

**THERMAL ENERGY INTERNATIONAL INC.**

**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**TO THE SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that an annual general meeting (the “Meeting”) of the holders of common shares (“Common Shares”) of Thermal Energy International Inc. (the “Corporation”) will be held online only, via live audio webcast, at [www.virtualshareholdermeeting.com/TMG2020](http://www.virtualshareholdermeeting.com/TMG2020) on Tuesday, November 24, 2020 at 10:00 a.m.(Ottawa, Ontario time) for the following purposes:

1. to receive the audited financial statements of the Corporation for the year ended May 31, 2020 and the report of the auditors of the Corporation thereon;
2. to elect the directors of the Corporation as more fully described in the section of the Corporation’s management information circular for the Meeting (the “Circular”) entitled “Election of Directors”;
3. to appoint auditors of the Corporation and to authorize the directors of the Corporation to fix the auditors’ remuneration as more fully described in the section of the Circular entitled “Appointment of Auditors”; and
4. to transact such other business as may properly be brought before the Meeting or any adjournment or postponement thereof.

Shareholders will be able to attend the Meeting by visiting [www.virtualshareholdermeeting.com/TMG2020](http://www.virtualshareholdermeeting.com/TMG2020) and entering the 16-digit control number included in the proxy card or on the voting instruction form that accompanied the proxy materials.

Given the ongoing uncertainty surrounding the public health impact of the coronavirus (COVID-19) pandemic, the Corporation has determined to hold the Meeting virtually via live audio webcast as a prudent and necessary step to ensure the health and safety of its shareholders, directors and other stakeholders.

Registered shareholders and duly appointed proxyholders (including non-registered shareholders who have appointed themselves as proxyholder) will be entitled to participate and vote at the Meeting during the live audio webcast in accordance with the instructions contained in the Circular. Non-registered shareholders, other than duly appointed proxyholders, are entitled to attend and ask questions but will not be entitled to vote during the Meeting. Others wishing to attend the Meeting as guests will be able to listen to the Meeting but will not be entitled to ask questions or to vote during the Meeting.

The Corporation is sending proxy-related materials to registered and non-registered shareholders (“Shareholders”) using Notice and Access. Notice and Access is a set of rules that reduces the volume of materials that must be physically mailed to shareholders by posting the information circular and additional materials online.

The Circular, this Notice, a form of proxy, the audited annual financial statements of the Corporation for the year ended May 31, 2020 and the MD&A relating to such financial statements are available on SEDAR at [www.sedar.com](http://www.sedar.com) and at [www.thermalenergy.com/2020-annual-meeting-materials.html](http://www.thermalenergy.com/2020-annual-meeting-materials.html). Shareholders are reminded to review these online materials when voting. Shareholders may choose to receive paper copies of such materials or obtain further information about Notice and Access by contacting Broadridge Investor Communications Corporation (“Broadridge”) at the toll-free number 1-877-907-7643 within North America and Outside North America 905-507-5450. In order for Shareholders to receive paper copies of such materials in advance of any deadline for the submission of voting instructions and the date of the Meeting it is recommended to contact Broadridge, at the number above as soon as possible but not later than November 6, 2020.

If you are a registered shareholder a form of proxy is enclosed. A copy of the proxy is also available on SEDAR at [www.sedar.com](http://www.sedar.com) and at [www.thermalenergy.com/2020-annual-meeting-materials.html](http://www.thermalenergy.com/2020-annual-meeting-materials.html).

If you are a non-registered shareholder a voting instruction form is enclosed.

Shareholders are requested to complete, sign and return such form of proxy or voting instruction form, as applicable.

In order for a registered shareholder to be represented by proxy at the Meeting, the shareholder must complete and submit the enclosed form of proxy or other appropriate form of proxy. Completed forms of proxy must be received by Broadridge Investor Communications Corporation, Data Processing Centre, P.O. Box 3700 Stn. Industrial Park, Markham, Ontario, L3R 9Z9, not later than 10:00 a.m. (Eastern time) on November 20, 2020. The form of Proxy also provides details on how you may submit your proxy by telephone or internet. Note that, in light of possible disruptions in mail service related to the COVID-19 pandemic, we encourage shareholders to submit their proxy by telephone or internet.

Non-registered shareholders should use the enclosed voting instruction form to provide voting instructions. The voting instruction form contains instructions on how to complete the form, where to return it to and the deadline for returning it. It is important to read and follow the instructions on the voting instruction form in order to have your vote count.

Dated at the City of Ottawa, in the Province of Ontario, this 6<sup>th</sup> day of October, 2020.

**BY ORDER OF THE BOARD OF DIRECTORS**



William Crossland  
President and Chief Executive Officer

## **THERMAL ENERGY INTERNATIONAL INC. MANAGEMENT INFORMATION CIRCULAR**

This Management Information Circular (this “Circular”) and the accompanying form of proxy (the “Proxy”) are being sent to you in advance of the annual general meeting of shareholders (the “Meeting”) of Thermal Energy International Inc. (the “Corporation”) to be held as a virtual only meeting via live audio webcast online at [www.virtualshareholdermeeting.com/TMG2020](http://www.virtualshareholdermeeting.com/TMG2020) on Tuesday, November 24, 2020 at 10:00 a.m.(Ottawa, Ontario time). Shareholders will be able to attend the Meeting by visiting [www.virtualshareholdermeeting.com/TMG2020](http://www.virtualshareholdermeeting.com/TMG2020) and entering the 16-digit control number included in the proxy card or on the voting instruction form that accompanied the proxy materials.

This Circular includes information about the Corporation that the Corporation is required to disclose to shareholders and also describes and explains the business to be transacted and the matters to be voted on at the Meeting. Except as otherwise stated, the information contained in this Circular is given as of September 28, 2020 (the “Record Date”). All dollar amounts in this Circular are in Canadian dollars unless otherwise stated.

### **SOLICITATION OF PROXIES**

**The enclosed proxy is being solicited by the management of the Corporation and the expenses of this solicitation will be borne by the Corporation.** The solicitation will be conducted primarily by mail but proxies may also be solicited personally by officers, employees or agents of the Corporation, at nominal cost and without additional compensation. The Corporation shall, upon request, reimburse brokers and other persons holding common shares of the Corporation (the “Common Shares”) on their behalf or on behalf of nominees, for reasonable costs incurred in sending the proxy documents to shareholders.

### **REGISTERED SHAREHOLDERS – VOTING BY PROXY**

The persons named in the enclosed form of proxy for the Meeting are officers of the Corporation.

**A registered holder of Common Shares (each a “Registered Shareholder”) has the right to appoint some other person, who need not be a shareholder, to represent the Registered Shareholder at the Meeting by following the instructions on the form of proxy.**

Completed forms of proxy must be received by Broadridge Investor Communications Corporation, Data Processing Centre, P.O. Box 3700 Stn. Industrial Park, Markham, Ontario, L3R 9Z9, not later than 10:00 am (Eastern time) on November 20, 2020. The form of Proxy also provides details on how you may submit your proxy by telephone or internet. Note that, in light of possible disruptions in mail service related to the COVID-19 pandemic, we encourage shareholders to submit their proxy by telephone or internet.

The form of proxy affords the Registered Shareholder an opportunity to specify that the shares registered in his or her name shall be voted for, against or withheld from voting in respect of the matters to come before the Meeting, as applicable.

On any ballot that may be called for, the shares represented by proxies in favour of management nominees will be voted for, against or withheld from voting in respect of the matters to come before the Meeting in accordance with the instructions given in such proxies.

In respect of proxies in which the Registered Shareholders have not specified that the proxy nominees are required to vote for, against or withhold from voting in respect of the matters scheduled to come before the Meeting, the shares represented by the proxies in favour of management nominees will be voted for the matters described in the Notice of Meeting.

Management knows of no matters scheduled to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters which are not now known to management should properly come

before the Meeting, the shares represented by proxies in favour of management nominees will be voted on such matters in accordance with the best judgment of the proxy nominees.

A proxy given by a Registered Shareholder for use at the Meeting may be revoked at any time prior to its use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing or, if the Registered Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. Any such instrument revoking a proxy must be deposited at the registered office of the Corporation Attention: Chief Executive Officer, any time up to and including the last business day preceding the day of the Meeting, or an adjournment thereof. If the instrument of revocation is deposited with the Chairman on the day of the Meeting or any adjournment thereof, the instrument will not be effective with respect to any matter on which a vote has already been cast pursuant to such proxy.

## **NON-REGISTERED HOLDERS – VOTING INSTRUCTION FORM**

Only Registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. Many shareholders are not Registered Shareholders (“Beneficial Shareholders”) because the shares they own are not registered in their names but are instead either (i) registered in the name of an intermediary (the “Intermediary”) that the Beneficial Shareholder deals with in respect of the Common Shares, such as, among others, brokerage firms, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans, or (ii) in the name of a clearing agency (such as the Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Corporation has distributed copies of the meeting materials to Intermediaries and clearing agencies for onward distribution to Beneficial Shareholders.

Intermediaries are required to forward the meeting materials to Beneficial Shareholders unless a Beneficial Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the meeting materials to Beneficial Shareholders. If you are a Beneficial Shareholder, your name and address will appear on the voting instruction form sent to you by Broadridge Investor Communications Corporation (“Broadridge”), or by an Intermediary (bank, broker or trust company). A Beneficial Shareholder may vote or appoint a proxy by mail, phone, or on the Internet, as applicable, in accordance with the voting instruction form. Broadridge or your Intermediary, as applicable, will submit the vote or proxy appointment to the Corporation on your behalf. You must submit your voting instruction form in accordance with the instructions and within the time limits set out in the voting instruction form.

**IF YOU HOLD YOUR COMMON SHARES THROUGH A BROKERAGE ACCOUNT OR OTHER INTERMEDIARY YOU ARE A BENEFICIAL SHAREHOLDER. BENEFICIAL SHAREHOLDERS SHOULD CAREFULLY FOLLOW THE INSTRUCTIONS IN THE VOTING INSTRUCTION FORM, INCLUDING THOSE REGARDING WHEN AND WHERE THE VOTING INSTRUCTIONS FORM IS TO BE DELIVERED. IF A PERSON YOU DESIGNATE PLANS TO ATTEND THE MEETING AND VOTE YOU MUST APPOINT THAT PERSON AS PROXY BY FOLLOWING THE INSTRUCTIONS ON THE VOTING INSTRUCTION FORM.**

A Beneficial Shareholder may revoke a form of proxy or voting instructions form given to Broadridge or an Intermediary by contacting Broadridge or your Intermediary following the instructions on the voting instruction form. In order to ensure that Broadridge or an Intermediary, as applicable, acts upon a revocation of a proxy form or voting instruction form, the written notice should be received well in advance of the Meeting.

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

## **IMPORTANT INFORMATION ABOUT THE VIRTUAL MEETING**

The Meeting will be conducted online only, via live audio webcast. Shareholders will not be able to attend the Meeting in person. You will be able to attend, participate and vote at the Meeting online via the live audio webcast by following

the instructions set forth in this Circular. The Chairman of the Board of Directors and certain senior executive officers will participate in the Meeting and will be available for questions. The Corporation elected to conduct the Meeting virtually this year due to the restrictions imposed in the context of the ongoing coronavirus (COVID-19) pandemic. This measure is a proactive and prudent step to ensure the health and safety of our shareholders, directors and other stakeholders. A virtual meeting also enables increased shareholder attendance and participation because shareholders can participate from any location around the world.

As part of the Meeting, the Corporation will hold a live Q&A session, during which time Registered Shareholders, duly appointed Proxyholders and Beneficial Shareholders may ask questions that are pertinent to the Corporation and the meeting matters, as time permits. The Chair of the Meeting reserves the right to edit or reject questions he deems inappropriate, or to limit the number of questions per shareholder in order to ensure that as many shareholders as possible will have the opportunity to ask questions. The Chair of the Meeting has broad authority to conduct the Meeting in an orderly manner. To ensure the Meeting is conducted in a manner that is fair to all shareholders, the Chair of the Meeting may exercise broad discretion in the order in which questions are asked and the amount of time devoted to any one question.

### **Attending the Online Meeting**

Shareholders are able to attend the Meeting by visiting [www.virtualshareholdermeeting.com/TMG2020](http://www.virtualshareholdermeeting.com/TMG2020) and entering the 16-digit control number included in the proxy card or on the voting instruction form that accompanied the proxy materials. The live audio webcast allows shareholders to attend the Meeting live, submit questions, and in the case of Registered Shareholders and duly appointed Proxyholders, vote at the Meeting (if not done so in advance of the Meeting).

The Meeting platform is fully supported across browsers and devices running the most updated version of applicable software plugins. If you have any doubt, you can check your system's compatibility by visiting [www.virtualshareholdermeeting.com/TMG2020](http://www.virtualshareholdermeeting.com/TMG2020). You should ensure you have a strong, preferably high-speed, internet connection wherever you intend to participate in the Meeting.

**The Meeting will begin at 10:00 a.m. (Ottawa time) on November 24, 2020. Online check-in will begin starting 15 minutes prior, at 9:45 a.m. (Ottawa time).** You should allow ample time for online check-in procedures.

For any technical difficulties experienced during the check-in process or during the Meeting, please call the technical support number posted on the Meeting log-in page, located at [www.virtualshareholdermeeting.com/TMG2020](http://www.virtualshareholdermeeting.com/TMG2020). If you are participating in the virtual Meeting, you must remain connected to the Internet at all times during the Meeting in order to vote when balloting commences. It is your responsibility to ensure Internet connectivity for the duration of the Meeting. Note that if you lose connectivity once the Meeting has commenced, there may be insufficient time to resolve your issue before ballot voting is completed.

Guests will be able to attend the Meeting through the live audio webcast only, by joining the webcast as a guest at [www.virtualshareholdermeeting.com/TMG2020](http://www.virtualshareholdermeeting.com/TMG2020). They will not be able to submit questions, vote their shares (if any) or otherwise participate in the Meeting. Shareholders voting by proxy in advance of the Meeting are welcome to join the Meeting as guests.

### **NOTICE AND ACCESS**

The Corporation is sending proxy-related materials to all shareholders using Notice and Access. Notice and Access is a set of rules that reduces the volume of materials that must be physically mailed to shareholders by posting the information circular and additional materials online. Shareholders will still receive the Notice of Meeting, and may choose to receive a hard copy of the Circular and other materials. Details are included in the Notice of Meeting. This Circular, the Notice of Meeting, a form of proxy, the audited annual financial statements of the Corporation for the year ended May 31, 2020 and the MD&A relating to such financial statements are available on SEDAR at [www.sedar.com](http://www.sedar.com) and at [www.thermalenergy.com/2020-annual-meeting-materials.html](http://www.thermalenergy.com/2020-annual-meeting-materials.html). Shareholders are reminded to review these online materials when voting. Shareholders may choose to receive paper copies of such materials or obtain further information about Notice and Access by contacting Broadridge at the toll-free number 1-877-907-7643 within North America and Outside North America 905-507-5450.

The Corporation does not intend to pay for intermediaries to forward to objecting beneficial owners under NI 54-101 the proxy-related materials and Form 54-101F7 -- Request for Voting Instructions Made by Intermediary, and that in the case of an objecting beneficial owner, the objecting beneficial owner will not receive the materials unless the objecting beneficial owner's intermediary assumes the cost of delivery.

## VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Corporation is authorized to issue an unlimited number of Common Shares, and an unlimited number of preference shares issuable in series. At the Record Date, 160,152,616 Common Shares and no preference shares were issued and outstanding. The holders of the Common Shares are entitled to one (1) vote for each Common Share held. Only the holders of record of Common Shares at the close of business on the Record Date are entitled to receive notice of and vote at the Meeting. Pursuant to the *Business Corporations Act* (Ontario), the Corporation is required to prepare no later than ten (10) days after the Record Date, an alphabetical list of shareholders entitled to vote as of the Record Date along with the number of Common Shares held by such shareholders. The list of shareholders of the Corporation as of the Record Date is available for inspection by appointment only and during normal business hours at the offices of the Corporation located at 36 Antares Drive, Suite 850, Ottawa, Ontario, K2E 7W5.

To the knowledge of the directors or officers of the Corporation there is no person who is the beneficial owner of, directly or indirectly, or who exercises control or direction over 10% or more of the votes attached to the outstanding Common Shares as of the Record Date.

## FINANCIAL STATEMENTS

The audited financial statements of the Corporation for the year ended May 31, 2020 (the “Financial Statements”) and the auditor’s report on the Financial Statements accompany the Notice of Meeting mailed to registered shareholders and are also available on SEDAR at [www.sedar.com](http://www.sedar.com) and at [www.thermalenergy.com/2020-annual-meeting-materials.html](http://www.thermalenergy.com/2020-annual-meeting-materials.html).

## PARTICULARS OF MATTERS TO BE ACTED UPON

### **1. ELECTION OF DIRECTORS**

The Board of Directors of the Corporation (the “Board”) currently consists of six (6) directors. It is proposed that the Board size remain at six (6) members and the six (6) individuals named below are nominated for election to the Board. The persons named in the Proxy intend to vote **FOR** the election of the six (6) nominees whose names are set forth below. Each director will hold office until the close of the next annual meeting of shareholders or until his successor is duly elected, unless his office is earlier vacated, in accordance with the by-laws of the Corporation.

#### **The Nominees**

The following table sets forth the name, province (or state) and country of residence of each person proposed to be nominated by management for election as a director, all other positions and offices of the Corporation now held by such nominee, such nominee’s principal occupation, period of service as a director of the Corporation and the number of Common Shares and options to purchase Common Shares that such nominee has advised the Corporation are beneficially owned, directly or indirectly, or over which control or discretion is exercised by such nominee as at the date of this Circular.

Name, Municipality of Residence and Position with the Corporation	Principal Occupation	Director Since	Number of Securities Beneficially Owned, or Controlled or Directed, Directly or Indirectly
WILLIAM CROSSLAND Toronto, Ontario, Canada President and Chief Executive Officer Director	President & Chief Executive Officer of the Corporation	May 29, 2007	5,706,861 Common Shares 2,500,360 Options

Name, Municipality of Residence and Position with the Corporation	Principal Occupation	Director Since	Number of Securities Beneficially Owned, or Controlled or Directed, Directly or Indirectly
JOHN B. KELLY <sup>(1)(3)</sup> Ottawa, Ontario, Canada Chairman of the Board	Corporate Director	April 19, 2005	2,385,000 Common Shares 250,000 Options
WILLIAM OLLERHEAD <sup>(1)(2)</sup> Toronto, Ontario, Canada Director	Managing Director, Ollerhead Capital	October 25, 2011	2,400,000 Common Shares <sup>(4)</sup> 250,000 Options
MICHAEL WILLIAMS <sup>(1)</sup> Waterloo, Ontario, Canada Director	Portfolio Manager, Independent Accountants' Investment Counsel Inc.	February 1, 2005	980,000 Common Shares <sup>(5)</sup> 250,000 Options
DAVID SPAGNOLO <sup>(3)(6)</sup> Calgary, Alberta, Canada Director	Consultant, Oil & Gas	November 6, 2014	270,000 Common Shares
WILLIAM B. WHITE <sup>(3)</sup> Palm Coast, Florida, U.S.A. Director	Partner, CBW Associates	November 28, 2016	146,000 Common Shares 250,000 Options

Notes to table:

- (1) Denotes a current member of the Corporation's Audit Committee.
- (2) Denotes the current Chairman of the Corporation's Audit Committee.
- (3) Denotes a current member of the Corporation's Ethics, Governance and Compliance Committee.
- (4) 850,000 of these common shares are held beneficially by Mr. Ollerhead's spouse, in an account over which he exercises control or discretion..
- (5) 400,000 of these common shares are held indirectly by Mr. Williams through his spouse.
- (6) Denotes the current Chairman of the Corporation's Ethics, Governance and Compliance Committee.

Management does not contemplate that any of the nominees listed above will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the Proxy shall have the right to vote for another nominee in their discretion unless the shareholder has specified in the Proxy that such shareholder's Common Shares are to be withheld from voting in the election of directors.

### Corporate Cease Trade Orders and Bankruptcies

Mr. William Ollerhead was a member of the board of directors of BioExx Specialty Proteins Ltd. until his resignation on July 30, 2013. In the months thereafter, new management was appointed (on August 29, 2013), and the company subsequently filed for and obtained an order from the Ontario Superior Court of Justice (Commercial Division) under the *Companies' Creditors Arrangement Act* (Canada), on October 1, 2013.

### 2. APPOINTMENT OF AUDITORS

The Audit Committee and Board of Directors of the Corporation have nominated KPMG LLP for reappointment as auditors of the Corporation. The persons named in the Proxy intend to vote **FOR** the reappointment of KPMG LLP as auditors of the Corporation to hold office until the next annual meeting of shareholders and to authorize the directors to fix the auditors' remuneration. The reappointment of KPMG LLP as auditor of the Corporation will be authorized if it is approved by a majority of the votes cast by shareholders represented in person or by proxy at the Meeting and entitled to vote thereon.

KPMG LLP was first appointed by shareholders at the annual general and special meeting of shareholders held on October 29, 2013.

## STATEMENT OF EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Introduction*

The Corporation reviews its executive compensation policies and practices on an annual basis. This compensation discussion and analysis describes and explains the Corporation's policies and practices as at May 31, 2020 with respect to the compensation of its named executive officers, being each of its (i) President & Chief Executive Officer, (ii) Chief Financial Officer, and (iii) Chief Operating Officer (together, the "Named Executive Officers" or "NEOs"), who represents the most highly compensated executive officer of the Corporation, each of whom earned more than \$150,000 in total compensation during the fiscal year ended May 31, 2020 in accordance with the National Instrument 51-102 of the Canadian Securities Administrators.

#### *Executive Compensation Principles*

The Corporation does not employ any formal principles in determining executive compensation and implementing any compensation programs that may exist from time to time. When determining executive compensation, management and the Board rely on their concurrent and past experiences and collective knowledge of both public and private companies in a general manner. The Board also relies in part on management and the Corporation's executive officers for input and advice with respect to appropriate compensation levels. With that background, the Board bases its ultimate determination on (i) informal discussion among Board members, (ii) negotiation with the executive in question and (iii) a view to what is in the best interests of the Corporation and its various stakeholders. From time to time, the Board also evaluates compensation of the NEOs, relative to a group of twenty (20) clean tech companies traded on the TSX Venture Exchange (the "Peer Group") that have similar market capitalizations to the Corporation. This evaluation is used as a guidepost to ensure that total compensation of the NEOs, as well as each of the elements of the compensation package (which includes base salary, short-term incentives and long-term incentives), are within a reasonable range when compared to the Peer Group. The 20 companies included in the Peer Group in 2018 are the companies on the TSXV Cleantech Index with market capitalizations, as of October 10, 2017, which were closest to the Corporation's market capitalization (10 companies with lower market capitalizations and 10 companies with higher market capitalizations). In 2018, the Peer Group was: Epicore BioNetworks Inc., Vitreous Glass Inc., Xebec Adsorption Inc., Clean Seed Capital Group Ltd., CO2 Solutions Inc., Transeastern Power Trust, Enerdynamic Hybrid Technologies Corp., UGE International Ltd., Wavefront Technology Solutions Inc., BIOREM Inc., Aurora Solar Technologies Inc. SmartCool Systems Inc., ENPAR Technologies Inc., Solegear Bioplastic Technologies Inc., CHAR Technologies Ltd., Clearford Water Systems Inc., Solar Alliance Energy Inc., BluMetric Environmental Inc., Environmental Waste International Inc. and BQE Water Inc. The Corporation did not update the survey in 2019 or 2020.

#### *Elements of our Executive Compensation Program*

##### *Base Salaries*

The base salary component is intended to provide a fixed level of pay that is established at the time when an officer or employee joins the Corporation and from time to time thereafter. In addition, base salary is intended to serve as recognition for discharging job responsibilities, and reflects the officer's performance over time, as well as that individual's particular experience and qualifications.

Historically, the Board has reviewed the compensation of the Named Executive Officers on an annual basis in light of opportunities for payments under the employee incentive plan as well as various performance parameters, such as operational improvements, cash flow, increases in sales and profitability, and share price improvements and considered any requested recommendations from the Ethics, Governance and Compliance Committee ("EGC Committee"). The EGC Committee is tasked with reviewing the compensation of the Named Executive Officers and other executives on an annual basis to determine if adjustments are necessary.



### *Employee Incentive Plan*

In addition to base salary, the Corporation has an employee incentive plan (the “Incentive Plan”) which allocates cash bonuses to employees of the Corporation based on a percentage of EBITDAS and net income for such fiscal year. “EBITDAS” is defined as earnings before interest, taxation, and non-cash items such as depreciation, amortization and share based compensation expense. All employees are eligible for participation in the Incentive Plan after the completion of a probationary period at the start of their employment with the Corporation. Employees are allocated among 6 different staff levels based on their job responsibilities. Payments under the Incentive Plan are dependent upon staff level and employee job performance.

In designing and approving the Incentive Plan, three main objectives were identified by the Corporation:

1. The amount that each employee could earn should be variable and correlated to the Corporation’s success. Each employee’s base salary plus incentives (both cash and non-cash), should the Corporation meet its financial objectives, should be approximately equal to what the employee would earn outside of the Corporation given similar responsibilities.
2. The plan should be progressive, structured to motivate employees to exceed the established objectives and drive the creation of additional shareholder value.
3. The plan should be simple for employees to understand and fair to all stakeholders.

The Corporation also considered whether the Incentive Plan would encourage employee behavior or results that were not beneficial to the Corporation and attempted to ensure that the Incentive Plan was modeled in a way that is beneficial to both the employee and the Corporation. The process undertaken to develop and adopt the Incentive Plan included a comprehensive review of the sales pipeline, a forecast of sales, profitability and cash flow, the establishment of financial objectives based upon the forecasted financials, and the alignment of the compensation plan with those established objectives.

### *Options*

In addition to the cash bonuses awarded pursuant to the Incentive Plan, options to purchase Common Shares are awarded to directors, officers, employees and consultants, from time to time, at the discretion of the Board pursuant to the terms of the Corporation’s stock option plan. Previously granted options held by an individual are taken into account by the Board in considering new option grants. The issuance of options to purchase Common Shares is intended to reinforce commitment to long-term growth in profitability and shareholder value, and is an important long term incentive strategy for the Corporation, permitting directors, officers, employees and consultants to participate in any appreciation of the market value of the Common Shares over a stated period of time.

### ***Compensation Risk***

The Board considers and assesses, as necessary, the implications of risks associated with the Corporation’s compensation policies and practices and devotes such time and resources as it believes are appropriate. The Corporation’s practice during the fiscal year ended May 31, 2020 of compensating its officers through a mix of salary and stock options was designed to mitigate risk by: (i) ensuring that the Corporation retains such officers; and (ii) aligning the interests of its officers with the short-term and long-term objectives of the Corporation and its shareholders. During the fiscal year ended May 31, 2020, the Board did not identify any risks arising from the Corporation’s compensation policies and practices that the Board believed were reasonably likely to have a material adverse effect on the Corporation.

### ***Financial Instruments***

Except where prohibited by law, the Corporation’s executive officers and directors have not been prohibited from purchasing financial instruments, such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by an executive officer or director. To the Corporation’s knowledge, no executive officer or director of the Corporation has entered into or purchased such a financial instrument.

## Compensation Governance

At this time, the Corporation has established an EGC Committee, which is tasked with reviewing the compensation of the Named Executive Officers and other executives on an annual basis to determine if adjustments are necessary. The EGC Committee comprises of David Spagnolo, John B. Kelly and William B. White, each of whom the Board has determined to be independent within the meaning of section 1.4 of National Instrument 52-110 of the Canadian Securities Administrators and to have the necessary knowledge and experience to effectively perform his responsibilities. The members of the EGC Committee have expertise in, among other areas, business management and finance, and each of whom are current or former principal executive officers.

See “Statement of Executive Compensation – Compensation Discussion and Analysis – Executive Compensation Principles” for a description of the policies and practices adopted by the Board in light of recommendations received from the EGC Committee to determine the compensation for the Corporation’s executive officers.

The Board has not, at any time since the Corporation’s most recently completed fiscal year, retained a compensation consultant or advisor to assist the EGC Committee or Board in determining the compensation for any of the Corporation’s executive officers’ or directors’ compensation.

## Summary Compensation Table

The following table sets forth all compensation earned for each of the Corporation’s three most recently completed financial years in respect of the individuals who were, at any time during the year ended May 31, 2020, Named Executive Officers of the Corporation. All dollar amounts are rounded to nearest dollar.

Name and Principal Position	Fiscal Year	Salary	Share-based Awards	Option-based Awards <sup>(1)</sup>	Non-Equity Incentive Plan Compensation		Pension Value	Other Annual Compensation	Total Compensation
					Annual Incentive Plans	Long-Term Incentive Plans			
William Crossland President & Chief Executive Officer	2020	\$235,500	Nil	\$22,000	\$34,883	Nil	Nil	Nil	\$292,383
	2019	\$240,000	Nil	\$43,000	Nil	Nil	Nil	Nil	\$283,000
	2018	\$240,000	Nil	Nil	\$32,630	Nil	Nil	Nil	\$272,630
Jie (Julia) Zhang <sup>(2)</sup> Chief Financial Officer	2020	\$122,656	Nil	\$11,000	\$20,243	Nil	Nil	Nil	\$153,899
	2019 <sup>(4)</sup>	\$104,166	Nil	\$10,750	Nil	Nil	Nil	Nil	\$114,916
Rob Triebe Chief Operating Officer	2020	\$177,606	Nil	\$16,500	\$26,308	Nil	Nil	Nil	\$220,414
	2019	\$181,000	Nil	\$26,875	Nil	Nil	Nil	Nil	\$207,875
	2018	\$181,000	Nil	Nil	\$20,492	Nil	Nil	Nil	\$201,492

### Notes to table:

- (1) Based on the grant date fair value calculated using the Black-Scholes-Merton model. The Corporation chose the Black-Scholes-Merton model because it is a commonly used and accepted method of calculating grant date fair value. The assumptions underlying the model in Fiscal Year 2020 included: expected dividend of 0%, expected volatility of 84.0%, risk-free interest rate of 1.49% and expected option life of 4 years. The assumptions underlying the model in Fiscal Year 2019 included: expected dividend of 0%, expected volatility of 86.8%, risk-free interest rate of 2.2% and expected option life of 4 years. No option-based awards were granted in Fiscal Year 2018 to the Named Executive Officers. No option-based awards were granted in Fiscal Year 2018 or Fiscal Year 2020 to the Named Executive Officers.
- (2) Ms. Zhang was appointed Chief Financial Officer of the Corporation effective July 31, 2018.

## Incentive Plan Awards

### *Outstanding Option based Awards and Share based Awards*

The following table sets out all of the options that had been granted and are outstanding to any of the Named Executive Officers as at May 31, 2020:

Name	Options based Awards				Share based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in the money options <sup>(1)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
William Crossland	500,360	0.075	May 29, 2020	\$7,505	N/A	N/A	N/A
	500,000	0.05	May 30, 2021	\$20,000			
	1,000,000	0.08	Nov 30, 2023	\$10,000			
	500,000	0.08	Nov 29, 2024	\$5,000			
Jie (Julia) Zhang <sup>(2)</sup>	250,000	0.08	Nov 30, 2023	\$2,500	N/A	N/A	N/A
	250,000	0.08	Nov 29, 2024	\$2,500			
Rob Triebe	254,000	0.075	May 29, 2020	\$3,810	N/A	N/A	N/A
	250,000	0.05	May 30, 2021	\$10,000			
	625,000	0.08	Nov 30, 2023	\$6,250			
	375,000	0.08	Nov 29, 2024	\$3,750			

Notes to table:

- (1) Calculated based on the difference between the market value of the shares underlying the options at the end of the financial year ended May 31, 2020 and the exercise price of such option.
- (2) Ms. Jie (Julia) Zhang was appointed Chief Financial Officer of the Corporation effective July 31, 2018.

### *Incentive Plan Awards – value vested or earned during the year*

The following incentive plan awards vested in favour of Named Executive Officers during the year ended May 31, 2020:

Name	Option-based awards – Value vested during the year (\$) <sup>(1)</sup>	Share-Based Awards – Value vested during the year (\$)	Non-equity incentive plan compensation – value earned during the year (\$)
William Crossland	Nil	Nil	See Summary Compensation Table Above
Jie (Julia) Zhang <sup>(2)</sup>	Nil	Nil	See Summary Compensation Table Above
Rob Triebe	Nil	Nil	See Summary Compensation Table Above

Notes to table:

- (1) Calculated as the difference between the market price of the underlying securities at the date of vesting and the exercise or base price of the options.
- (2) Ms. Jie (Julia) Zhang was appointed Chief Financial Officer of the Corporation effective July 31, 2018.

## Termination and Change of Control Benefits

### *William Crossland*

The Corporation is party to an employment agreement with William Crossland in respect of his appointment to the President and Chief Executive Officer role. In the event of a termination of Mr. Crossland's employment by the Corporation without cause, the Corporation shall provide Mr. Crossland with payment in lieu of notice equal to the base salary Mr. Crossland would have earned during the period ending on the date that is six months following the giving of such notice plus one additional month for each year or part thereof between July 31, 2010 and the date of giving such notice to a maximum of twelve (12) months. Mr. Crossland will also be entitled to benefit continuance for an equivalent period to the extent that continuance is permissible under the applicable benefit plan. All options held by Mr. Crossland shall vest on the last day of the notice period referred to above and he shall be entitled to

exercise them for a period of ninety days thereafter. If Mr. Crossland's employment had been terminated without cause on May 31, 2020 the payment in lieu of notice pursuant to his employment contract would have amounted to \$240,000.

In addition to the foregoing, Mr. Crossland is entitled to resignation within six (6) months following a change of control of the Corporation and in such case, he shall be entitled to the same payment in lieu of notice and benefit continuance to which he would have been entitled under a termination without cause as described above. For the purposes of Mr. Crossland's employment agreement, a "change of control is defined as either (i) a transaction or series of related transactions in which any party acquires more than fifty percent (50%) of the outstanding voting shares of the Corporation; or (ii) the closing of an amalgamation, reorganization, plan of arrangement or similar transaction or series of related transactions (any of the foregoing, a "Combination Transaction") as a result of which the individuals and entities who were the respective beneficial owners of the voting securities of the Corporation prior to such Combination Transaction do not own immediately after such Combination Transaction, directly or indirectly, more than fifty percent (50%) of the voting securities of the entity resulting from the Combination Transaction.

### ***Rob Triebe***

The Corporation is a party to an employment agreement with Rob Triebe. In the event of a termination of Mr. Triebe's employment by the Corporation without cause, the Corporation shall provide Mr. Triebe with payment in lieu of notice equal to the base salary Mr. Triebe would have earned during the period ending on the date that is twelve (12) months following the giving of such notice, plus one additional month for each full year completed after May 31, 2017, up to a maximum of eighteen (18) months. Mr. Triebe will also be entitled to benefit continuance for an equivalent period to the extent that continuance is permissible under the applicable benefit plan. If Mr. Triebe's employment had been terminated without cause on May 31, 2020 the payment in lieu of notice pursuant to his employment contract would have amounted to \$226,250.

## **DIRECTOR COMPENSATION**

The following table provides information regarding compensation paid to the Corporation's non-executive directors during the financial year ended May 31, 2020:

Name	Fees earned (\$)	Share based Awards (\$)	Option based Awards (\$) <sup>(1)</sup>	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
John B. Kelly	\$25,195	Nil	Nil	Nil	Nil	Nil	\$25,195
William Ollerhead	\$22,546	Nil	Nil	Nil	Nil	Nil	\$22,546
Michael Williams	\$16,247	Nil	Nil	Nil	Nil	Nil	\$16,247
David Spagnolo	\$22,546	Nil	Nil	Nil	Nil	Nil	\$22,546
William White	\$17,247	Nil	Nil	Nil	Nil	Nil	\$17,247

Notes to table:

- (1) Based on the grant date fair value calculated using the Black-Scholes-Merton model. The Corporation chose the Black-Scholes-Merton model because it is a commonly used and accepted method of calculating grant date fair value. The assumptions underlying the model in Fiscal Year 2020 included: expected dividend of 0%, expected volatility of 84.0%, risk-free interest rate of 1.49% and expected option life of 4 years. No option-based awards were granted in Fiscal Year 2020 to the non-executive directors.

During the fiscal year ended May 31, 2020, the Corporation paid its non-executive directors \$13,500 annually as compensation for their service on the board, plus (i) \$8,100 per annum payable to the chairman of the board, (ii) \$5,400 per annum payable to individual committee chairpersons and (iii) \$1,000 payable for attendance at each in-person meeting. For the period from April 16, 2020 to September 15, 2020, the Corporation temporarily reduced the compensation to non-executive directors by 15%.

For the fiscal year ended May 31, 2021, the Corporation will pay its non-executive directors \$13,500 annually as compensation for their service on the board plus (i) \$8,100 per annum payable to the chairman of the board, (ii) \$5,400 per annum payable to individual committee chairpersons and (iii) \$1,000 payable for attendance at each in-person meeting.

All miscellaneous out-of-pocket expenses incurred by directors in carrying out their duties as directors of the Corporation are reimbursed by the Corporation.

It is a policy of the Board to grant options to purchase 250,000 Common Shares to each new director upon their initial election to the Board (the “**Initial Options**”), of which 1/3 of the Initial Options vest on each of the first, second and third anniversaries of the date of grant. After the third anniversary of a director’s service on the Board, such director may be granted additional options to purchase 250,000 Common Shares.

***Outstanding Option Based Awards and Share Based Awards***

The following table sets out all of the options that had been granted and are outstanding to any of the non-executive directors as at May 31, 2020:

Name	Options Based awards				Share Based awards		
	Number of securities underlying unexercised options (#)	Option Exercise price (\$)	Option expiration date	Value of unexercised in the money options (\$) <sup>(1)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
John B. Kelly	250,000	0.080	Nov 30, 2023	\$2,500	N/A	N/A	N/A
Michael Williams	250,000	0.080	Nov 30, 2023	\$2,500	N/A	N/A	N/A
David Spagnolo	Nil	Nil	Nil	Nil	N/A	N/A	N/A
William White	250,000	0.115	Nov 28, 2021	Nil	N/A	N/A	N/A
William Ollerhead	250,000	0.080	Nov 30, 2023	\$2,500	N/A	N/A	N/A

Notes to table:

- (1) Calculated based on the difference between the market value of the shares underlying the options at the end of the financial year ended May 31, 2020 and the exercise price of such option.

The following incentive plan awards vested in favour of non-executive directors during the year ended May 31, 2020:

Name	Option-based awards – Value vested during the year (\$) <sup>(1)</sup>	Share-Based Awards – Value vested during the year (\$)	Non-equity incentive plan compensation – value earned during the year (\$)
John B. Kelly	Nil	Nil	Nil
William Ollerhead	Nil	Nil	Nil
Michael Williams	Nil	Nil	Nil
David Spagnolo	Nil	Nil	Nil
William White	Nil	Nil	Nil

Notes to table:

- (1) Calculated as the difference between the market price of the underlying securities at the date of vesting and the exercise or base price of the options.

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

The following table summarizes the number of Common Shares authorized for issuance from treasury under the

Corporation's equity compensation plans as at May 31, 2020:

<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 compensation plans approved by shareholders	17,821,276	\$0.07	11,789,308

On February 1, 2005, the Board approved the establishment of a Stock Option Plan known as the 20% Fixed Plan (the "Plan"), which was approved by the Corporation's shareholders on March 15, 2005 and amended on April 5, 2006 and September 5, 2014 with shareholder approval.

The purpose of the Plan is to develop the interest of and provide an incentive to eligible directors, officers, employees and consultants of the Corporation in the Corporation's growth and development by granting to eligible directors, officers, employees and consultants, from time to time, options to purchase Common Shares of the Corporation, thereby advancing the interest of the Corporation and its shareholders. The extent to which any director, officer, employee or consultant shall be entitled to be granted options pursuant to the Plan shall be determined in the discretion of the Board.

Options granted under the Plan are not assignable or transferable. Unless otherwise determined by the Board, options granted under the Plan expire five (5) years from the date of grant and terminate one (1) year after the death of a participant, ninety (90) days after the termination of a participant's employment other than for cause (except in the cause of a consultant providing investor relations services, in which case the options shall expire thirty (30) days after such participant's termination) and immediately upon termination of a participant's employment for cause.

No individual may hold options to purchase Common Shares exceeding 5% of the then outstanding Common Shares. The maximum number of options granted under the Plan to any one consultant in a twelve (12) month period shall not exceed 2% of the then outstanding Common Shares. The maximum number of options granted to participants providing investor relations activities shall not exceed 2% of the then outstanding Common Shares in any twelve (12) month period. Unless otherwise determined by the Board, options granted under the Plan shall not be subject to a vesting schedule except options granted to consultants performing investor relations activities, which shall vest in stages over a twelve (12) month period with no more than 25% of the options vesting in any three (3) month period.

The aggregate number of Common Shares which may be reserved for issuance under the Plan was restricted to 14,133,472, which number was increased to 33,661,584 as approved by the shareholders of the Corporation at its annual and special meeting on November 25, 2008.

#### **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

The Corporation maintains directors' and officers' liability insurance in the aggregate principal amount of \$5,000,000 subject to a \$25,000 deductible per loss for security claims and a \$25,000 deductible per loss for all other claims payable by the Corporation. The premium payable for such insurance is currently \$15,590 per year, which is paid by the Corporation.

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

No executive officers, directors, employees and former executive officers, directors and employees of the Corporation or any of its subsidiaries were indebted to the Corporation or its subsidiaries as of the date hereof.

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

Except as disclosed in this Circular, none of the Corporation's directors, executive officers, shareholders owning more than 10% of the voting shares of the Corporation, or associates or affiliates of any of them, had a material

interest, direct or indirect, in any material transaction since the commencement of the Corporation's last financial year which has materially affected or will materially affect the Corporation.

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

### **Board of Directors of the Corporation**

Five out of six members of the Board as of the date hereof and all of the members of the Audit Committee and EGC Committee are considered independent. The Corporation's Board has determined that all directors except for William Crossland are independent within the meaning of section 1.4 of National Instrument 52-110 of the Canadian Securities Administrators.

The Board has appointed an independent Chairman and separated the roles of Chairman and Chief Executive Officer.

### **Stock Ownership Policy**

On July 10, 2012, the Board approved formal stock ownership requirements for each member of the Board. At all times Board members are required to hold shares with a cost base to the Board member equal to one times the then current Annual Fixed Retainer. The "Annual Fixed Retainer" is the fixed annual cash compensation paid by the Corporation for serving on the Board plus any fixed annual cash compensation paid by the Corporation to such Board member for holding the position of Chairman of the Board or Chair of a committee of the Board. The Annual Fixed Retainer does not include the amount of any per meeting fees or other variable amounts paid or payable to Board members. Each Board member has until the date that is the later of : (i) July 10, 2013 and (ii) twelve (12) months from being appointed to the Board and, thereafter, twelve (12) months from any change in the Annual Fixed Retainer to acquire sufficient shares to bring such Board member into compliance with the policy. If the Corporation is subject to special or prolonged blackout periods such that a Board member is effectively prevented from acquiring sufficient shares within the period, the period for compliance shall be automatically extended until, in the opinion of the EGC Committee, the Board member has had enough time out of blackout to acquire sufficient shares. To the Corporation's knowledge, all directors are in compliance with the stock ownership policy.

### **Directorships**

Other than as set out below none of the current directors or proposed directors of the Corporation currently serve on the boards of directors of other reporting issuers (or the equivalent):

- William White is a director of CHAR Technologies LTD (TSX Venture Exchange) and BIOREM Inc. (TSX Venture Exchange)
- William Ollerhead is the CEO and a Director of Cuspis Capital Ltd. (TSX Venture Exchange)

### **Orientation and Continuing Education**

It has been a policy of the Chairman of the Board that every director is given written material describing directors' duties and obligations in respect of corporate governance in order to upgrade their knowledge of the requirements and obligations of managing a public company.

Several of the Corporation's board members have taken educational courses relating to the management of a public company recently. William Crossland, the Corporation's Chief Executive Officer, completed the Canadian Institute of Corporate Directors' Directors education program, a highly regarded program jointly developed by the Institute of Corporate Directors and the Rotman School of Management, University of Toronto, to help directors clarify their corporate governance mission and fully exercise their leadership potential as board members. Mr. Crossland also completed the following TSX Venture Exchange workshops: Venture Filing Fundamentals Workshop, Timely Disclosure Fundamentals Workshop and Managing a Public Company Workshop. John B. Kelly also completed the same TSX Venture Exchange workshops as Mr. Crossland, while William Ollerhead has also

completed the Institute of Corporate Directors' Directors education program with the Rotman School of Management. Michael Williams has completed the TSX Venture Exchange's Managing a Public Company Workshop. David Spagnolo has completed the Institute of Corporate Directors' Directors Education Program from the Rotman School of Management. William White chairs the advisory board for the Schulich Center of Excellence for Responsible Business, completed the Institute of Corporate Directors' Directors education program with the Rotman School of Management and received his Institute of Corporate Directors (ICD.D) certification in 2012.

### **Ethical Business Conduct**

The Board of Directors has established the EGC Committee to carry out the goals and objectives set out in the Corporate Disclosure Policy and to carry out Governance, Nomination and Compensation matters.

The Board has also established a code of conduct (the "Code of Conduct"). The Code of Conduct establishes the principles that the Corporation is committed to conducting its business affairs in compliance with all applicable laws, statutes, rules, regulations and stock exchange policies and expects directors, officers and employees acting on its behalf to do likewise. In addition, business dealings among directors, officers and employees, and by directors, officers and employees, with shareholders, customers, suppliers, licensors, licensees, community organizations and governmental and regulatory authorities must be based on principles of honesty, integrity and the ethical standards outlined in the Code of Conduct.

### **Nominations of Directors**

The EGC Committee is tasked with (i) formally reviewing and making recommendations on an annual basis with respect to the composition of the Board and its committees, including a review of what competencies and skills the Board, as a whole, should possess and currently possesses and a review of the appropriate size of the Board in order to facilitate effective decision-making; (ii) identifying individuals qualified to become new Board and/or committee members, taking into consideration the competencies and skills that each such nominee will bring to the Board or committee and whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board member; and (iii) make recommendations of appropriate nominees to the Board and members of its committees.

### **Compensation**

Compensation for directors is determined by the Board as a whole in light of recommendations received from the EGC Committee. The EGC Committee reviews the compensation of the Chief Executive Officer and Chief Financial Officer on an annual basis in light of various performance parameters, such as profitability, share price and increase in sales, and submits any recommendations for increases to the Board for their approval.

### **Other Board Committees**

The Board has no committees other than the Audit Committee and EGC Committee.

### **Assessments**

The EGC Committee adopted a process of soliciting the views of Board members with respect to the effectiveness of the Board as a whole and of the Board members individually. The EGC Committee aggregates the results of this survey and determines areas for improved Board effectiveness and gaps in director competencies. This information is then used in assessing appropriate board candidates. In addition, the Board conducts an annual self-assessment to ensure that the committees' charters, and the Corporation's articles and by-laws are being followed by the committees and the Board as a whole, and the EGC Committee monitors the composition of the Board to ensure that the directors have the necessary educational background and work experience to provide the required guidance to the Corporation's senior management.

## **AUDIT COMMITTEE**

The Audit Committee comprises of William Ollerhead, Michael Williams and John B. Kelly. All members



are considered financially literate for purposes of NI 52-110. The responsibilities, power and operation of the Audit Committee are set out in the Audit Committee Charter, a copy of which is attached as Appendix “A” to this Circular.

## Education and Experience

The following is a description of the education and experience that make each member of the audit committee financially literate.

*William Ollerhead – B.A. (Statistics), MBA*

Experience: Mr. Ollerhead manages a private investment, management services, and corporate finance consulting Company. He was the founder, in 1997, of Ollerhead Capital Corporation which, until its sale in December of 2009, provided corporate finance advisory services in respect of the structuring and arranging of over \$600 million of private debt transactions. Mr. Ollerhead has gained on the job experience while serving on the boards of directors and audit committees of two other public companies, one of which was listed on the TSX-Venture exchange and the other on the Toronto Stock Exchange. He spent seven years as an institutional investor, latterly co-administering a portfolio exceeding \$2 billion in assets, where a significant part of his role included the analysis of financial statements of a wide variety of companies and entities and it is this knowledge that serves him well to chair this important committee.

*Michael Williams - B.A.Sc., P.Eng., MBA, PCAM (post-graduate MBA Finance), MTax (Master of Taxation), CFA*

Experience: Mr. Williams was directly involved in the energy retrofit business for 12 years, with service to both Honeywell and Johnson Controls, familiarizing himself first-hand with Thermal Energy's technology and solutions. In 2003 he joined Independent Accountant's Investment Counsel Inc. as a Portfolio Manager. Mr. Williams has extensive experience in the analysis of financial reports and risk management. He has served on the Board of Directors of the Corporation since 2005 and as Chair of the Audit Committee from 2006 - 2016.

*John B. Kelly – B.B.A. (Finance), honors law degree, honorary Doctorate*

Experience: Mr. Kelly is recognized as a pioneer in Canadian technology with over 35 years of entrepreneurial and executive experience in this sector. Previously Mr. Kelly was the owner of Comfort Keepers from 2011 to 2019, a director of Murphy Business Services from 2009 to 2019, President and CEO of Clearford Industries Inc. from 2008 until 2009 and CEO of JetForm Corporation from 1995 until joining Reid Eddison in 1999, where he was a principal until 2008. From 2001 until 2007, Mr. Kelly was Chairman of NexInnovations Inc. Prior to that, he founded Why Interactive, was a founder of Computer Innovations Distribution Inc. and Nabu Network Corporation, and was also a founder of SHL Systemhouse Ltd. (since acquired by EDS). Mr. Kelly has received many honors and awards including Master Entrepreneur of the Year, Ontario (1997), Most Respected CEO, Ottawa (1998), Civic Entrepreneur of the Year, Ottawa (1999) and Ottawa's Business Man of the Year (2001).

## Pre-Approval Policies

Annually, the Audit Committee is provided with a list of the audit-related and non-audit services that management anticipates will be provided by the external auditor during the year for pre-approval. The Audit Committee reviews the services with the external auditor and management to determine whether the provision of the services is compatible with the auditor's independence. The Audit Committee completes an annual review of all audit and non-audit services and fees rendered to the Corporation and its subsidiaries by the external auditor.

## External Auditor Service Fees

The fees paid to the Corporation's external auditors in each of the last two (2) fiscal years are as follows:

	<u>Fiscal 2020</u>	<u>Fiscal 2019</u>
Audit Fees <sup>(1)</sup>	\$155,556	\$156,322
Audit Related Fees	\$Nil	\$Nil
Tax Fees <sup>(2)</sup>	\$38,372	\$32,565
All Other Fees <sup>(3)</sup>	\$Nil	\$6,741

Notes to Table:

- (1) “Audit Fees” consist of the aggregate fees billed by KPMG LLP, the Corporation’s independent auditors, for professional services rendered by it for the audit of the Corporation’s annual financial statements or services in connection with statutory and regulatory filings or engagements. “Audit Fees” also include the fees billed by BDO LLP, independent auditors of Thermal Energy International (UK) Limited and GEMChem Limited, in the UK.
- (2) “Tax Fees” consist of the aggregate fees billed by KPMG LLP, the Corporation’s independent auditors, for professional services rendered by them for tax compliance, tax advice and tax planning. Tax services included tax compliance, tax advice and tax planning. “Tax Fees” also include the fees billed by BDO LLP, independent auditors of Thermal Energy International (UK) Limited and GEMChem Limited, in the UK.
- (3) “All Other Fees” consist of fees for products and services other than Audit Fees, Audit Related Fees and Tax Fees.

The Corporation is relying on the exemption provided by Section 6.1 of NI 52-110 as being exempt from the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110 because the Corporation is a “venture issuer” as such term is defined in NI 52-110.

### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Further financial information is contained in the Corporation’s financial statements and management discussion and analysis (“MD&A”) for the year ended May 31, 2020. Copies of the Corporation’s financial statements and related MD&A may be obtained upon written request made to the Corporation at its principal office at 36 Antares Drive, Suite 850, Ottawa, Ontario, K2E 7W5, by facsimile to the Corporation at (613) 723-7286 or by e-mail to [bill.crossland@thermalenergy.com](mailto:bill.crossland@thermalenergy.com). The Corporation may require payment of a reasonable charge if the request for information is made by a person or company that is not a security holder of the Corporation.

### **OTHER BUSINESS**

Management is not aware of any other business to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters should properly come before the Meeting, the Proxy will be voted upon such matters in accordance with the best judgement of the person voting the Proxy.

### **SHAREHOLDER PROPOSALS FOR NEXT MEETING**

Proposals of shareholders to be presented at the 2021 annual meeting of shareholders of the Corporation must be received by the Corporation before the date that is ninety (90) days before the anniversary date of this Meeting to be considered for inclusion in the Management Proxy Circular and Form of Proxy relating thereto.

**APPROVAL BY THE BOARD OF DIRECTORS**

The contents of this Management Information Circular and the mailing thereof have been approved by the Board of Directors of the Corporation. Where information contained in this Management Information Circular is not within the knowledge of the Corporation, the Corporation has relied upon information furnished by the person who has such knowledge.

DATED at Ottawa, Ontario, this 6th day of October 2020.



William Crossland  
President & Chief Executive Officer  
Thermal Energy International Inc.

**APPENDIX “A”**  
**THERMAL ENERGY INTERNATIONAL INC.**  
**AUDIT COMMITTEE CHARTER**  
*(AS AMENDED ON JANUARY 29, 2006)*

**PURPOSE**

The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of Thermal Energy International, Inc. (the “Corporation” or the “Company”). The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities, primarily through:

1. overseeing management’s conduct of the Corporation’s financial reporting process and systems of internal accounting and financial controls;
2. monitoring the independence and performance of the Corporation’s outside auditors; and
3. providing an avenue of communication among the outside auditors, management and the Board.

**COMPOSITION**

1. The Committee shall have at least three (3) members at all times, the majority (2 or more) of whom must be independent of management, as well as the Corporation. A member of the Committee shall be considered independent if:
  - a. In the sole discretion of the Board, it is determined that he or she has no relationship that may interfere with the exercise of his or her independent judgment; and
  - b. He or she meets the applicable stock exchange or other regulatory requirements regarding the independence of audit committee members.
2. If any member of the Committee develops a “conflict of interest” (as that term is defined in an applicable stock exchange or other regulatory requirement), that member shall have an affirmative obligation to promptly disclose such relationship to the Board.
3. All members of the Committee shall have a practical knowledge of finance and accounting and be able to read and understand fundamental financial statements or be able to do so within a reasonable period of time after appointment to the Committee.
4. At least one member of the Committee shall have accounting or related financial management expertise, as the Board interprets such qualification in its business judgment.
5. Each member of the Committee shall be appointed by the Board and shall serve until the earlier to occur of the date on which he or she shall be replaced by the Board, resigns from the Committee or resigns from the Board.

**MEETINGS**

1. The Committee shall meet as frequently as circumstances dictate, but no less than one time annually for review of audited statements with the auditor, and three times via teleconference to review the un-audited quarterly financial statements with the Chief Financial Officer (CFO). The Board of Directors shall name a chairperson of the Committee, who shall prepare and/or approve an agenda with the assistance of the Chairman of the Board of Directors in advance of each meeting. A majority of the members of the Committee shall constitute a quorum. The Committee shall maintain minutes or other records of meetings and activities of the Committee.

2. The Committee shall, through its chairperson, report regularly to the Board following the meetings of the Committee, addressing such matters as the quality of the Company's financial statements, the performance and independence of the outside auditors, or other matters related to the Committee's functions and responsibilities.

## **RESPONSIBILITIES AND DUTIES**

The Committee's principal responsibility is one of oversight. The Company's management is responsible for preparing the Company's financial statements and the outside auditors are responsible for auditing and/or reviewing those financial statements.

While the Committee has the powers and responsibilities set forth in this charter, it is not the responsibility of the Committee to plan or conduct audits or to determine that the Company's financial statements present fairly the financial position, the results of operations and the cash flows of the Company, in conformity with Canadian generally accepted accounting standard. This is the responsibility of the management and the outside auditors. In carrying out these oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the outside auditors' work.

The Committee's specific responsibilities are as follows:

### **General**

1. The Committee shall, with the assistance of management, the outside auditors and legal counsel, as the Committee deems appropriate, review and evaluate at least annually, the Committee's:
  - a. Charter;
  - b. Powers and responsibilities; and
  - c. Performance
2. The Committee shall report and make recommendations to the Board with respect to the foregoing, as appropriate.
3. The Committee shall ensure inclusion of its then-current charter in the proxy statement for the Company's annual meetings of shareholders, in accordance with the regulations of the applicable stock exchange or other regulatory requirements.
4. The Committee shall prepare annual Committee reports for inclusion in the proxy statements for the Company's annual meetings, as required by the applicable stock exchange or other regulatory requirements.
5. The Committee shall, in addition to the performance of the duties described in this charter, undertake such additional duties as from time to time may be:
  - a. delegated to it by the Board;
  - b. required by law, a stock exchange or other regulatory authority; or
  - c. deemed desirable, as is recommended by the Committee's and approved by the board, in connection with its functions described in this charter.

### **Internal Controls and Risk Assessment**

1. The Committee shall review annually, with management and the outside auditors, if deemed appropriate by the Committee, the effectiveness of or weaknesses in the Company's internal controls, including computerized information system controls and security, the overall control environment and accounting and financial records.
2. The Committee shall obtain from the outside auditors their recommendations regarding internal controls and other matters relating to the accounting procedures and the books and records of the Company.

3. The Committee shall establish procedures for:
  - a. The receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
  - b. The confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.
4. An audit committee must review and approve the issuer's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer.

#### **Outside Auditors: Their Performance and Independence**

1. The outside auditors are ultimately accountable to the Board and the Committee, as the representatives of the shareholders of the Company. The Committee shall evaluate and recommend to the Board the selection and, where appropriate, the replacement of the outside auditors. The Committee shall recommend to the Board the outside auditors to be proposed for shareholder approval in any proxy statement.
2. The Committee shall:
  - a. Confer with the outside auditors concerning the scope of their examinations of the books and records of the Company and its subsidiaries;
  - b. Review the scope, plan and procedures to be used on the annual audit, as recommended by the outside auditors;
  - c. Review the results of the annual audits including:
    - i. The outside auditors' audit of the Company's annual financial statements, accompanying footnotes and its report thereon;
    - ii. Any significant changes required in the outside auditors' audit plans or scope;
    - iii. Any material differences or disputes with management encountered during the course of the audit (the Committee to be responsible for overseeing the resolution of such differences and disputes);
    - iv. Any material management letter comments and management's responses to recommendations made by the outside auditors in connection with the audit;
    - v. Matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communications with Audit Committees) relating to the conduct of the audit;
  - d. Authorize the outside auditors to perform such supplemental reviews or audits as the Committee may deem desirable; and
  - e. Obtain from the outside auditors assurance that they have complied with any applicable stock exchange or other regulatory requirements.
3. The Committee shall inquire into any accounting adjustments that were noted or proposed by the outside auditors but were "passed" as immaterial or otherwise.
4. The Committee shall inquire as to any matters that were referred to the outside auditors' national office relating to accounting policies and/or financial statement disclosure within the Company's financial statements and to the extent deemed appropriate, requires an opportunity to address such issues directly with a representative of such national office.

5. Pre-approval by the Committee shall be required with respect to the fees for all audit and other services performed by the outside auditors as negotiated by management.
6. The Committee's approval of any non-audit services exceeding one thousand dollars (\$1,000) to be rendered by the outside auditors must be obtained in advance of engaging the outside auditors to render such services. The Committee shall not approve the engagement of the outside auditors to render non-audit services prohibited by law or rules and regulations promulgated by an applicable stock exchange or other regulatory authority. The Committee shall consider whether the provision of non-audit services is compatible with maintaining the outside auditors' independence, including, but not limited to, the nature and scope of the specific non-audit services to be performed and whether the audit process would require the outside auditors to review any advice rendered by the outside auditors in connection with the provision of non-audit services.
7. The Committee shall receive from the outside auditors on a periodic basis a formal written statement delineating all relationships between the outside auditors and the Company, regarding relationships and services, which may impact the objectivity and independence of the outside auditors, and other applicable standards. The statement shall include a description of all services provided by the outside auditors and the related fees. The Committee shall actively engage in a dialogue with the outside auditors regarding any disclosed relationships or services that may impact the objectivity and independence of the outside auditors and shall evaluate, after gathering information from management, and other Board members, the performance of the outside auditors and recommend that the Board take action to satisfy itself of the independence of the outside auditors.

### **Financial Reporting**

1. The Committee shall review and discuss with the outside auditors and management the Company's audited annual financial statements that are to be included in the Company's annual report and the outside auditors' opinion with respect to such financial statements, including reviewing the nature and extent of any significant changes in accounting principles or the application of such accounting principles; and determining whether to recommend to the Board that the financial statements be included in the Company's annual report for filing with an applicable stock exchange or other regulatory authority.
2. The Committee shall review and discuss with the auditors and management, and require the outside auditors to review, the Company's annual financial statements to be included in the Company's reports prior to filing such reports with an applicable stock exchange or other regulatory authority. The Committee shall review and discuss:
  - a. The existence of significant estimates and judgments underlying the financial statements, including the rationale behind those estimates as well as the details on material accruals and reserves and the Company's accounting principles;
  - b. All critical accounting policies identified to the Committee by the outside auditors;
  - c. Major changes to the Company's accounting principles and practices, including those required by professional or regulatory pronouncements and actions, as brought to its attention by management and/or the outside auditors; and
  - d. Material questions of choice with respect to the appropriate accounting principles and practices to be used in the preparation of the Company's financial statements, as brought to its attention by management and/or the outside auditors.
3. The Committee shall review and discuss the Company's disclosure under "Management's Discussion and Analysis" included in any annual or quarterly report, or other report or filing filed with an applicable stock exchange or other regulatory authority.
4. The Committee shall discuss with the outside auditors any item not reported as contingent liability or loss in the Company's financial statements as a result of a determination that such item does not satisfy a materiality threshold. The Committee shall review with the outside auditors the quantitative and qualitative analysis applied in connection

with such assessment of materiality, including, without limitation, the consistency of such assessment with the requirements.

5. The Committee shall review and consider other matters in relation to the financial affairs of the Company and its accounts, and in relation to the internal and external audit of the Company as the Committee may, in its discretion, determine to be advisable.
6. The Committee shall meet at least annually with management, and the outside auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.

#### **Compliance with Laws, Regulations and Policies**

1. The Committee shall review with management actions taken to ensure compliance with any code or standards of conduct for the Corporation, which may be established by the Board.
2. The Committee shall review with the Corporation's legal counsel any legal compliance matters, including securities trading practices and any other legal matters that could have a significant, adverse impact on the Company's financial statements.
3. The Committee shall review with the Corporation's counsel and any other federal, tax or regulatory matters that may have a material impact on the Corporation's operations and the financial statements, related Corporation compliance programs and policies and programs and reports received from regulators, and shall monitor the results of the Corporation's compliance efforts.
4. The Committee shall periodically review the rules promulgated by the applicable stock exchange or other regulatory authority relating to the qualifications, activities, responsibilities and duties of audit Committees and shall take, or recommend that the Board take, appropriate action to comply with such rules.