Trade Orders or Bankruptcies**

Except as otherwise described herein, no director or proposed director of the Corporation is, or has been within the past ten years, a director, chief executive officer or chief financial officer of any company that, while such person was acting in that capacity:

- (i) was the subject of a cease trade or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days; or
- (ii) was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemptions under securities legislation, that was issued after that individual ceased to be a director or chief executive officer or chief financial officer and which resulted from an event that

occurred while such person was acting in a capacity as a director, chief executive officer or chief financial officer.

The Corporation was subject to a Cease Trade Order ("CTO") issued by the Ontario Securities Commission ("OSC") and a corresponding suspension from trading by the TSX Venture Exchange in connection with the Corporation's failure to file financial statements in accordance with applicable timely disclosure rules. The CTO and suspension were both issued on June 23, 2020. The CTO was revoked by the OSC on July 31, 2020, following the filing of the Corporation's financial statements, and the TSX-V suspension was lifted on October 28, 2020, following the completion by the TSX-V of a reinstatement review

No proposed director of the Corporation is, or has been within the past ten years, a director or executive officer of any company that, while such person was acting in that capacity, or within a year of that individual 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.

### ***Individual Bankruptcies***

No director or proposed director of the Corporation is or has, within the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

### ***Penalties or Sanctions***

No director or proposed director of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority. No director or proposed director of the Corporation has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

### ***Conflicts of Interest***

The directors and officers of the Corporation may, from time to time, be involved with the business and operations of other issuers, in which case a conflict of interest may arise between their duties as officers and directors of the Corporation and as officer and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such procedures and remedies, as applicable, under the *Business Corporations Act (Ontario)*.

### **Appointment and Remuneration of Auditors**

Unless otherwise directed, the management designees named in the accompanying instrument of proxy intend to vote in favour of the appointment of Richter LLP as auditors of the Corporation, to hold office until the close of the next annual meeting, at a remuneration to be determined by the Board of Directors of the Corporation. Richter LLP has served as auditor of the Corporation since April 2020. Approval of the appointment of the auditors will require the affirmative votes of the holders of not less than half of the votes cast in respect thereof by Shareholders present in person or by proxy at the Meeting. **Unless instructed otherwise, the management designees in the accompanying Instrument of Proxy intend to vote such proxies in favour of the resolution.**

### **Ratification and Approval of Stock Option Plan**

Pursuant to Policy 4.4 (the "Policy") of the TSX Venture Exchange (the "TSX-V"), corporations that have a rolling stock option plan reserving a maximum of 10% of the issued and outstanding shares of the corporation must receive yearly shareholder approval of the stock option plan. In accordance with the Policy, Shareholders are being asked to consider and, if deemed advisable, ratify, adopt and approve the Corporation's 2021 Stock Option Plan and to authorize the Corporation's board of directors (the "Board") to make any amendments thereto that may be required for the purpose of obtaining the TSX-V's approval of the 2021 Stock Option Plan. The 2021 Stock Option Plan

authorizes the Board to issue options to directors, officers, key employees and others who are in a position to contribute to the future success and growth of the Corporation.

The following is a summary of the terms of the Plan and is qualified in its entirety by the full text of the 2021 Stock Option Plan, which is attached hereto as Schedule "A":

- The number of Common Shares to be reserved and authorized for issuance pursuant to options granted under the 2021 Stock Option Plan shall not exceed ten percent (10%) of the total number of issued and outstanding shares of the Corporation.
- Under the 2021 Stock Option Plan, the aggregate number of optioned Common Shares granted to any one optionee in a 12 month period must not exceed 5% of the Corporation's issued and outstanding shares. The number of optioned Common Shares granted to any one consultant in a 12 month period must not exceed 2% of the Corporation's issued and outstanding shares. The aggregate number of optioned Common Shares granted to an optionee who is employed to provide investor relations' services must not exceed 2% of the Corporation's issued and outstanding Common Shares in any 12 month period.
- The exercise price for options granted under the 2021 Stock Option Plan will not be less than the market price of the Corporation's Common Shares at the time of the grant, less applicable discounts permitted by the policies of the TSX-V.
- Options will be exercisable for a term of up to five years, subject to earlier termination in the event of the optionee's death or the cessation of the optionee's services to the Corporation.
- Options granted under the 2021 Stock Option Plan are non-assignable, except by will or by the laws of descent and distribution.

Approval of the 2021 Stock Option Plan will require the affirmative votes of the holders of not less than half of the votes cast in respect thereof by Shareholders present in person or by proxy at the Meeting. The TSX-V requires such approval before it will allow the adoption of the 2021 Stock Option Plan. Options to purchase Common Shares that were previously granted to directors, officers and employees of the Corporation will be deemed to be granted under the 2021 Stock Option Plan. The Board of Directors of the Corporation unanimously recommends that the Shareholders of the Corporation vote in favour of the resolution approving the 2021 Stock Option Plan. **Unless instructed otherwise, the management designees in the accompanying instrument of proxy intend to vote FOR the resolution to ratify, adopt and approve the 2021 Stock Option Plan.**

The text of the resolution regarding this matter is as follows:

**"BE IT RESOLVED THAT:**

1. The Corporation's 2021 Stock Option Plan be and is hereby ratified, confirmed and approved in substantially the form attached as Schedule "A" to the Information Circular prepared for the purposes of this Meeting, subject to acceptance by the TSX Venture Exchange;
2. The Corporation be authorized to grant stock options for up to 10% of the Common Shares of the Corporation outstanding from time to time pursuant and subject to the terms and conditions of the 2021 Stock Option Plan;
3. The previous existing stock options granted to directors, officers, employees and others be ratified, confirmed and approved; and that all existing stock options becoming subject to the provisions of the 2021 Stock Option Plan upon adoption by the Corporation;
4. The Board of Directors be authorized on behalf of the Corporation to make any amendments to the 2021 Stock Option Plan as may be required by regulatory authorities, without further approval of the

shareholders of the Corporation, in order to ensure adoption of the 2021 Stock Option Plan;

5. Notwithstanding that this resolution has been duly passed by the shareholders of the Corporation, without further resolution of shareholders, approval is hereby given to the Board of Directors of the Corporation, in their sole discretion, to revoke this resolution at any time and to refrain from implementing the 2021 Stock Option Plan; and
6. Any one director or officer of the Corporation be and he is hereby authorized and directed to do all such acts and things and to execute and deliver under the corporate seal or otherwise all such deeds, documents, instruments and assurances as in his opinion may be necessary or desirable to give effect to this resolution."

#### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available through the internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at [www.sedar.com](http://www.sedar.com). Financial information on the Corporation is provided in the comparative financial statements and management discussion and analysis of the Corporation which can also be accessed at [www.sedar.com](http://www.sedar.com) or which may be obtained upon request from the Corporation at 1007 – 141 Adelaide St. W., Toronto, Ontario M5H 3L5.

## **SCHEDULE "A"**

### **SPOT COFFEE (CANADA) LTD.**

#### **STOCK OPTION PLAN**

##### **1. THE PLAN**

A stock option plan (the "Plan"), pursuant to which options to purchase common shares, or such other shares as may be substituted therefor ("Shares"), in the capital of Spot Coffee (Canada) Ltd. (the "Corporation") may be granted to the directors, officers and employees of the Corporation and to consultants retained by the Corporation, is hereby established on the terms and conditions set forth herein.

##### **2. PURPOSE**

The purpose of this Plan is to advance the interests of the Corporation by encouraging the directors, officers and employees of the Corporation and consultants retained by the Corporation to acquire Shares, thereby: (i) increasing the proprietary interests of such persons in the Corporation; (ii) aligning the interests of such persons with the interests of the Corporation's shareholders generally; (iii) encouraging such persons to remain associated with the Corporation and (iv) furnishing such persons with an additional incentive in their efforts on behalf of the Corporation.

##### **3. ADMINISTRATION**

- a) This Plan shall be administered by the board of directors of the Corporation (the "Board").
- b) Subject to the terms and conditions set forth herein, the Board is authorized to provide for the granting, exercise and method of exercise of Options (as defined in paragraph 3(d) below), all on such terms (which may vary between Options granted from time to time) as it shall determine. In addition, the Board shall have the authority to: (i) construe and interpret this Plan and all option agreements entered into hereunder; (ii) prescribe, amend and rescind rules and regulations relating to this Plan; and (iii) make all other determinations necessary or advisable for the administration of this Plan. All determinations and interpretations made by the Board shall be binding on all Participants (as hereinafter defined) and on their legal, personal representatives and beneficiaries.
- c) Notwithstanding the foregoing or any other provision contained herein, the Board shall have the right to delegate the administration and operation of this Plan, in whole or in part, to a committee of the Board or to the President or any other officer of the Corporation. Whenever used herein, the term "Board" shall be deemed to include any committee or officer to which the Board has, fully or partially, delegated responsibility and/or authority relating to the Plan or the administration and operation of this Plan pursuant to this Section 3.
- d) Options to purchase the Shares granted hereunder ("Options") shall be evidenced by: (i) an agreement, signed on behalf of the Corporation and by the person to whom an Option is granted, which agreement shall be in such form as the Board shall approve; or (ii) a written notice or other instrument, signed by the Corporation, setting forth the material attributes of the Options.

##### **4. SHARES SUBJECT TO PLAN**

- a) Subject to Section 15 below, the securities that may be acquired by Participants upon the exercise of Options shall be deemed to be fully authorized and issued Shares of the Corporation. Whenever used herein, the term "Shares" shall be deemed to include any other securities that may be acquired by a Participant upon the exercise of an Option the terms of which have been modified in accordance with Section 15 below.
- b) The aggregate number of Shares reserved for issuance under this Plan or any other plan of the Corporation, shall not exceed ten percent (10%) of the total number of issued and outstanding Shares (calculated on a non-diluted basis) unless the Corporation receives the permission of the stock exchange or exchanges on which the Shares are then listed to exceed such threshold.
- c) If any Option granted under this Plan shall expire or terminate for any reason without having been exercised in full, any un-purchased Shares to which such Option relates shall be available for the purposes of the granting of Options under this Plan.

## 5. MAINTENANCE OF SUFFICIENT CAPITAL

The Corporation shall at all times during the term of this Plan ensure that the number of Shares it is authorized to issue shall be sufficient to satisfy the Corporation's obligations under all outstanding Options granted pursuant to this Plan.

## 6. ELIGIBILITY AND PARTICIPATION

- a) The Board may, in its discretion, select any of the following persons to participate in this Plan:
  - i. directors of the Corporation;
  - ii. officers of the Corporation;
  - iii. employees of the Corporation; and
  - iv. consultants retained by the Corporation, provided such consultants have performed and/or continue to perform services for the Corporation on an ongoing basis or are expected to provide a service of value to the Corporation;

(any such person having been selected for participation in this Plan by the Board is herein referred to as a "Participant").

- b) The Board may from time to time, in its discretion, grant an Option to any Participant, upon such terms, conditions and limitations as the Board may determine, including the terms, conditions and limitations set forth herein, provided that Options granted to any Participant shall be approved by the shareholders of the Corporation if the rules of any stock exchange on which the Shares are listed require such approval.
- c) The Corporation represents that, for any Options granted to an officer, employee or consultant of the Corporation, such Participant is a bona fide officer, employee or consultant of the Corporation.

## 7. EXERCISE PRICE

The Board shall, at the time an Option is granted under this Plan, fix the exercise price at which Shares may be acquired upon the exercise of such Option provided that such exercise price shall not be less than that from time to time permitted under the rules of any stock exchange or exchanges on which the shares are then listed and provided that the exercise price of any Option granted shall be no less than the closing trading price of the Shares on the last trading day immediately preceding the day of grant. In addition, the exercise price of an option must be paid in cash. In accordance with Section 18, disinterested shareholder approval shall be obtained by the Corporation prior to any reduction to the exercise price if the affected Participant is an insider (as such term is defined under the *Securities Act* (Ontario) (hereafter, an "Insider").

## 8. NUMBER OF OPTIONED SHARES

The number of Shares that may be acquired under an Option granted to a Participant shall be determined by the Board as at the time the Option is granted, provided that the aggregate number of Shares reserved for issuance to any one Participant under this Plan or any other plan of the Corporation, shall not exceed 5% of the total number of issued and outstanding Shares (calculated on a non-diluted basis) in any 12 month period unless the Corporation receives the permission of the stock exchange or exchanges on which the Shares are listed to exceed such threshold and provided further that the number of Options granted to any one consultant in a 12 month period shall not exceed 2% of the total number of issued and outstanding Shares and the aggregate number of Options granted to persons employed to provide investor relations activities shall not exceed 2% of the total number of issued and outstanding Shares in any 12 month period. The Corporation shall obtain shareholder approval for grants of Options to Insiders, of a number of Options exceeding 10% of the issued Shares, within any 12 month period.

## 9. TERM

The period during which an Option may be exercised (the "Option Period") shall be determined by the Board at the time that the Option is granted, subject to any vesting limitations which may be imposed by the Board in its sole unfettered discretion at the time that such Option is granted and Sections 11, 12 and 16 below, provided that:

- a) no Option shall be exercisable for a period exceeding five (5) years from the date that the Option is granted unless the Corporation receives the permission of the stock exchange or exchanges on which the Shares are then listed and as specifically provided by the Board and as permitted under the rules of any stock exchange or exchanges on which the Shares are then listed, and in any event, no Option shall be exercisable for a period exceeding ten (10) years from the date the Option is granted;
- b) no Option in respect of which shareholder approval is required under the rules of any stock exchange or exchanges on which the Shares are then listed shall be exercisable until such time as the Option has been approved by the shareholders of the Corporation;
- c) the Board may, subject to the receipt of any necessary regulatory approvals, in its sole discretion, accelerate the time at which any Option may be exercised, in whole or in part; and
- d) any Options granted to any Participant must expire within 90 days after the Participant ceases to be a Participant, and within 30 days for any Participant engaged in investor relation activities after such Participant ceases to be employed to provide investor relation activities.

#### **10. METHOD OF EXERCISE OF OPTION**

- a) Except as set forth in Sections 11 and 12 below or as otherwise determined by the Board, no Option may be exercised unless the holder of such Option is, at the time the Option is exercised, a director, officer, employee or consultant of the Corporation.
- b) Options that are otherwise exercisable in accordance with the terms thereof may be exercised in whole or in part from time to time during the Option Period.
- c) Any Participant (or his legal, personal representative) wishing to exercise an Option shall deliver to the Corporation, at its principal office in the City of Toronto, Ontario:
  - (i) a written notice expressing the intention of such Participant (or his legal, personal representative) to exercise his Option and specifying the number of Shares in respect of which the Option is exercised; and
  - (ii) a cash payment, certified cheque or bank draft, representing the full purchase price of the Shares in respect of which the Option is exercised.
- d) Upon the exercise of an Option as aforesaid, the Corporation shall use reasonable efforts to forthwith deliver, or cause the registrar and transfer agent of the Shares to deliver, to the relevant Participant (or his legal, personal representative) or to the order thereof, a certificate representing the aggregate number of fully paid and non-assessable Shares in respect of which the Option has been duly exercised.

#### **11. CEASING TO BE A DIRECTOR, OFFICER, EMPLOYEE OR CONSULTANT**

If any Participant shall cease to hold the position or positions of director, officer, employee or consultant of the Corporation (as the case may be) for any reason other than death, his Option will terminate at 4:30 p.m. (Toronto time) on the earlier of the date of the expiration of the Option Period and 90 days after the date such Participant ceases to hold the position or positions of director, officer, employee or consultant of the Corporation as the case may be, and ceases to actively perform services for the Corporation. Notwithstanding the foregoing, an Option granted to a Participant who performs investor relations services on behalf of the Corporation shall terminate on the date that is 30 days after the termination of the employment or cessation of services being provided and shall be subject to Exchange policies and procedures for the termination of Options for investor relations services. For greater certainty, the termination of any Options held by the Participant, and the period during which the Participant may exercise any Options, shall be without regard to any notice period arising from the Participant's ceasing to hold the position or positions of director, officer, employee or consultant of the Corporation (as the case may be).

Neither the selection of any person as a Participant nor the granting of an Option to any Participant under this Plan shall: (i) confer upon such Participant any right to continue as a director, officer, employee or consultant of the Corporation, as the case may be; or (ii) be construed as a guarantee that the Participant will continue as a director, officer, employee or consultant of the Corporation, as the case may be.

## **12. DEATH OF A PARTICIPANT**

In the event of the death of a Participant, any Option previously granted to him shall be exercisable until the end of the Option Period or until the expiration of 12 months after the date of death of such Participant, whichever is earlier, and then, in the event of death, only:

- a) by the person or persons to whom the Participant's rights under the Option shall pass by the Participant's will or applicable law; and
- b) to the extent that he was entitled to exercise the Option as at the date of his death.

## **13. RIGHTS OF PARTICIPANTS**

No person entitled to exercise any Option granted under this Plan shall have any of the rights or privileges of a shareholder of the Corporation in respect of any Shares issuable upon exercise of such Option until such Shares have been paid for in full and issued to such person.

## **14. PROCEEDS FROM EXERCISE OF OPTIONS**

The proceeds from any sale of Shares issued upon the exercise of Options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine and direct.

## **15. ADJUSTMENTS**

- a) The number of Shares subject to the Plan shall be increased or decreased proportionately in the event of the subdivision or consolidation of the outstanding Shares of the Corporation, and in any such event a corresponding adjustment shall be made to the number of Shares deliverable upon the exercise of any Option granted prior to such event without any change in the total price applicable to the unexercised portion of the Option, but with a corresponding adjustment in the price for each Share that may be acquired upon the exercise of the Option. In case the Corporation is reorganized or merged or consolidated or amalgamated with another corporation, appropriate provisions shall be made for the continuance of the Options outstanding under this Plan and to prevent any dilution or enlargement of the same.
- b) Adjustments under this Section 15 shall be made by the Board, whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional Shares shall be issued upon the exercise of an Option following the making of any such adjustment.

## **16. CHANGE OF CONTROL**

Notwithstanding the provisions of Section 11 or any vesting restrictions otherwise applicable to the relevant Options, in the event of a sale by the Corporation of all or substantially all of its assets or in the event of a change of control of the Corporation, each Participant shall be entitled to exercise, in whole or in part, the Options granted to such Participant hereunder, either during the term of the Option or within 90 days after the date of the sale or change of control, whichever first occurs.

For the purpose of this Plan, "change of control of the Corporation" means and shall be deemed to have occurred upon:

- a) the acceptance by the holders of Shares of the Corporation, representing in the aggregate, more than 50 percent of all issued Shares of the Corporation, of any offer, whether by way of a takeover bid or otherwise, for all or any of the outstanding Shares of the Corporation; or
- b) the acquisition, by whatever means, by a person (or two or more persons who, in such acquisition, have acted jointly or in concert or intend to exercise jointly or in concert any voting rights attaching to the Shares acquired), directly or indirectly, of beneficial ownership of such number of Shares or rights to Shares of the Corporation, which together with such person's then owned Shares and rights to Shares, if any, represent (assuming the full exercise of such rights to voting securities) more than fifty percent (50%) of the combined voting rights of the Corporation's then outstanding Shares; or
- c) the entering into of any agreement by the Corporation to merge, consolidate, amalgamate, initiate an arrangement or be absorbed by or into another corporation; or

- d) the passing of a resolution by the Board or shareholders of the Corporation to substantially liquidate the assets or wind-up the Corporation's business or significantly rearrange its affairs in one or more transactions or series of transactions or the commencement of proceedings for such a liquidation, winding-up or re-arrangement (except where such re-arrangement is part of a bona fide reorganization of the Corporation in circumstances where the business of the Corporation is continued and where the shareholdings remain substantially the same following the re-arrangement); or
- e) individuals who were members of the Board of the Corporation immediately prior to a meeting of the shareholders of the Corporation involving a contest for or an item of business relating to the election of directors, not constituting a majority of the Board following such election.

## **17. TRANSFERABILITY**

All benefits, rights and Options accruing to any Participant in accordance with the terms and conditions of this Plan shall be non-transferable and non-assignable unless specifically provided herein. During the lifetime of a Participant, any Options granted hereunder may only be exercised by the Participant and in the event of the death of a Participant, by the person or persons to whom the Participant's rights under the Option pass by the Participant's will or applicable law.

## **18. AMENDMENT AND TERMINATION OF PLAN**

- a) The Board may, at any time and from time to time, amend, suspend or terminate the Plan or an Option without shareholder approval, provided that no such amendment, suspension or termination may be made without obtaining any required approval of any regulatory authority or stock exchange or the consent or deemed consent of a Participant where such amendment, suspension or termination materially prejudices the rights of the Participant.
- b) Notwithstanding the provisions of Section 18(a), the Board may not, without the approval of the security holders of the Corporation (or, as may be required by the policies and procedures of the Exchange, the approval of the disinterested security holders of the Corporation), make amendments to the Plan or any Option for any of the following purposes:
  - i. to increase the maximum number of Shares that may be issued pursuant to Options granted under the Plan as set out in Section 8;
  - ii. to reduce the exercise price of Options for the benefit of an Insider;
  - iii. to extend the term of an Option beyond the Option Period for the benefit of an Insider; and
  - iv. to amend the provisions of this Section 18.
- c) In addition to the changes made pursuant to Section 3, the Board may, at any time and from time to time, without the approval of the security holders of the Corporation amend any term of any outstanding Option (including, without limitation, the exercise price, vesting and expiry of the Option), provided that:
  - i. any required approval of any regulatory authority or stock exchange is obtained;
  - ii. if the amendments would reduce the exercise price or extend the expiry date of the Options granted to Insiders, approval of the security holders of the Corporation must be obtained;
  - iii. the Board would have had the authority to initially grant the Option under the terms so amended; and
  - iv. the consent or deemed consent of the Participant is obtained if the amendment would materially prejudice the rights of the Participant under the Option.

## **19. NECESSARY APPROVALS**

The obligation of the Corporation to issue and deliver Shares in accordance with this Plan and Options granted hereunder is subject to applicable securities legislation and to the receipt of any approvals that may be required from

any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation. If Shares cannot be issued to a Participant upon the exercise of an Option for any reason whatsoever, the obligation of the Corporation to issue such Shares shall terminate and any funds paid to the Corporation in connection with the exercise of such Option will be returned to the relevant Participant as soon as practicable.

#### **20. STOCK EXCHANGE RULES**

This Plan and any option agreements entered into hereunder shall comply with the requirements from time to time of the stock exchange or exchanges on which the Shares are listed.

#### **21. RIGHT TO ISSUE OTHER SHARES**

The Corporation shall not by virtue of this Plan be in any way restricted from declaring and paying stock dividends, issuing further Shares, varying or amending its share capital or corporate structure or conducting its business in any way whatsoever.

#### **22. NOTICE**

Any notice required to be given by this Plan shall be in writing and shall be given by registered mail, postage prepaid or delivered by courier or by facsimile transmission addressed, if to the Corporation, at its principal address in Toronto, Ontario (Attention: President); or if to a Participant, to such Participant at his address as it appears on the books of the Corporation or in the event of the address of any such Participant not so appearing then to the last known address of such Participant; or if to any other person, to the last known address of such person.

#### **23. GENDER**

Whenever used herein words importing the masculine gender shall include the feminine and neuter genders and vice versa.

#### **24. INTERPRETATION**

This Plan will be governed by and construed in accordance with the laws of the Province of Ontario.

## SCHEDULE "B"

### CORPORATE GOVERNANCE POLICY

#### CORPORATE GOVERNANCE DISCLOSURE (FORM 58-101F2)

**1. Board of Directors** — Disclose how the board of directors (the board) facilitates its exercise of independent supervision over management, including:

- (i) the identity of directors that are independent, and  
*Raymond Stapell, Khaled Al-Hamdan, Glenn Abadir and Mario Giorgio (nominee).*
- (ii) the identity of directors who are not independent, and the basis for that determination.  
*John Lorenzo and Anton Ayoub.*

*In determining whether a director is independent, the Corporation chiefly considers whether the director has a relationship which could, or could be perceived to interfere with the director's exercise of independent judgment. John Lorenzo and Anton Ayoub are each currently executive officers of the Corporation and therefore, neither is considered to be independent.*

**2. Directorships** — If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer. *Certain of the directors of the Corporation are also directors of other reporting issuers (or equivalent) in a jurisdiction or a foreign jurisdiction as follows:*

Director	Reporting Issuer
Raymond Stapell	Canadian Oil Recovery & Remediation Enterprises Ltd. (TSXV)
John Lorenzo	Canadian Oil Recovery & Remediation Enterprises Ltd. (TSXV)

**3. Orientation and Continuing Education** — Describe what steps, if any, the board takes to orient new board members, and describe any measures the board takes to provide continuing education for directors. *The Corporation has not developed an official orientation or training program for new directors as required, new directors will have the opportunity to become familiar with the Corporation by meeting with other directors and its officers and employees. Orientation activities will be tailored to the particular needs and expertise of each director and the overall needs of the Board.*

**4. Ethical Business Conduct** — Describe what steps, if any, the board takes to encourage and promote a culture of ethical business conduct. *The Corporation does not currently have a formal code of business conduct or policy in place for its directors, officers, employees and consultants. The Board believes that the Corporation's size facilitates informal review of and discussions with employees and consultants. The Board monitors ethical conduct of the Corporation and ensures that it complies with applicable legal and regulatory requirements, such as those of relevant securities commissions and stock exchanges. The Board has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law, as well as the restrictions placed by applicable corporate legislation on the individual director's participation in decision of the Board in which the director has an interest, have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation.*

**5. Nomination of Directors** — Disclose what steps, if any, are taken to identify new candidates for board nomination, including:

- (i) who identifies new candidates, and
- (ii) the process of identifying new candidates. *The Board has not appointed a nominating committee as the Board fulfills these functions. When the Board identifies the need to fill a position on the Board, the Board requests that current Directors forward potential candidates for consideration.*

**6. Compensation** — Disclose what steps, if any, are taken to determine compensation for the directors and CEO, including:

- (i) who determines compensation, and *the Compensation Committee is responsible for making recommendations to the Board with respect to compensation for the directors and the CEO. The Board has the ability to adjust and approve such compensation.*

(ii) the process of determining compensation. *Market comparisons as well as evaluation of similar positions in different industries in the same geography are the criteria used in determining compensation.*

**7. Other Board Committees** — If the board has standing committees other than the audit and compensation identify the committees and describe their function.

*The Board has a Corporate Governance Committee, which is responsible for establishing and facilitating effective processes for the ongoing evaluation of the Board and its committees and the ongoing assessment of the contribution of individual directors.*

**8. Assessments** — Disclose what steps, if any, that the board takes to satisfy itself that the board, its committees, and its individual directors are performing effectively.

*The Corporate Governance Committee is mandated to conduct an annual evaluation by the directors on the effectiveness of the Board and its committees, and proposing any necessary modifications to the functioning and governance of the Board and committees that may result from such evaluation processes.*

## SCHEDULE "C"

### AUDIT COMMITTEE CHARTER

1. **Establishment of Audit Committee:** The directors of the Corporation (the "**Directors**") hereby establish an audit committee (the "**Audit Committee**").
2. **Membership:** The membership of the Audit Committee shall be as follows:
  - (a) The Audit Committee shall be composed of three members or such greater number as the Directors may from time to time determine.
  - (b) The majority of the members of the Audit Committee shall be independent Directors.
  - (c) Each member of the Audit Committee shall be financially literate. For purposes hereof "financially literate" has the meaning set forth under MI 52-110 (as amended from time to time) and currently means the ability to read and understand a set of financial statements that present the breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can be reasonably be expected to be raised by the Corporation's financial statements.
  - (d) Members shall be appointed annually from among members of the Directors. A member of the Audit Committee shall *ipso facto* cease to be a member of the Audit Committee upon ceasing to be a Director of the Corporation.
3. **Oversight Responsibility:** The external auditor is ultimately accountable to the Directors and the Audit Committee, as representatives of the shareholders and such shareholders representatives have the ultimate authority and responsibility to select, evaluate, and where appropriate, replace the external auditors (or to nominate the external auditors to be proposed for shareholder approval in any management information circular and proxy statement). The external auditor shall report directly to the Audit Committee and shall have the responsibilities as set forth herein.
4. **Mandate:** The Audit Committee shall have responsibility for overseeing:
  - (a) the accounting and financial reporting processes of the Corporation; and
  - (b) audits of the financial statements of the Corporation.

In addition to any other duties assigned to the Audit Committee by the Directors, from time to time, the role of the Audit Committee shall include meeting with the external auditor and the senior financial management of the Corporation to review all financial statements of the Corporation which require approval by the Directors, including year-end audited financial statements. Specifically, the Audit Committee shall have authority and responsibility for:

- (a) reviewing the Corporation's financial statements, MD&A and earnings press releases before the information is publicly disclosed;
- (b) overseeing the work of the external auditors engaged for purpose of preparing or issuing , an audit report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting;
- (c) reviewing annually and recommending to the Directors:
  - (i) the external auditors to be nominated for purposes of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation; and
  - (ii) the compensation of the external auditors.

- (d) discussing with the external auditor:
  - (i) the scope of the audit, in particular their view of the quality of the Corporation's accounting principles as applied in the financials in terms of disclosure quality and evaluation methods, inclusive of the clarity of the Corporation's financial disclosure and reporting, degree of conservatism or aggressiveness of the Corporation's accounting principles and underlying estimates and other significant decisions made by management in preparing the financial disclosure and reviewed by the auditors;
  - (ii) significant changes in the Corporation's accounting principles, practices or policies; and
  - (iii) new developments in accounting principles, reporting matters or industry practices which may materially affect the Corporation.
- (e) reviewing with the external auditor and the Corporation's senior financial management the results of the annual audit regarding:
  - (i) the financial statements;
  - (ii) MD&A and related financial disclosure contained in continuous disclosure documents;
  - (iii) significant changes, if any, to the initial audit plan;
  - (iv) accounting and reporting decisions relating to significant current year events and transactions;
  - (v) the management letter, if any, outlining the auditor's findings and recommendations, together with management's response, with respect to internal controls and accounting procedures; and
  - (vi) any other matters relating to the conduct of the audit, including such other matters which should be communicated to the Audit Committee under Canadian generally accepted auditing standards.
- (f) reviewing and discussing with the Corporation's senior financial management and, if requested by the Audit Committee, the external auditor:
  - (i) the interim financial statements;
  - (ii) the interim MD&A; and
  - (iii) any other material matters relating to the interim financial statements, including, inter alia, any significant adjustments, management judgments or estimates, new or amended accounting policies.
- (g) receipt from external auditor of a formal written statement delineating all relationships between the auditor and the Corporation and considering whether the advisory services performed by the external auditor during the course of the year have impacted their independence, and also ensuring that no relationship or services between ) the external auditor and the Corporation is in existence which may affect the objectivity and independence of the auditor or recommending appropriate action to ensure the independence of the external auditor.
- (h) pre-approval of all non-audit services to be provided to the Corporation or its subsidiary entities by the external auditors or the external auditors of the Corporation's subsidiary entities, unless such pre-approval is otherwise appropriately delegated or if appropriate specific policies and procedures for the engagement of non-audit services have been adopted by the Audit committee.

- (i) reviewing and discussing with the external auditors and senior financial management: the adequacy of procedures for review of disclosure of financial information extracted or derived from financial statements, other than the disclosure referred to in subparagraph (a) above.
- (j) establishing and reviewing of procedures for:
  - (i) receipt, retention and treatment of complaints received by the Corporation and its subsidiary entities regarding internal accounting controls, or auditing matters;
  - (ii) anonymous submission by employees of the Corporation and its subsidiary entities of concerns regarding questionable accounting or auditing matters; and
  - (iii) hiring policies regarding employees and former employees of present and former external auditors of the Corporation and its subsidiary entities.
- (k) reviewing with the external auditor, the adequacy of management's internal control over financial reporting relating to financial information and management information systems and inquiring of management and the external auditor about significant risks and exposures to the Corporation that may have a material adverse impact on the Corporation's financial statements, and inquiring of the external auditor as to the efforts of management to mitigate such risks and exposures.
- (l) reviewing and/or considering that, with regard to the previous fiscal year,
  - management has reviewed the Corporation's audited financial statements with the Audit Committee, including a discussion of the quality of the accounting principles as applied and significant judgments affecting the financial statements;
  - the external auditors and the Audit Committee have discussed the external auditors' judgments of the quality of the accounting principles applied and the type of judgments made with respect to the Corporation's financial statements;
  - the Audit Committee, on its own (without management or the external auditors present), has considered and discussed all the information disclosed to the Audit Committee from the Corporation's management and the external auditor; and
  - in reliance on review and discussions conducted with senior financial management and the external auditors, the Audit Committee believes that the Corporation's financial statements are fairly presented in conformity with the with Canadian Generally Accepted Accounting Principles (GAAP) in all material respects and that the financial statements fairly reflect the financial condition of the Corporation.

5. **Administrative Matters:** The following general provisions shall have application to the Audit Committee:

- (a) A quorum of the Audit Committee shall be the attendance of a majority of the members thereof. No business may be transacted by the Audit Committee except at a meeting of its members at which a quorum of the Audit Committee is present or by a resolution in writing signed by all the members of the Audit Committee.
- (b) Any member of the Audit Committee may be removed or replaced at any time by resolution of the Directors of the Corporation. If and whenever a vacancy shall exist on the Audit Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, each member of the Audit Committee shall hold such office until the close of the annual meeting of shareholders next following the date of appointment as a member of the Audit Committee or until a successor is duly appointed.
- (c) The Audit Committee may invite such Directors, directors, officers and employees of the Corporation or affiliates thereof as it may see fit from time to time to attend at meetings of the

Audit Committee and to assist thereat in the discussion of matters being considered by the Audit Committee. The external auditors are to appear before the Audit Committee when requested to do so by the Audit Committee.

- (d) The time and place for the Audit Committee meetings, the calling and the procedure at such meetings shall be determined by the Audit Committee having regard to the Articles and By-Laws of the Corporation.
- (e) The Chair shall preside at all meetings of the Audit Committee and shall have a second and deciding vote in the event of a tie. In the absence of the Chair, the other members of the Audit Committee shall appoint a representative amongst them to act as Chair for that particular meeting.
- (f) Notice of meetings of the Audit Committee may be given to the external auditors and shall be given in respect of meetings relating to the annual audited financial statements. The external auditors have the right to appear before and to be heard at any meeting of the Audit Committee. Upon the request of the external auditors, the Chair of the Audit Committee shall convene a meeting of the Audit Committee to consider any matters which the external auditors believes should be brought to the attention of the Directors or shareholders of the Corporation.
- (g) The Audit Committee shall report to the Directors of the Corporation on such matters and questions relating to the financial position of the Corporation or any affiliates of the Corporation as the Directors of the Corporation may from time to time refer to the Audit Committee.
- (h) The members of the Audit Committee shall, for the purpose of performing their duties, have the right to inspect all the books and records of the Corporation and its affiliates, and to discuss such books and records that are in any way related to the financial position of the Corporation with the Directors, directors, officers, employees and external auditors of the Corporation and its affiliates.
- (i) Minutes of the Audit Committee meetings shall be recorded and maintained. The Chair of the Audit Committee will report to the Directors on the activities of the Audit Committee and/or the minutes of the Audit Committee meetings will be promptly circulated to the Directors or otherwise made available at the next meeting of Directors.
- (j) The Audit Committee shall have the authority to:
  - (i) engage independent counsel and other advisors or consultants as it determines necessary to carry out its duties;
  - (ii) set and pay the compensation for any advisors employed by the Audit Committee; and
  - (iii) communicate directly with the internal (if any) and external auditors and qualified reserves evaluators or auditors.