



## **APPILI THERAPEUTICS INC.**

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

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**August 22, 2019**

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**NOTICE OF ANNUAL AND SPECIAL MEETING OF THE HOLDERS OF  
CLASS A COMMON SHARES OF APPILI THERAPEUTICS INC.**

**NOTICE IS HEREBY GIVEN** that the annual and special meeting (the “**Meeting**”) of the shareholders (the “**Shareholders**”) of class A common shares (the “**Common Shares**”) of Appili Therapeutics Inc. (the “**Corporation**”) will be held at the offices of Dentons Canada LLP, 77 King Street West, Suite 400, Toronto-Dominion Centre, Toronto, Ontario M5K 0A1 on Thursday, September 26, 2019, at 12:30 p.m. (Eastern Standard time) for the following purposes:

- (a) receiving the financial statements of the Corporation for its fiscal year ended March 31, 2019 and the report of the auditor thereon;
- (b) fixing the number of directors of the Corporation to be elected at the Meeting at six and thereafter authorizing the board of directors of the Corporation (the “**Board**”) to fix the number of directors of the Corporation at such number as deemed appropriate by the Board within the minimum and maximum number set out in the articles of the Corporation;
- (c) electing the directors for the ensuing year;
- (d) appointing PricewaterhouseCoopers LLP as the auditor of the Corporation and authorizing the Board to fix its remuneration and terms of engagement;
- (e) adopting a resolution, the text of which is set out in Schedule A to the management information circular of the Corporation dated August 22, 2019 (the “**Circular**”), approving, confirming and ratifying the second amended and restated stock option plan of the Corporation; and
- (f) transacting such other business as may properly be brought before the Meeting.

The accompanying Information Circular and form of proxy (the “**Instrument of Proxy**”) provide additional information relating to each of the matters to be addressed at the Meeting.

**DATED** at Halifax, Nova Scotia this 22<sup>nd</sup> day of August, 2019.

**BY ORDER OF THE BOARD**

*(signed) Stephen Nicolle*  
\_\_\_\_\_  
Stephen Nicolle, Chairman

**IMPORTANT**

**If you are a registered Shareholder**, and are unable to attend the Meeting or any adjournment(s) or postponement(s) thereof in person, please complete, date, sign and return the accompanying Instrument of Proxy to Computershare Investor Services Inc. (“**Computershare**”), by: (a) mail or hand to the 8th Floor, 100 University Avenue, Toronto, Ontario, Canada, M5J 2Y1; (b) using a touch-tone phone to transmit voting choices to a toll-free number; or (c) logging onto the internet website of Computershare at [www.investorvote.com](http://www.investorvote.com). All instructions are listed on the enclosed Instrument of Proxy. Your proxy or voting instructions must be received in each case no later than 48 hours, excluding Saturdays, Sundays and statutory holidays, prior to the Meeting time.

**If you are a non-registered beneficial Shareholder**, a voting information form (also known as a VIF), instead of a form of proxy, may be enclosed. You must follow the instructions provided by your intermediary in order to vote your Common Shares.



**APPILI THERAPEUTICS INC.**

**MANAGEMENT INFORMATION CIRCULAR**

**August 22, 2019**

**THIS MANAGEMENT INFORMATION CIRCULAR (THE "INFORMATION CIRCULAR") IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY AND ON BEHALF OF MANAGEMENT OF APPILI THERAPEUTICS INC. ("APPILI" OR THE "CORPORATION") FOR USE AT THE ANNUAL AND SPECIAL MEETING (THE "MEETING") OF THE HOLDERS (THE "SHAREHOLDERS") OF CLASS A COMMON SHARES OF THE CORPORATION (THE "COMMON SHARES") TO BE HELD AT THE OFFICES OF DENTONS CANADA LLP, 77 KING STREET WEST, SUITE 400, TORONTO-DOMINION CENTRE, TORONTO, ONTARIO M5K 0A1 ON THURSDAY, SEPTEMBER 26, 2019, AT 12:30 P.M. (EASTERN STANDARD TIME) OR ANY ADJOURNMENT(S) OR POSTPONEMENT(S) THEREOF FOR THE PURPOSES SET FORTH IN THE ACCOMPANYING NOTICE OF MEETING (THE "NOTICE OF MEETING").** Unless otherwise stated, the information contained in this Information Circular is given as at August 22, 2019.

**GENERAL PROXY INFORMATION**

**Solicitation of Proxies**

It is expected that the solicitation of proxies will be primarily by mail, although proxies may also be solicited personally or by telephone, or other means of electronic communication. The costs of soliciting of proxies by and on behalf of management will be borne by the Corporation.

These Meeting materials are being sent to both registered holders of the Common Shares and Beneficial Shareholders (as defined herein).

**Registered Shareholders**

Registered Shareholders may wish to vote by proxy whether or not they are able to attend the Meeting in person. Registered Shareholders who wish to submit a proxy may choose one of the following methods:

- (a) complete, date and sign the enclosed form of proxy ("**Instrument of Proxy**") and return it to the Corporation's registrar and transfer agent, Computershare Investor Services Inc. ("**Computershare**"), by mail or by hand to the 8th Floor, 100 University Avenue, Toronto, Ontario, Canada, M5J 2Y1; or
- (b) use a touch-tone phone to transmit voting choices to a toll-free number. Registered Shareholders must follow the instructions of the voice response system and refer to the Instrument of Proxy for the toll free number, the holder's account number and the proxy access number; or
- (c) log onto the internet website of Computershare at [www.investorvote.com](http://www.investorvote.com). Registered Shareholders must follow the instructions given on Computershare's website and refer to the Instrument of Proxy for the holder's account number and the proxy access number.

**The persons named as proxyholders in the Instrument of Proxy accompanying this Information Circular are officers and/or directors of the Corporation. A Shareholder who wishes to appoint some other person (who need not be a Shareholder) as his, her or its representative at the Meeting may do so by either: (i) crossing out the names of the management nominees AND legibly printing the other person's name in the blank space provided in the accompanying Instrument of Proxy; or (ii) completing another valid Instrument of Proxy. In either case, the completed Instrument of Proxy must be delivered to the Corporation, at the place and within the time specified herein for the deposit of proxies.** A Shareholder who appoints a proxy who is someone other than the management representatives named in the Instrument of Proxy should notify the nominee of the appointment, obtain the nominee's consent to act as proxy, and provide instructions on how the Common Shares are to be voted. The nominee should bring personal identification to the Meeting. In any case, the Instrument of Proxy should be dated and executed by the Shareholder or an attorney authorized in writing, with proof of such authorization attached (where an attorney has executed the Instrument of Proxy).

All instructions are listed on the enclosed Instrument of Proxy. Registered Shareholders must ensure the properly completed Instrument of Proxy is received at least 48 hours, excluding Saturdays, Sundays and statutory holidays, prior to the Meeting time or any adjournment(s) or postponement(s) thereof. Late proxies may be accepted or rejected by the Chairperson of the Meeting (the "**Chair**"), in his or her discretion. However, the Chair is under no obligation to accept or reject any particular late proxy. The Chair may waive this time limit for receipt of proxies without notice.

### **Revoking a Proxy**

A Shareholder who has validly given a proxy pursuant to this solicitation may revoke it at any time up to and including the last business day preceding the day of the Meeting or any adjournment(s) or postponement(s) thereof at which the proxy is to be used:

- (a) by an instrument in writing executed by the Shareholder or by his, her or its attorney authorized in writing and either delivered by mail, hand or courier to the attention of Kimberly Stephens, Chief Financial Officer, Appili Therapeutics Inc., #21-1344 Summer Street, Halifax, Nova Scotia, Canada B3H 0A8 or by email to the attention of Kimberly Stephens, Chief Financial Officer at [kstephens@appilitherapeutics.com](mailto:kstephens@appilitherapeutics.com);
- (b) by delivering written notice of such revocation to the Chair prior to the commencement of the Meeting on the day of the Meeting or any adjournment(s) or postponement(s) thereof, or
- (c) in any other manner permitted by law.

As well, a Shareholder who has given an Instrument of Proxy may attend the Meeting in person (or where the Shareholder is a corporation, its authorized representative may attend), revoke the Instrument of Proxy (by indicating such intention to the Chair before the Instrument of Proxy is exercised) and vote in person.

### **Signature on Proxies**

The Instrument of Proxy must be executed by the Shareholder or his or her duly appointed attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer whose title must be indicated. An Instrument of Proxy signed by a person acting as attorney or in some other representative capacity 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 been previously filed with the Corporation).

### **Voting of Proxies**

Each Shareholder may instruct his, her or its proxy how to vote such holder's Common Shares by completing the blanks on the Instrument of Proxy.

**Common Shares represented by the enclosed Instrument of Proxy will be voted in accordance with the instructions of the Shareholder on any ballot that may be called for and if the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. In the absence of such direction, such Common Shares will be voted FOR THE MATTERS SET OUT IN THE NOTICE OF MEETING TO BE ACTED UPON AT THE MEETING. If any amendment or variation to the matters identified in the Notice of Meeting is proposed at the Meeting or any adjournment(s) or postponement(s) thereof, or if any other matters properly come before the Meeting or any adjournment(s) or postponement(s) thereof, the accompanying Instrument of Proxy confers discretionary authority to vote on such amendments or variations or such other matters according to the best judgment of the appointed proxy holder.** Management of the Corporation knows of no such amendments or variations or other matters to come before the Meeting.

#### **Advice to Beneficial Shareholders**

**The information set forth in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not hold Common Shares in their own name.** Shareholders who hold their Common Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name (referred to in this Information Circular as **"Beneficial Shareholders"**) should note that proxies can be deposited only by Shareholders who are registered Shareholders.

Beneficial Shareholders who have received the Meeting materials from their intermediary should follow the directions of their intermediary with respect to the procedure to be followed for voting at the Meeting. Generally, Beneficial Shareholders will either:

- (a) be provided with a form of proxy executed by the intermediary but otherwise uncompleted. The Beneficial Shareholder may complete the proxy and return it directly to the Corporation's registrar and transfer agent, Computershare; or
- (b) be provided with a request for voting instructions. The intermediary is required to send the Corporation an executed form of proxy completed in accordance with any voting instructions received by the intermediary.

If you are a Beneficial Shareholder, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained from your intermediary in accordance with applicable securities regulatory requirements. By choosing to send the Meeting materials to you directly, the Corporation (and not your intermediary) has assumed responsibility for (i) delivering the Meeting materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

**If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

Appili is sending the proxy-related materials directly to non-objecting Beneficial Shareholders under NI 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer ("**54-101**"). Management of Appili 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 in the case of an objecting Beneficial Shareholder, the objecting Beneficial Shareholder will not receive the materials unless the objecting Beneficial Shareholder's intermediary assumes the cost of delivery.

All references to Shareholders in this Information Circular and the accompanying Instrument of Proxy and Notice of Meeting are to registered Shareholders unless specifically stated otherwise.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker, a Beneficial Shareholder may attend the

Meeting as proxyholder for the Registered Shareholder and vote the Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the Registered Shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.

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

No person who has been a director or executive officer of the Corporation at any time since the beginning of the last completed financial year end of the Corporation, no 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, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting, other than the election of directors.

### VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

Only Shareholders of record as of the Record Date (as defined herein) are entitled to receive notice of, attend and vote at the Meeting. As at the Record Date, the Corporation had 33,588,947 Common Shares issued and outstanding. Each Common Share carries the right to one vote.

The record date for the purpose of determining the Shareholders entitled to receive notice of the Meeting has been fixed by the board of directors of the Corporation (the "Board") to be August 22, 2019 (the "Record Date"). Only Shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver an Instrument of Proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Common Shares voted at the Meeting.

Except as set out below, to the knowledge of the directors and executive officers of the Corporation, no persons or corporations beneficially own, or control or direct, directly or indirectly, 10% or more of the issued and outstanding Common Shares:

Name	Number of Common Shares Beneficially Owned or Controlled or Directed	Percentage of Outstanding Common Shares
Bloom Burton & Co. Inc. ("Bloom Burton")	14,350,120 <sup>(1)</sup>	42.72%
Nova Scotia Innovation Corporation ("Innovacorp")	3,928,839	11.7%

Note:

- (1) Bloom Burton holds, in the aggregate, 14,350,120 Common Shares as follows: (a) 454,120 Common Shares directly; and (b) 13,896,000 Common Shares indirectly through Bloom Burton Development Corp. ("BBDC"), its wholly-owned subsidiary. Brian Bloom, a director of the Corporation, together with Jolyon Burton, beneficially own, indirectly, and exercise control and direction over Bloom Burton.

### MATTERS TO BE ACTED UPON AT THE MEETING

#### Presentation of the Financial Statements

The financial statements of the Corporation for its fiscal year ended March 31, 2019 and the auditor's report thereon, will be presented to the Shareholders at the Meeting, but no vote with respect thereto is required or proposed to be taken.

## **Number of Directors**

The articles of the Corporation provide that the Board shall consist of a minimum of one director and a maximum of 10 directors. Shareholders will be asked to consider, and if thought appropriate, approve an ordinary resolution fixing the number of directors to be elected at the Meeting at six directors and thereafter authorizing the Board to fix the number of directors of the Corporation at such number as deemed appropriate by the Board within the minimum and maximum number set out in the articles of the Corporation. In order to be effective, an ordinary resolution requires approval by a majority of the votes cast by Shareholders who vote in respect of the resolution. At the Meeting, Shareholders will be asked to vote on the following resolution, with or without variation:

*“**BE IT RESOLVED** that the number of directors of Appili Therapeutics Inc. (the “**Corporation**”) to be elected be fixed at six and thereafter the board of directors of the Corporation be authorized to fix the number of directors of the Corporation at such number as they deem within the minimum and maximum number set out in the articles of the Corporation.”*

**In the absence of a contrary specification made in the Instrument of Proxy, the persons named in the accompanying Instrument of Proxy intend to vote IN FAVOUR of fixing the number of directors to be elected at the Meeting at six directors and thereafter authorizing the Board to fix the number of directors at such number as deemed appropriate by the Board within the minimum and maximum number set out in the articles of the Corporation.**

## **Election of Directors**

### ***Background***

There are currently six directors of the Corporation. The Corporation has nominated six persons for election as directors at the Meeting. Each nominee for election as a director is currently a director of the Corporation. The present term of office of each current director of the Corporation will expire at the Meeting and each director elected at the Meeting will hold office until the next annual general meeting of shareholders of the Corporation or until his or her successor is duly elected or appointed, unless he or she resigns, is removed or becomes disqualified in accordance with the Corporation's by-laws or governing legislation.

### ***Advance Notice Provisions***

The by-laws of the Corporation include advance notice provisions for the election of directors of Appili at specified meetings of the Shareholders (the “**Advance Notice Provisions**”). The Advance Notice Provisions require advance notice by any Shareholder who intends to nominate any person for election as a director of the Corporation. Among other things, the Advance Notice Provisions set a deadline by which such Shareholders must notify the CEO of the Corporation in writing of an intention to nominate a director prior to any meeting of Shareholders at which directors are to be elected and set forth the information that the Shareholder must include in the notice for it to be valid.

In the case of an annual meeting of Shareholders, notice to the CEO of the Corporation must be made not less than 30 days prior to the date of the annual meeting; provided, however, that if the annual meeting is to be held on a date that is less than 50 days after the date on which the initial public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10<sup>th</sup> day following such public announcement.

In the case of a special meeting of Shareholders that is not also an annual meeting but is called for the purpose of electing directors of the Corporation (whether or not called for other purposes), notice to the CEO of the Corporation must be made not later than the close of business on the 15<sup>th</sup> day following the day on which the initial public announcement of the special meeting of Shareholders was made.

Notwithstanding the above, in the case of an annual or special meeting of Shareholders where “notice-and-access” is used for the delivery of proxy-related materials and the initial public announcement is not less than 50 days before the date of the meeting, notice to the CEO of the Corporation must be made not less than 40 days prior to the date of the meeting.

### **Director Nominees**

The following table and the notes thereto state the names and places of residence of all persons proposed to be nominated for election as directors of the Corporation, the positions they hold with the Corporation, their principal occupations or employments during the past five years, the year such persons began to serve as directors of the Corporation and the number of Common Shares beneficially owned or over which control or direction is exercised by each of them.

**Unless authority to vote is withheld, the persons named in the accompanying Instrument of Proxy intend to vote IN FAVOUR of the election of each of the six nominees whose names are set forth hereafter.**

<b>Name of Proposed Nominee, State/Province and Country of Residence</b>	<b>Position(s) Held with the Corporation</b>	<b>Principal Occupation(s) for the Past Five Years</b>	<b>Date First Elected a Director of the Corporation</b>	<b>Number of Common Shares Beneficially Owned or Controlled or Directed, Directly or Indirectly<sup>(3)</sup></b>
Stephen Nicolle <sup>(1)(2)</sup> (Atlanta, Georgia, USA)	Chairman of the Board and Director	Partner at Island Capital Partners (since April 2017) CEO of STI Technologies (January 2010 to December 2014)	January 2017	-
Brian Bloom (Toronto, Ontario, Canada)	Director	CEO and Chairman of Bloom Burton	May 2015	14,350,120 <sup>(4)</sup>
Ian Mortimer <sup>(1)(2)</sup> (North Vancouver, British Columbia, Canada)	Director	President and CFO of Xenon (since November 2013)	November 2017	-
Theresa Matkovits <sup>(1)(2)</sup> (Buffalo, New York, USA)	Director	Chief Development Officer of Matinas Biopharma (since October 2018) Chief Operating Officer of ContraVir (May 2015 to October 2018)	September 2018	-
Kevin Sullivan (Halifax, Nova Scotia, Canada)	Chief Executive Officer and Director	CEO of Appili (May 2015 to Present) President of Crimson Research Inc. (2004 to Present) CEO of DeNovamed Inc. (May 2013 to January 2015)	May 2015	786,243

Name of Proposed Nominee, State/Province and Country of Residence	Position(s) Held with the Corporation	Principal Occupation(s) for the Past Five Years	Date First Elected a Director of the Corporation	Number of Common Shares Beneficially Owned or Controlled or Directed, Directly or Indirectly <sup>(3)</sup>
Armand Balboni (Waterford, Virginia, USA)	Chief Development Officer and Director	Assistant Professor, US Military Academy (since August 2018)  Deputy Director Clinical Regulatory Affairs, US Army (August 2014 to August 2018)	February 2019	-

Notes:

- (1) Member of the Compensation and Nominating Committee.
- (2) Member of the Audit Committee of the Board (the "**Audit Committee**").
- (3) The information as to the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, not being within the knowledge of the Corporation, has been obtained from the System for Electronic Disclosure by Insiders.
- (4) Mr. Bloom is the Chairman and the Chief Executive Officer of Bloom Burton. Mr. Bloom beneficially owns, or control or directs, indirectly through Bloom Burton, 14,350,120 Common Shares. See "*Voting Securities and Principal Holders of Voting Securities*".

## Director Biographies

### **Stephen Nicolle, Chairman**

Stephen Nicolle has 20 years of experience leading companies and growing shareholder value. He is currently a partner at the venture capital fund, Island Capital Partners, and sits on a number of boards. Mr. Nicolle is the former CEO of the pharmaceutical reimbursement and analytics company, STI Technologies, which was acquired by IQVIA as Canada's largest ever healthcare technology exit. Before STI Technologies, Mr. Nicolle spent 10 years leading venture-backed technology companies, including: CEO of Tatara Systems, CEO of Sigma Systems, COO at March Networks, and President of Nortel's Service Provider eBusiness Solutions Group. He is a graduate of Western University with an honours degree in computer science.

### **Brian Bloom, Director**

Brian Bloom is a co-founder of Bloom Burton and serves as the firm's Chairman and CEO. He is also a director of BBDC and a director, the Chairman and CEO of Bloom Burton Securities Inc. ("**BBSI**"). By forging relationships with international healthcare-specialized investors, Brian raises capital for Canadian healthcare companies while helping investors realize returns. Brian serves on the Board of Directors at BIOTECanada and the Baycrest Foundation. Brian also serves as the Chairman of the Board of Directors of Triumvira Immunologics and on the Board of Directors of Satellos Bioscience and Qing Bile Therapeutics. Brian was formerly the Chairman of the Board of Directors of Grey Wolf Animal Health and a member of the Life Sciences Advisory Board at the National Research Council of Canada. Before co-founding Bloom Burton in 2008, Brian spent six years at Dundee Securities Ltd. in the healthcare and biotechnology institutional sales and equity research groups. Brian started his career at New York-based investment banking firms SCO Financial Group and Molecular Securities. Brian received an Honors Bachelor of Science in Biochemistry from McMaster University and subsequently studied at the Mount Sinai Graduate School for Biological Sciences of New York University, with a focus in molecular endocrinology and biophysics. Brian is the recipient of the McMaster University 2017 Distinguished Alumni Award in Science.

***Ian Mortimer, Director***

Ian Mortimer has over 20 years of experience in the biotechnology sector. He is currently President and CFO of Xenon, a company developing innovative therapeutics to improve the lives of patients with neurological disorders. Prior to joining Xenon in 2013, Mr. Mortimer spent six years at Tekmira Pharmaceuticals Corporation, now Arbutus Biopharma Corporation (NASDAQ: ABUS), as Executive Vice President and CFO. He led both Xenon's and Tekmira's listings on the NASDAQ, in 2014 and 2010 respectively. From 2004 to 2007, Mr. Mortimer was CFO of Inex Pharmaceuticals Corporation. Mr. Mortimer has an M.B.A. from Queen's University, a B.Sc. in Microbiology from the University of British Columbia, and is a Chartered Professional Accountant, Certified Management Accountant.

***Theresa Matkovits, Director***

Dr. Theresa Matkovits has more than 20 years of experience as a leader in global drug development, with extensive experience in infectious disease. She is the Chief Development Officer of Matinas Biopharma (NYSE: MTNB) where she leads the global drug development efforts for the company's portfolio. Prior to joining Matinas Biopharma, she was the COO at ContraVir (Nasdaq: CTRV), where she led global development of the company's clinical-stage antiviral portfolio. She also served as the Executive Vice President, Head of Drug Development, where she was responsible for leading all global drug development functional areas for ContraVir's infectious disease programs. Dr. Matkovits' career also includes leading the clinical development and approval efforts for Natpara® at NPS Pharmaceutical. She served as a Vice President and Innovation Leader at The Medicines Company (Nasdaq: MDCO), where she led the global development efforts for the company's infectious disease franchise. Dr. Matkovits held several leadership positions at Novartis, including in its U.S. Medical and Drug Regulatory Affairs and Global Development Divisions. Dr. Matkovits is a member of the Board of Directors for BioSurplus and was previously a board member of Aradigm Corporation ("**Aradigm**") (Nasdaq: ARDM). She earned her PhD in Biochemistry and Molecular Biology from the University of Medicine and Dentistry of New Jersey - New Jersey Medical School.

***Kevin Sullivan, MBA, CEO and Director***

Kevin Sullivan is the CEO of Appili. He brings more than 21 years of experience working with early-stage biotechnology companies and has raised over \$70 million in private equity and non-dilutive government funding in the space. Before joining Appili, he was CEO at DeNovaMed Inc., a company focused on Gram-positive and Gram-negative antibiotics, and COO at Viron Therapeutics, which develops novel immunotherapies. He is also a former diver in the Canadian Navy, and retains a familiarity with and commitment to resolving medical challenges faced by the military. Mr. Sullivan has an honours degree in Microbiology/Immunology from Dalhousie University, a graduate certificate in biotechnology from McGill University and an MBA from the Ivey School of Business at the University of Western Ontario.

***Armand Balboni, MD, PhD, JD, Chief Development Officer and Director***

Armand Balboni is Appili's Chief Development Officer. His career includes medical research and drug development experience in civilian, academic and military organizations. He is a partner and director at Bloom Burton and most recently has been serving as the firm's senior advisor for regulatory and medical affairs. He is also a director of BBSI. As an active duty military officer, Dr. Balboni served as a staff officer at the USAMRIID. He completed a military staff fellowship at the FDA and went on to serve as the deputy director of clinical and regulatory affairs for the U.S. Army. Armand completed his doctoral work in the MD/PhD program at the Icahn School of Medicine at Mount Sinai and earned his law degree at Brooklyn Law School.

***Corporate Cease Trade Orders, Bankruptcies, Penalties and Sanctions***

No proposed director is, as at the date of this Information Circular, or has been, within 10 years before the date of this Information Circular, a director, CEO or CFO of any company (including Appili), that was subject

to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days:

- that was issued while the proposed director was acting in the capacity as director, CEO or CFO, or
- that was issued after the proposed director ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO.

Except as disclosed herein, no proposed director of Appili:

- is, as at the date of this Information Circular, or has been within the 10 years before the date of this Information Circular, a director or executive officer of any company (including Appili) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Dr. Matkovits was a director of Aradigm until February 2019. In February 2019, Aradigm filed for protection under Chapter 11 of the U.S. Bankruptcy Code in Alameda County Court District to facilitate the sale of its assets.

No proposed director of Appili has been subject to (a) 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; or (b) 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.

### **Appointment of Auditor**

At the Meeting, the Shareholders will be asked to approve a resolution to appoint PricewaterhouseCoopers LLP, chartered professional accountants of Halifax, Nova Scotia, as auditor of the Corporation until the close of the next annual meeting of the Shareholders and to authorize the Board to fix their remuneration and terms of engagement. PricewaterhouseCoopers LLP was first appointed auditor of the Corporation on September 7, 2017.

**In the absence of a contrary specification made in the Instrument of Proxy, the persons named in the accompanying Instrument of Proxy intend to vote IN FAVOUR of appointing PricewaterhouseCoopers LLP, chartered professional accountants of Halifax, Nova Scotia, as auditor of the Corporation and to authorize the Board to fix their remuneration and terms of engagement.**

### **A&R Stock Option Plan**

A summary of the material provisions of the Corporation's stock option plan (the "**Stock Option Plan**") is included under the heading "*Summary of Stock Option Plan*" in this Information Circular. On August 22, 2019, the Board approved, subject to the requisite Shareholder approval, an amended and restated Stock Option Plan (the "**A&R Stock Option Plan**"). The A&R Stock Option Plan converts the Stock Option Plan into a fixed option plan whereby the Corporation is authorized to grant up to 6,700,000 options to purchase Common Shares (the "**Options**"). The Stock Option Plan contemplates a 10% rolling structure whereby the Corporation is authorized to grant such number of Options as was equal to up to 10% of the then issued and outstanding Common Shares at the time of grant.

The full text of the A&R Stock Option Plan is attached hereto as Schedule B.

At the Meeting, Shareholders will be asked to consider and, if deemed appropriate, pass a resolution approving, confirming and ratifying the A&R Stock Option Plan (the “**A&R Stock Option Plan Resolution**”). The text of the A&R Stock Option Plan Resolution is attached hereto as Schedule A.

Under Policy 4.4 of the TSX Venture Exchange (the “**TSXV**”) Corporate Finance Manual (the “**Manual**”), the A&R Stock Option Plan Resolution must be approved by a majority of the votes cast at the Meeting, excluding votes attaching to Common Shares beneficially owned by insiders of the Corporation to whom Options may be granted under the A&R Stock Option Plan and their associates.

**In the absence of a contrary specification made in the Instrument of Proxy, the persons named in the accompanying Instrument of Proxy intend to vote IN FAVOUR of the A&R Stock Option Plan Resolution. The A&R Stock Option Plan Resolution must be approved by a majority of votes cast by the Shareholders present or represented by proxy and entitled to vote at the Meeting.**

### DIRECTOR COMPENSATION

Prior to January 1, 2018, Appili did not pay any compensation to its directors. Thereafter, Appili adopted a compensation plan for the independent members of the Board. Pursuant to this compensation plan, both cash payments and Options are paid to independent directors as per the schedule below:

Position	Prior to October 1, 2018	From October 1, 2018 to June 30, 2019	Since July 1, 2019
Chair of the Board	-	-	CAD \$33,000/year <sup>(1)</sup>
All Directors	CAD \$16,250/year	US \$25,000/year	CAD \$52,000/year
Chair of Audit Committee	CAD \$5,200/year	US \$5,000/year	CAD \$17,000/year
Chair of Nominating and Compensation Committee	CAD \$2,600/year	US \$3,000/year	CAD \$12,000/year
All other Members of the Audit Committee	CAD \$3,250/year	US \$3,000/year	CAD \$7,000/year
All other Members of the Nominating and Compensation Committee	CAD \$1,625/year	US \$2,000/year	CAD \$5,000/year
Independent Directors	20,000 Options <sup>(2)</sup>	25,000 Options <sup>(2)</sup>	140,000 Options

Notes:

(1) In addition to compensation received as a director of the Corporation.

(2) Each Option is exercisable into 3.86 Common Shares.

Directors who are officers, employees, or consultants of the Corporation receive no compensation under the terms of the Corporation’s current compensation plan for its directors.

Annually, the Nominating and Compensation Committee reviews the compensation paid to Appili’s directors to ensure that the Corporation’s approach to Board compensation is competitive and reflects best practices taking into account current governance trends. Recently, the Nominating and Compensation Committee relied upon an independent research report on compensation of other publicly traded companies in the biopharmaceutical industry to assess the compensation of the independent directors, including both cash compensation and share-based compensation amounts.

## Director Compensation Table

The following table sets forth information concerning the total compensation in respect of the directors of the Corporation (other than for Kevin Sullivan, a director who is also a Named Executive Officer and for whom information is shown on the comparable table for the NEOs set out in the “*Summary Compensation Table*”) during the financial year ended March 31, 2019.

Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards <sup>(1)(2)</sup> (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Stephen Nicolle	31,849	-	97,250	-	-	-	129,099
Ian Mortimer	33,122	-	97,250	-	-	-	130,372
Theresa Matkovits	17,196	-	183,150	-	-	-	200,346
Brian Bloom	-	-	-	-	-	-	-
Armand Balboni	-	-	-	-	-	-	-
Lidija Marusic	-	-	-	-	-	-	-

Notes:

- (1) Options are vesting in three instalments every year for 3 years following their date of grant.  
(2) The fair value of the Options is obtained by multiplying the number of Options granted by their value established according to the Black Scholes model. This value is the same as the fair book value established in accordance with International Financial Reporting Standards and accounting for the following assumptions:

	\$0.8808 exercise price grant	\$1.10 exercise price grant
Risk free rate:	2.06%	1.52%
Dividend yield:	0%	0%
Volatility:	134%	126%
Expected lifetime:	10 years	10 years
Fair value per Option:	\$1.0078	\$1.0544

## Incentive Plan Awards

### *Outstanding Option-Based Awards and Share-Based Awards*

The following table sets forth all outstanding Option-based and share-based awards held by each director (other than for Kevin Sullivan, a director who is also a Named Executive Officer and for whom information is shown on the comparable table for Named Executive Officers set out below) as at March 31, 2019.

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Options (\$) <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 (\$)
Stephen Nicolle	77,200	0.5959	May 10, 2027	-	-	-	-
	96,500	0.8808	Apr 1, 2028	-	-	-	-
Ian Mortimer	77,200	0.8808	Feb 20, 2028	-	-	-	-
	96,500	0.8808	Apr 1, 2028	-	-	-	-
Theresa Matkovits	173,700	1.1000	Mar 26, 2029	-	-	-	-
Brian Bloom	-	-	-	-	-	-	-
Armand Balboni	69,480	1.1000	Mar 26, 2029	-	-	-	-
Lidija Marusic	-	-	-	-	-	-	-

Notes:

- (1) The Common Shares were not listed for trading on any stock exchange on March 31, 2019.  
(2) These Options were granted in relation to Dr. Balboni serving as the Corporation's Chief Development Officer.

***Incentive Plan Awards – Value Vested or Earned During the Year***

The following table provides information regarding the value on pay-out or vesting of incentive plan awards for each director (other than for Kevin Sullivan, a director who is also a Named Executive Officer and for whom the information is shown on the comparable table for Named Executive Officers set out below) for the financial year ended March 31, 2019.

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 (\$)
Stephen Nicolle	-	-	-
Ian Mortimer	-	-	-
Theresa Matkovits	-	-	-
Brian Bloom	-	-	-
Armand Balboni	-	-	-

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 (\$)
Lidija Marusic	-	-	-

Note:

(1) The Common Shares were not listed for trading on any stock exchange on March 31, 2019.

### ***Directors' and Officers' Liability Insurance***

The Corporation carries directors' and officers' liability insurance for its directors and officers. Currently, this insurance covers the liabilities of the Corporation's directors and officers up to a maximum claim of \$5,000,000 for each loss. The Corporation believes this level of coverage is appropriate for a biopharmaceutical company at Appili's stage of development.

## **COMPENSATION DISCUSSION AND ANALYSIS**

For the purposes of this Information Circular, a named executive officer (“NEO” or “Named Executive Officer”) of the Corporation means each of the following individuals:

- (a) the CEO of the Corporation;
- (b) the CFO of the Corporation;
- (c) each of the three most highly compensated executive officers of the Corporation, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000; and
- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of that financial year.

Kevin Sullivan (CEO), Kimberly Stephens (CFO) and Sean McBride (the former Vice President, Business Development) are each a NEO of the Corporation for purposes of this disclosure. Sean McBride stepped down as an officer of the Corporation on May 29, 2019.

### **Compensation Objectives**

Appili's compensation philosophy for NEOs is focused on the belief that capable and qualified employees are critical to the Corporation's success. Therefore, the Corporation's compensation plan is designed to attract the very best individuals in each expertise arena and to use salaries and long-term incentive compensation in the form of Options or other suitable long-term incentives to attract and retain such employees. In making its determinations regarding the various elements of executive stock option grants, Appili seeks to meet the following objectives:

- (a) to attract, retain and motivate talented executives who create and sustain Appili's continued success within the context of compensation paid by other companies of comparable size engaged in similar business in appropriate regions;
- (b) to align the interests of Appili's NEOs with the interests of shareholders of Appili; and

(c) to incent extraordinary performance from our key employees.

The Nominating and Compensation Committee reviews the NEOs compensation plans in comparison to multiple benchmarks, as described below.

### **Elements of Compensation**

The Corporation's executive compensation philosophy is supported by the following four elements of Appil's executive compensation program for the NEOs:

- (a) Fixed components: (i) base salary; and (ii) employee benefits programs; and
- (b) Variable components: (i) annual incentive program; and (ii) equity incentive compensation.

Each component of the executive compensation program is discussed below.

#### Base Salary

The base salary is designed to provide income certainty. The base salary review of any NEO takes into consideration the current competitive market conditions, experience, proven or expected performance, and the particular skills of the NEO. The base salary and total compensation package are reviewed by the Nominating and Compensation Committee, who considers the overall remuneration strategy and, where information is available, verifies the appropriateness of existing remuneration levels using an extensive process of evaluating peer groups on the Toronto Stock Exchange (the "TSX") and the TSXV, as well as other external sources for comparison. The base salaries for NEOs of the Corporation are:

<u>NEO</u>	<u>Base Salary</u>
Kevin Sullivan, CEO	\$265,000/year
Kimberly Stephens, CFO and Corporate Secretary	\$195,000/year
Sean McBride, Former Vice President, Business Development	\$187,000/year

#### Employee Benefits Program

The Corporation's employee benefits program includes health, dental, vision, life and disability components and is designed to provide a level of protection to all employees, including executive officers, and their families in the event of death, illness, or disability.

#### Annual Incentive Program

The Board believes that its ability to exercise discretion and judgment is critical to ensuring that annual bonuses reflect the assessment of risk in the decisions and actions taken by our executive team and consider unexpected circumstances or events that have occurred during the year. The annual incentive program for the NEOs is mainly based on their performance as a team against the Corporation's annual objectives, which are approved by the Board at the beginning of each financial year, as well as individual performance. Bonuses are awarded and approved by the Board, at its full discretion, based on recommendation of the Nominating and Compensation Committee. While the target for annual incentive compensation for NEOs has been established as a percentage of their respective base salary as shown in the table below, the Board retains full discretion in assessing such achievement and may approve an award in excess of such target, or alternatively may approve no award at all. In addition, the Board may also factor in individual achievement, if warranted. The bonuses available to the NEOs are:

<u>NEO</u>	<u>Bonus Payable</u>
Kevin Sullivan, CEO	40%
Kimberly Stephens, CFO and Corporate Secretary	30%
Sean McBride, Former Vice President, Business Development	30%

The annual objectives were based on the Company meeting specific goals relating to the development of the Company's products, the business development efforts in both in-licensing opportunities and out-licensing opportunities of its current products and the financing strategy, including preparation of listing on the TSXV.

#### Equity Incentive Compensation

Option grants assist in attracting, retaining and motivating executives of the highest level of quality and effectiveness. The Corporation is focused on rewarding the types of performance that increase long-term shareholder value. Option grants they are part of the long-term incentive and retention program and serve to motivate and encourage executives and employees to deliver performance that increases the value of the Corporation through growth of the share price over the long-term. All Option grants are approved by the Board by the way of recommendation through the Nominating and Compensation Committee. The process for issuing Option grants is in line with the annual incentive program described above. Previous grants of Options are taken into account when considering new grants.

#### **Compensation Risks of Management**

In making its compensation-related decisions, the Board carefully considers the risks implicitly or explicitly connected to such decisions. These risks include the risks associated with employing executives who are not world-class in their capabilities and experience, the risk of losing capable but under-compensated executives, and the financial risks connected to the Corporation's operations, of which executive compensation is an important part.

In adopting the compensation philosophy described above, the principal risks identified by Appili are:

- that the Corporation may be forced to raise additional funding (causing dilution to Shareholders) in order to attract and retain the calibre of executive employees that it seeks; and
- that the Corporation may have insufficient funding to achieve its objectives.

After careful consideration of these risks, the Board has adopted the compensation policy described above.

#### **Nominating and Compensation Committee**

The Nominating and Compensation Committee has the responsibility of reviewing the overall compensation package for the NEOs to the Board. Annually, the Nominating and Compensation Committee evaluates the Corporation's overall performance against its business plan, considers each individual's performance and overall compensation, including incentives paid to senior executives of comparable companies. The Nominating and Compensation Committee also confers with the CEO, when reviewing compensation for other NEOs. In addition, the Nominating and Compensation Committee is responsible for recommending the Option grants, including grant proposals for approval by the Board.

The Nominating and Compensation Committee takes into consideration the following factors when making compensation decisions, among other things:

- the financial resources available or expected to be available to the Corporation;
- comparative compensations levels for companies of Appili's size in the biopharmaceutical industry;

- the capabilities of individual contributors to the Corporation's success;
- the reasonable compensation expectations of the individual contributor; and
- the relative equity with other Appili contributors.

The Nominating and Compensation Committee periodically reviews publicly available data and relevant compensation packages to determine comparable compensation levels for companies of Appili's size in the biopharmaceutical industry. Most components of compensation were reviewed, including base salary, annual incentive compensation and equity incentive compensation. Management assisted the Nominating and Compensation Committee in obtaining the report and the detailed information when requested.

No compensation consultant or advisor has, at any time since the Corporation's most recently completed financial year, been retained to assist the Board or the Nominating and Compensation Committee in determining compensation for any of Appili's directors or executive officers.

The members of the Nominating and Compensation Committee are currently Theresa Matkovits (Chair), Ian Mortimer, and Stephen Nicolle. All members of the Nominating and Compensation Committee are independent. The education and related experience (as applicable) of each current member of the Nominating and Compensation Committee is described under the heading "*Director Biographies*".

#### **Hedging by Named Executive Officers or Directors**

The Corporation has no policy with respect to NEOs or directors purchasing financial instruments, including, for certainty, 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 the NEO or director.

#### **Consulting Agreements**

As a development-stage company, Appili cannot staff every function that would be in place in a more mature, profitable corporation. However, Appili requires access to a similar range of expertise and hands-on capabilities. Therefore, Appili makes use of consultants, typically on a part-time basis or as needed.

All consultants must enter into a non-disclosure agreement with Appili. The specific terms of each consulting engagement differ as to the consultant's time commitment to Appili and the compensation rate paid to the consultant. Industry consultant compensation norms, consultant capabilities, and Appili's needs are the key factors when determining appropriate consultant compensation.

#### **Summary Compensation Table**

The following table sets forth information concerning the total compensation for the most recently completed financial year of the Corporation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by the Corporation to the Named Executive Officers. As the Corporation became a reporting issuer following the most recently completed financial year, compensation for prior financial years is not presented.

Name and Principal Position	Year	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$) <sup>(3)</sup>	Total Compensation (\$)
					Annual Incentive Plans (\$) <sup>(2)</sup>	Long-Term Incentive Plans (\$)			
Kevin Sullivan Chief Executive Officer	2019	265,000	-	100,777	74,200	-	-	-	439,977
Kimberly Stephens Chief Financial Officer	2019	195,000	-	10,078	58,500	-	-	-	263,578
Sean McBride Former VP, Business Development	2019	187,000	-	-	28,100	-	-	-	215,100

Notes:

- (1) The fair value of the Options is obtained by multiplying the number of Options granted by their value established according to the Black Scholes model. This value is the same as the fair book value established in accordance with International Financial Reporting Standards and accounting for the following assumptions:

	\$0.8808 exercise price grant
Risk free rate:	2.06%
Dividend yield:	0%
Volatility:	134%
Expected lifetime:	10 years
Fair value per Option:	\$1.0078

- (2) Represents the cash bonus earned during the year.  
(3) None of the NEOs are entitled to perquisites or other personal benefits which, in aggregate, are worth \$50,000 or more, or are worth 10% or more of an NEO's total salary.

### Incentive Plan Awards

#### ***Outstanding Option-Based Awards and Share-Based Awards***

The following table sets forth all outstanding Option-based and share-based awards held by each Named Executive Officer as at March 31, 2019.

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Options (\$) <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 (\$)
Kevin Sullivan Chief Executive Officer	951,683 32,617 386,000	0.5181 0.5959 0.8808	Mar 11, 2026 May 10, 2027 Apr 1, 2028	-	-	-	-
Kimberly Stephens Chief Financial Officer	154,400 231,600 38,600	0.5181 0.5959 0.8808	Mar 11, 2026 May 10, 2027 Apr 1, 2028	-	-	-	-
Sean McBride Former VP, Business Development	193,000	0.6606	Oct 24, 2027	-	-	-	-

Note:

(1) The Common Shares were not listed for trading on any stock exchange on March 31, 2019.

***Incentive Plan Awards – Value Vested or Earned During the Year***

The following table provides information regarding the value on pay-out or vesting of incentive plan awards for each Named Executive Officer for the financial year ended March 31, 2019.

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 (\$)
Kevin Sullivan Chief Executive Officer	-	-	-
Kimberly Stephens Chief Financial Officer	-	-	-
Sean McBride Former VP, Business Development	-	-	-

Note:

(1) The Common Shares were not listed for trading on any stock exchange on March 31, 2019.

### **Pension Plan Benefits**

As of March 31, 2019, there did not exist a pension plan for the Named Executive Officers that provided for payments or benefits at, following or in connection with retirement.

### **Employment Agreements and Termination and Change of Control Benefits**

Other than as described herein, the Corporation does not have any contract, agreement, plan or arrangement that provides for payments to a NEO at, following or in connection with a termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Corporation or a change in an NEO's responsibilities.

Kevin Sullivan has a written employment agreement pursuant to which he is entitled to receive an annual salary of \$265,000 effective April 1, 2018, as compensation for his services as CEO of the Corporation. Mr. Sullivan is also eligible to participate in any short-term incentive compensation plan. The agreement continues for an indefinite period until terminated by the case of resignation, retirement or termination of employment with cause, in which Mr. Sullivan would not receive a severance payment, but would be entitled to any vacation due. If the termination was without cause or due to a change of control, Mr. Sullivan would be entitled to 12 months' severance, plus 12 months' benefits and any pro-rated bonus reasonably expected to have received. Mr. Sullivan's employment agreement also provides for, among other things, non-compete and non-solicitation covenants in favour of the Corporation during the term of his employment and during the 12-month period following the date his employment is terminated. If Mr. Sullivan had been terminated without cause or due to a change of control as of March 31, 2019, the total amount owing to Mr. Sullivan would have been \$361,805.

Kimberly Stephens has a written employment agreement pursuant to which she is entitled to receive an annual salary of \$195,000 effective April 1, 2018, as compensation for her services as CFO of the Corporation. Ms. Stephens is also eligible to participate in any short-term incentive compensation plan. The agreement continues for an indefinite period until terminated by the case of resignation, retirement or termination of employment with cause, in which Ms. Stephens would not receive a severance payment, but would be entitled to any vacation due. If the termination was without cause or due to a change of control, Ms. Stephens would be entitled to six months plus one month for each year of service up to a maximum of 12 months' of Ms. Stephens' average monthly total compensation (base compensation and earned bonus compensation), or nine months' base pay, respectively. Ms. Stephens' employment agreement also provides for, among other things, non-compete and non-solicitation covenants in favour of the Corporation during the term of her employment and during the 12-month period following the date her employment is terminated. If Ms. Stephens had been terminated without cause as of March 31, 2019, the total amount owing to Ms. Stephens would have been \$192,093. If Ms. Stephens had been terminated due to a change of control as of March 31, 2019, the total amount owing to Ms. Stephens would have been \$146,250.

Sean McBride had a written employment agreement pursuant to which he was entitled to receive an annual salary of \$187,000 effective April 1, 2018, as compensation for his services as Vice President, Business Development of the Corporation. Mr. McBride was also eligible to participate in any short-term incentive compensation plan. The agreement continued for an indefinite period until terminated by the case of resignation, retirement or termination of employment with cause, in which Mr. McBride would not receive a severance payment, but would be entitled to any vacation due. If the termination was without cause or due to a change of control, Mr. McBride would have been entitled to six months plus one month for each year of service up to a maximum of 12 months of Mr. McBride's average monthly total compensation (base compensation and earned bonus compensation), or nine months' base pay, respectively. Mr. McBride's employment agreement also provided for, among other things, non-compete and non-solicitation covenants in favour of the Corporation during the term of his employment and during the 12-month period following the date his employment was terminated. If Mr. McBride had been terminated without cause as of March 31, 2019, the total amount owing to Mr. McBride would have been \$156,917. If Mr. McBride had been

terminated due to a change of control as of March 31, 2019, the total amount owing to Mr. McBride would have been \$140,250.

## MANAGEMENT CONTRACTS

Management functions of the Corporation are not to any substantial degree performed other than by the directors or executive officers of Appili.

## SUMMARY OF STOCK OPTION PLAN

On February 11, 2019, the Board approved the Stock Option Plan which amended and restated the then existing stock option of the Corporation, being the stock option plan of the Corporation dated May 10, 2017 (the "**Prior Stock Option Plan**"). The Stock Option Plan was approved by the shareholders of the Corporation on March 6, 2019 and became effective on June 25, 2019 concurrent with the listing of the Common Shares on the TSXV.

The Stock Option Plan was adopted (and the A&R Stock Option Plan is intended) to assist the Corporation in attracting, retaining and motivating directors, officers, employees and consultants and to closely align their personal interests with those of the Corporation's shareholders by providing them with the opportunity, through Options, to acquire Common Shares.

Prior to the implementation of the A&R Stock Option Plan, the maximum number of Common Shares issuable under the Stock Option Plan shall not exceed 10% of the outstanding Common Shares at the time of grant. Assuming the passing of the A&R Stock Option Resolution, the maximum number of Common Shares issuable under the A&R Stock Option Plan shall not exceed 6,700,000. If any Option granted under the Stock Option Plan is cancelled, expires or terminates for any reason without having been exercised in full, the unpurchased Common Shares subject thereto shall again be available for the purposes of the Stock Option Plan.

The purchase price of the Common Shares issuable upon exercise of each Option granted under the Stock Option Plan (the "**Option Price**") shall be a price fixed for such Option by the Board (or the committee delegated by the Board to administer the Stock Option Plan) upon grant of each such Option provided that such Option Price shall not be lower than the Discounted Market Price (as such term is defined in the Manual) at the time of grant.

Options to acquire more than 2% of the issued and outstanding Common Shares may not be granted to any one consultant in any 12-month period and Options to acquire more than an aggregate of 2% of the issued and outstanding Common Shares may not be granted to persons employed to provide Investor Relations Activities (as such term is defined in the Manual) at any one time. Options granted to acquire more than 5% of the issued and outstanding Common Shares may not be granted to any one individual in any 12-month period.

The Stock Option Plan also provides for adjustments to outstanding Options in the event of an alteration in the capital structure of Appili, merger or amalgamation involving Appili or Appili entering into a plan of arrangement. Moreover, upon a change of control, all Options outstanding under the A&R Stock Option Plan shall become immediately exercisable.

The Board may, in its discretion, but subject to the Manual, at the time of any grant, impose a schedule over which period of time Options will vest and become exercisable by the optionee; however, for so long as the Common Shares are listed on the TSXV, Options granted to persons performing Investor Relations Activities must vest in stages over a 12-month period with no more than one quarter of the Options vesting in any three month period.

Subject to any required approval of the TSXV, the Board may terminate, suspend or amend the terms of the Stock Option Plan, provided that for certain amendments, the Board must obtain shareholder approval, and, where required, disinterested Shareholder approval (as further set out in Policy 4.4 of the Manual).

TSXV policy requires that the Stock Option Plan be approved and ratified by the Shareholders and submitted to the TSXV for acceptance on an annual basis. Further shareholder approval will not be required for Option grants made in accordance with the A&R Stock Option Plan, except in certain circumstances as set out in the Manual.

### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table summarizes equity securities that have been issued and are available for issuance under the Prior Stock Option Plan as of March 31, 2019, which was the only equity compensation plan of the Corporation in existence as of such date:

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a))
Plan category <sup>(1)(2)</sup>	(a)	(b)	(c)
Equity compensation plans approved by securityholders	3,054,418	0.6906	728,898
Equity compensation plans not approved by securityholders	-	-	-
<b>Total</b>	<b>3,054,418</b>	<b>0.6906</b>	<b>728,898</b>

Notes:

- (1) On May 3, 2019, the Corporation subdivided all of its issued and outstanding Common Shares on the basis of 3.86 post subdivision Common Shares for each one pre subdivision Common Share. Given the table above is as of March 31, 2019, information is presented on a pre subdivision basis.
- (2) Up to 12.5% of the number of issued and outstanding Common Shares were reserved for issuance under the Prior Stock Option Plan.

### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

There is no indebtedness outstanding of any executive officers, directors, employees or former executive officers, directors or employees of the Corporation or to another entity which is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation, entered into in connection with a purchase of securities or otherwise.

In addition, no individual who is, or at any time during the most recently completed financial year of the Corporation was, a director or executive officer of the Corporation, no proposed nominee for election as a director of the Corporation and no associate of any such person:

- (a) is or at any time since the beginning of the most recently completed financial year of the Corporation has been, indebted to the Corporation; or

- (b) whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year of the Corporation has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation,

whether in relation to a securities purchase program or other program.

## **STATEMENT OF CORPORATE GOVERNANCE**

### **General**

Under the Canadian Securities Administrators' National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”), the Corporation is required to disclose certain information relating to its corporate governance practices. This information is set forth below.

### **Mandate of the Board**

The Board assumes responsibility for the stewardship of the Corporation and the creation of shareholder value. The Board is responsible for:

- (a) ensuring that management develops and implements a strategic plan that takes into account market realities and regulatory compliance;
- (b) upholding a comprehensive policy for communications with shareholders and the public at large;
- (c) developing and formalizing the responsibilities for each member of the Board, including the responsibilities of the CEO vis-à-vis corporate objectives;
- (d) ensuring that the risk management of Appili is prudently addressed; and
- (e) overseeing succession planning for management.

The frequency of meetings of the Board and the nature of agenda items may change from year to year depending upon the activities of Appili. However, the Board meets at least quarterly and at each meeting there is a review of the business of Appili.

The Board facilitates its exercise of independent supervision over the Corporation's management through frequent meetings of the Board to obtain an update on significant corporate activities and plans, both with and without members of the Corporation's management being in attendance.

### **Composition of the Board**

The Board is composed of six directors, three of whom qualify as independent directors. For this purpose, a director is independent if he or she has no direct or indirect “material relationship” with Appili. A “material relationship” is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of the director's independent judgment. An individual who has been an employee or executive officer of the Corporation within the last three years is considered to have a material relationship with the Corporation.

Of the directors, Stephen Nicolle, Ian Mortimer, and Theresa Matkovits are considered independent. Messrs. Brian Bloom and Armand Balboni are not independent by virtue of their affiliation with Bloom Burton, a principal shareholder of the Corporation, as well as Dr. Balboni acting as Chief Development Officer of the Corporation. Mr. Kevin Sullivan is not independent by virtue of acting as CEO of the Corporation.

The Board believes that management is effectively supervised by the three independent directors, as the independent directors are actively and regularly involved in reviewing the operations of the Corporation and have regular and full access to management not represented on the Board.

### **Board Observer**

Dr. Lidija Marusic, Investment Manager at Innovacorp, serves as a Board observer (the “**Board Observer**”). Under the terms of a board observer agreement between the Corporation and the Board Observer dated June 11, 2019 (the “**Board Observer Agreement**”), the Corporation granted the Board Observer the right to attend such meetings of the Board as the Board, in its sole discretion, may determine, in each case in a non-voting, observer capacity. The Board Observer may, at the sole discretion of the Board, participate in discussions of matters brought to the Board for consideration, but in no event shall the Board Observer (i) take an active role in any Board meeting such as by moving any motion, voting on any matter or seeking to influence the actions of the Board; (ii) sign any Board resolution; (iii) be deemed to be a member of the Board or hold herself out as a member of the Board; and (iv) without limitation of the obligations expressly set forth in the Board Observer Agreement, have or be deemed to have, or otherwise be subject to, any duties (fiduciary or otherwise) to the Corporation or the Shareholders. Notwithstanding the foregoing, the Corporation may exclude the Board Observer from access to any Board materials, meeting or portion thereof if the Board, in its sole discretion, concludes that such exclusion is desirable or appropriate. The Board Observer is responsible for all out-of-pocket expenses incurred by the Board Observer in connection with the Board Observer acting in such capacity. The Board Observer Agreement may be terminated by either party at any time by notice to the other party.

### **Directorships**

Theresa Matkovits sat on the board of a publicly-traded company, Aradigm, until February 2019. Currently, none of the directors serve on the boards of directors of other reporting issuers (or the equivalent).

### **Orientation and Continuing Education**

Appili provides new directors with copies of relevant financial, technical and other information regarding its programs. Board members are also encouraged to communicate with management and the auditor and, to keep themselves current with industry trends and developments. Board members have full access to the Corporation’s records.

### **Ethical Business Conduct**

The Corporation has adopted a Code of Business Conduct and Ethics (the “**Code**”) applicable to directors, officers and employees. All directors, officers and employees are provided with a copy of the Code and are required to sign an acknowledgement that they have read and agree to comply with the terms of the Code. The Board satisfies itself regarding compliance with the Code through its review of the activities of the Corporation, discussions by the Audit Committee with the external auditor of the Corporation without management present, and enquiries within management.

Conflicts, if any, will be subject to the procedures and remedies available under the *Canada Business Corporations Act* (the “**CBCA**”). The CBCA generally provides that in the event that a director has an interest in a material contract or proposed contract or transaction, the director shall disclose his or her interest in such contract or transaction and shall refrain from voting on any matter in respect of such contract or transaction unless otherwise provided by the CBCA.

The Corporation has adopted a Disclosure Policy and a Trading Policy (collectively, the “**Policies**”). The directors of the Corporation encourage and promote an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations, providing guidance to employees, directors and officers to help them recognize and deal with ethical issues, promoting a culture of open

communication, honesty and accountability and ensuring awareness of disciplinary action for violations of ethical conduct.

### **Nomination of Directors**

The Nominating and Compensation Committee assumes the responsibility for nominating directors. The Nominating and Compensation Committee is responsible for identifying and recommending potential nominees for directorship. The process by which the Nominating and Compensation Committee identifies new candidates is through recommendations from individual members based on corporate law and regulatory requirements as well as relevant education and experience related to the Corporation's business.

### **Compensation**

Compensation matters are currently determined by the Nominating and Compensation Committee. The Nominating and Compensation Committee is responsible for reviewing the compensation plans and severance arrangements for management, to ensure they are commensurate with comparable companies. The Nominating and Compensation Committee ensures that Appili has a plan for continuity of its officers and an executive compensation plan that is motivational and competitive.

### **Audit Committee**

The Board has established an Audit Committee that is currently comprised of Ian Mortimer (Chair), Stephen Nicolle and Theresa Matkovits, all of whom are "financially literate" as defined in National Instrument 52-110 – *Audit Committees* ("NI 52-110"). All three Audit Committee members are considered independent pursuant to NI 52-110. For further information regarding the Audit Committee, see the section entitled "Audit Committee" in the Corporation's annual information form for its fiscal year ended March 31, 2019 (the "AIF") as well as Appendix A to the AIF (collectively, the "**AIF Audit Committee Disclosure**"). The AIF Audit Committee Disclosure is incorporated by reference into, and forms an integral part of, this Information Circular. The AIF is accessible through SEDAR at [www.sedar.com](http://www.sedar.com) and is also available on the Corporation's website at [www.appilitherapeutics.com](http://www.appilitherapeutics.com). The Corporation will, upon request at #21-1344 Summer Street, Halifax, Nova Scotia B3H 0A8, Attention: Chief Financial Officer, provide a copy of the AIF free of charge to any securityholder of the Corporation.

### **Assessments**

Based upon the Corporation's size, its current state of development and the number of individuals on the Board, the Board considers a formal process for assessing the effectiveness and contribution of the Board as a whole, its committees or individual directors to be unnecessary at this time. In light of the fact that the Board and its committees meet on several occasions each year, each director has regular opportunity to assess the Board as a whole, its committees and other directors in relation to the Board's and such director's assessment of the competencies and skills that the Board and its committees should possess. The Board plans to continue to evaluate its own effectiveness and the effectiveness of its committees and individual directors in such manner.

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

Other than as set forth in this Information Circular, management of the Corporation is not aware of any material interest, direct or indirect, of any informed person or proposed director of the Corporation or any associate or affiliate of any such persons in any transaction since the commencement of the financial year ended March 31, 2019 or in any proposed transaction, which has materially affected or would materially affect the Corporation.

For the purposes of this Information Circular, an "informed person" means: (a) a director or executive officer of the Corporation; (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Corporation; (c) any person or company who beneficially owns, or controls or directs,

directly or indirectly, voting securities of the Corporation or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation other than voting securities held by the person or company as underwriter in the course of a distribution; and (d) the Corporation in the event it has purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

BBSI is a wholly-owned subsidiary of Bloom Burton. Brian Bloom is a director and officer, and Armand Balboni is a director, of BBSI. In addition, Brian Bloom is the CEO and Chairman, and Armand Balboni is a partner, senior advisor and director, of Bloom Burton. BBSI acted as one of the agents involved in the private placement offering of special warrants of the Corporation (the “**Special Warrants**”) which was completed in multiple tranches during the period commencing on November 21, 2018 and ending on March 19, 2019 (the “**Offering**”). Subsequent to the Offering, the Corporation filed an IPO prospectus qualifying for distribution the Common Shares issuable upon exercise or deemed exercise of the Special Warrants. BBSI received a cash fee for its services in connection with the Offering of \$8,736 and was issued an aggregate of 2,200 broker warrants. In addition, Bloom Burton purchased \$500,000 of Special Warrants under the Offering.

### **MANAGEMENT CONTRACTS**

During the most recently completed fiscal year, the management functions of the Corporation were substantially performed by the directors and executive officers of the Corporation.

### **SHAREHOLDER PROPOSALS**

Pursuant to Section 137 of the CBCA, any notice of a shareholder proposal intended to be raised at the next annual meeting of Shareholders must be submitted to the Corporation at its registered office on or before the date that is at least 90 days prior to the anniversary date of the notice of meeting that was sent to Shareholders in connection with the previous annual meeting of Shareholders to be considered for inclusion in the management information circular for the next annual meeting of the Shareholders. Shareholder proposals need be recognized only if made in accordance with the foregoing procedure, the provisions of the CBCA and the Corporation’s bylaws.

In accordance with the CBCA, shareholder proposals must be received by May 24, 2020 to be considered for inclusion in the management information circular for the Corporation’s 2020 annual meeting of Shareholders.

### **OTHER BUSINESS**

Although the accompanying Notice of Meeting and Information Circular provides for the transaction of such other business as may properly come before the Meeting, the Board has no knowledge of any matters to be presented at the Meeting other than those referred to herein. However, the enclosed Instrument of Proxy gives discretionary authority to vote with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters that may properly come before the Meeting.

### **ADDITIONAL INFORMATION**

Financial information about the Corporation is provided in its financial statements for the fiscal year ended March 31, 2019 and related management’s discussion and analysis. You may obtain a copy of such documents by contacting Kimberly Stephens, Chief Financial Officer at [kstephens@appilitherapeutics.com](mailto:kstephens@appilitherapeutics.com).

All of these above mentioned documents, as well as additional information relating to the Corporation, are also available by visiting the Corporation’s website at [www.appilitherapeutics.com](http://www.appilitherapeutics.com) or SEDAR’s website at [www.sedar.com](http://www.sedar.com).

**BOARD APPROVAL**

The contents and sending of the Notice of Meeting and Information Circular have been approved by the Board and this Information Circular has been sent to each director of the Corporation, each Shareholder entitled to notice of the Meeting and the auditors of the Corporation.

**DATED** at Halifax, Nova Scotia on August 22, 2019.

**BY ORDER OF THE BOARD**

*(signed) Stephen Nicolle*

\_\_\_\_\_  
Stephen Nicolle, Chairman

## SCHEDULE A

### A&R STOCK OPTION PLAN RESOLUTION

**“BE IT RESOLVED THAT:**

- (a) the second amended and restated stock option plan of Appili Therapeutics Inc. (the **“Corporation”**), as described in the management information circular of the Corporation dated August 22, 2019, be and is hereby approved, confirmed and ratified;
- (b) any one director or officer of the Corporation be and is hereby authorized to make all such arrangements, to do all acts and things and to sign and execute all documents and instruments in writing, whether under the corporate seal of the Corporation or otherwise, as may be considered necessary or advisable to give full force and effect to the foregoing; and
- (c) the directors of the Corporation may revoke this resolution before it is acted upon without further approval of the shareholders of the Corporation.”

**SCHEDULE B**

**A&R STOCK OPTION PLAN**

(please see attached)

## APPILI THERAPEUTICS INC.

### SECOND AMENDED AND RESTATED STOCK OPTION PLAN (effective as of [●], 2019)

#### 1. THE PLAN

Appili Therapeutics Inc. (the “**Corporation**”) has established a Stock Option Plan (the “**Plan**”) for *bona fide* Directors, Employees and Consultants of the Corporation or any subsidiary of the Corporation (collectively, the “**Admissible Persons**”), to purchase authorized but unissued class A common shares of the Corporation (the “**Common Shares**”) on the terms and conditions hereinafter set out.

The Board of Directors of the Corporation (the “**Board**”) may appoint a committee to administer the Plan (the “**Committee**”). In the event such a Committee is not appointed by the Board, then the Board shall, for the purposes herein, be deemed to constitute the Committee.

#### 2. PURPOSE

The purpose of the Plan is to encourage the participation of the Admissible Persons in the Corporation’s growth and development by providing them, through the grant of options exercisable for Common Shares (the “**Options**”), with the opportunity to acquire a financial interest in the Corporation, or increase same.

#### 3. DEFINITIONS

All capitalized terms used but not otherwise defined herein shall have the meaning ascribed thereto in the TSX Venture Exchange (“**TSXV**”) Corporate Finance Manual Policy 1.1 – *Interpretation* and Policy 4.4 – *Incentive Stock Options*.

#### 4. GRANT OF OPTIONS

The Committee may, from time to time, in its discretion, grant to any Admissible Person (the “**Optionee**”), the irrevocable (subject to the terms hereof) option to acquire Common Shares (the “**Optioned Shares**”) upon and subject to such terms, conditions and limitations as are herein contained and as the Committee may from time to time determine with respect to each Option. Notwithstanding the foregoing, the exercise of any Option granted hereunder is subject to the vesting provisions contained in Section 9 hereof. The Committee may impose performance thresholds, which thresholds will need to be met prior to vesting of any Options granted.

Subject to the Plan, the Committee may impose limitations, restrictions and conditions, in addition to those set out in the Plan, that are applicable to the exercise of an Option including, without limitation, the nature and duration of any restrictions applicable to a sale or other disposition of Optioned Shares acquired upon exercise of an Option and the nature of events, if any, that may cause any Optionee’s rights in respect of Optioned Shares acquired upon exercise of an Option to be forfeited and the duration of the period of such forfeiture.

The granting of any Option to an Optionee does not confer upon the Optionee any right to continue in the employment of the Corporation or as a member of the Board, as the case may be, nor does it interfere in any way with the rights of the Optionee or of the Corporation's rights to terminate the Optionee's employment at any time or of any shareholder's right to nominate or elect one or more Directors of the Corporation.

For Options granted to Employees, Consultants or Management Company Employees, the Corporation and the Optionee shall be responsible for ensuring and confirming that the Optionee is a *bona fide* Employee, Consultant or Management Company Employee, as the case may be.

Any Options granted pursuant to a stock option plan previously adopted by the Board which is outstanding at the time the Plan comes into effect shall be deemed to have been issued under the Plan and shall, as of the date the Plan comes into effect, be governed by the terms and conditions hereof.

## **5. AUTHORIZED SHARES PURSUANT TO THE PLAN**

Subject to adjustment as provided in Section 14 hereof, the aggregate number of Optioned Shares to be delivered upon the exercise of all Options granted under the Plan shall not exceed 6,700,000. If any Option granted hereunder is cancelled, expires or terminates for any reason without having been exercised in full, the unpurchased Optioned Shares subject thereto shall again be available for the purposes of the Plan.

The reservation for issuance of the Common Shares and the Corporation's obligation to issue Common Shares pursuant to the Plan are subject to the following conditions:

- (a) Subject to subsections 5(b) and 5(c) hereof, no Optionee may be granted Options to acquire more than 5% of the issued and outstanding Common Shares (calculated as at the time of the grant of such Options) in any 12-month period unless the Corporation has obtained the requisite disinterested shareholder approval in connection therewith;
- (b) No Consultant Optionee may be granted Options to acquire more than 2% of the issued and outstanding Common Shares (calculated as at the time of the grant of such Options) in any 12-month period; and
- (c) The aggregate number of Options granted to Optionees retained to provide Investor Relations Activities shall not exceed 2% of the issued and outstanding Common Shares (calculated as at the time of the grant of such Options) in any 12-month period.

## **6. OPTION PRICE**

The purchase price of the Common Shares, upon exercise of each Option granted under the Plan, (the "**Option Price**") shall be a price fixed for such Option by the Committee upon grant of each such Option provided that such Option Price shall not be lower than the Discounted Market Price at the time of grant. In the event that the Corporation proposes to reduce the Option Price of Options granted to an Optionee who is an Insider of the Corporation at the time of the proposed amendment, such amendment shall not be effective until disinterested shareholder approval has been obtained in respect of the Option Price reduction.

The reservation for issuance of the Common Shares and the Corporation's obligation to issue Common Shares pursuant to the Plan are subject to the Corporation having obtained the required authorizations from the regulatory authorities pertaining to the allotment of the Options or to the issuance

and distribution of the Optioned Shares and the listing of the Optioned Shares on the TSXV. The Corporation undertakes to use its best efforts to obtain all the required approvals to give effect to the Plan.

## **7. METHOD OF EXERCISE OF OPTION**

Each Option or part thereof may be exercised by the Optionee or his heirs or legal personal representative by giving notice in writing in the form annexed hereto as Schedule "A" hereto addressed to the Corporation at its head office in Halifax, Nova Scotia, and delivered or mailed by registered mail to the Chief Financial Officer of the Corporation. Such notice shall specify the number of Optioned Shares with respect to which the Option is being exercised and shall be accompanied by payment in full, by certified cheque, bank draft or other form of payment acceptable to the Corporation, of the aggregate Option Price for such number of Optioned Shares so specified therein.

Upon any such exercise of an Option as aforesaid, the Corporation shall forthwith deliver or, as applicable, cause the transfer agent and registrar of the Corporation to deliver, to the Optionee, or his legal personal representative or to the order thereof, a certificate representing the aggregate number of fully paid and non-assessable Common Shares as the Optionee or his heirs or legal personal representative shall have then paid for. Notwithstanding the foregoing, no Option shall be exercisable unless the Corporation shall be satisfied that the issuance of Optioned Shares, upon exercise thereof, will be in compliance with the applicable laws of Canada or any province therein and the rules, policies and regulations of the TSXV. Upon receipt of payment in full, the number of Optioned Shares in respect of which the Option is exercised will be duly issued as fully paid and non-assessable.

No fractional Common Shares shall be issued upon the exercise of Options. If an Optionee otherwise becomes entitled to a fractional Common Share upon exercise of an Option, such Optionee shall only have the right to purchase the next lowest whole number of Common Shares and no payment or adjustment shall be made with respect to the fractional interest so disregarded.

The exercise of each Option granted under this Plan is subject to the conditions set forth in Section 17, that if at any time the Corporation determines, in its discretion, that the satisfaction of withholding tax or other withholding liabilities is necessary or desirable in respect of such exercise, such exercise is not effective unless such withholding has been effected to the satisfaction of the Corporation. In such circumstances, the Corporation may require that an Optionee pay to the Corporation, in addition to and in the same manner as the Option Price for the Optioned Shares, such amount that the Corporation is obliged to remit to the relevant taxing authority in respect of the exercise of the Option. Any such additional payment is due no later than the date as of which any amount with respect to the Option exercised first becomes includable in the gross income of the Optionee for tax purposes.

## **8. TERM**

Each Option, unless sooner terminated in accordance with the terms, conditions and limitations thereof, or unless sooner exercised, shall expire at 5:00 p.m. (Toronto time) on the date ("**Expiry Date**") determined by the Board or by the Committee when the Option is granted or, failing such determination and in any event, not later than that date which is ten (10) years after the grant of the Option.

Subject to the rules, policies or regulations of the TSXV, in the event that the expiry of an Option occurs during a blackout period imposed by management, the Board or the Committee in accordance with the Corporation's insider trading policy, if any, the expiry date of such Option shall be deemed to be amended to that date which is ten business days following the end of such blackout period.

## 9. VESTING

The vesting of each Option granted pursuant to the Plan, and the extent to which each Option is exercisable from time to time during the term of such Option, shall be determined by the Committee in its sole discretion. Notwithstanding the foregoing, Options issued to Optionees retained to provide Investment Relations Activities must vest in stages of not less than 12 months with no more than 25% of the Options vesting in any three month period. In the event that no specific determination is made by the Committee with respect to the vesting of an Option, such Option shall be subject to vesting provisions over time, as follows:

<b>Date</b>	<b>Percentage of Common Shares vesting on date</b>	<b>Total number of Common Shares vested on date</b>
Date of grant	0%	0%
Date which is 1 year after the date of grant	33.33%	33.33%
Date which is 2 years after the date of grant	33.33%	66.66%
Date which is 3 years after the date of grant	33.34%	100.00%

## 10. TERMINATION AS ADMISSIBLE PERSON

Subject to subsections 10(a) and 10(b) hereof and to any express resolution passed by the Committee with respect to an Option but in no event to exceed an extension of one year, an Option and all rights to purchase Common Shares pursuant thereto shall expire and terminate immediately upon the Optionee who holds such Options ceasing to be an Admissible Person, provided that:

- (a) If, before the expiry of an Option in accordance with the terms thereof, an Optionee shall cease to be an Admissible Person (an “**Event of Termination**”) for any reason other than his resignation or termination for Cause of his employment with or engagement as a service provider of the Corporation, or his resignation or failure to be re-elected as a Director of the Corporation, then the Optionee may:
  - (i) exercise the Option to the extent that he was entitled to do so at the time of such Event of Termination, at any time up to and including, but not after, a date three (3) months following the date of such Event of Termination, or prior to the close of business on the expiration date of the Option, whichever is earlier; and
  - (ii) with the prior written consent of the Board or the Committee, which consent may be withheld in the Corporation’s sole discretion, permit the exercise of any Options which have not yet vested at any time up to and including, but not after, a date three (3) months following the date of such Event of Termination, or prior to the close of business on the expiration date of the Option, whichever is earlier, to purchase all or any of the Optioned Shares as the Board or the Committee may designate but not exceeding the number of Optioned Shares the Optionee would have otherwise been entitled to purchase pursuant to the Option had the Optionee’s status as an Admissible Person been maintained for the term of the Option.

- (b) If an Optionee dies before the expiry of an Option in accordance with the terms thereof, the Optionee's legal representative(s) may, subject to the terms of the Option and the Plan:
  - (i) exercise the Option to the extent that the Optionee was entitled to do so at the date of his death at any time up to and including, but not after, a date one year following the date of death of the Optionee, or prior to the close of business on the expiration date of the Option, whichever is earlier; and
  - (ii) with the prior written consent of the Board or the Committee, exercise at any time up to and including, but not after, a date one year following the date of death of the Optionee, a further Option to purchase all or any of the Optioned Shares as the Board or the Committee may designate but not exceeding the number of Optioned Shares the Optionee would have otherwise been entitled to purchase had the Optionee survived.

For greater certainty, subject to Section 11, Options shall not be affected in the event the Optionee ceases to fall within a listed category contained in the definition of an "Admissible Person" hereunder where such Optionee falls within another listed category of such definition.

For the purposes of this Section 10 and Section 11, "**Cause**" means any act or omission by the Admissible Person which would in law permit an employer to, without notice or payment in lieu of notice, terminate the Admissible Person's employment or services, and shall include without limitation the meaning attributed thereto in the employment agreement or consulting agreement, as may be applicable, of such Admissible Person.

For the purposes of 10(a), the date the Optionee ceases to be an Admissible Person, in the case of termination of employment with the Corporation, shall be the last day upon which the employee provides services to the Corporation at its premises and not the last day of any notice period or upon which the Corporation pays wages or salaries in lieu of notice of termination, statutory, contractual or otherwise.

## **11. TERMINATION FOLLOWING CHANGE IN CONTROL**

Notwithstanding Section 10, unless otherwise determined by the Committee at the time of grant, if a Change in Control occurs and the Optionee's employment or engagement with the Corporation is terminated during the period commencing on the date of the Change in Control and ending on the date that is 180 days after the Change in Control (the "**Control Period**"):

- (a) by the Corporation or by the entity that has entered into a valid and binding agreement with the Corporation to effect the Change in Control at any time after such agreement is entered into until the end of the Control Period and such termination was for any reason other than for Cause; or
- (b) by the Optionee as a result of constructive dismissal, provided the event giving rise to the constructive dismissal occurs during the Control Period,

any Option held by the Optionee shall immediately become fully vested and may be exercised or surrendered in accordance with Section 7 at any time during the period that terminates on the earlier of: (i) the Option's Expiry Date and (ii) the 90<sup>th</sup> day after the date of termination. Any Option that remains unexercised or has not been surrendered shall be immediately forfeited upon the termination of such period.

For the purposes of this Section 11, “**Change in Control**” means unless otherwise defined in the applicable document evidencing the Option, the occurrence of any of the following:

- (A) any transaction at any time and by whatever means pursuant to which any person or any group of two or more persons acting jointly or in concert (other than the Corporation or any wholly owned subsidiary of the Corporation) thereafter acquires the direct or indirect beneficial ownership of, or acquires the right to exercise control or direction over, securities of the Corporation representing 50% or more of the then issued and outstanding voting securities of the Corporation in any manner whatsoever, including, without limitation, as a result of a Take-over Bid (as defined in *National Instrument 62-104 – Take-over Bids and Issuer Bids*, as amended from time to time), an issuance or exchange of securities, an amalgamation of the Corporation with any other person, an arrangement, a capital reorganization or any other business combination or reorganization;
- (B) the sale, assignment or other transfer of all or substantially all of the assets of the Corporation to a person or any group of two or more persons acting jointly or in concert (other than a wholly-owned subsidiary of the Corporation);
- (C) the date which is 10 business days prior to the consummation of a complete dissolution or liquidation of the Corporation, except in connection with the distribution of assets of the Corporation to one or more persons which were wholly-owned subsidiaries of the Corporation prior to such event;
- (D) the occurrence of a transaction requiring approval of the Corporation’s security holders whereby the Corporation is acquired through consolidation, merger, exchange of securities, purchase of assets, amalgamation, statutory arrangement or otherwise by any person or any group of two or more persons acting jointly or in concert (other than an exchange of securities with a wholly-owned subsidiary of the Corporation);
- (E) the Board passes a resolution to the effect that an event comparable to an event set forth in this definition has occurred; or
- (F) a majority of the members of the Board are replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election.

For the purposes of this Section 11, the date of termination, in the case of termination of employment with the Corporation, shall be the last day upon which the employee provides services to the Corporation at its premises and not the last day of any notice period or upon which the Corporation pays wages or salaries in lieu of notice of termination, statutory, contractual or otherwise.

## **12. ISSUE OF COMMON SHARES**

No Optionee shall have any of the rights or a shareholder with respect to any Optioned Shares until same have been paid for in full and issued to him.

### **13. TRANSFERABILITY AND ASSIGNMENT**

Subject to the provisions of this Section 13, Options are personal to the Optionee. No Optionee may deal with any Option or any interest in it or Transfer any Option now or hereafter held by the Optionee except in accordance with the Plan. A purported Transfer of any Option in violation of the Plan will not be valid and the Corporation will not issue any Optioned Shares upon the attempted exercise of an improperly Transferred Option. No Option shall be Transferable or assignable other than by will or the laws of succession and distribution.

For the purposes of this Section 13, “**Transfer**” means any sale, exchange, assignment, gift, bequest, disposition, mortgage, charge, pledge, encumbrance, grant of security interest or other arrangement by which, directly or indirectly, possession, legal title or beneficial ownership passes from an Optionee to another person, or to the Optionee in a different capacity, whether or not voluntary or by operation of law and whether or not for value, and any agreement to effect any of the foregoing; and the words “**Transferred**”, “**Transferring**”, “**Transferrable**” and similar words have corresponding meanings; and

### **14. ALTERATION OF NUMBER OF SHARES SUBJECT TO THE PLAN**

The number of Common Shares subject to the Plan shall be increased or decreased proportionately in the event of the subdivision or consolidation or otherwise of Common Shares, and in any such event a corresponding adjustment shall be made changing the number of shares deliverable upon the exercise of any Option theretofore granted without change in the total price applicable to the unexercised portion of the Option, but with a corresponding adjustment in the price for each Optioned Share. 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 the Plan and to prevent their dilution or enlargement.

### **15. TERMINATION AND AMENDMENT**

Notwithstanding any vesting schedule determined in accordance with Section 9 hereto or any other provision of this Plan, in the event that the Corporation or its shareholders receive and accept an offer to acquire all of the shares or substantially all of the assets of the Corporation, whether effected through an acquisition for cash or securities, and whether structured as a purchase, amalgamation, merger, arrangement, reorganization or other business combination (in each case, a “**Sale Transaction**”), the Committee may, in its sole discretion, deal with the Options issued under the Plan in the manner it deems fair and reasonable in light of the circumstances of the Sale Transaction provided all Optionees to whom Options have been granted under the Plan and remain outstanding are treated similarly. In this regard, in the event of a proposed Sale Transaction, the Committee may, in its sole discretion, by written notice (the “**Notice**”) to any Optionee, accelerate the vesting of some or all the Options such that such Options become immediately fully vested. In such circumstances, the Committee may by written notice compel the Optionee to exercise his Options within 30 days of the date of such written notice to exercise, failing which the Optionee’s right to purchase Optioned Shares under such Options lapses. In addition, and without limiting the generality of the foregoing, in connection with a Sale Transaction, the Committee may, without any action or consent required on the part of any such Optionee, (i) deem any or all Options (vested or unvested) under the Plan to have been exercised and the Optioned Shares to have been tendered to the Sale Transaction, (ii) apply a portion of the Optionee’s proceeds from the closing of the Sale Transaction to the Option Price payable by that Optionee for the exercise of his or her Options, (iii) exchange Options, or any portion of them, for options to purchase shares in the capital of the acquiror or any corporation which results from an amalgamation, merger or similar transaction involving the Corporation made in connection with the Sale Transaction, or (iv) take such other actions, and

combinations of the foregoing actions, as it deems fair and reasonable under the circumstances.

If the proposed Sale Transaction is not completed within 180 days after the date of Notice, any affected Optionee, within a period of 10 days following the 180-day period, may elect to cancel an exercise pursuant to the Notice. In respect of any Optionee who makes this election, the Corporation will return to the Optionee all rights under such Optionee's Options as if no exercise had been effected, subject to the appropriate adjustment of accounts to the position that would have existed had there been no exercise of Options.

Notwithstanding anything to the contrary herein, in the event that any formal bid (as defined in the *Securities Act* (Ontario)) for the Common Shares made (an "Offer"), all Common Shares subject to outstanding Options not then exercisable shall thereupon become immediately exercisable. Further, the Optionee shall be entitled to include in the written notice of election to exercise all or any part of the Option that such Optionee is electing to exercise the Option with the intention of tendering the Common Shares acquired upon such exercise into the Offer. If such election is made, in the event that the Offer is not completed and the relevant Common Shares are not taken up and paid for by the offeror under such Offer (or a competing Offer), the Optionee shall, upon return of certificates representing such Common Shares, be deemed not to have exercised the Option with respect to such Common Shares and the Corporation shall return to the Optionee the subscription proceeds therefor and/or take such other actions to enable the parties to re-establish as closely as possible their situations and respective economic positions as they existed prior to the making of the Offer and had no Options become exercisable as a result thereof, while making allowance for taxation, regulatory and other irreversible events and consequences which may have intervened since the making of the Offer.

The Committee may at any time terminate the Plan with respect to Common Shares not being, at that time, Optioned Shares. If required, any amendments shall be subject to the prior consent of any applicable regulatory bodies, including the TSXV. Any amendment to the Plan shall take effect with respect to all outstanding Options on the date of, and all Options granted after, the effective date of such amendment, provided that in the event any amendment materially and adversely affects any outstanding Options it may apply to such outstanding Options only with the mutual consent of the Corporation and the Admissible Person to whom such Options have been granted.

The Committee shall have the power and authority to approve amendments relating to the Plan or to Options, without further approval of the shareholders of the Corporation, including the following non-exhaustive list: (a) to fix typographical errors; (b) to clarify existing provisions of the Plan that do not have the effect of altering the scope, nature and intent of such provisions; (c) to alter, extend or accelerate the terms and conditions of vesting of any Options; (d) to amend the termination provisions of an Option, which amendment shall include determining that any provisions of Section 10 concerning the effect of the person ceasing to be an Admissible Person shall not apply for any reason acceptable to the Committee; (e) to determine adjustments pursuant to Section 14 hereof; (f) to amend the definitions contained within the Plan, including but not limited to the definition of "Admissible Person" under the Plan; (g) to amend or modifying the mechanics of exercise of the Options as set forth in the Plan; (h) to effect amendments necessary to comply with the provisions of applicable laws (including, without limitation, the rules, regulations and policies of the TSXV); (i) to effect amendments respecting the administration of the Plan; and (j) to effect amendments necessary to suspend or terminate the Plan.

Notwithstanding the foregoing, nothing herein shall be construed as authorizing the Committee to make amendments to outstanding Options or the Plan without shareholder approval to effect any change to the: (a) Admissible Persons to be granted Options under the Plan; (b) maximum percentage of Common Shares that may be reserved under the Plan for issuance pursuant to the exercise of Options; (c) limitations under the Plan on the number of Options that may be granted to any one person or any category of

persons; (d) the method for determining the Option Price; (e) maximum term of Options; and (f) expiry and termination provisions applicable to Options, or to make any amendments required to be approved by shareholders under applicable law (including, without limitation, pursuant to the rules, policies and regulations of the TSXV).

## **16. ADMINISTRATION**

Within the limitations set forth in the Plan, the Committee is authorized to (a) provide for the grant, vesting, exercise and method of exercise of Options, on such terms (which may vary as between Options) as it shall determine, and (b) subject to Section 15 hereof, make any amendments or modifications to the Plan or any outstanding Options as it shall determine from time to time. All decisions and interpretations made by the Committee shall be binding and conclusive on the Corporation and all Admissible Persons who participate in the Plan. With respect to the Plan and to its administration, time shall be of the essence.

## **17. WITHHOLDINGS, ETC.**

For certainty and notwithstanding any other provision of the Plan, if the Corporation is required under the *Income Tax Act* (Canada) or any other applicable law to remit to any governmental authority an amount on account of tax on the value of any taxable benefit associated with the exercise or disposition of Options by an Optionee, then the Optionee shall, concurrently with the exercise or disposition:

- (a) pay to the Corporation, in addition to the exercise price for the Options, if applicable, sufficient cash as is determined by the Corporation to be the amount necessary to fund the required tax remittance;
- (b) authorize the Corporation, on behalf of the Optionee, to sell in the market on such terms and at such time or times as the Corporation determines such portion of the Optioned Shares being issued upon exercise of the Options as is required to realize cash proceeds in the amount necessary to fund the required tax remittance; or
- (c) make other arrangements acceptable to the Corporation to fund the required tax remittance.

## **18. GENERAL**

This Plan is to be governed by and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

This Plan is effective as of [●], 2019.

The Plan shall be subject to ratification by the shareholders of the Corporation to be effected by a resolution passed at a meeting of the shareholders of the Corporation, and to acceptance by the TSXV and any other relevant regulatory authority. Any Options granted prior to such ratification and acceptance shall be conditional upon such ratification and acceptance being given and no such Options may be exercised unless and until such ratification and acceptance are given.

