

**PONDEROUS PANDA CAPITAL CORP.**

**ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON  
Wednesday, December 19, 2018**

## **PONDEROUS PANDA CAPITAL CORP.**

2300 – 1066 West Hastings Street  
Tel: (604) 684-4535  
Fax: (888) 829-4124

### **Management Information Circular as at November 20, 2018**

unless otherwise noted

## **PERSONS MAKING THE SOLICITATION**

This information circular (the “**Information Circular**”) is furnished in connection with the solicitation of proxies by management of Ponderous Panda Capital Corp. (the “**Company**”) for use at the annual general meeting of shareholders (the “**Meeting**”) of the Company to be held at **10.00 a.m. (PST), on Wednesday, December 19, 2018, at 2300 – 1066 West Hastings Street, Vancouver, BC** and any adjournment thereof, for the purposes set forth in the accompanying notice of meeting (the “**Notice**”).

## **GENERAL PROXY INFORMATION**

### **Solicitation of Proxies**

All costs of solicitation by management will be borne by the Company. In addition to the solicitation of proxies by mail, directors, officers and employees may solicit proxies personally, by telephone or facsimile, but will not receive compensation for so doing.

### **Appointment of Proxy**

The individuals named in the accompanying form of proxy (the “**Proxy**”) are directors (“**Directors**”) of the Company or the Company’s counsel and were designated by management of the Company (the “**Management Proxyholder**”). **A shareholder wishing to appoint some other person who need not be a shareholder to represent the shareholder at the Meeting has the right to do so, by striking out the names of those persons named in the accompanying form of Proxy and inserting such other person’s name in the blank space provided in the form of Proxy or by completing another form of Proxy.**

Shareholders may wish to vote by Proxy whether or not they are able to attend the Meeting in person. Shareholders electing to submit a Proxy may do so by:

- (a) completing, dating and signing the enclosed form of Proxy and returning it to the Company’s transfer agent, Computershare Investor Services Inc. (“**Computershare**”) by fax within North America at 1-866-249-7775, outside North America at 1-416-263-9524, or by mail or hand delivery to Computershare Investor Services Inc., 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1;
- (b) using a touch-tone phone to transmit voting choices to a toll free number. The toll free number to call is 1-800-564-6253 within North America and 1-416-263-9200 outside North America. Shareholders must follow the instructions of the voice response system

and refer to the enclosed Proxy for the shareholder's account number and the Proxy access number; or

- (c) going to the following web site: [www.investorvote.com](http://www.investorvote.com) and following the instructions.

A Proxy will not be valid unless the completed, dated and signed form of Proxy is received by Computershare not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting, or any adjournment thereof.

### **Revocability of Proxy**

A shareholder who has given a Proxy may revoke it by an instrument in writing:

- (a) executed by the shareholder or by the shareholder's attorney authorized in writing or, where the shareholder is a company, by a duly authorized officer or attorney of the company; and
- (b) delivered to either:
  - (i) Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof, or
  - (ii) the chairman of the Meeting on the day of the Meeting or any adjournment thereof.

Only registered shareholders have the right to revoke a Proxy. Non-registered holders who wish to change their vote must, at least seven days before the Meeting, arrange for their respective Intermediaries (as defined below) to revoke the Proxy on their behalf. A revocation of a Proxy does not affect any matter on which a vote has been taken prior to the revocation.

### **EXERCISE OF DISCRETION**

Shares represented by properly executed Proxies in favour of persons designated in the enclosed form of Proxy will, where a choice with respect to any matter to be acted upon has been specified in the form of Proxy, be voted in accordance with the specification made. In the absence of any such specification, the Proxy will be voted as recommended by Management. Where directions are given by the shareholder in respect of voting for or against any resolution, the proxyholder will do so in accordance with such direction.

The enclosed form of proxy, when properly signed, confers discretionary authority upon the person named therein as proxyholder with respect to amendments or variations to matters which may be properly brought before the Meeting. At the date of this Information Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters, which are not now known to Management, should properly come before the Meeting, then the Management designees intend to vote in accordance with the judgment of management.

### **NON-REGISTERED HOLDERS**

**Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting.** Most shareholders of the Company are "non-registered" shareholders ("**Non-**

**Registered Holders**") because the shares they own are not registered in their names but are instead registered in the name of (a) a brokerage firm, bank, trust company, trustee or administrator of self-administered RRSPs, RRIFs, RESPs and similar plans; or (b) a clearing agency such as CDS & Co. (any of the foregoing, an **"Intermediary"**). **If you are a Non-Registered Holder, your shares can only be voted by the Intermediary in accordance with instructions received from you.**

In accordance with securities regulatory policy, the Company has distributed copies of the Notice, this Information Circular and the Proxy (collectively, the **"Meeting Materials"**) to the Intermediaries for distribution to Non-Registered Holders. Each Intermediary has its own form of proxy and mailing procedures. Therefore, **if you receive the Meeting Materials from an Intermediary, you should carefully review the voting instructions provided by your Intermediary to ensure that you direct the voting of your shares in accordance with those instructions.**

The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communications (**"Broadridge"**), who typically sends a voting instruction form (**"VIF"**) to Non-Registered Shareholders requesting them to provide voting instructions. **Please note a Broadridge VIF cannot be used to vote directly at the Meeting. If you are a Non-Registered Shareholder with a Broadridge VIF, you must follow the procedures set out by Broadridge, well in advance of the Meeting, for voting directly at the Meeting.**

Non-Registered Shareholders who wish to attend the Meeting and indirectly vote as proxyholder for the registered shareholder should contact their Intermediary well in advance of the Meeting to determine the steps necessary to permit them to indirectly vote their Shares as a proxyholder.

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

Except as disclosed herein, no person: (a) who has been a Director or executive Officer at any time since the commencement of the Company's last financial year; (b) who is a proposed nominee for election as a Director; or (c) who is an associate or affiliate of a person included in subparagraphs (a) or (b), has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in matters to be acted upon at the Meeting other than the election of Directors and the appointment of auditors and as set out herein.

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

The Company's authorized capital consists of an unlimited number of common shares without par value (the **"Shares"**). As at November 14, 2018 (the **"Record Date"**), there were 3,065,004 Shares issued and outstanding. Each share carries the right to one vote.

Any shareholder of record at the close of business on the Record Date who either personally attends the Meeting or who has completed and delivered a Proxy in the manner specified herein, subject to the provisions described above, shall be entitled to vote or to have such shareholder's shares voted at the Meeting.

To the best of the knowledge of the Directors and executive officers, no person or company beneficially owns, directly or indirectly, or exercises control over, shares carrying more than 10% of all voting rights.

## MATTERS TO BE BROUGHT BEFORE THE MEETING

### **1. FINANCIAL STATEMENTS, DIRECTORS REPORT, MANAGEMENT'S DISCUSSION AND ANALYSIS & ADDITIONAL INFORMATION**

The Company's financial statements, including the accompanying notes and the auditor's report, and Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2017 will be presented to the Shareholders at the Meeting. Shareholders may contact the Company to request copies of the financial statements and MD&A by: (i) mail to Suite 2300 - 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X2; or (ii) fax to 888-829-4124.

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Company's comparative financial statements and MD&A for its most recently completed financial year.

### **2. ELECTION OF DIRECTORS**

The board of directors of the Company (the "Board" or "Board of Directors") presently consists of seven directors and it is intended to determine the number of directors at seven for the ensuing year. Shareholder approval will be sought at the Meeting to determine the number of directors at seven for the ensuing year. The term of office of each present Director expires at the Meeting. Management does not contemplate that any of the nominees will be unable to serve as a Director. Management of the Company proposes to nominate the persons named in the following table for election to the board of Directors (the "**Board**"). Each director elected will hold office until the next annual general meeting of the Company or until his or her successor is elected or appointed, unless his or her office is earlier vacated in accordance with the Articles of the Company or with the provisions of the *Business Corporations Act* (British Columbia). In the event that prior to the Meeting any vacancies occur in the slate of nominees herein listed, it is intended that discretionary authority shall be exercised by the person named in the Proxy as nominee to vote the shares represented by Proxy for the election of any other person or persons as Directors.

The following table sets forth the names of the management nominees for election as Directors; their offices and positions with the Company; the period of time that they have been Directors; their present principal occupation, business or employment of each management nominee; and the number of shares of the Company which is beneficially owned, directly or indirectly, or controlled or directed by each management nominee.

Name, Province and Country of Residence and Current Position with the Company	Director Since	Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction is Exercised <sup>(1)</sup>	Principal Occupation for the Past Five Years <sup>(1)</sup>
<p><b>Larry K. Doan</b><sup>(2)</sup> British Columbia, Canada <i>Chairman and Director</i></p>	<p>Aug. 22, 2017</p>	<p>66,667</p>	<p>Retired Executive.</p> <p>President, CEO &amp; CFO of Flying Monkey Capital Corp. from Dec 2014 to Sept. 2018.</p> <p>Director of Marching Moose Capital Corp. from Nov. 2014 to Dec. 2017.</p> <p>Director of Mission Ready Services Inc. (previously Priceless Piranha Capital Corp.) from Oct. 2012 to Nov. 2014.</p>
<p><b>Yu Cheung (Mike) Kao</b><sup>(2)</sup> British Columbia, Canada <i>Director</i></p>	<p>Aug. 22, 2017</p>	<p>100,000</p>	<p>Partner at WDM Chartered Professional Accounts since Jan. 1998.</p>
<p><b>Nicolette A. Keith</b><sup>(2)</sup> British Columbia, Canada <i>Director</i></p>	<p>Nov. 30, 2017</p>	<p>66,667</p>	<p>CFO for the village of Keremos from Jan, 2015 to present.</p> <p>CFO for 2k Services Ltd. from Mar 2017 to present.</p> <p>CFO for Mission Ready Services Inc. from Mar. 2012 to May 2017.</p>
<p><b>Paul M. Laur</b> Santa Fe, New Mexico USA <i>Director</i></p>	<p>Aug. 22, 2017</p>	<p>66,667</p>	<p>Founder &amp; President of Eldorado Biofuels (2008 – Present) and Spartina Biotechnologies (2015 – Present).</p>

Name, Province and Country of Residence and Current Position with the Company	Director Since	Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction is Exercised <sup>(1)</sup>	Principal Occupation for the Past Five Years <sup>(1)</sup>
<b>Hooi Hing Lee</b> Hong Kong <i>Director</i>	Nov. 30, 2017	133,334	Independent non-executive Director of Cityneon Holdings Limited since August 2017 and Miji International Holdings Limited since July 2018.  Chairman of pH Capital Limited, a private equity company established in Jan 2013 and operational in January 2014.  Chief Risk Officer of Standard Chartered Bank, (Taiwan) Limited from August 2010 to June 2013.
<b>Rodney W. Reum</b> British Columbia, Canada <i>CFO &amp; Director</i>	Aug. 22, 2017	100,000	President of Veridyne Power Corp. since May 2018  Director and CEO of Caballarius Global Holdings Inc. from May 2009 to present.  Director of Mission Ready Services Inc. from June 2011 to Oct., 2017.  President and CEO of Mission Ready Services Inc. from June 2011 to March, 2017, and Chairman from Nov 2014 to March 2017.
<b>David W. Smalley</b> British Columbia, Canada <i>President, CEO &amp; Director</i>	Mar. 22, 2017	133,334	Solicitor, President and owner of David Smalley Law Corp. from March 2013 to present.

**Note:**

- (1) Based on information as at November 20, 2018 as provided by the Directors themselves.
- (2) Current member of the Audit Committee.

## **Recommendation**

**Management recommends the number of directors be fixed at seven (7) and approval of each of the nominees listed above for election as directors of the Company for the ensuing year.**

## **Corporate Cease Trade Orders or Bankruptcies**

None of the nominees proposed to be Director is or, within the 10 years before the date hereof, has been:

- (a) a director or executive officer of any company (including the Company) that:
  - (i) while that person was acting in that capacity or after the person ceased to be a director or executive officer but which resulted from an event that occurred while that person was acting in the capacity, was subject to an order; or
  - (ii) 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;
- (b) 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 nominee;
- (c) subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (d) subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

## **3. APPOINTMENT OF AUDITORS**

Shareholders will be asked to vote for the appointment of Davidson & Company Chartered Accountants (“Davidson”), to serve as auditors of the Company to hold office until the next annual general meeting of the shareholders or until such firm is removed from office or resigns as provided by law and to authorize the Board of the Company to fix the remuneration to be paid to Davidson, of Suite 1200 – 609 Granville Street, Vancouver, British Columbia, V7Y 1G6. Davidson was first appointed as auditor of the Company in November 2017.

## **Recommendation**

**Management recommends shareholders to vote for the approval of the appointment of Davidson as the Company’s auditors at remuneration to be fixed by the Board of the Company.**

## 4. STOCK OPTION PLAN

### Summary of Stock Option Plan

On January 10, 2018 the directors approved a 10% "rolling" stock option plan (the "10% Plan"). Under the policies of the Exchange, a rolling stock option plan must be re-approved on a yearly basis by Shareholders. Shareholders will therefore be asked to pass an ordinary resolution reapproving the Company's 10% plan. The details of the 10% Plan are set forth in Schedule "A".

### **Recommendation**

**The Board recommends that Shareholders vote in favour of the above Resolution. In the absence of instructions to the contrary, the enclosed proxy will be voted in favour of the Resolution.**

## COMPENSATION OF EXECUTIVE OFFICERS

### Compensation Discussion and Analysis

As the Company is a capital pool company, as defined in Policy 2.4 of the Exchange Corporate Finance Manual ("Policy 2.4"), the Company is prohibited from paying any kind of cash remuneration, including salaries, consulting fees, management fees or directors' fees, to Non-Arm's Length Parties until such time as it completes its Qualifying Transaction. The Company has not provided any compensation to its officers or directors.

The Company's process for determining other executive compensation is based upon the Company relying solely on board discussion without any formal objectives, criteria and analysis.

The Company presently has two Named Executive Officers (the "NEO") namely David W. Smalley, President and CEO and Rodney W. Reum, CFO.

Compensation for the NEOs has been established with a view to attracting and retaining executives critical to the Company's ability to identify a target for its Qualifying Transaction and to continuing to provide executives with compensation that is in accordance with existing market standards for CPCs.

Compensation of the Company's NEO is comprised of the grant of options to purchase shares under the Company's stock option plan (as more particularly described below). Through its executive compensation practices, the Company seeks to provide value to its shareholders through a strong executive leadership. Specifically, the Company's executive compensation structure seeks to attract and retain talented and experienced executives necessary to achieve the Company's strategic objectives, motivate and reward executives whose knowledge, skills and performance are critical to the Company's success, and align the interests of the Company's executives and shareholders by motivating executives to increase shareholder value.

## **Summary Compensation Table**

The following table sets forth, for the fiscal years ended December 31, 2017, the compensation of the NEOs.

NEO Name and Principal Position	Fiscal Year Ended December 31	Salary	Share-Based Awards	Option-Based Awards <sup>(1)</sup>	Non-equity Incentive Plan Compensation		Pension Value	All Other Compensation <sup>(4)</sup>	Total Compensation
					Annual Incentive Plans	Long-term Incentive Plans			
<b>David W. Smalley</b> President, CEO & Director	2017	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Rodney W. Reum</b> CFO & Director	2017	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

### **Employment, Consulting, and Management Agreements**

During the fiscal year ended December 31, 2017, or at any time from December 31, 2017 to the date of this Circular, no person was engaged under a management contract to provide management services to the Corporation.

### **INCENTIVE PLAN AWARDS**

#### **Share-Based Award, Option-Based Awards and Non-Equity Incentive Plan Compensation**

No share-based awards and option-based awards were given to any of the directors or officers of Corporation during the fiscal year ended December 31, 2017. A total of 306,500 fully vested options were granted by the Corporation on April 27, 2018 upon closing of the Company's IPO. All were granted to directors and officers of the Company.

The Company has no other share-based or non-equity incentive plan and thus no interests have been granted nor have vested in relation to any of the Company officers or directors during the fiscal year ended December 31, 2017, or at any time from December 31, 2017 to the date of this Circular.

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

The following table sets out all share-based awards and option-based awards outstanding as at December 31, 2017 and November 20, 2018, for each NEO:

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 (\$)
David W. Smalley	58,381	0.30	04/27/28	Nil	N/A	N/A	N/A
Rodney W. Reum	43,785	0.30	04/27/28	Nil	N/A	N/A	N/A

**Note:**

- (1) "In-the-money" means the excess of the market value of the Shares on November 20, 2018 over the base price of the options.

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

The following table sets out all incentive plan awards (value vested or earned) during the year ended December 31, 2017, for each NEO:

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)	Share-based awards – Value vested during the year <sup>(2)</sup> (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
David W. Smalley	Nil	Nil	Nil
Rodney W. Reum	Nil	Nil	Nil

**Note:**

- (1) Value vested is calculated as the dollar value that would have been realized had the option been exercised on the date it was vested less the related exercise price multiplied by the number of vesting shares.  
(2) This amount is the dollar value realized calculated by multiplying the number of shares or units by the market value of the underlying shares on the vesting date.

**Pension Plan Benefits**

No pension, retirement or deferred compensation plans, including defined contribution plans, have been instituted by the Company and none are proposed at this time.

**Termination of Employment, Change in Responsibilities and Employment Contracts**

There are no employment contracts in place between the Company and any of the NEOs.

**Compensation of Directors**

Compensation for the NEOs has already been disclosed above under "Summary Compensation Table". For the other Directors who are not NEOs, no cash compensation was paid to them for their services as Directors during the financial year ended December 31, 2017 or up to November 20, 2018. The Board has determined that the directors would not be compensated

other than for a one time stock option grant and are entitled to submit reasonable expenses incurred in respect of performing their obligations.

The following table shows the outstanding cash value compensation received by each director and former director since the Company's inception.

Name	Fees Earned	Share-Based Awards	Option-Based Awards <sup>(1)</sup>	Non-equity Incentive Plan Compensation	Pension Value	All Other Compensation	Total
Larry K. Doan	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Yu Cheung (Mike) Kao	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Nicolette A. Keith	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Paul M. Laur	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Hooi Hing Lee	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Rodney W. Reum	Nil	Nil	Nil	Nil	Nil	Nil	Nil
David W. Smalley	Nil	Nil	Nil	Nil	Nil	Nil	Nil

As at November 20, 2018, there were no incentive based awards granted to the Directors, other than the founders, who were the initial directors.

The following table sets out all share-based awards and option-based awards outstanding as at December 31, 2017 and November 20, 2018 for each director of the Company:

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 (\$)	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 (\$)
Larry K. Doan	21,190	0.30	04/27/28	Nil	Nil	Nil	Nil
Yu Cheung (Mike) Kao	43,785	0.30	04/27/28	Nil	Nil	Nil	Nil
Nicolette A. Keith	29,190	0.30	04/27/28	Nil	Nil	Nil	Nil
Paul M. Laur	29,190	0.30	04/27/28	Nil	Nil	Nil	Nil
Hooi Hing Lee	58,381	0.30	04/27/28	Nil	Nil	Nil	Nil
Rodney W. Reum	43,785	0.30	04/27/28	Nil	Nil	Nil	Nil
David W. Smalley	58,381	0.30	04/27/28	Nil	Nil	Nil	Nil

The following table sets out all incentive plan awards (value vested or earned) during the year ended December 31, 2017 for each director of the Company:

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Larry K. Doan	Nil	Nil	N/A
Yu Cheung (Mike) Kao	Nil	Nil	N/A
Nicolette A. Keith	Nil	Nil	N/A
Paul M. Laur	Nil	Nil	N/A
Hooi Hing Lee	Nil	Nil	N/A
Rodney W. Reum	Nil	Nil	N/A
David W. Smalley	Nil	Nil	N/A

### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out equity compensation plan information as at December 31, 2017 and November 20, 2018

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a)) (c)
Equity compensation plan approved by securityholders	306,500	\$0.30	Nil
Equity compensation plan not approved by securityholders	Nil	Nil	Nil
Total	306,500	\$0.30	Nil

The Rolling Stock Option Plan is the Company's only equity compensation plan. For material features of the Rolling Stock Option Plan, please see "Stock Option Plan" above and attached hereto as Schedule A.

### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the Directors, executive Officers or proposed nominees for election as Directors, executive Officers or their respective associates or affiliates, or other management of the Company is or has been indebted to the Company as at the date hereof.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of management of the Company, no informed person (a Director, Officer or holder of 10% or more of the Shares) or nominee for election as a Director or any associate or affiliate of any informed person or proposed Director has had any interest in any transaction which has materially affected or would materially affect the Company or any of its subsidiaries during the year ended December 31, 2017, or has any interest in any material transaction in the current year, other than as set out herein.

## MANAGEMENT CONTRACTS

Management functions of the Company are not to any substantial degree performed by a person or company other than the Directors or executive Officers.

## CORPORATE GOVERNANCE PRACTICES

### **Board of Directors**

The Board currently consists of seven Directors. Five of the current seven directors, Larry K. Doan, Yu Cheung (Mike) Kao, Nicolette A. Keith, Paul M. Laur and Hooi Hing Lee are independent as they are not (i) an Officer or employee of the Company; (ii) a party to a material contract with the Company or has a material interest in a transaction involving the Company; or (iii) the recipient of remuneration from the Company other than incentive stock options disclosed herein, save and except for payments made as professional fees. David W. Smalley, the Company's CEO and President, and Rodney W. Reum, the Company's CFO are not independent.

### **Directorships**

As at the date hereof, the following Directors are also directors of other reporting issuers as set out below:

<b>Name of Director</b>	<b>Name of Reporting Issuer</b>
David W. Smalley	Fabled Copper Corp.
Hooi Hing Lee	Cityneon Holdings Limited
	Miji International Holdings Limited

### **Orientation and Continuing Education**

Due to the Company's small size and the fact that the Company recruits only directors with public company experience, the Company does not currently have a formal orientation program. However, existing members of the Board will provide any new Director with a review of a Director's fiduciary duties and the Company's expectations of its Directors in terms of time and effort, as well as the Company's business, strategic plans, management issues, and corporate governance policies.

In terms of continuing education, Directors are encouraged to keep themselves current with industry trends and changes in legislation by liaising with management and the Company's counsel, attending industry-related events and other educational seminars. The cost of continuing education activities will be borne by the Company.

## **Ethical Business Conduct**

The Board has adopted and maintains a code of ethics which is applicable to the Company's Directors, Officers and employees. The purpose of the code is to provide guidance and to prohibit unethical behavior with respect to issues such as conflicts of interest, confidentiality, whistleblowing, protection of corporate assets and opportunities, and compliance with laws and regulations. Furthermore, Directors are frequently reminded to consider whether they are in a conflict of interest by virtue of serving as directors or officers in other companies or holding an interest in a transaction or agreement. A Director in such circumstances is advised to disclose his or her interest in a transaction or agreement, and if the Board considers the interest to be material, such Director must abstain from discussing and voting on the matter.

## **Nomination of Directors**

The Governance Committee oversees the nomination of directors and makes recommendations to the Board. The Board as a whole determines whether or not to accept the Governance Committee recommendations.

## **Compensation**

For as long as the Company has not completed its qualifying transaction the Company will not pay any compensation to its directors or officers. The Company has issued stock options to some of the directors in order to align the interest of Directors with those of the Company's shareholders.

## **Other Board Committees**

The only committees the Board has are the Audit and Governance Committees.

## **Assessments**

Members of the Board are expected to continually evaluate the effectiveness of the Board, its committees and fellow Directors by considering the accomplishment, or lack thereof, of the Company's goals.

# **AUDIT COMMITTEE**

## **The Audit Committee's Charter**

The Charter of the Audit Committee is attached as Schedule "B" to this Information Circular.

## **Composition of the Audit Committee**

As at the date of this Circular, the three members of the Audit Committee – Yu Cheung (Mike) Kao (Chair), Larry K. Doan and Nicolette A. Keith — are financially literate and are independent members.

## **Relevant Education and Experience**

**Yu Cheung (Mike) Kao** – Mr. Kao has been a partner at WDM Chartered Professional Accountants (and predecessor firm) since 1998 and has more than 30 years' experience

providing audit, accounting, tax and financial management services. Mr. Kao received his designation as a Certified General Accountant (“C.G.A.”) in 1996 and has a Bachelor’s Degree in Commerce from the University of British Columbia.

**Larry K. Doan** – Mr. Doan is a retired executive who previously served as a Director and Audit Committee member of Mission Ready Services Inc., an Exchange listed company that develops and He was also a director of Flying Monkey Capital Corp. (now Fabled Copper Corp.) a capital pool company listed on the Exchange which recently completed it’s a qualifying transaction with Fabled Copper and Gold Corp., and was a director of Marching Moose Capital Corp. (now “Avidian Gold Corp.”), a capital pool company which completed its qualifying transaction with Avidian Gold Inc. in December 2017.

**Nicolette A. Keith** - Nicolette Keith, B.A., C.G.A. (British Columbia), is the former Chief Financial Officer of Mission Ready Services Inc. until June 2017. She has over 10 years of experience as a CFO of public companies having previously served as CFO of Altek Power Corporation which was listed on the Exchange from July 2004 to April 2009. Miss Keith received her Bachelor of Arts from the University of Victoria in April, 1996 and gained her C.G.A. designation in March 2004.

**Audit Committee Oversight**

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

**Reliance on Certain Exemptions**

At no time since the commencement of the Company’s most recently completed financial year has the Company relied on the exemption in Section 2.4 of National Instrument 52-110 (the “Instrument”), or an exemption from the Instrument, in whole or in part, granted under Part 8 thereof.

**Pre-Approval Policies and Procedures**

The Audit Committee has not adopted any specific policies or procedures for the engagement of non-audit services. Generally, management is responsible for ensuring that any required non-audit services are performed in a timely manner, subject to review by the Board or the Audit Committee.

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

The aggregates fees paid by the Company to its auditor in each of the last two fiscal years are as follows:

	Audit fees	Audit related fees	Tax fees	All other fees (non-tax)
FY2017	\$10,710.00	Nil	Nil	Nil

## **Proposed Qualifying Transaction with Trait Biosciences Inc.**

The Company entered into an Letter of Intent (“LOI”) with Trait Biosciences Inc. (“Trait”) dated May 31, 2018 for an agreement which will constitute the Company’s Qualifying Transaction as set forth in Policy 2.4 of the Exchange (the “Proposed Transaction”).

Pursuant to the terms of the LOI, the Company and Trait will complete a business combination by way of share purchase agreement whereby the Company will acquire all the shares of Trait, which will become a subsidiary of PPCC. Trait shareholders will receive one common share of the Company for every Trait share currently held.

There are currently 125,329,297 common shares and 7,970,703 stock options of Trait issued and outstanding and the Company will be required to issue that number of common shares and stock options to current Trait shareholders to complete the Proposed Transaction

There are currently 3,065,004 common shares of the Company issued and outstanding, as well as 306,500 stock options and therefore upon completion of the Proposed Transaction there are expected to be a minimum of 128,444,301 common shares of the Company issued and outstanding and 8,277,203 stock options of the Company.

Upon completion of the Proposed Transaction, the business of Trait will become the business of the Company, Trait will become a wholly-owned subsidiary of the Company and it is expected the Company will be listed as a Tier 2 Issuer on the Exchange.

Completion of the Proposed Transaction is subject to a number of conditions, including execution of a definitive agreement, completion of satisfactory due diligence and receipt of applicable regulatory approvals. There can be no assurance that the Proposed Transaction will be completed as proposed or at all.

Further information about the Transaction and Fabled can be found in the Company’s news releases dated June 20, 2018 and September 20, 2018. All news releases are posted on SEDAR.

## **OTHER BUSINESS**

As of the date of this Information Circular, management is not aware of any other matters to come before the Meeting. The securities represented by the Proxy will be voted as directed by the holder, but if such direction is not made in respect of any matter, the Proxy will be voted as recommended by Management.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information relating to the Company is provided in the Company’s comparative financial statements and management’s discussion and analysis (“**MD&A**”) for its most recently completed financial year ended December 31, 2017. Shareholders may contact the Company to request copies of the financial statements and the MD&A.

DATED at Vancouver, British Columbia, this 20th day of November, 2018.

**BY ORDER OF THE BOARD OF DIRECTORS**

*“David W. Smalley”*

David W. Smalley  
President, CEO & Director

## SCHEDULE A

### PONDEROUS PANDA CAPITAL CORP. (the "Company")

#### STOCK OPTION PLAN

Dated for Reference: March 19, 2018

## 1. PURPOSE

- 1.1 Purpose. The purpose of this Plan is to advance the interests of the Company by encouraging equity participation in the Company through the acquisition of Common Shares of the Company. It is the intention of the Company that, if and so long as the Company's shares are listed on the TSX Venture Exchange ("TSX Venture"), this Plan will at all times be in compliance with the rules and policies of the TSX Venture (the "TSX Venture Policies") and any inconsistencies between this Plan and the TSX Venture Policies whether due to inadvertence or changes in TSX Venture Policies will be resolved in favour of the latter.

## 2. INTERPRETATION

- 2.1 Definitions. For the purposes of this Plan, the following terms have the respective meanings set forth below:

- (a) **"10% Shareholder"** means a U.S. Optionee who, at the time an Option is granted, owns shares representing more than 10% of the voting power of all classes of shares of the Company or any Subsidiary, taking into account the attribution rules under section 424(d) of the IRS Code;
- (b) **"Affiliate"** has the same meaning ascribed to that term as set out in the *Securities Act* (British Columbia), as amended from time to time;
- (c) **"Associate"** has the same meaning as ascribed to that term as set out in the *Securities Act* (British Columbia), as amended from time to time;
- (d) **"Board"** means the board of directors of the Company or any committee thereof duly empowered or authorized to grant options under this Plan;
- (e) **"Common Shares"** means the common shares without par value in the capital of the Company as constituted on the Grant Date, provided that, in the event of any adjustment pursuant to subsection 4.10, "Common Shares" shall thereafter mean the shares or other property resulting from the events giving rise to the adjustment;
- (f) **"Company"** means Ponderous Panda Capital Corp. and includes, unless the context otherwise requires, all of its subsidiaries or affiliates and successors according to law;
- (g) **"Consultant"** means, as long as the Company is not a CPC, an individual, other than an employee, director or officer of the Company or its Affiliate that:
  - (i) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Company or an Affiliate of the Company, other than services provided in relation to a distribution;
  - (ii) provides the services under a written contract between the Company or an Affiliate of the Company and the individual;

- (iii) in the reasonable opinion of the Board, spends or will spend a significant amount of time and attention on the business and affairs of the Company or an Affiliate of the Company; and
- (iv) has a relationship with the Issuer or an Affiliate of the Company that enables the individual to be knowledgeable about the business and affairs of the Company,

and includes a company of which a Consultant is an employee or shareholder and a partnership of which a Consultant is an employee or partner; provided that, while the Company is a CPC, "Consultant" means:

- (v) where permitted by securities laws, a technical consultant whose particular industry expertise in relation to the business of the Vendors or the Target Company (as these terms are defined in the CPC Policy), as the case may be, is required to evaluate the proposed Qualifying Transaction (as this term is defined in the CPC Policy); and
  - (vi) a company, all of whose securities are owned by such a director, officer or technical consultant;
- (h) **"CPC"** has the meaning set out in the CPC Policy;
  - (i) **"CPC IPO"** means that initial public offering of the Company to be completed on its listing as a CPC on the Exchange
  - (j) **"CPC Policy"** means Policy 2.4 Capital Pool Companies of the TSX Venture, as amended from time to time;
  - (k) **"Disability"** means any disability with respect to an Optionee which the Board in its sole and unfettered discretion, considers likely to prevent permanently the Optionee from:
    - (i) being employed or engaged by the Company, its subsidiaries or another employer, in a position the same as or similar to that in which he was last employed or engaged by the Company or its subsidiaries; or
    - (ii) acting as a director or officer of the Company or its subsidiaries;
  - (l) **"Disinterested Shareholder Approval"** means approval by a majority of the votes cast by all the Company's shareholders at a duly constituted shareholders' meeting, excluding votes attached to shares beneficially owned by Insiders to whom Options may be granted under this Plan and their Associates;
  - (m) **"Eligible Person"** means, from, time to time, any bona fide director, senior officer, employee or Consultant of the Company or an Affiliate of the Company; provided that while the Company is a CPC, Eligible Person means a director, officer or Consultant;
  - (n) **"Exercise Price"** means the amount payable per Common Share on the exercise of an Option, as determined in accordance with the terms hereof;
  - (o) **"Expiry Date"** means 5:00 p.m. (Pacific Standard Time) on the day on which an Option lapses as specified in the Option Agreement therefor or in accordance with the terms of this Plan;
  - (p) **"Exchange Hold Period"** has the meaning attributed to it in the TSX Venture Policies, more specifically in Policy 1.1 of the TSX Venture Exchange Corporate Finance Manual;

- (q) **"Grant Date"** for an Option means the date of grant thereof by the Board, whether or not the grant is subject to any Regulatory Approval;
- (r) **"Incentive Stock Option"** or **"ISO"** means an Option granted to a U.S. Optionee that is intended to qualify as an "incentive stock option" within the meaning of section 422 of the IRS Code;
- (s) **"Insider"** means
  - (i) an insider as defined in the TSX Venture Policies or as defined in securities legislation applicable to the Company;
  - (ii) an Associate of any person who is an Insider by virtue of paragraph 2.1(s)(i) above;
- (t) **"Investor Relations Activities"** has the meaning set out in Policy 1.1 of the TSX Venture Policies, and means generally any activities, by or on behalf of the Company or shareholder of the Company, that promote or could be expected to promote the purchase or sale of securities of the Company;
- (u) **"IRS Code"** means the United States Internal Revenue Code of 1986, as amended and the regulations and other guidance issued thereunder;
- (v) **"Market Price"** has the meaning attributed to it in the TSX Venture Policies;
- (w) **"Non-Qualified Stock Option"** or **"NQSO"** means any Option granted to a U.S. Optionee that is not an Incentive Stock Option;
- (x) **"Option"** means the right to purchase Common Shares granted hereunder to an Eligible Person;
- (y) **"Option Agreement"** means the notice of grant of an Option delivered by the Company hereunder to an Eligible Person and substantially in the form of Schedule "A" hereto;
- (z) **"Optioned Shares"** means Common Shares that may be issued in the future to an Eligible Person upon the exercise of an Option;
- (aa) **"Optionee"** means the recipient of an Option hereunder, their heirs, executors and administrators;
- (bb) **"Person"** means a corporation or an individual;
- (cc) **"Plan"** means this Stock Option Plan, the terms of which are set out herein or as may be amended and/or restated from time to time;
- (dd) **"Plan Shares"** means the total number of Common Shares which may be reserved for issuance as Optioned Shares under the Plan as provided in subsection 3.2;
- (ee) **"Regulatory Approval"** means the approval of the TSX Venture, if the Company's shares are listed on the TSX Venture, and any other securities regulatory authority that may have lawful jurisdiction over the Plan and any Options issued hereunder;
- (ff) **"Share Compensation Arrangement"** means any Option under this Plan but also includes any other stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares,

including a share purchase from treasury which is financially assisted by the Company by way of a loan, guarantee or otherwise;

- (gg) “**Tier 1 Issuer**” has the meaning set out in Policy 1.1 of the TSX Venture Policies;
- (hh) “**Tier 2 Issuer**” has the meaning set out in Policy 1.1 of the TSX Venture Policies;
- (ii) “**TSX Venture**” or “**Exchange**” means the TSX Venture Exchange and any successor thereto;
- (jj) “**TSX Venture Policies**” means the rules and policies of the TSX Venture as amended from time to time; and
- (kk) “**U.S. Optionee**” means an Optionee that is subject to federal income tax in the United States of America pursuant to the IRS Code and any relevant tax convention.

2.2 Currency. Unless otherwise indicated, all dollar amounts referred to in this Plan are in Canadian funds.

2.3 Gender. As used in this Plan, words importing the masculine gender shall include the feminine and neuter genders and words importing the singular shall include the plural and vice versa, unless the context otherwise requires.

2.4 Interpretation. This Plan will be governed and construed in accordance with the laws of the Province of British Columbia.

### 3. STOCK OPTION PLAN

3.1 Establishment of Plan. This Plan is hereby established to recognize contributions made by Eligible Persons and to create an incentive for their continuing assistance to the Company and its Affiliates.

3.2 Rolling Maximum Number of Plan Shares. Subject to subsection 3.3, the aggregate number of Plan Shares reserved for issuance under the Plan, including any other plan or agreement of the Company, shall not exceed ten (10%) percent of the total number of issued Common Shares of the Company (calculated on a non-diluted basis) at the time an Option is granted. For greater clarity, the aggregate number of Plan Shares reserved for issuance under this Plan will be calculated on the day an Option is granted, and such calculation will account for Options that are exercised, expired or cancelled, and where the total number of issued Common Shares of the Company is increased or decreased.

3.3 Exception to Maximum Number while a CPC. While the Company is a CPC and until the completion of a Qualifying Transaction (as this term is defined in the CPC Policy), the aggregate number of Common Shares that may be reserved for issuance pursuant to Options shall not exceed 10% of the common shares to be outstanding as at the closing of the Company's initial public offering.

3.4 Eligibility. Options to purchase Common Shares may be granted hereunder to Eligible Persons from time to time by the Board. If and when the Company's shares listed on the TSX Venture, Eligible Persons that are corporate entities will be required to agree in writing not to effect or permit any transfer of ownership or option of any of its shares, nor issue more of its shares to any other individual or entity as long as such Options remain outstanding, unless the written permission of the TSX Venture and the Company is obtained.

3.5 Options Granted Under the Plan. All Options granted under the Plan will be evidenced by an Option Agreement in the form attached as Schedule “A”, showing the number of Optioned Shares, the term of the Option, a reference to vesting terms, if any, and the Exercise Price.

- 3.6 Terms Incorporated. Subject to specific variations approved by the Board, all terms and conditions set out herein will be deemed to be incorporated into and form part of an Option Agreement made hereunder. In the event of any discrepancy between this Plan and an Option Agreement, the provisions of this Plan shall govern.
- 3.7 Limitations on Option Grants. Subject to subsection 7.3, the following restrictions on the granting of Options are applicable under the Plan:
- (a) Individuals. The aggregate number of Optioned Shares that may be reserved for issuance pursuant to Options granted must not exceed 5% of the issued Common Shares of the Company (determined at the date the Option was granted) to any one individual in a 12-month period, unless the Company obtained the necessary Disinterested Shareholder Approval required by the TSX Venture Policies.
  - (b) Directors and Officers. Until the Company has completed a Qualifying Transaction the aggregate number of Optioned Shares granted to a director or an officer individually may not exceed 5% of the common shares outstanding as at the closing of the CPC IPO;
  - (c) Optionees Performing Investor Relations Activities. The aggregate number of Options granted to Eligible Persons employed to provide Investor Relations Activities in a 12-month period must not exceed 2% of the issued Common Shares of the Company, calculated at the date the Option was granted; provided that while the Company is a CPC, no Options may be granted to Eligible Persons conducting Investor Relation Activities.
  - (d) Consultants. The aggregate number of Options granted to any one Consultant in a 12-month period must not exceed 2% of the issued Common Shares of the Company, calculated at the date the Option was granted.
  - (e) Technical Consultants. Until the Company has completed a Qualifying Transaction the aggregate number of Optioned Shares granted to all technical consultants may not exceed 2% of the common shares outstanding as at the closing of the CPC IPO; and
  - (f) Maximum Number of Optioned Shares. The number of Optioned Shares granted under the Plan cannot exceed the number of Plan Shares.
- 3.8 Options Not Exercised. In the event an Option granted under the Plan expires unexercised or is terminated by reason of dismissal of the Optionee for cause or is otherwise lawfully cancelled prior to exercise of the Option, the Optioned Shares that were issuable thereunder will be returned to the Plan and will be available again for an Option grant under this Plan.
- 3.9 Acceleration of Unvested Options. If there is a takeover bid made for all or any of the outstanding Common Shares, then all outstanding Options, whether fully vested and exercisable or remaining subject to vesting provisions or other limitations on exercise, shall be exercisable in full to enable the Optioned Shares subject to such Options to be issued and tendered to such bid.
- 3.10 Powers of the Board. The Board will be responsible for the general administration of the Plan and the proper execution of its provisions, the interpretation of the Plan and the determination of all questions arising hereunder. Without limiting the generality of the foregoing, the Board has the power to
- (a) allot Common Shares for issuance in connection with the exercise of Options;
  - (b) grant Options hereunder;
  - (c) subject to appropriate shareholder and Regulatory Approval, amend, suspend, terminate or discontinue the Plan, or revoke or alter any action taken in connection therewith, except that no

general amendment or suspension of the Plan will, without the written consent of all Optionees, alter or impair any Option previously granted under the Plan unless as a result of a change in TSX Venture Policies or the Company's tier classification thereunder;

- (d) delegate all or such portion of its powers hereunder as it may determine to one or more committees of the Board, either indefinitely or for such period of time as it may specify, and thereafter each such committee may exercise the powers and discharge the duties of the Board in respect of the Plan so delegated to the same extent as the Board is hereby authorized so to do; and
- (e) may in its sole discretion amend this Plan (except for previously granted and outstanding Options) to reduce the benefits that may be granted to Eligible Persons (before a particular Option is granted) subject to the other terms hereof.

3.11 Terms Requiring Disinterested Shareholder Approval. If required by the TSX Venture Policies, the Company will obtain Disinterested Shareholder Approval of Options if the Plan, together with any other Share Compensation Arrangement, could result at any time in:

- (a) the number of shares reserved for issuance under stock options granted to Insiders exceeding 10% of the issued Common Shares of the Company;
- (b) the grant to Insiders, within a 12-month period, of a number of options exceeding 10% of the issued Common Shares of the Company;
- (c) the issuance to any one Optionee, within a 12-month period, of a number of shares exceeding 5% of the issued Common Shares of the Company; or
- (d) the Company is decreasing the exercise price of stock options previously granted to Insiders.

3.12 Effective Date of Plan. This Plan is effective as of January 10, 2018, subject to applicable Regulatory Approval and approval of the shareholders of the Company if required by the TSX Venture Policies. According to TSX Venture Policies, initial shareholder approval of this Plan is not required if the Company is conducting an initial public offering and has disclosed the details of the Plan in its prospectus.

#### **4. TERMS AND CONDITIONS OF OPTIONS**

4.1 Exercise Price. The Board shall establish the Exercise Price at the time each Option is granted, subject to the following conditions:

- (a) if the Common Shares are not listed, posted and trading on any stock exchange or bulletin board, then the Exercise Price for the Options granted will be determined by the Board at the time of granting; and
- (b) if the Common Shares are listed, posted and trading on the TSX Venture, then the Exercise Price for the Options granted then will not be less than Discounted Market Price or the prevailing price permitted by the TSX Venture Policies;
- (c) until the completion of the Company's Qualifying Transaction the Exercise Price must not be less than the greater of the CPC IPO share price and the Discounted Market Price, as such term is defined in TSX Venture policies.
- (d) if the Option is granted within 90 days of a distribution by a prospectus, the Exercise Price will not be less than the price that is the greater of the minimum prevailing price permitted by the

TSX Venture Policies and the per share price paid by the public investors for the Distribution under the prospectus; and

- (e) in all other cases, the Exercise Price shall be determined in accordance with the rules and regulations of the applicable regulatory bodies.

The Exercise Price shall be subject to adjustment in accordance with the provisions of subsection 4.10.

4.2 Term of Option. The Board shall establish the Expiry Date at the time each Option is granted, subject to the following conditions:

- (a) the Option will expire upon the occurrence of any event set out in subsection 4.9 and at the time period set out therein; and
- (b) an Option can be exercisable for a maximum of 10 years from the Grant Date, unless prohibited by the TSX Venture Policies or rules and regulations of the applicable regulatory authorities.

4.3 Hold Period. All Options, including Optioned Shares, are subject to the hold period and legend requirements of the TSX Venture Policies and the rules and regulations of the applicable regulatory authorities and securities laws. In particular, Options issued to directors, officers, promoters or insiders of the Company or issued with an Exercise Price that is less than the market price of the shares of the Company at the time the Options are granted must be legended with the Exchange Hold Period.

4.4 Vesting of Options. The Board may establish a vesting period or periods at the time each Option is granted.

4.5 Vesting of Options for Investor Relations. The Board shall establish a vesting period at the time each Option is granted to Eligible Persons providing Investor Relations Services that require the Option to vest in stages over 12 months with no more than one-quarter of the Option vesting in any three month period.

4.6 Escrow of Shares on Exercise of Option while a CPC. While the Company is a CPC, no Options granted pursuant to this Plan may be exercised before the Completion of the Qualifying Transaction (as this term is defined in the CPC Policy) unless the Optionee agrees in writing to deposit the shares acquired into escrow until the issuance of the Final Exchange Bulletin (as this term is defined in the CPC Policy).

4.7 Non Assignable. Subject to paragraph 4.9(d), all Options will be exercisable only by the Optionee to whom they are granted and will not be assignable or transferable.

4.8 Option Amendment.

- (a) Exercise Price. Subject to paragraph 4.8(c), the Exercise Price of an Option may be amended only if at least six (6) months have elapsed since the later of:
  - (i) the Grant Date;
  - (ii) the date the Company's shares commenced trading on the TSX Venture; or
  - (iii) the date of the last amendment of the Exercise Price.
- (b) Term. An Option must be outstanding for at least one year before the Company may extend its term. The term of an Option cannot be extended so that the effective term of the Option exceeds 10 years in total. TSX Venture treats any extension of the length of the term of the

Option as a grant of a new Option, which must comply with pricing and other requirements of this Plan.

- (c) TSX Venture Approval. Any proposed amendment to the terms of an Option must be approved by the TSX Venture prior to the exercise of such Option.

4.9 Optionee Ceasing to be Eligible Person. No Option may be exercisable if the Optionee ceases to be an Eligible Person, except as follows:

- (a) Termination of Services Without Cause. In the event an Optionee's employment, engagement or directorship with the Company or its Affiliates is terminated other than for cause or by reason of death, the Optionee may exercise any Option granted hereunder to the extent such Option was exercisable and had vested on the date of termination until the earlier of ninety (90) days after such termination and the Expiry Date of the Option.
- (b) Termination of Services For Cause. In the event an Optionee's employment, engagement or directorship with the Company or its Affiliates is terminated for cause, any Option granted hereunder to such Optionee shall terminate and shall therefore cease to be exercisable upon such termination for cause.
- (c) Investor Relations. If the Optionee is engaged to provide Investor Relations Activities to the Company, and in the event the Optionee's services was terminated, the Optionee may exercise any Option granted hereunder to the extent such Option was exercisable and had vested on the date of termination until the earlier of thirty (30) days after such termination and the Expiry Date of the Option.
- (d) Death. In the event of the death of an Optionee, the Optionee's lawful personal representatives, heirs or executors may exercise any Option granted hereunder to the Optionee to the extent such Option was exercisable and had vested on the date of death until the earlier of one year after the date of death of such Optionee and the Expiry Date of the Option.
- (e) Disability. If the Optionee ceases to be an Eligible Person, due to his Disability, or, in the case of an Optionee that is a company, the Disability of the person who provides management or consulting services to the Company or to any entity controlled by the Company, the Option then held by the Optionee shall be exercisable to acquire any remaining Option Shares at any time up to the earlier of one year from the date of Disability and the Expiry Date of the Option.
- (f) Termination of Services due to Qualifying Transaction. Options granted under this Plan to an Eligible Person while the Company is a CPC that does not continue as a director, officer, employee or Consultant of the Resulting Issuer (as this term is defined under the CPC Policy), have a maximum term of the later of 12 months after the Completion of the Qualifying Transaction (as this term is defined under the CPC Policy) and 90 days after Eligible Person ceases to be a director, officer, employee or Consultant of the Resulting Issuer.

4.10 Adjustment of the Number of Optioned Shares. The number of Common Shares subject to an Option will be subject to adjustment in the events and in the manner following:

- (a) Following the date an Option is granted, the exercise price for and the number of Optioned Shares which are subject to an Option will be adjusted, with respect to the then unexercised portion thereof, in the events and in accordance with the provisions and rules set out in this subsection 4.10, with the intent that the rights of Optionees under their Options are, to the extent possible, preserved and maintained notwithstanding the occurrence of such events. Any dispute that arises at any time with respect to any adjustment pursuant to such provisions and rules will be conclusively determined by the Board, and any such determination will be binding on the Company, the Optionee and all other affected parties.
- (b) If there is a change in the outstanding Common Shares by reason of any share consolidation or split, reclassification or other capital reorganization, or a stock dividend, arrangement, amalgamation, merger or combination, or any other change to, event affecting, exchange of or corporate change or transaction affecting the Common Shares, the Board shall make, as it shall deem advisable and subject to the requisite approval of the relevant regulatory authorities, appropriate substitution and/or adjustment in:
  - (i) the number and kind of shares or other securities or property reserved or to be allotted for issuance pursuant to this Plan;
  - (ii) the number and kind of shares or other securities or property reserved or to be allotted for issuance pursuant to any outstanding unexercised Options, and in the exercise price for such shares or other securities or property; and
  - (iii) the vesting of any Options, including the accelerated vesting thereof on conditions the Board deems advisable, and if the Company undertakes an arrangement or is amalgamated, merged or combined with another corporation, the Board shall make such provision for the protection of the rights of Optionees as it shall deem advisable.
- (c) If the outstanding Common Shares are changed into or exchanged for a different number of shares or into or for other securities of the Company or securities of another Company or entity, in a manner other than as specified in paragraph 4.10(b), then the Board, in its sole discretion, may make such adjustment to the securities to be issued pursuant to any exercise of the Option and the exercise price to be paid for each such security following such event as the Board in its sole and absolute discretion determines to be equitable to give effect to the principle described in paragraph 4.10(a), and such adjustments shall be effective and binding upon the Company and the Optionee for all purposes.
- (d) No adjustment provided in this subsection 4.10 shall require the Company to issue a fractional share and the total adjustment with respect to each Option shall be limited accordingly.
- (e) The grant or existence of an Option shall not in any way limit or restrict the right or power of the Company to effect adjustments, reclassifications, reorganizations, arrangements or changes of its capital or business structure, or to amalgamate, merge, consolidate, dissolve or liquidate, or to sell or transfer all or any part of its business or assets.

## **5. COMMITMENT AND EXERCISE PROCEDURES**

- 5.1 Option Agreement. Upon grant of an Option hereunder, an authorized director or officer of the Company will deliver to the Optionee an Option Agreement detailing the terms of such Options and upon such delivery the Optionee will be subject to the Plan and have the right to purchase the Optioned Shares at the Exercise Price set out therein subject to the terms and conditions hereof.
- 5.2 Manner of Exercise. An Optionee who wishes to exercise his Option, in its entirety or any portion thereof, may do so by delivering

- (a) a written notice, in the form attached hereto as Schedule "B", to the Company specifying the number of Optioned Shares being acquired pursuant to the Option; and
- (b) cash, a certified cheque or a bank draft payable to the Company for the aggregate Exercise Price for the Optioned Shares being acquired.

5.3 Minimum Optioned Shares. No less than 100 Optioned Shares may be exercised at any one time, except where a smaller number of Optioned Shares is or remains exercisable pursuant to a grant, in which case, such smaller number of Optioned Shares must be exercised at one time.

5.4 Subsequent Exercises. If an Optionee exercises only a portion of the total number of his Options, then the Optionee may, from time to time, subsequently exercise all or part of the remaining Options until the Expiry Date.

5.5 Delivery of Certificate and Hold Periods. As soon as practicable after receipt of the notice of exercise described in subsection 5.2 and payment in full for the Optioned Shares being acquired, the Company will direct its transfer agent to issue a certificate to the Optionee for the appropriate number of Optioned Shares. Such certificate issued will bear a legend stipulating any resale restrictions required under applicable securities laws or where an Exchange Hold Period is applicable. For the avoidance of doubt the Exchange Hold Period will apply when Options are granted to any directors, officers, promoters or insiders of an issuer, and when Options are granted to any person with an Exercise Price that is less than the market price of the shares of the Company at the time the Options are granted.

## 6. SPECIAL PROVISIONS FOR US OPTIONEES

6.1 Options may be ISO's. Options may be granted so that they qualify as ISOs under section 422(d) of the IRS Code in accordance with the requirements and limitations below.

6.2 US Optionee ceasing to be Eligible Person. Notwithstanding anything in this Plan, except in the case of a U.S. Optionee's death or disability (as defined in section 22(e)(3) of the IRS Code), an ISO that is exercised after the date that is three months following the U.S. Optionee ceasing to be an Eligible Person under this Plan will be treated as an NQSO to the extent required under sections 422 and 424 of the IRS Code. In the case of an Optionee ceasing to be an Eligible Person due to a U.S. Optionee's disability (as defined in section 22(e)(3) of the IRS Code), an ISO that is exercised after the date that is 12 months following that date shall be treated as an NQSO to the extent required under sections 422 and 424 of the IRS Code.

6.3 Transfer of Options. Notwithstanding anything in this Plan, an ISO may not be transferred or assigned in any manner other than (i) by will or the laws of descent and distribution or (ii) pursuant to a qualified domestic relations order (as described in the IRS Code). Any improper transfer of any Options will not create any rights in the purported transferee and will cause the immediate termination of the Options, and the Company will not issue any Shares upon the attempted exercise of improperly transferred Options.

6.4 Number of ISO's available. Notwithstanding any other provision of the Plan to the contrary, the aggregate number of Plan Shares available for ISOs is equal to the number of Plan Shares available pursuant to subsections 3.1 and 3.2 hereof and subject to the provisions of sections 422 and 424 of the IRS Code.

6.5 Option Agreement Must Specify. Each Option Agreement shall specify whether the related Option is an ISO or a NQSO. If no such specification is made, the related Option will be a NQSO.

6.6 Limitation on ISO. An ISO shall be treated as a NQSO to the extent that the aggregate market price (determined as of the applicable grant date) with respect to which ISOs are exercisable by any U.S.

Optionee for the first time during any calendar year (pursuant to the Plan and all other plans of the Company and of any Affiliate for purposes of section 422 of the IRS Code) will exceed U.S.\$100,000 or any other limitation subsequently set forth in section 422(d) of the IRS Code.

- 6.7 10% Shareholders. The exercise price per Share of an ISO granted to a 10% Shareholder will be not less than 110% of the Market Price on the applicable grant date and must have a 5 year maximum term.
- 6.8 Restriction on Date of Grant. An ISO may only be granted within the 10-year period beginning from the earlier of the date the Plan is adopted by the Board or the date the Plan is approved by shareholders of the Corporation.
- 6.9 Amendment. If the Board determines to extend the exercise period of an ISO pursuant to its authority under Section 7.2 below or to make any other revision to the terms of an ISO, such Option shall thereafter be treated as a NQSO to the extent required under sections 422 and 424 of the IRS Code. Notwithstanding any provision in the Plan to the contrary, any revision to the terms of an Option (whether an ISO or NQSO) granted to a U.S. Optionee shall be made only if it does not create adverse tax consequences under section 409A of the IRS Code.

## **7. AMENDMENTS**

- 7.1 Amendment of the Plan. The Board reserves the right, in its absolute discretion, to at any time amend, modify or terminate the Plan with respect to all Common Shares in respect of Options which have not yet been granted hereunder. Any amendment to any provision of the Plan will be subject to shareholder approval and any necessary Regulatory Approvals unless the effect of such amendment is intended to reduce (but not to increase) the benefits of this Plan to Eligible Persons. If this Plan is suspended or terminated, the provisions of this Plan and any administrative guidelines, rules and regulations relating to this Plan shall continue in effect for the duration of such time as any Option remains outstanding.
- 7.2 Amendment of Outstanding Options. The Board may amend any Option with the consent of the affected Optionee and the TSX Venture, including any shareholder approval required by the Exchange. For greater certainty, Disinterested Shareholder Approval is required for any reduction in the exercise price of an Option if the Optionee is an Insider at the time of the proposed amendment.
- 7.3 Amendment Subject to Approval. If the amendment of an Option requires shareholder or Regulatory Approval, such amendment may be made prior to such approvals being given, but no such amended Options may be exercised unless and until such approvals are given.

## **8. GENERAL**

- 8.1 Exclusion from Severance Allowance, Retirement Allowance or Termination Settlement. If the Optionee retires, resigns or is terminated from employment or engagement with the Company or any subsidiary of the Company, the loss or limitation, if any, pursuant to the Option Agreement with respect to the right to purchase Optioned Shares, shall not give rise to any right to damages and shall not be included in the calculation of nor form any part of any severance allowance, retiring allowance or termination settlement of any kind whatsoever in respect of such Optionee.
- 8.2 Employment and Services. Nothing contained in the Plan will confer upon or imply in favour of any Optionee any right with respect to office, employment or provision of services with the Company, or interfere in any way with the right of the Company to lawfully terminate the Optionee's office, employment or service at any time pursuant to the arrangements pertaining to same. Participation in the Plan by an Optionee is voluntary.
- 8.3 No Rights as Shareholder. Nothing contained in this Plan nor in any Option granted thereunder shall be deemed to give any Optionee any interest or title in or to any Common Shares of the Company or any

rights as a shareholder of the Company or any other legal or equitable right against the Company whatsoever other than as set forth in this Plan and pursuant to the exercise of any Option.

- 8.4 No Representation or Warranty. The Company makes no representation or warranty as to the future market value of Common Shares issued in accordance with the provisions of the Plan or to the effect of the *Income Tax Act* (Canada) or any other taxing statute governing the Options or the Optioned Shares issuable thereunder or the tax consequences to a Optionee. Compliance with applicable securities laws as to the disclosure and resale obligations of each Optionee is the responsibility of such Optionee and not the Company.
- 8.5 Other Arrangements. Nothing contained herein shall prevent the Board from adopting other or additional compensation arrangements, subject to any required approval.
- 8.6 No Fettering of Discretion. The awarding of Options under this Plan is a matter to be determined solely in the discretion of the Board. This Plan shall not in any way fetter, limit, obligate, restrict or constrain the Board with regard to the allotment or issue of any Common Shares or any other securities in the capital of the Company or any of its Affiliates other than as specifically provided for in this Plan.

Dated at Vancouver, British Columbia, this 19th day of March, 2018.

**PONDEROUS PANDA CAPITAL CORP.**

Per: "David W. Smalley"  
David W. Smalley, CEO and President

Agmt. No.

**Stock Option Plan of  
PONDEROUS PANDA CAPITAL CORP.**

**OPTION AGREEMENT**

This Option Agreement is entered into between **PONDEROUS PANDA CAPITAL CORP.** (the "Company") and the Optionee named below pursuant to the Company's Stock Option Plan (the "Plan") a copy of which is attached hereto, and confirms the following:

- 1. Grant Date: \_\_\_\_\_
- 2. Optionee: \_\_\_\_\_
- 3. Optionee's Position with the Company: \_\_\_\_\_
- 4. Number of Optioned Shares: \_\_\_\_\_
- 5. Option Price (\$ per Share): \_\_\_\_\_
- 6. Expiry Date of Option: \_\_\_\_\_
- 7. Hold Period \_\_\_\_\_

- 8. The Option vests as follows:
- 9. The Option may be exercised in whole or in part, from time to time, by delivering to the Company a notice on the form attached as Schedule "A" to this Agreement. Such notice must be accompanied by a certified cheque or bank draft payable to the Company for the full amount of the exercise price of the extent of the Option then being exercised. Upon payment, the Company shall issue and deliver or cause to be issued and delivered to you share certificates registered in your name for the number of Common Shares so purchased
- 10. The Option is non-assignable and non-transferable otherwise than, by will or by the law governing the devolution of property, to the Optionee's executor, administrator or other personal representative in the event of death of the Optionee.
- 11. In addition, any shares issued to you as a result of the exercise of the Option will be subject to a four-month hold period from the Date of Grant as required by the TSX Venture Exchange. In that connection, share certificates representing any shares issued prior to the expiry of four months from the Date of Grant will contain a legend in substantially the following form:

"WITHOUT PRIOR WRITTEN APPROVAL OF THE TSX VENTURE EXCHANGE (THE "**EXCHANGE**") AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF THE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL [4 MONTHS AND A DAY FROM THE DATE OF GRANT]".

- 12. This Option Agreement is subject to the terms and conditions set out in the Plan, as amended or replaced from time to time. In the case of any inconsistency between this Option Agreement and the Plan, the Plan shall govern.
- 13. Unless otherwise indicated, all defined terms shall have the respective meanings attributed thereto in the Plan.
- 14. This Option Agreement may be executed by the parties hereto in as many counterparts as may be necessary, and each such agreement so executed shall be deemed to be an original and,

provided that all of the parties have executed a counterpart, such counterparts together shall constitute a valid and binding agreement, and notwithstanding the date of execution shall be deemed to bear the date as set forth above. Such executed copy may be transmitted by telecopied facsimile or other electronic method of transmission, and the reproduction of signatures by facsimile or other electronic method of transmission will be treated as binding as if originals.

15. By signing this agreement, the Optionee:

- (a) acknowledges that he, she, or its authorized representative has read and understands the Plan and agrees that the Options are granted under and governed by the terms and conditions of the Plan, as may be amended or replaced from time to time; and
- (b) expressly consents to:
  - (i) the disclosure of "Personal Information" about the Optionee by the Company and its representatives to the TSX Venture Exchange, and
  - (ii) the collection, use and disclosure of Personal Information by the TSX Venture Exchange for the purposes described in Appendix 6A, a copy of which is attached hereto, or as otherwise identified by the TSX Venture Exchange, from time to time.

"Personal Information" means any information about the Optionee, including information contained in this Option Agreement.

IN WITNESS WHEREOF the parties hereto have executed this Option Agreement as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**OPTIONEE:**

**PONDEROUS PANDA CAPITAL CORP.**

\_\_\_\_\_  
Signature of Optionee

per: \_\_\_\_\_  
Authorized Signatory

\_\_\_\_\_  
Print Name

**MUST BE AMENDED FOR US OPTIONEES**

Appendix "A"

**NOTICE TO EXERCISE STOCK OPTIONS**

TO: **PONDEROUS PANDA CAPITAL CORP.** (the "Company")

Attention: \_\_\_\_\_, President

The undersigned hereby gives notice under the Agreement of exercise of the Option (as defined in the Agreement) with respect to the Number of Options (as defined in the Agreement) designated below and encloses a certified cheque or bank draft in the designated amount representing payment in full for those shares.

**Number of Options exercised:** \_\_\_\_\_ Common Shares

**Expiry Date** \_\_\_\_\_

**Exercise Price:** \$ \_\_\_\_\_ per share

**Total Amount** \$ \_\_\_\_\_

Registration Instructions

Please register the shares as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Delivery Instructions

Please mail a copy of the share certificates representing the Exercised Shares to the following address:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

WITNESS:	)	
	)	
	)	
_____	)	_____
Signature	)	Signature of Optionee
	)	
	)	
_____	)	_____
Print Name	)	Print name of Optionee



## APPENDIX 6A ACKNOWLEDGEMENT – PERSONAL INFORMATION

TSX Venture Exchange Inc. and its affiliates, authorized agents, subsidiaries and divisions, including the TSX Venture Exchange (collectively referred to as “the Exchange”) collect Personal Information in certain Forms that are submitted by the individual and/or by an Issuer or Applicant and use it for the following purposes:

- to conduct background checks,
- to verify the Personal Information that has been provided about each individual,
- to consider the suitability of the individual to act as an officer, director, insider, promoter, investor relations provider or, as applicable, an employee or consultant, of the Issuer or Applicant,
- to consider the eligibility of the Issuer or Applicant to list on the Exchange,
- to provide disclosure to market participants as to the security holdings of directors, officers, other insiders and promoters of the Issuer, or its associates or affiliates,
- to conduct enforcement proceedings, and
- to perform other investigations as required by and to ensure compliance with all applicable rules, policies, rulings and regulations of the Exchange, securities legislation and other legal and regulatory requirements governing the conduct and protection of the public markets in Canada.

As part of this process, the Exchange also collects additional Personal Information from other sources, including but not limited to, securities regulatory authorities in Canada or elsewhere, investigative, law enforcement or self-regulatory organizations, regulations services providers and each of their subsidiaries, affiliates, regulators and authorized agents, to ensure that the purposes set out above can be accomplished.

The Personal Information the Exchange collects may also be disclosed:

- (a) to the agencies and organizations in the preceding paragraph, or as otherwise permitted or required by law, and they may use it in their own investigations for the purposes described above; and
- (b) on the Exchange’s website or through printed materials published by or pursuant to the directions of the Exchange.

The Exchange may from time to time use third parties to process information and/or provide other administrative services. In this regard, the Exchange may share the information with such third party service providers.

## **SCHEDULE B**

### **Ponderous Panda Capital Corp.**

#### **AUDIT COMMITTEE CHARTER**

The Board of Directors (the "Board") of Ponderous Panda Capital Corp. (the "Company"), a British Columbia company, approves and adopts the following Audit Committee Charter to specify the composition, roles and responsibilities of the Audit Committee (the "Committee").

This Charter was adopted and approved by the Board of Directors of the Company on 6<sup>th</sup> February 2018.

#### **A. PURPOSE**

The overall purpose of the Audit Committee (the "Committee") is to ensure that the Company's management has designed and implemented an effective system of internal financial controls, to review and report on the integrity of the consolidated financial statements and related financial disclosure of the Company and to review the Company's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of financial information.

#### **B. COMPOSITION, PROCEDURES AND ORGANIZATION**

1. The Committee shall consist of at least three members of the Board of Directors (the "Board").
2. The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
3. Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair and a secretary from among their number.
4. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.
5. The Committee shall have access to such officers and employees of the Company and to the Company's external auditors, and to such information respecting the Company, as it considers to be necessary or advisable in order to perform its duties and responsibilities.
6. Meetings of the Committee shall be conducted as follows:
  - (a) the Committee shall meet at least four times annually at such times and at such locations as may be requested by the chair of the Committee. The external auditors or any member of the Committee may request a meeting of the Committee;

- (b) the external auditors shall receive notice of and have the right to attend all meetings of the Committee; and
  - (c) management representatives may be invited to attend all meetings except private sessions with the external auditors.
7. The internal auditors and the external auditors shall have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its chair, may contact directly any employee in the Company as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

### **C. ROLES AND RESPONSIBILITIES**

1. The overall duties and responsibilities of the Committee shall be as follows:
- (a) to assist the Board in the discharge of its responsibilities relating to the Company's accounting principles, reporting practices and internal controls and its approval of the Company's annual and quarterly consolidated financial statements and related financial disclosure;
  - (b) to establish and maintain a direct line of communication with the Company's internal and external auditors and assess their performance;
  - (c) to ensure that the management of the Company has designed, implemented and is maintaining an effective system of internal financial controls; and
  - (d) to report regularly to the Board on the fulfilment of its duties and responsibilities.
2. The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:
- (a) to recommend to the Board a firm of external auditors to be engaged by the Company, and to verify the independence of such external auditors;
  - (b) to review and approve the fee, scope and timing of the audit and other related services rendered by the external auditors;
  - (c) review the audit plan of the external auditors prior to the commencement of the audit;
  - (d) to review with the external auditors, upon completion of their audit:
    - (i) contents of their report;
    - (ii) scope and quality of the audit work performed;
    - (iii) adequacy of the Company's financial and auditing personnel;
    - (iv) co-operation received from the Company's personnel during the audit;
    - (v) internal resources used;

- (vi) significant transactions outside of the normal business of the Company;
  - (vii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and
  - (viii) the non-audit services provided by the external auditors;
- (e) to discuss with the external auditors the quality and not just the acceptability of the Company's accounting principles; and
- (f) to implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management.
3. The duties and responsibilities of the Committee as they relate to the Company's internal auditors are to:
- (a) periodically review the internal audit function with respect to the organization, staffing and effectiveness of the internal audit department;
  - (b) review and approve the internal audit plan; and
  - (c) review significant internal audit findings and recommendations, and management's response thereto.
4. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Company are to:
- (a) review the appropriateness and effectiveness of the Company's policies and business practices which impact on the financial integrity of the Company, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting and risk management;
  - (b) review compliance under the Company's business conduct and ethics policies and to periodically review these policies and recommend to the Board changes which the Committee may deem appropriate;
  - (c) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Company; and
  - (d) periodically review the Company's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.
5. The Committee is also charged with the responsibility to:
- (a) review the Company's quarterly statements of earnings, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto;
  - (b) review and approve the financial sections of:

- (i) the annual report to shareholders;
  - (ii) the annual information form;
  - (iii) annual and interim MD&A;
  - (iv) prospectuses;
  - (v) news releases discussing financial results of the Company; and
  - (vi) other public reports of a financial nature requiring approval by the Board,  
and report to the Board with respect thereto;
- (c) review regulatory filings and decisions as they relate to the Company's consolidated financial statements;
  - (d) review the appropriateness of the policies and procedures used in the preparation of the Company's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;
  - (e) review and report on the integrity of the Company's consolidated financial statements;
  - (f) review the minutes of any audit committee meeting of subsidiary companies;
  - (g) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Company and the manner in which such matters have been disclosed in the consolidated financial statements;
  - (h) review the Company's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of financial information; and
  - (i) develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board of Directors following each annual general meeting of shareholders.

END OF DOCUMENT