



MANAGEMENT PROXY CIRCULAR INTRODUCTION

This Management Proxy Circular (the “Information Circular”) accompanies the Notice of Annual General Meeting given to the holders (the “Shareholders”) of common shares of Kelso Technologies Inc. (“Kelso” or the “Corporation”) in respect of the annual general and special meeting (the “Meeting”) of Shareholders to be held on Thursday, June 25, 2020 at the Fairmont Pacific Rim Hotel, 1038 Canada Place, Vancouver, BC, Canada V6C 0B9 at 10:00 a.m. Pacific time for the purposes set out in the accompanying Notice of Meeting. This Information Circular is furnished in connection with the solicitation of proxies by management of the Corporation for use at the Meeting and at any adjournment or postponement of the Meeting.

General Information

Except as otherwise stated, the information contained herein is given as of April 27, 2020. Figures in this Information Circular are expressed in United States dollars (“US\$”) or in Canadian dollars (“C\$”), unless otherwise stated. As at December 31, 2019 the value of the Canadian dollar, based on the Bank of Canada’s daily rate of exchanges, was US\$0.7699.

PROXIES AND VOTING RIGHTS

General

The solicitation of proxies is being made on behalf of Management. It is expected that solicitations of proxies will be made primarily by mail but proxies may also be solicited by telephone or other personal contact by directors, officers and employees of the Corporation without special compensation. The Corporation may reimburse Shareholders’ nominees or agents (including brokers holding shares on behalf of clients) for the costs incurred in obtaining authorization to execute forms of proxies from their principals.

Only a Shareholder whose name appears on the certificate(s) representing its common shares (a “Registered Shareholder”) or its duly appointed proxy nominee is permitted to vote at the Meeting. A Shareholder is a non-registered Shareholder (a “Non-Registered Shareholder”) if its common shares are registered in the name of an intermediary, such as an investment dealer, brokerage firm, bank, trust company, trustee, custodian, administrator or other nominee, or a clearing agency in which the intermediary participates (each, an “Intermediary”). Accordingly, most Shareholders of the Corporation are Non-Registered Shareholders because the common shares they own are not registered in their names but are instead registered in the name of the Intermediary through which they own the common shares.

More particularly, a person is a Non-Registered Shareholder in respect of common shares which are held on behalf of that person, but which are registered either: (a) in the name of an Intermediary that the Non-Registered Shareholder deals with in respect of the common shares; or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited (“CDS”)) of which the Intermediary is a participant. In Canada, the vast majority of securities are registered under the name of CDS, which acts as nominee for many Canadian brokerage firms. Common shares so held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Non-Registered Shareholder. Without specific instructions, Intermediaries are prohibited from voting common shares held for Non-Registered Shareholders.

These proxy solicitation materials are being sent to both Registered Shareholders and Non-Registered Shareholders. If the Corporation or its agent has sent these materials directly to a Non-Registered Shareholder, such Non-Registered Shareholder’s name and address and information about its holdings of common shares have been

obtained in accordance with the requirements under applicable securities laws from the Intermediary holding the common shares on such Non-Registered Shareholder's behalf.

Non-Registered Shareholders who have not objected to their Intermediary disclosing certain information about them to the Corporation are referred to as non-objecting beneficial owners ("NOBOs"), whereas Non-Registered Shareholders who have objected to their Intermediary disclosing ownership information about them to the Corporation are referred to as objecting beneficial owners ("OBOs"). In accordance with National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("NI 54-101"), the Corporation has elected to send the Notice of Meeting, this Proxy Circular and the related form of proxy or voting instruction form (collectively, the "Meeting Materials") indirectly to the NOBOs and to the OBOs through their Intermediaries.

How to Vote

Out of necessary caution, to proactively deal with the unprecedented public health impact of COVID-19, and to mitigate risks to the health and safety of our communities, shareholders, directors, employees and other stakeholders, Management encourages shareholders and others to vote by proxy in order to avoid physical attendance.

Given the need for risk management in respect of COVID-19, the Corporation asks that anyone planning to attend the Meeting in person advise the Corporate Secretary of the Corporation at klove@kelsotech.com. To ensure the health and safety of all attendees, the Corporation reserves the right to take any additional cautionary measure deemed to be appropriate, necessary or advisable in relation to the Meeting in response to further developments in the COVID-19 pandemic, including limiting the number of persons who may be allowed in a single room for the Meeting to allow for required social distancing, or any other measures that may be recommended by public health authorities in connection with gatherings of persons. Shareholders are encouraged to vote by proxy, by mail, by telephone or on the Internet, in advance of the deadline set forth herein.

The Corporation is not aware of any items of business to be brought before the Meeting other than those described in the Proxy Circular and there will be no Management presentation on the business and operations of the Corporation at the Meeting.

Registered Shareholders can vote their common shares by proxy, by mail, by telephone or on the Internet. If you vote your common shares by proxy by mail, completed forms of proxies must be received by the Corporation's transfer agent, Computershare Investor Services Inc., Proxy Department, at 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1. Telephone and Internet voting can also be completed 24 hours a day, 7 days a week which is noted on your proxy form. If you vote by telephone, you cannot appoint anyone other than the appointees named on the proxy form as your proxyholder. For internet voting, go to www.investorvote.com and follow the instructions on the screen. For either telephone or internet voting, you will need your 15 digit control number which is noted on your proxy form. Duly completed forms of proxy or a vote using the telephone or over the Internet must be completed no later than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournment thereof.

Non-Registered Shareholders will receive voting instructions from the Intermediary through which they hold their common shares. Please follow the instructions provided on your voting instruction form to vote your common shares.

Appointment of Proxies

Registered Shareholders

The persons named in the accompanying form of proxy are nominees of the Corporation's Management. **A Shareholder has the right to appoint a person or company (who need not be a Shareholder) to attend and act for and on the Shareholder's behalf at the Meeting other than the persons designated as proxyholders in the accompanying form of proxy. To exercise this right, the Shareholder must either:**

- (a) on the accompanying form of proxy, strike out the printed names of the individuals specified as proxyholders and insert the name of the Shareholder's nominee in the blank space provided; or
- (b) complete another proper form of proxy.

In either case, to be valid, a proxy must be dated and signed by the Shareholder or by the Shareholder's attorney authorized in writing. In the case of a company, the proxy must be signed by a duly authorized officer of, or attorney for, the company.

The completed proxy, together with the power of attorney or other authority, if any, under which the proxy was signed, or a notarially certified copy of the power of attorney or other authority, must be delivered to Computershare Investor Services Inc., Proxy Department, at 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1, or by telephone, internet or facsimile (in accordance with the instructions provided in the form of proxy delivered herewith), by 10:00 a.m. PDT on Tuesday, June 23, 2020 or at least 48 hours (excluding Saturdays, Sundays and holidays) before the time that the Meeting is to be reconvened after any adjournment of the Meeting. The deadline for the deposit of proxies may be waived or extended by the Chair of the Meeting at the Chair's discretion without notice.

Non-Registered Shareholders

Only Registered Shareholders or duly appointed proxyholders for Registered Shareholders are permitted to vote at the Meeting. Non-Registered Shareholders (whether NOBOs or OBOs) are advised that only proxies from Shareholders of record can be recognized and voted at the Meeting.

The Intermediary holding common shares on behalf of a Non-Registered Shareholder is required to forward the Meeting Materials to such Non-Registered Shareholder (unless such Non-Registered Shareholder has waived its right to receive the Meeting Materials) and to seek such Non-Registered Shareholder's instructions as how to vote its common shares in respect of each of the matters described in this Proxy Circular to be voted on at the Meeting. Each Intermediary has its own procedures which should be carefully followed by Non-Registered Shareholders to ensure that their common shares are voted by the Intermediary on their behalf at the Meeting. The instructions for voting will be set out in the form of proxy or voting instruction form provided by the Intermediary. Non-Registered Shareholders should contact their Intermediary and carefully follow the voting instructions provided by such Intermediary. Alternatively, Non-Registered Shareholders who wish to vote their common shares in person at the Meeting may do so by appointing themselves as the proxy nominee by writing their own name in the space provided on the form of proxy or voting instruction form provided to them by the Intermediary and following the Intermediary's instructions for return of the executed form of proxy or voting instruction form.

All references to Shareholders in this Proxy Circular and the accompanying Notice of Meeting and form of proxy are to Shareholders of record at the close of business on the Record Date (as defined below) unless specifically stated otherwise.

Revocation of Proxies

A Shareholder who has given a proxy may revoke it at any time before the proxy is exercised:

- (a) by an instrument in writing that is:
- (i) signed by the Shareholder, the Shareholder's legal personal representative or trustee in bankruptcy or, where the Shareholder is a company, a duly authorized officer of, or attorney for, the company; and
 - (ii) delivered to Computershare Investor Services Inc., Proxy Department, at 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1 or to the registered office of the Corporation located at Suite 2600 – 595 Burrard Street, Vancouver, British Columbia, Canada V7X 1L3 at any time up to and including the last business day preceding the day of the Meeting or any adjournment of the Meeting;
- (b) by sending another proxy form with a later date to Computershare Investor Services Inc. before 10:00 a.m. PDT Tuesday, June 23, 2020 or at least 48 hours (excluding Saturdays, Sundays and holidays) before any adjourned or postponed Meeting;

- (c) by attending the Meeting and notifying the Chair of the Meeting in writing prior to the commencement of the Meeting that the Shareholder has revoked its proxy; or
- (d) in any other manner provided by law.

A revocation of a proxy does not affect any matter on which a vote has been taken prior to the revocation.

Voting and Exercise of Discretion by Proxyholders

A Shareholder may indicate the manner in which the persons named in the accompanying form of proxy are to vote with respect to a matter to be acted upon at the Meeting by marking the appropriate space. **The common shares represented by the proxy will be voted or withheld from voting in accordance with the instructions given by the Shareholder in the proxy on any ballot that may be called for.**

If the Shareholder specifies a choice in the proxy with respect to a matter to be acted upon, then the common shares represented thereby will be voted or withheld from the vote on that matter accordingly. If no choice is specified in the proxy with respect to a matter to be acted upon, it is intended that the proxyholder named by Management in the accompanying form of proxy will vote the common shares represented by the proxy in favour of each matter identified in the proxy and for the nominees for election to the Corporation's board of directors and auditor.

The accompanying form of proxy also confers discretionary authority upon the named proxyholder with respect to amendments or variations to the matters identified in the accompanying Notice of Meeting and with respect to any other matters which may properly come before the Meeting. **As of the date of this Proxy Circular, Management of the Corporation is not aware of any such amendments or variations, or any other matters that will be presented for action at the Meeting other than those referred to in the accompanying Notice of Meeting. If, however, other matters that are not now known to Management properly come before the Meeting, then the persons named in the accompanying form of proxy intend to vote on them in accordance with their best judgment.**

The Corporation is not relying on the notice-and-access delivery procedures outlined in NI 54-101 to distribute copies of Meeting Materials.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as disclosed elsewhere in this Circular, no Person 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. For the purpose of this paragraph, "**Person**" shall include each person: (a) who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last financial year, (b) who is proposed as a nominee for election as a director, or (c) who is an associate or affiliate of a person included in subparagraphs (a) or (b).

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Corporation is authorized to issue an unlimited number of common shares (the "**Common Shares**") without par value and an unlimited number of Class "A" preference shares (the "**Preference Shares**") without par value, of which 5,000,000 are designated Class "A" convertible voting preference, series 1 shares (the "**Convertible Shares**") without par value.

In accordance with applicable laws, the board of directors of the Corporation (the "**Board**") has fixed a record date as at April 27, 2020 (the "**Record Date**") for the purposes of determining Shareholders entitled to receive notice of, and to vote at, the Meeting, and has obtained a list of all persons who are Registered Shareholders at the close of business on the Record Date and the number of Common Shares registered in the name of each Registered Shareholder on that date. Each Registered Shareholder as at the close of business on the Record Date will be entitled to receive notice of the Meeting and will be entitled to one vote at the Meeting for each common share registered in his or her name as it appears on the list. The Preference Shares and the Convertible Shares are subject to the special rights and restrictions set out in the Corporation's Articles. The Preference Shares do not carry the right to vote.

Holders of Convertible Shares are entitled to receive notice and to attend all shareholder meetings of the Corporation and have the right to one vote at any meeting. There were no Preference Shares or Convertible Shares issued and outstanding as at the Record Date.

To the knowledge of the directors and executive officers of the Corporation, as at the Record Date, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, securities carrying 10% or more of the voting rights attached to all outstanding voting securities of the Corporation:

BUSINESS OF THE MEETING

Receipt of Financial Statements

The audited consolidated annual financial statements of the Corporation for the year ended December 31, 2019 and accompanying auditor's report, and the management's discussion and analysis of the Corporation for the year ended December 31, 2019, will be presented at the Meeting. Copies of the Financial Statements, the auditors' report thereon and management's discussion and analysis of the Corporation ("MD&A") for the year ended December 31, 2019 have been mailed to all Registered Shareholders and Non-Registered Shareholders who have opted to receive such materials. The Financial Statements can also be found on the Corporation's website at www.kelsotech.com and are also available under the Corporation's profile on SEDAR at www.sedar.com in Canada and on EDGAR at www.sec.gov in the United States. No vote by the Registered Shareholders and Non-Registered Shareholders is required to be taken with respect to the Financial Statements.

Appointment and Remuneration of Auditors

The Shareholders will be asked to vote for the appointment of Smythe, LLP as the auditor of the Corporation to hold office until the next annual general meeting of Shareholders and to authorize the directors to fix their remuneration. **The Board recommends a vote "FOR" the appointment of Smythe, LLP as the auditor of the Corporation to hold office until the close of the next annual meeting of Shareholders and to authorize the directors to fix the auditor's remuneration. In the absence of a contrary instruction, the persons designated by management of the Corporation in the enclosed form of proxy intend to vote FOR the appointment of Smythe, LLP as the auditor of the Corporation to hold office until the close of the next annual meeting of Shareholders and to authorize the directors to fix their remuneration.** Smythe LLP, were first appointed as the Corporation's auditor on November 16, 2009.

ELECTION OF DIRECTORS

Advance Notice Policy

On June 5, 2013, the Shareholders approved the adoption of new articles of the Corporation (the "New Articles") which replaced the then existing Articles in their entirety. The New Articles contained an Advance Notice Policy (the "ANP"), which includes, among other things, a provision that requires advance notice be given to the Corporation in circumstances where nominations of persons for election to the Board are made by shareholders of the Corporation. The New Articles which contain the ANP are posted on the Corporation's website at www.kelsotech.com. As at the date of this Circular, the Corporation has not received notice of any director nominations pursuant to the ANP. Accordingly, at this time, the only persons eligible to be nominated for election to the Board at the Meeting are the below nominees.

Majority Voting Policy

In accordance with good corporate governance practices and procedures, the Board of directors of the Corporation adopted a Majority Voting Policy at a meeting of the Board on March 23, 2015. The Majority Voting Policy provides that each director of the Corporation must be elected by the vote of a majority of the Corporation's common shares, represented in person or by Proxy, at any meeting held for the election of directors. Forms of Proxy for the election of directors will permit a shareholder to vote in favour of, or to withhold from voting, separately for each director nominee.

If any nominee for director does not receive a majority vote in favour of his or her election from the shares voted at the meeting in person or by Proxy, that director must immediately tender his or her resignation. The Corporate

Governance and Nominating Committee of the Corporation will expeditiously consider whether to recommend to the Board whether or not to accept the resignation. In making this recommendation, the Corporate Governance and Nominating Committee of the Corporation may consider such extenuating circumstances as it deems appropriate including without limitation circumstances relating to the composition of the Board or the voting results.

The Board shall determine whether or not to accept the resignation within ninety days of the relevant shareholders' meeting. The Board shall accept the resignation absent exceptional circumstances. The resignation will be effective when accepted by the Board. A director who tenders a resignation pursuant to this policy will not participate in any meetings of the Board or any sub-committee of the Board at which the resignation is considered.

The Corporation shall promptly issue a news release with the Board's decision, a copy of which must be provided to the Toronto Stock Exchange (the "TSX"). If the Board determines not to accept a resignation, the news release must fully state the reasons for that decision.

Nominees

The following table provides the name, residence, participation on the Corporation's Board, number of common shares beneficially owned or controlled or directed as of the Record Date and principal occupation during the preceding five years of each of the nominated directors of the Corporation. The Corporation has been advised that each of the nominated directors is willing to serve on the Board for the ensuing year. Each director will hold office until the next annual meeting of Shareholders or until his or her successor is duly elected or appointed, unless the office is earlier vacated in accordance with the Articles of the Corporation or the *Business Corporations Act* (British Columbia) or he or she becomes disqualified to act as a director.

Further information on the proposed Nominees is also found in this Circular (see pages 10 to 17 for compensation received, page 25 for independence status and page 26 for memberships on other public board and for Board attendance records.

The Board recommends a vote "FOR" the appointment of each of the following nominees as directors. In the absence of a contrary instruction, the person(s) designated by management of the Corporation in the enclosed form of proxy intend to vote FOR the election as directors of the proposed nominees whose names are set forth below, each of whom has been a director since the date indicated below opposite the proposed nominee's name.

Name and Jurisdiction of Residence	Current Occupation/Age/Biography	Served as a Director Since	Number of Voting Securities of the Corporation Beneficially Owned or Controlled or Directed, Directly or Indirectly ⁽¹⁾
James R. Bond British Columbia, Canada	<p>Occupation: Director, President and CEO of the Corporation</p> <p>Age: 66</p> <p>Biography: President and CEO of the Corporation from April 2010 to present; director of SiQ Mountain Industries Inc., a company listed on the TSX Venture Exchange (the "TSXV"). Mr. Bond is the President of Bondwest Enterprises Inc., a Canadian company established in 1988 that specializes in corporate architecture, financial networking, entrepreneurial management, strategic business development and distress turnarounds. Over the past 36 years he has served in advisory, consulting, executive management, director and corporate officer roles in numerous private and public companies conducting business in the technology, manufacturing and processing industries.</p>	April 7, 2010	1,368,300 Common Shares ⁽²⁾

Name and Jurisdiction of Residence	Current Occupation/Age/Biography	Served as a Director Since	Number of Voting Securities of the Corporation Beneficially Owned or Controlled or Directed, Directly or Indirectly ⁽¹⁾
Peter Hughes British Columbia, Canada	<p>Occupation: Lead Director of the Corporation; Self-employed businessman</p> <p>Age: 58</p> <p>Biography: Mr. Hughes has 35 years' business experience including senior-level executive and director positions in both private and public companies specializing in pharmaceuticals, alternative energy, mining, aquaculture and sports technology. Mr. Hughes is a graduate of the University of British Columbia with a Bachelors' degree in Science, Canadian Securities Course and Director's and Officer's Course. Mr. Hughes currently serves as a President and CEO of SIQ Mountain Industries Inc., Director of Yuntone Capital Corp., CEO and Director of Gourmet Ocean Products Inc. (GOP:TSXV) and a Director of Navion Capital Inc. all of which are on the TSXV.</p>	October 4, 2010	16,000 Common Shares
Anthony ("Tony") Andrukaitis Texas, USA	<p>Occupation: Director, Chief Operating Officer of the Corporation from March 1, 2016 to present; Executive Vice-President Business Development of the Corporation from January 2, 2015 to present</p> <p>Age: 66</p> <p>Biography: Mr. Andrukaitis has over 26 years of senior corporate management experience in finance, accounting, strategic planning, business development and turn-around activities. He was the Chief Operations Officer of Trinity Rail and former President of Trinity Tank Car, Inc., both subsidiaries of Trinity Industries of Dallas, Texas. Prior to that, he was the President and CEO of GATX Terminals Corporation of Chicago, IL. Mr. Andrukaitis is a CPA and holds a Bachelor of Science degree in Accounting from the University of Illinois and Master of Business Administration degree from DePaul University.</p>	August 24, 2011	264,000 Common Shares
Paul Cass British Columbia, Canada	<p>Occupation: Director of the Corporation; Independent Businessman.</p> <p>Age: 63</p> <p>Biography: Mr. Cass was formerly COO of Whitewater West Industries, a privately held design/manufacturing firm specializing in waterpark and amusement park equipment installations around the world. Previously Mr. Cass was COO at Ballard Power Systems Ltd., a public company specializing in the development and manufacture of fuel cell technology for automotive and non-automotive markets. Mr. Cass holds an MBA and BAsC and is a member of the Association of Professional Engineers and Geoscientists of British Columbia (P.Eng).</p>	June 2, 2016	69,000 Common Shares
Laura Roach Texas, USA	<p>Occupation: Ms. Roach is an attorney and partner at McCathern Law, a Law firm located in Frisco, Texas.</p> <p>Age: 48</p> <p>Biography: Ms. Roach's practice consists of family law with a primary focus on mediation, divorce and litigation. Ms. Roach is also an entrepreneur, founding and running a referral and marketing business. Ms. Roach has been recognized as one of D Magazine's Best Lawyers in Texas and Texas Monthly magazine's super lawyers every year since 2013. Ms. Roach earned a Juris Doctor from St. Mary's University School of Law and a BSc from the University of Arizona.</p>	August 10, 2016	6,390 Common Shares

Name and Jurisdiction of Residence	Current Occupation/Age/Biography	Served as a Director Since	Number of Voting Securities of the Corporation Beneficially Owned or Controlled or Directed, Directly or Indirectly ⁽¹⁾
Jesse V. Crews California, USA	<p>Occupation: Chief Investment Officer of Trinity Industries Leasing Company (“TILC”). TILC is the railcar leasing subsidiary of Trinity Industries Inc.</p> <p>Age: 67</p> <p>Biography: Mr. Crews is the Chief Investment Officer of Trinity Industries Leasing Company, which he joined in 2011, which includes accountability for the leasing company’s long-term portfolio investment strategy, wide-ranging capital market activities, as well as major transaction initiatives. From 2009 to 2011, he served as the Chief Operating Officer and Executive Vice President of Willis Lease Finance Corp. From 2004 to 2009, he served as a Managing Director for Fortress Investment Group. Previously, he served as the President and Chief Executive Officer of GATX Financial Corporation (formerly GATX Capital Corporation). Mr. Crews joined GATX in 1977 as a Financial Analyst and held a progression of positions through 2002, including Manager in Singapore, Regional Manager in New Orleans/Houston, head of New Business Development in their San Francisco main office, head of Corporate Finance, Chief Investment Officer, and culminated in his election as Chief Executive Officer in 1998. Mr. Crews is a member “Emeritus” of the Board of Trustees for the Darden Graduate School of Business at the University of Virginia. He earned a Masters’ in Business Administration from the University of Virginia and a Bachelor of Arts degree in Economics from Yale University.</p>	April 17, 2018	107,097 Common Shares
Frank Busch British Columbia, Canada	<p>Occupation: Chief Executive Officer of NationFUND Access Capital Corporation.</p> <p>Age: 41</p> <p>Biography: Mr. Busch’s expertise is finance, business development and indigenous relations as Director of Community Engagement with the First Nations Finance Authority in Canada. Mr. Busch received his Bachelor of Arts from the University of Manitoba and has completed five specialized financial certificates from the Canadian Securities Institute and a post-graduate Certificate in Finance from Harvard University in preparation for entering the Masters’ of Liberal Arts in Extension Studies Field: Finance at Harvard. Mr. Busch is an expert in the field of Indigenous Engagement and Relations and has spoken publicly, published articles and advised companies and organizations of all sizes on the subject.</p>	February 11, 2020	Nil

⁽¹⁾ Securities beneficially owned, directly or indirectly, or over which control or direction is exercised, as at April 27, 2020, based upon information furnished to the Corporation by the individual nominees.

⁽²⁾ Mr. Bond holds 552,500 Common Shares directly; 660,800 Common Shares indirectly through Bondwest Enterprises Inc., a company owned and controlled by Mr. Bond; and 155,000 Common Shares jointly with Serena Sardar, Mr. Bond’s spouse.

Committees

The Board does not have an executive committee. As at the date of this Circular there are presently three committees of the Board: the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee. The following table sets out the current membership of the proposed Nominees on such Committees:

Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee
Paul Cass (Chair) Jesse V. Crews Frank Busch	Peter Hughes (Chair) Paul Cass Laura Roach	Jesse V. Crews (Chair) Laura Roach Frank Busch

Corporate Cease Trade Orders or Bankruptcies

No proposed director is, as of the date hereof, or has been, within ten years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including the Corporation), that:

- (a) 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 (each, an “**order**”) that was issued while the proposed director was acting in the capacity as a director, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer.

No proposed director is, as of the date hereof, or has been, within ten years before the date of this Information Circular, a director or executive officer of any company (including the Corporation) 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.

Individual Bankruptcies

No proposed director of the Corporation has, within ten 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 that individual.

Penalties or Sanctions

No proposed director of the Corporation 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 security holder in deciding whether to vote for the proposed director.

Conflicts of Interest

Circumstances may arise where members of the Board are directors or officers of companies which are in competition to the interests of the Corporation. Pursuant to applicable law, directors who have an interest in a proposed transaction upon which the Board is voting are required to disclose their interests and refrain from voting on the transaction.

There is no family relationship between any of the individuals who are proposed nominees for election to the Board or executive officers of the Corporation.

As at the date of this Information Circular, the Corporation is not aware of any existing or potential material conflicts of interest between the Corporation and a subsidiary of the Corporation and a director or officer of the Corporation or of a subsidiary of the Corporation.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

For the purposes of this Information Circular, a named executive officer (“**NEO**”) 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 Corporation's three most highly compensated executive officers, 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 C\$150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6, for that financial year; and
- (d) each individual who would be an NEO under paragraph (c) above 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.

The Corporation's NEOs for the fiscal year ending December 31, 2019 were:

- James R. Bond, CEO;
- Richard Lee, CFO;
- Tony Andrukaitis, COO;
- Amanda Smith, VP Operations;
- Patrick Hankey, Controller.

Compensation Discussion and Analysis

Introduction

The Compensation Committee oversees the performance and compensation of executive officers of the Corporation. The Compensation Committee approves or makes recommendations to the Board on: all aspects of compensation philosophy, strategy and policies; performance criteria and evaluations; and compensation payable to the CEO, the other NEOs and other executive officers.

Executive Compensation Plan

The Compensation Committee reviews, for approval by the Board, the design and competitiveness of the Corporation's executive pay-for-performance compensation program. The fundamental objective of the Corporation is the long-term creation and protection of Shareholder value, and the Corporation's executive compensation system is designed to:

- attract, retain, motivate and reward high-calibre talent through competitive pay practices;
- connect the compensation model directly to specific corporate, operating, health, safety and environment ("HSE"), and individual performance objectives;
- motivate high-performers to achieve exceptional levels of performance through rewards.

The Corporation's commitment to connecting pay with performance is reflected in the percentage of the executive officer's compensation that is "at risk" using short-term (annual) and long-term incentive compensation that pays out only if high levels of performance are achieved in the view of the Compensation Committee and the Board. While the percentage of "at risk" compensation varies with each executive officer, in each case it comprises a majority of total targeted compensation.

Compensation Committee – Members and Skills

The Board has established the Compensation Committee to, among other things, administer the Corporation's executive compensation plan. The members of the Compensation Committee are Peter Hughes (Chair), Paul Cass and Laura Roach, all have relevant experience and competence. All of the members of the Compensation Committee are considered independent directors. See "*Business of the Meeting – Election of Directors – Director Nominees*".

Mr. Hughes has 35 years' business experience including senior-level executive and director positions in both private and public companies.

Mr. Cass has held several positions at Ballard Power Systems Inc. including Vice President and Chief Operations Officer (2014 to March 31, 2016) and other senior level executive positions since 2009.

Ms. Roach is an attorney and partner at McCathern Law, a Law firm located in Frisco, Texas.

The members of the Compensation Committee have a range of skills and experience which the Board believes provides the expertise necessary to oversee the Corporation's executive compensation structure. In addition, the Compensation Committee may obtain input from independent outside compensation consultants when necessary. The relevant experience of the Compensation Committee members is summarized below.

Executive Compensation Consultant

The Compensation Committee may periodically engage an independent executive compensation consultant specializing in executive and Board compensation reviews, strategic short- and long-term incentive plan design, executive retention issues and compensation and executive contract issues surrounding mergers and acquisitions. In 2019, the Compensation Committee engaged an executive compensation consultant and paid fees of \$15,282 in this regard.

Compensation Governance

The Compensation Committee receives information and makes recommendations to the Board and, if applicable, Shareholders, on matters relating to the principles of compensation, as well as all compensation and other terms of employment of executive officers. The Compensation Committee meets regularly and its tasks include monitoring and evaluating programs for variable compensation for executive officers and the application of the executive compensation plan, as well as compensation structures, risks and levels throughout the Corporation.

The Compensation Committee, subject to the powers and duties of the Board, has the following responsibilities:

- (a) review and approve corporate goals and objectives relevant to CEO compensation;
- (b) evaluate the CEO's performance in light of the corporate goals and objectives, and make recommendations to the Board with respect to the CEO's compensation level based on the Compensation Committee's evaluation;
- (c) review and approve the appointment, compensation and other terms of employment of the CFO, all senior management reporting directly to the CEO and all other officers appointed by the Board;
- (d) review executive compensation disclosure before the Corporation publicly discloses this information;
- (e) periodically submit a report to the Board on human resources matters;
- (f) prepare an annual report for inclusion in the Corporation's management information circular to shareholders respecting the process undertaken by the Compensation Committee in its review and preparing a recommendation in respect of CEO compensation; and
- (g) review and assess the adequacy of the Compensation Committee's mandate from time to time, as required, to ensure compliance with any rules or regulations promulgated by any regulatory body and recommend to the Board for its approval any modifications to the Compensation Committee's mandate as required.

The Compensation Committee is entitled to request the advice and assistance of additional external compensation consultants and other advisors. However, the Compensation Committee is required to ensure that there is no conflict of interest regarding other assignments that such consultants or advisors may have for the Corporation and its management.

The role of the Compensation Committee is to assist the Board in fulfilling its responsibilities with respect to compensation issues. The Compensation Committee is comprised of three directors, Peter Hughes, Paul Cass and Laura Roach, all of whom are independent. The Compensation Committee is required to meet at least annually. The Compensation Committee evaluates the NEOs performance and establishes executive and senior officer compensation, determines the general compensation structure, policies and programs of the Corporation, including the extent and level of participation in incentive programs, and makes recommendations to the Board for its consideration and approval. The Compensation Committee has also been mandated to review the adequacy and form

of the compensation of directors and to ensure that such compensation realistically reflects the responsibilities and risk involved in being an effective director as well as the risk any such compensation policy or practice would have a material adverse effect on the Corporation.

In making compensation decisions, the Compensation Committee strives to find a balance between short-term and long-term compensation and cash versus equity incentive compensation. Base salaries and discretionary cash bonuses primarily reward recent performance and incentive stock options encourage NEOs to continue to deliver results over a longer period of time and serve as a retention tool. The annual salary for each NEO is determined by the Compensation Committee based on the level of responsibility and experience of the individual, the relative importance of the position to the Corporation, the professional qualifications of the individual and the performance of the individual over time. The NEOs' performances and salaries are to be reviewed periodically on the anniversary of their employment with the Corporation. Increases in salary are to be evaluated on an individual basis and are performance and market-based. Except for named executive officers whose employment agreements provide a formula for calculation of the amount of cash bonuses, the amount and award of cash bonuses to key executives and senior management is discretionary, dependent on, among other factors, the financial performance of the Corporation and the position of a participant.

Role of Management in Determining Compensation

The accountability for decisions on executive remuneration is clearly within the mandate of the Compensation Committee, but management has a key role in helping support the committee in fulfilling its obligations. For example, the CEO and other senior executives make recommendations to the Compensation Committee regarding executive officer base salary adjustments, stock-based grants and discretionary bonuses. The Compensation Committee reviews the basis for these recommendations and can exercise its discretion in modifying any of the recommendations prior to making its recommendations to the Board. The CEO does not make a recommendation to the Compensation Committee with respect to his own remuneration package.

Overview of Compensation Philosophy

The Corporation does not have a formal compensation program. The Corporation's core compensation philosophy is to pay our executive officers competitive levels of compensation that best reflect their individual responsibilities and contributions to the Corporation, while providing incentives to achieve our business and financial objectives.

The Corporation's compensation structure is designed to reward performance and to be competitive with the compensation arrangements of other Canadian companies of similar size and scope of operations. A number of factors are considered when determining NEO compensation including, the overall financial and operating performance of the Corporation, the NEOs individual performance and contribution to the benefit of the Corporation, the individual NEOs responsibilities and length of service, levels of compensation provided by industry competitors, and the long-term interests of the Corporation and its shareholders.

In 2019 each NEOs' compensation package consisted of a base salary, incentive stock options and a bonus plan whereby 10% of the Corporation's annual net income before taxes and share-based payments would be equally distributed to the NEOs. At this time, the Board has not established any benchmark or performance goals that the NEOs must achieve in order to maintain their respective positions as NEOs with the Corporation.

Elements of Compensation

Compensation for the NEOs is composed primarily of three components; namely, base salary, participation in the Corporation's incentive stock option plan, and short-term incentive compensation in the form of discretionary performance bonuses. Other benefits do not form a significant part of the remuneration package of any of the NEOs.

Each element of the Corporation's executive compensation program is described in more detail below.

Base Salaries

An NEOs base salary is intended to remunerate the NEO for discharging job responsibilities and reflects the executive's performance over time. Individual salary adjustments take into account performance contributions in connection with their specific duties. The base salary of each executive officer is recommended by the Compensation Committee to the Board for approval based on an assessment of his sustained performance and consideration of competitive compensation levels for the markets in which the Corporation operates. In making its recommendations to the Board, the Compensation Committee also considers the particular skills and experience of the individual. The base salaries of executive officers are reviewed annually. As payment of base salaries does not depend on the performance of any specific targets or goals it is not viewed as "at risk" compensation.

Long Term Incentive Compensation – Stock Options

The stock option component of an NEOs compensation, which, at the discretion of the Board, can include a vesting element to ensure retention, serves to both motivate the executive toward increasing share value and to enable the executive to share in the future success of the Corporation and is reviewed as "at risk". Individual stock options are granted by the Board on the recommendation of senior management, in the case of employees, and by the Compensation Committee, in the case of executive officers, including the Chief Executive Officer. Options are normally awarded by the Board upon the commencement of an individual's employment with the Corporation based on the level of responsibility within the Corporation. Additional option grants may be made periodically to ensure that the number of stock options granted to any particular individual is commensurate with the individual's level of ongoing responsibility within the Corporation. In considering additional grants, a number of factors are considered including, the role the individual plays in the Corporation, the number of stock options an individual has been granted, the exercise price and the value of the options and the term remaining on those options.

Short Term Incentive Compensation – Discretionary Cash Bonuses

As an additional incentive, the Corporation had management bonus agreements with the three NEOs, whereby 10% of the annual net income of the Corporation, before taxes and share-based payments, if any, would be equally distributed to the NEOs.

The Corporation may award additional discretionary cash bonuses to executive officers and employees of Corporation from time to time. Other than with respect to the NEOs, the amount of the bonus that each individual may be eligible for is not set in relation to any formula or specific criteria, but is the result of a subjective determination of the Corporation's performance, overall industry conditions, as well as the individual's performance and his or her contribution to overall corporate goals. The payment of bonuses is subject to the final approval of the Board and the Board has the discretion to amend or veto bonuses in its sole discretion. This form of compensation is "at risk".

Analysis of Elements

Base salary is used to provide the named executive officers a set amount of money during the year with the expectation that each NEO will perform his responsibilities to the best of his ability and in the best interests of the Corporation.

The Corporation considers the granting of incentive stock options to be a significant component of executive compensation as it allows the Corporation to reward each NEO's efforts to increase value for shareholders without requiring the Corporation to use cash from its treasury. Stock options are generally awarded to directors, officers, consultants and employees at the commencement of employment and periodically thereafter. The terms and conditions of the Corporation's stock option grants, including vesting provisions and exercise prices, are governed by the terms of the Corporation's stock option plan.

As an additional incentive, the Corporation has management bonus agreements with the NEOs whereby 10% of the annual net income before taxes and share-based payments would be equally distributed to the NEOs.

Compensation Benchmarking

In May of 2015, the Compensation Committee engaged an external consultant, Roger Gurr & Associates to assess the market competitiveness of the Corporation's Executive and Director compensation (the "Gurr Report") using a comparator group of a similar size in terms of market cap, revenues and production activities.

The Gurr Report concluded that the NEO's annual salaries were significantly lower than median or typical of the market. Total cash compensation was slightly higher due to the bonus paid during the year end 2014, which is based on a percentage of net income. The Gurr Report recommended that stock options should be provided annually to management and to directors and selected managers as justified. The Gurr Report recommended that stock options should have a term of 5 years and vesting provisions, one third at issuance and one third on each of the next two anniversaries.

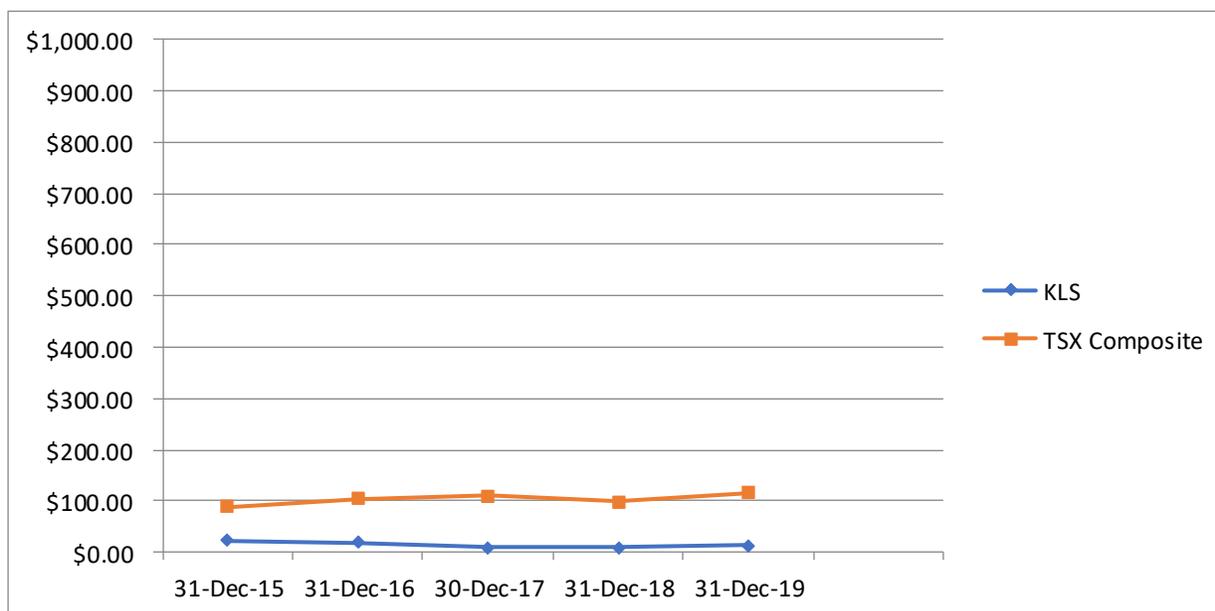
The Compensation Committee took the Gurr Report under advisement and made recommendations to the Board when the NEO's Professional Services Agreements expired on December 31, 2016 and new Professional Services Agreements were entered into on January 1, 2017. For the terms of the Professional Service Agreements for the NEO's see "Termination and Change of Control Benefits" herein.

Performance Graph

As of market open on May 22, 2014 the Corporation's shares were listed for trading on the TSX and delisted from the TSX-V as of market close on May 21, 2014. The trading symbol remained "KLS".

The following graph compares the yearly percentage change in the cumulative total shareholder return on the TSX-Venture Exchange for the year ended 2014 and for the Toronto Stock Exchange for the years ending 2015 through 2019 for CDN\$100 invested in Shares of the Corporation on December 31, 2014. This is compared against the cumulative total shareholder return of the S&P TSX-V for the financial year ended 2014 and the S&P/TSX Composite Index for the financial years ended 2016 through 2019.

The Share performance as set out in the graph does not necessarily indicate future price performance.



As reflected in the performance graph above, the market performance of the Corporation's Shares was strong up to 2015 and has followed global market trends for the last five years.

The Corporation's compensation policy links performance-based compensation of executives to specific benchmarks which include specific operational objectives and individual objectives as well as relative TSR

compared to the Corporation's peer group. Accordingly, there is no direct link between the indices shown above and executive compensation as determined by the Compensation Committee and the Board.

Retirement Benefits

The Corporation does not have formal pension plans for its executives. However, from time to time, in order to attract and retain the right level of skill, expertise and talent, the Corporation may structure the overall compensation arrangements of one or more of its executives to include retirement compensation arrangements.

Prohibition on Hedging

The Corporation's directors and officers are prohibited from purchasing financial instruments that are designed to hedge or offset any decrease in the market value of the Corporation's equity securities that are held directly or indirectly by them or granted as compensation to them. Such prohibited financial instruments with respect to the Corporation's equity securities include prepaid variable forward contracts, equity swaps, collars, put or call options, and similar financial instruments.

Summary Compensation Table

During the year ended December 31, 2019, the Corporation had five NEOs. The following table sets forth all direct and indirect compensation for, or in connection with, services provided to the Corporation and its subsidiaries for the last three financial years.

Particulars of compensation paid to each NEO for each of the three most recently completed financial years are set out in the summary compensation table below:

Name and Principal Position	Year Ended Dec. 31	Salary (\$)	Option-based Awards ⁽¹⁾ (\$)	Non-equity Incentive Plan Compensation (\$) ⁽³⁾	All Other Compensation (\$)	Total Compensation (\$)
		(a)	(b)	Annual Incentive Plans ⁽²⁾ (\$)		
James R. Bond President & CEO	2019	180,000	40,554	165,632	Nil	386,186
	2018	180,000	32,794	23,345	Nil	236,139
	2017	180,000	16,520	Nil	Nil	196,520
Richard Lee Chief Financial Officer	2019	180,000	40,554	165,632	Nil	386,186
	2018	180,000	32,794	23,345	Nil	236,139
	2017	180,000	16,520	Nil	Nil	196,250
Tony Andrukaitis Chief Operating Officer	2019	180,000	40,554	165,632	Nil	386,186
	2018	180,000	32,794	23,345	Nil	236,139
	2017	180,000	16,250	Nil	Nil	196,520
Amanda Smith VP Operations	2019	135,000	Nil	Nil	40,500	175,500
	2018	178,258	5,631	Nil	Nil	183,889
	2017	Nil	Nil	Nil	Nil	Nil
Patrick Hankey Controller	2019	130,000	Nil	Nil	39,000	169,000
	2018	171,680	12,445	Nil	Nil	184,125
	2017	Nil	Nil	Nil	Nil	Nil

⁽¹⁾ The value of the stock option grants has been determined using the Black-Scholes models on the date of grant and is consistent with the determinations used for financial statement purposes. The key assumptions used for this determination can be found in the notes to the 2019 consolidated financial statements. The amount presented in the table represents the fair value of the vested and unvested portion of the options granted in the period. For accounting purposes, the fair value of the award is amortized over the applicable vesting period. It should be recognized that the actual future value will be based on the difference between the market value at time of exercise and the exercise price. Therefore, the value attributed to the stock options under the Black-Scholes model does not necessarily correspond to the actual future value that will be realized.

⁽²⁾ Other than as set out in column (d), perquisites have not been included as they do not reach the prescribed threshold of the lesser of \$CDN 50,000 and 10% of total salary for the financial year.

⁽³⁾ The Corporation has management bonus agreements whereby 10% of the annual income before taxes, amortization and share-based expense is equally distributed to management.

Outstanding share-based awards and option-based awards

The following table sets forth option-based awards for each of the NEOs outstanding as at the year ended December 31, 2019. There were no outstanding share-based awards.

Name	Option Based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (US\$)	Option expiration date	Value of unexercised in-the-money options (US\$) ⁽¹⁾
James R. Bond	100,000	1.30	August 18, 2021	0
	100,000	0.30	November 28, 2022	42,000
	100,000	0.50	August 20, 2023	22,000
	100,000	0.78	August 19, 2024	0
Richard Lee	100,000	1.30	August 18, 2021	0
	100,000	0.30	November 28, 2022	42,000
	100,000	0.50	August 20, 2023	22,000
	100,000	0.78	August 19, 2024	0
Tony Andrukaitis	100,000	1.30	August 18, 2021	0
	100,000	0.30	November 28, 2022	42,000
	100,000	0.50	August 23, 2023	22,000
	100,000	0.78	August 19, 2024	0
Amanda Smith	25,000	0.30	November 28, 2022	3,421
	25,000	0.50	August 20, 2023	0
Patrick Hankey	50,000	0.90	July 6, 2022	0
	25,000	0.50	August 20, 2023	0

⁽¹⁾ In-the-Money Options are those where the market value of the underlying securities as at the end of the most recent fiscal year end exceeds the option exercise price. Calculated based on the difference between the market value of the securities underlying the options as at December 31, 2019 (being US\$0.72) and the exercise price of the option. The remaining outstanding options may never be exercised and actual gains, if any, on exercise will depend on the value of the Common Shares on the date of exercise.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth details of the value vested or earned for all incentive plan awards by each NEO during the year ended December 31, 2019.

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year ⁽¹⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
James R. Bond	21,333	Nil	Nil
Richard Lee	21,333	Nil	Nil
Tony Andrukaitis	21,333	Nil	Nil
Amanda Smith	5,333	Nil	Nil
Patrick Hankey	1,833	Nil	Nil

⁽¹⁾ Calculated using the closing price of the Common Shares on the TSX on the dates on which stock options vested during 2019 or if the TSX is not open on such date, the closing price of the Common Shares on the TSX on the last date that the TSX is open preceding the vesting date and subtracting the exercise price of in-the-money stock options

There was no re-pricing of stock options under the stock option plan or otherwise during the Corporation's completed financial year ended December 31, 2019.

DIRECTORS' COMPENSATION

Non-Executive Directors receive an annual compensation of US\$24,000, the The lead Director receive an annual compensation of US\$42,000, the Chair of the Audit Committee receive an additional US\$10,000 annually and the Chair of the Compensation Committee and Chair of Corporate Governance and Nominating Committee receive an additional US\$7,500 annually. No fees are paid for attendance at meetings. Also, pursuant to the 2014 Option Plan, the Corporation may, from time to time, grant options to purchase Common Shares to directors.

The Gurr Report recommended that independent Directors receive an annual issuance of 50,000 stock options with a term of 5 years and vesting provisions, one third at issuance and one third on each of the next two anniversaries. The Compensation Committee took into consideration the Gurr Report and recommended to the Board, who approved the Compensation Committee recommendations, all future option issuances will have a term of five years and vest 1/3 at the first anniversary of the grant, 1/3 on the second anniversary of granting and 1/3 on the third anniversary of granting.

A director who is an employee of the Corporation does not receive director's fees.

Directors are also reimbursed for out-of pocket expenses incurred in attending meetings of the Board of committee meetings or otherwise on Corporation business.

Director Compensation Table

No director was compensated either directly or indirectly by the Corporation or its subsidiaries during the most recently completed financial year for services as consultants or experts.

The following table provides details of compensation paid to the directors, other than the NEOs, during the Corporation's financial year ended December 31, 2019:

Name	Fees Earned (\$)	Option-based Awards (\$) ⁽¹⁾	All Other Compensation (\$)	Total (\$)
Peter Hughes	39,750	20,277	-	60,027
Paul Cass	23,000	27,037	-	45,037
Laura Roach	18,000	27,037	-	45,037
Jesse V. Crews	21,750	32,851	-	54,601
Phil Dyer ⁽²⁾	23,000	27,037	-	50,037

⁽¹⁾ The value of the stock option grants has been determined using the Black-Scholes models on the date of grant and is consistent with the determinations used for financial statement purposes. The key assumptions used for this determination can be found in the notes to the 2019 consolidated financial statements. The amount presented in the table represents the fair value of the vested and unvested portion of the options granted in the period. For accounting purposes, the fair value of the award is amortized over the applicable vesting period. It should be recognized that the actual future value will be based on the difference between the market value at time of exercise and the exercise price. Therefore, the value attributed to the stock options under the Black-Scholes model does not necessarily correspond to the actual future value that will be realized.

⁽²⁾ Subsequent to the fiscal year ended December 31, 2019, Mr. Dyer resigned as a director of the Corporation. Mr. Dyer was replaced by Mr. Frank Busch who was appointed to the Board of Directors on February 11, 2020.

Other than as set forth in the foregoing, no director of the Corporation who is not a NEO has received, during the most recently completed financial year, compensation pursuant to:

- any standard arrangement for the compensation of directors for their services in their capacity as directors, including any additional amounts payable for committee participation or special assignments;
- any other arrangement, in addition to, or in lieu of, any standard arrangement, for the compensation of directors in their capacity as directors; or
- any arrangement for the compensation of directors for services as consultants or expert.

Incentive Plan Awards for Directors

Outstanding share-based awards and option-based awards

To encourage directors to align their interests with shareholders, directors are granted incentive stock options pursuant to the Corporation's stock option plan, from time to time. The following table provides information with respect to outstanding option-based awards held by the directors of the Corporation at the end of the most recently completed financial year:

The following table sets forth the outstanding option-based awards held by the directors of the Corporation, outstanding as at December 31, 2019, other than James R. Bond and Anthony Andrukaitis, both of whom are NEOs:

Name	Option Based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (US\$)	Option expiration date	Value of unexercised in-the-money options (US\$) ⁽¹⁾
Peter Hughes	50,000	1.30	August 18, 2021	0
	50,000	0.30	November 28, 2022	21,000
	50,000	0.50	August 23, 2023	11,000
	50,000	0.78	August 19, 2024	0
Paul Cass	200,000	1.30	August 18, 2021	0
	50,000	0.30	November 28, 2022	21,000
	50,000	0.50	August 23, 2023	11,000
	50,000	0.78	August 19, 2024	0
Laura Roach	200,000	1.30	August 18, 2021	0
	50,000	0.30	November 28, 2022	21,000
	50,000	0.50	August 23, 2023	11,000
	50,000	0.78	August 19, 2024	0
Jesse V. Crews	200,000	0.57	April 17, 2023	30,000
	50,000	0.50	August 23, 2023	11,000
	50,000	0.78	August 19, 2024	0
Phil Dyer ⁽²⁾	200,000	1.30	August 18, 2021	0
	50,000	0.30	November 28, 2022	21,000
	50,000	0.50	August 23, 2023	11,000
	50,000	0.78	August 19, 2024	0

⁽¹⁾ In-the-Money Options are those where the market value of the underlying securities as at the end of the most recent fiscal year end exceeds the option exercise price. Calculated based on the difference between the market value of the securities underlying the options as at December 31, 2019 (being US\$0.72) and the exercise price of the option. The remaining outstanding options may never be exercised and actual gains, if any, on exercise will depend on the value of the Common Shares on the date of exercise.

⁽²⁾ Subsequent to the fiscal year ended December 31, 2019, Mr. Dyer resigned as a director of the Corporation. Mr. Dyer was replaced by Mr. Frank Busch who was appointed to the Board of Directors on February 11, 2020.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth details of the value vested or earned for all incentive plan awards by each director, other than James R. Bond and Anthony Andrukaitis, both of whom are NEOs, during the year ended December 31, 2019.

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Peter Hughes	10,667	n/a	n/a

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Paul Cass	10,667	n/a	n/a
Laura Roach	10,667	n/a	n/a
Jesse V. Crews	13,667	n/a	n/a
Phil Dyer ⁽²⁾	10,667	n/a	n/a

⁽¹⁾ Calculated using the closing price of the Common Shares on the TSX on the dates on which stock options vested during 2019 or if the TSX is not open on such date, the closing price of the Common Shares on the TSX on the last date that the TSX is open preceding the vesting date and subtracting the exercise price of in-the-money stock options.

⁽²⁾ Subsequent to the fiscal year ended December 31, 2019, Mr. Dyer resigned as a director of the Corporation. Mr. Dyer was replaced by Mr. Frank Busch who was appointed to the Board of Directors on February 11, 2020.

Pension Plan Benefits

The Corporation does not have a pension plan that provides for payments or benefits to the directors at, following, or in connection with retirement.

Termination and Change of Control Benefits

The Corporation entered into Professional Services Agreement with Bondwest Enterprises Inc. (“**Bondwest**”), a private company 100% owned by James R. Bond effective January 1, 2014 with regards to his engagement as the President and Chief Executive Officer of the Corporation (the “**CEO Agreement**”). The CEO Agreement expired on December 31, 2016. The CEO Agreement provided for a severance clause of twelve months’ notice for termination. Pursuant to the CEO Agreement, the Corporation agreed to pay Bondwest a base fee of \$15,000 per month for the term of the Agreement. Mr. Bond was eligible to receive a bonus based on the performance of the Corporation. On January 1, 2017 the Corporation and Bondwest entered into a Professional Services Agreement which expires on December 31, 2020 (the “**CEO PSA**”). The CEO PSA can be cancelled at anytime with thirty (30) days written notice by either party. Under the terms of the CEO PSA Bondwest will receive a base fee of US\$15,000 per month for the fiscal year 2017. The base fee for fiscal 2018 will increase to US\$18,000 per month upon achieving sales in 2017 of US\$18,000,000. The base fee for fiscal 2019 will increase to US\$21,000 per month upon achieving sales in 2018 of US\$24,000,000. The base fee for fiscal 2020 will increase to US\$24,000 per month upon achieving sales of US\$30,000,000. If at any time during the term of the CEO PSA sales reach US\$50,000,000 the base fee will increase to US\$24,000 per month. Bondwest is also eligible to receive an annual bonus, capped at 1.5 times the aggregate annual base fee. The cap would increase to 3x the aggregate annual base fee upon achieving top line sales of US\$50,000,000. The performance bonus will be calculated at one-third of 10% of the adjusted income which will be based on the audited annual income adjusted for non-cash items (eg. stock-based compensation, deferred taxes, unrealized foreign exchange and amortization) and income taxes. The CEO PSA also includes a severance clause of 24 months base fee for termination or change of control.

The Corporation entered into an employment agreement with Richard Lee effective January 1, 2014 with regards to his employment as the Chief Financial Officer of the Corporation (the “**CFO Agreement**”). The CFO Agreement expired on December 31, 2016. The CFO Agreement provided for a severance clause of twelve months’ notice for termination. Pursuant to the CFO Agreement, the Corporation agreed to pay Mr. Lee a base salary of \$15,000 per month for the term of the CFO Agreement. Mr. Lee was eligible to receive a bonus based on the performance of the Corporation. On January 1, 2017 the Corporation and Kitchener Holdings Corp. (“**Kitchener**”) a private company 100% owned by Mr. Lee entered into a Professional Services Agreement which expires on December 31, 2020 (the “**CFO PSA**”). The CFO PSA can be cancelled at anytime with thirty (30) days written notice by either party. Under the terms of the CFO PSA Kitchener will receive a base fee of US\$15,000 per month for the fiscal year 2017. The base fee for fiscal 2018 will increase to US\$18,000 per month upon achieving sales in 2017 of US\$18,000,000. The base fee for fiscal 2019 will increase to US\$21,000 per month upon achieving sales in 2018 of US\$24,000,000. The base fee for fiscal 2020 will increase to US\$24,000 per month upon achieving sales of US\$30,000,000. If at any time during the term of the CFO PSA sales reach US\$50,000,000 the base fee will increase to US\$24,000 per month. Kitchener is also eligible to receive an annual bonus, capped at 1.5 times the aggregate annual base fee. The cap would increase to 3x the aggregate annual base fee upon achieving top line sales of US\$50,000,000. The performance bonus will be calculated at one-third of 10% of the adjusted income which will be based on the audited

annual income adjusted for non-cash items (eg. stock-based compensation, deferred taxes, unrealized foreign exchange and amortization) and income taxes. The CFO PSA also includes a severance clause of 24 months base salary for termination or change of control.

On January 1, 2017 the Corporation and Mr. Andrukaitis entered into a Professional Services Agreement which expires on December 31, 2020 (the “COO PSA”). The COO PSA can be cancelled at anytime with thirty (30) days written notice by either party. Under the terms of the COO PSA Mr. Andrukaitis will receive a base salary of US\$15,000 per month for the fiscal year 2017. The base salary for fiscal 2018 will increase to US\$18,000 per month upon achieving sales in 2017 of US\$18,000,000. The base salary for fiscal 2019 will increase to US\$21,000 per month upon achieving sales in 2018 of US\$24,000,000. The base salary for fiscal 2020 will increase to US\$24,000 per month upon achieving sales of US\$30,000,000. If at any time during the term of the COO PSA sales reach US\$50,000,000 the base salary will increase to US\$24,000 per month. Mr. Andrukaitis is also eligible to receive an annual bonus, capped at 1.5 times the aggregate annual base salary. The cap would increase to 3x the aggregate annual base salary upon achieving top line sales of US\$50,000,000. The performance bonus will be calculated at one-third of 10% of the adjusted income which will be based on the audited annual income adjusted for non-cash items (eg. stock-based compensation, deferred taxes, unrealized foreign exchange and amortization) and income taxes. The COO PSA also includes a severance clause of 24 months base salary for termination or change of control.

The following table provides details regarding the estimated incremental payments from the Corporation of the NEOs assuming termination on December 31, 2019:

Name	Severance (Base Salary) (\$)	Severance (Bonus) (\$)	Severance (Value of Benefits) (\$)	Total (\$)
James R. Bond	Nil	165,632	360,000	525,632
Richard Lee	Nil	165,632	360,000	525,632
Tony Andrukaitis	Nil	165,632	360,000	525,632

Other than as disclosed elsewhere in this Circular, the Corporation has no contract, agreement, plan or arrangement that provides for payments to any NEO, at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of the Corporation or a change in the NEOs responsibilities other than the standard thirty days notice as disclosed in the professional service agreements. There are no severance or parachute clauses for change of control, other than the 24 month payment clause for termination in the Professional Services Agreements entered into on January 1, 2017 with each of Bondwest, Kitchener and Mr. Andrukaitis.

The Corporation has no contract, agreement, plan or arrangement that provides for payments to directors, at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of the Corporation or a change in the director’s responsibilities.

For compensation related to previous years, please refer to the Corporation’s Management Proxy Circulars and its other public disclosure available under the Corporation’s profile at www.sedar.com in Canada and on EDGAR at www.sec.gov in the United States.

DIRECTORS’ AND OFFICERS’ LIABILITY INSURANCE

The Corporation has purchased and maintains liability insurance for its directors and officers acting in their respective capacities in an aggregate amount of US\$15 million, against liabilities incurred by such persons as directors and officers of the Corporation and its subsidiaries, except where the liability relates to such person’s failure to act honestly and in good faith with a view to the bests interests of the Corporation. The annual premium paid by the Corporation for this insurance in respect of the directors and officers as a group is CDN\$84,975. No premium for this insurance is paid by the individual directors and officers. The insurance contract underlying this insurance does not expose the Corporation to any liability in addition to the payment of the required premium.

SUMMARY OF DIVIDEND POLICY AND DIVIDEND REINVESTMENT PLAN

The Corporation does not currently anticipate paying any dividends on its Common Shares in the foreseeable future. The Corporation currently intends to utilize its earnings to finance the growth and development of its business and to otherwise reinvest in its business. Any decision to pay dividends on the Common Shares in the future will be made by the Board on the basis of the Corporation's earnings and financial requirements as well as other conditions existing at such time. Unless the Corporation commences the payment of dividends, holders of Common Shares will not be able to receive a return on their Common Shares unless they sell them.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Equity Compensation Plan Information

The following table sets forth details of the Corporation's compensation plans under which equity securities of the Corporation were authorized for issuance as at December 31, 2019.

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by securityholders	3,645,000	\$0.78	2,558,674
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	3,645,000	\$0.78	2,558,674

Percentage of issued and outstanding shares

There are a maximum of 4,717,008 shares issuable under the Corporation's stock option plan (the "2014 Option Plan"), representing 10% of the Corporation's issued and outstanding shares as at the end of December 31, 2019. As at the end of December 2019, there were 3,645,000 stock options outstanding under the 2014 Option Plan, representing 7.73% of shares then issued and outstanding and 1,072,008 stock options remained available for grant, representing 2.27% of shares then issued and outstanding.

Burn Rate⁽¹⁾

In 2019 there were 720,000 stock options granted which resulted in a burn rate of 1.5%. In 2018 there were 950,000 stock options granted which resulted in a burn rate of 2.0% and in 2017 there were 875,000 stock options granted which resulted in a burn rate of 1.8%.

⁽¹⁾ Calculated using the new TSX prescribed methodology that became effective for issuers with fiscal years ending on or after October 31, 2019 – calculated by dividing stock options granted in the applicable fiscal year by the weighted average number of Common Shares outstanding over the applicable fiscal year.

The 2014 Stock Option Plan

At the Corporation's annual and special meeting of shareholders held on June 8, 2017, shareholders ratified their approval to the 2014 Option Plan and all unallocated options, rights or other entitlements issuable thereunder.

The purpose of the 2014 Option Plan is to ensure that the Corporation is able to provide an incentive program for directors, officers, employees and persons providing services to the Corporation (each, an "Optionee") that provides enough flexibility in the structuring of incentive benefits to allow the Corporation to remain competitive in the recruitment and maintenance of key personnel.

The 2014 Option Plan is administered by the Board of the Corporation which shall, without limitation, have full and final authority in its discretion, but subject to the express provisions of the 2014 Option Plan, to interpret the 2014

Option Plan, to prescribe, amend and rescind rules and regulations relating to it and to make all other determinations deemed necessary or advisable for the administration of the 2014 Option Plan, subject to any necessary shareholder or regulatory approval. The Board may delegate any or all of its authority with respect to the administration of the 2014 Option Plan. The Board shall determine to whom options shall be granted, the terms and provisions of the respective option agreements, the time or times at which such options shall be granted and vested, and the number of Common Shares to be subject to each option.

The material terms of the 2014 Option Plan is qualified in its entirety by the full text of the 2014 Option Plan and can be summarized as follows:

- (a) stock options may be issued to directors, senior officers, employees, consultants and management company employees of the Corporation and its subsidiaries;
- (b) the Board (or any committee delegated by the Board) in its sole discretion will determine the number of options to be granted to any optionee, the optionees to receive the options, and term of expiry which will not exceed 10 years from the date the option is granted;
- (c) the options will be non-assignable except that they will be exercisable by the personal representative of the option holder in the event of the option holder's death;
- (d) the number of Shares reserved for issuance to any one person pursuant to options granted under the 2014 Option Plan or otherwise, shall not exceed the maximum percentage of the issued and outstanding Shares at the time of granting of the options, if any, as may be prescribed by the policies of the Exchange (as defined in the 2014 Option Plan);
- (e) the aggregate number of Shares which may be subject to issuance pursuant to options granted under 2014 Option Plan shall not exceed the equivalent of 10% of the total issued and outstanding Shares of the Corporation at the time of grant;
- (f) the exercise price of an option granted under the 2014 Option Plan shall not be less than the Discounted Market Price (as defined in the 2014 Option Plan) if the Corporation's shares are traded on the TSX Venture Exchange, and the Market Price (as defined in the 2014 Option Plan), if the Corporation's shares are traded on the TSX Exchange, provided that:
 - (i) if options are granted within 90 days of a distribution by a prospectus, the minimum exercise price of those options will be the greater of the Discounted Market Price and the per share price paid by the public investors for Shares acquired under the distribution,
 - (ii) the 90-day period begins on the date a final receipt is issued for the prospectus,
 - (iii) for unit offerings, the minimum option exercise price will be the 'base' (or imputed) price of the shares included in the unit, and
 - (iv) for all other financings, the minimum exercise price will be the average price paid by the public investors;
- (g) if an optionee ceases to be a director, officer, consultant or employee for any reason other than death, his option shall terminate as specified by the Board at the time of granting the option and all rights to purchase shares under such option shall cease and expire and be of no further force or effect. All options must terminate within three months of the date of such cessation. If an optionee dies prior to the expiry of his option, his legal representatives may, exercise any portion of the option up to one year from the date of the optionees death or the expiry date of the option;
- (h) the Board may, subject to any required regulatory approval but without shareholder approval, make amendments to an option or the 2014 Option Plan which include, but are not limited to:
 - (i) change the vesting provisions of an option or the 2014 Option Plan,
 - (ii) change the termination provisions of an option or the 2014 Option Plan, provided there is no extension beyond the original expiry date,
 - (iii) add a cashless exercise provision, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the Plan reserve, or

- (iv) make other amendments of a “housekeeping” or non-material nature with requisite regulatory approval.

Notwithstanding the foregoing, the approval of the shareholders of the Corporation shall be required for any of the following amendments to an option or the 2014 Option Plan:

- (i) the limitations on grants of options to insiders and the number of shares that may be reserved for issuance to insiders,
- (ii) the maximum number or percentage of outstanding shares that may be reserved for issuance upon exercise of options under the 2014 Option Plan,
- (iii) any amendment which would permit options granted under the 2014 Option Plan to be transferable, other than for estate settlement purposes, or
- (iv) any amendment to the amendment provisions already voted upon by shareholders.

Subject to the above paragraph, with the consent of the affected optionees, the Board may amend or modify any outstanding option in any manner to the extent that the Board would have had the authority to initially grant such award as so modified or amended, including without limitation, to change the date or dates as of which an option becomes exercisable, subject to the prior approval of the relevant stock exchanges, if required for such amendment or modification.

Any reductions in the exercise price or extension of the term of options granted to insiders will require approval of the shareholders of the Corporation excluding votes of securities held by the insiders benefiting from such amendment.

- (i) if the Shares are listed on the TSX Exchange options shall not be granted under the 2014 Option Plan or securities be made issuable under any other share compensation arrangement which could result in:
 - (i) the number of Common Shares issuable to insiders exceeding 10% of the issued and outstanding shares at the time of such grant; and
 - (ii) the number of Common Shares issued within any one-year period pursuant to the exercise of options and any other share compensation arrangement to insiders, exceeding 10% of the issued and outstanding shares;
- (j) shares will not be issued unless fully paid and options granted will be fully vested on the date of grant; options granted to consultants providing investor relations services will be subject to vesting provisions as per the policies of the Exchange, if applicable;
- (k) every option granted under the 2014 Option Plan shall be evidenced by a written agreement between the Corporation and the optionee;
- (l) any consolidation or subdivision of Common Shares will be reflected in an adjustment to the Options; and
- (m) any reduction in exercise price of options granted to the Corporation's insiders will be subject to approval of disinterested shareholders of the Corporation.

If at any time the expiry of the term of an option should be determined to occur either during a period in which the trading of Common Shares by the Optionee is restricted under the insider trading policy or other policy of the Corporation or within ten business days following such a period, then the expiry date (and the option term) of such option shall be automatically extended to the tenth trading day following the date the relevant black-out period or other trading restriction imposed by the Corporation is lifted, terminated or removed.

The Directors and Senior Management are eligible to participate in the 2014 Option Plan. The Corporation does not provide any financial assistance to participants in order to facilitate the purchase of Common Shares under the 2014 Option Plan.

The TSX requires listed companies to seek shareholder approval of all rolling stock option plans and all unallocated options, rights or other entitlements thereunder every three years after a rolling stock option plan is first instituted. Accordingly, at the Meeting, the Shareholders will be asked to approve all unallocated options issuable pursuant to

the 2014 Option Plan in order for subsequent grants under the 2014 Option Plan to be valid. See “**Particulars of Other Matters to be Acted Upon**”.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No current or former director, executive officer or employee, proposed nominee for election to the Board, or associate of such persons is, or has been, indebted to the Corporation since the beginning of the most recently completed financial year of the Corporation and no indebtedness remains outstanding as at the date of this Management Proxy Circular.

None of the directors or executive officers of the Corporation is or, at any time since the beginning of the most recently completed financial year, has been indebted to the Corporation or its subsidiaries. None of the directors’ or executive officers’ indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year, has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or its subsidiary, if any.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this Management Proxy Circular, no informed person of the Corporation, proposed director of the Corporation or any associate or affiliate of any informed person or proposed director of the Corporation has had any material interest, direct or indirect, in any transaction since the beginning of the Corporation’s most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries, if any.

“**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 percent 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 of it; and
- (d) the Corporation has purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

MANAGEMENT CONTRACTS

No management functions of the Corporation were, to any substantial degree, performed by a person other than the directors or executive officers of the Corporation.

CORPORATE GOVERNANCE

The Corporation is listed on the TSX and discloses its corporate governance practices using the disclosure requirements in National Instrument 58-101, *Disclosure of Corporate Governance Practices* (“**NI 58-101**”) that apply to issuers listed on the TSX. The Corporation’s statement of corporate governance practices is made with reference to National Policy 58-201, *Corporate Governance Guidelines* and NI 58-101 (collectively, the “**Governance Guidelines**”) which are initiatives of the Canadian Securities Administrators (“**CSA**”). The corporate governance practices of the Corporation also conform to the TSX corporate governance guidelines, which have essentially been supplanted by the Governance Guidelines.

Board Governance

The Board has the responsibility for the overall stewardship of the conduct of the business of the Corporation and the activities of management. Management is responsible for the day-to-day conduct of the business. The Board’s fundamental objectives are to enhance and preserve long-term shareholder value, and to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board considers the legitimate interests that its other stakeholders, such as employees,

customers and communities, may have in the Corporation. In overseeing the conduct of the business, the Board, through the Chief Executive Officer, sets the standards of conduct for the Corporation.

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting nominating candidates for election to the Board and constituting committees of the Board. Subject to the Articles and By-Laws of the Corporation the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

Board Mandate

The Board has a written mandate, which is available on the Corporation’s website at www.kelsotech.com, which includes responsibility to supervise and evaluate management, to oversee the conduct of the Corporation’s business, to set policies appropriate for the business of the Corporation and to approve corporate strategies and goals. The Board is to carry out its mandate in a manner consistent with the fundamental objective of enhancing shareholder value. In discharging its duty of stewardship over the Corporation, the Board expressly undertakes the following specific duties and responsibilities: (i) adopting, supervising and providing guidance on the Corporation’s strategic planning process; (ii) identifying the principal risks of the Corporation’s business and ensuring the implementation of appropriate internal control and management information systems to effectively monitor and manage those risks with a view to the long-term viability of the Corporation and achieving a proper balance between the risks incurred and the potential return to the Corporation's shareholders; (iii) ensuring that the Corporation has management of the highest calibre and maintaining adequate and effective succession planning for senior management; (iv) placing limits on management’s authority; (v) overseeing the integrity of the Corporation’s internal control and management information systems; and (vi) overseeing the Corporation’s communication policy with its shareholders and with the public generally.

Composition of the Board

The Board is currently comprised of seven (7) directors, five (5) of whom are “independent” directors within the meaning of the Governance Guidelines. A director is “independent” if he is independent of management and has no direct or indirect relationship with the Corporation which could, in the view of the Board, be reasonably expected to interfere with the exercise of the member’s independent judgment.

The Board has considered the relationship of each director to the Corporation. At the date of this Management Proxy Circular, two of the Corporation’s directors are not considered to be independent. Messrs. Bond and Andrukaitis were not independent because of their current management positions with the Corporation. Messrs. Hughes, Cass and Crews, Ms. Roach and Mr. Busch are considered to be independent.

Although Messrs. Bond and Andrukaitis are not considered to be independent within the meaning of the Governance Guidelines, the Board has recently instituted a practice whereby at the conclusion of each regularly scheduled meeting of the Board, the Corporation’s independent directors may request an in-camera session at which non-independent directors and members of management are not in attendance.

Board and Committee Meetings – Attendance Record

Below is the attendance record of each director for all Board and Committee meetings held during the period from January 1, 2019 to December 31, 2019:

Director	Board (10 meetings) ⁽¹⁾		Audit (4 meetings) ⁽¹⁾		Compensation (2 meetings) ⁽¹⁾		Corporate Governance (2 meeting) ⁽¹⁾	
	No.	%	No.	%	No.	%	No.	%
James R. Bond	10	100%	-	-	-	-	-	-
Anthony Andrukaitis	10	100%	-	-	-	-	-	-
Peter Hughes	10	100%	-	-	2	100%	-	-
Paul Cass	10	100%	4	100%	2	100%	-	-
Laura Roach	10	100%	-	-	2	100%	2	100%
Jesse V. Crews	10	100%	4	100%	-	-	2	100%
Phil Dyer ⁽²⁾	9	90%	4	100%	-	-	2	100%

- (1) Represents number of meetings the director/committee member was eligible to attend.
- (2) Mr. Frank Busch was appointed to the Board, the Audit Committee and the Corporate Governance and Nominating Committee on February 11, 2020.

Currently, the following directors serve on the boards of directors of other public companies as listed below:

Director	Public Corporation Board Membership
James R. Bond	SiQ Mountain Industries Inc. (TSXV)
Peter Hughes	President and CEO of SIQ Mountain Industries Inc., Director of Yuntone Capital Corp., CEO and Director of Gourmet Ocean Products Inc. (GOP:TSXV) and a Director of Navion Capital Inc. all of which are on the TSXV.

Legend:
TSXV= TSX Venture Exchange

Position Descriptions

The Board has adopted a written position description for each of the Chairman/Lead Director, Chief Executive Officer, a Mandate for the board of directors and an individual director mandate. All of which are available on the Corporation's website at www.kelsotech.com.

Orientation and Education

Under its mandate, the Corporate Governance and Nominating Committee is responsible for developing and implementing an orientation program for new directors, where necessary. The Board briefs all new directors with respect to the Corporation's operations, information on the role of the board and each of its committees, industry information, corporate governance related materials and other information. Each director is responsible to maintain the skills and knowledge necessary to meet his or her obligations as a director of the Corporation.

Trips to where the Corporation's operations are located are arranged for directors from time to time so they have an opportunity to meet operational management and site personnel.

Board members are encouraged to communicate with management and auditors, to keep themselves current with industry trends and development, and to attend related industry seminars. Board members have full access to the Corporation's records.

Board Diversity

The Corporation recognizes that improving diversity on the Board and among its senior executives presents the Corporation with an opportunity to develop a competitive advantage by ensuring that the Corporation appeals to potential employees from the broadest possible talent pool. The focus always has been, and will continue to be, to recruit and appoint the most qualified individuals.

The Corporation has not adopted a formal written policy on the representation of women on the Board or in senior management, as the Board does not believe that quotas or strict rules will necessarily result in the identification or selection of the best candidates. Rather the Corporation is committed to recruiting and selecting directors and executive officers who are the most qualified to perform the requirements of each position. The Corporation seeks to obtain the best possible candidate available, having regard to the current needs of the Corporation, while recognizing the benefits to the Corporation of advancing the principles of diversity in all its aspects, including gender. In the context of the foregoing, the Corporation does give consideration to the level of representation of women on the board of directors or in executive officer positions when making director or executive officer nominations and appointments. The Corporation currently has one female Board member.

Director Retirement Policy and Term Limits

The Board has not adopted a retirement policy or limits regarding the time a director can serve. The following sets out the current tenure for the Corporation's seven nominated directors:

<u>Number of Directors</u>	<u>Tenure (Years)</u>
1	Ten
1	Nine
1	Eight
1	Five
2	Three
1	Less than One

The Board recognizes that term limits can ensure Board refreshment and new perspectives. However, the Corporation's long serving directors have significant in-depth knowledge of the Corporation and its business and are highly valued for their expertise. They can provide historical context for consideration in corporate strategic decision making and have industry connections which are very important to the Corporation. The Board believes the risk of imposing director term limits and thereby losing long serving directors who have in-depth knowledge and an intricate understanding of the Corporation's business would not be in the best interest of the Corporation or its shareholders.

Ethical Business Conduct

The Board has adopted a formal written Code of Business Conduct and Ethics (the "**Code of Conduct**") for its directors, officers and employees.

Individuals governed by the Code of Conduct are required to disclose in writing all business, commercial or financial interests or activities which might reasonably be regarded as creating an actual or potential conflict with their duties. Individuals must avoid all situations in which their personal interest conflicts or might conflict with their duties to the Corporation or with the economic interest of the Corporation. All business transactions with individuals, corporations or other entities that could potentially be considered, directly or indirectly, a related party, must be approved by the Board regardless of the amount involved.

Directors, officers and employees are encouraged to report violations of the Code of Conduct on a confidential and, if preferred, anonymous basis, in accordance with the complaint procedure set out in the Code of Conduct or the Corporation's whistleblower procedures. The Audit Committee may request special treatment for any complaint, including the involvement of the Corporation's external auditors or outside counsel or other advisors. All complaints are required to be documented in writing by the person(s) designated to investigate the complaint, who shall report forthwith to the Chair of the Audit Committee. On an annual basis, or otherwise upon request from the Board, the Code of Conduct requires the Chair of the Audit Committee to prepare a written report to the Board summarizing all complaints received during the previous year, all outstanding unresolved complaints, how such complaints are being handled, the results of any investigations and any corrective actions taken.

A copy of the Corporation's Code of Conduct can be found on the Corporation's website at www.kelsotech.com and is also available under the Corporation's profile on SEDAR at www.sedar.com in Canada and on EDGAR at www.sec.gov in the United States

Corporate Governance and Nominating Committee of the Board

The purpose of the Corporate Governance and Nominating Committee is to provide a focus on corporate governance that will enhance corporate performance, and to ensure on behalf of the Board and Shareholders that the Corporation's corporate governance system is effective in the discharge of its obligations to the Corporation's shareholders.

The Corporate Governance and Nominating Committee also has the responsibility of proposing nominees for director. The Committee considers the competencies and skills that the Board as a whole should possess, the competencies and skills of existing Board members and the competencies and skills of proposed new Board

members. The Committee members utilize their extensive knowledge of the industry and personal contacts to identify potential nominees that possess the desired skills and competencies.

In proposing any candidate for election to the Board, both the Corporate Governance and Nominating Committee and the Board seek to obtain the best possible candidate available, having regard to the current needs of the Board, while recognizing the benefits to the Corporation and its Board of advancing the principles of diversity in all its aspects when determining the composition of the Board. In particular, the Corporate Governance and Nominating Committee and the Board consider the level of representation of women on the Board when identifying and nominating candidates for election or re-election to the Board. When a vacancy occurs on the Board, or the need to add a new Board member is perceived to exist, the Corporate Governance and Nominating Committee will first assess the number and proportion of current directors who are women. Depending on the result of that initial assessment, the Corporate Governance and Nominating Committee takes active steps to seek out potential candidates who are female and gives close consideration to the background, characteristics and capabilities of the female candidates prior to making a final recommendation to the Board. The Corporation has not adopted a formal written policy on the representation of women on the Board, as the Board does not believe that quotas or strict rules will necessarily result in the identification or selection of the best candidates. While the Corporation takes active steps to seek out female candidates to fill existing vacancies, the Board is of the view that it would not be beneficial to the Corporation to impose artificial deadlines for that purpose, or to increase the size of the Board for the sole purpose of adding a director from any specific gender or identity group. The Corporation currently has one female Board member. The Board is also mindful of the potential advantages to broadening the diversity of the Board with reference to factors other than gender and does not wish to constrain itself to considering only one particular factor when conducting searches for Board candidates.

The duties and responsibilities of the Corporate Governance and Nominating Committee include, without limitation, the following:

- (a) to develop and monitor the Corporation's overall approach to corporate governance issues and, subject to approval by the Board, to implement and administer a system of corporate governance which reflects superior standards of corporate governance practices;
- (b) to report annually to the Corporation's Shareholders, through the Corporation's annual management proxy circular or annual report to Shareholders, on the Corporation's system of corporate governance and the operation of its system of governance;
- (c) to analyze and report annually to the Board the relationship of each director to the Corporation as to whether such director is a related director or an unrelated director; and
- (d) to advise the Board or any of the committees of the Board of any corporate governance issues which the Corporate Governance and Nominating Committee determines ought to be considered by the Board or any such committee.

The Corporation has adopted a formal written mandate for the Corporate Governance and Nominating Committee. The mandate provides that the Corporate Governance and Nominating Committee shall consist of at least three members of the Board, all of whom shall be "independent" within the meaning of NI 58-101. During the most recently completed financial year, the Corporate Governance and Nominating Committee members were Messrs. Dyer and Crews and Ms. Roach, all of whom were independent. Subsequent to the financial year ended December 31, 2019, Mr. Dyer resigned as a director of the Corporation and Mr. Frank Busch was appointed to the Board and as a member of the Corporate Governance and Nominating Committee. Mr. Busch is considered independent.

The Board appoints the members of the Corporate Governance and Nominating Committee for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the Shareholders of the Corporation. The Board may at any time remove or replace any member of the Corporate Governance and Nominating Committee and may fill any vacancy in the committee.

The Corporate Governance and Nominating Committee meets regularly each year on such dates and at such locations as the Chair of the committee determines. The Corporate Governance and Nominating Committee has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel and advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

AUDIT COMMITTEE DISCLOSURE

National Instrument 52-110F1 *Audit Committees Information Required in an AIF* (“NI 52-110”) requires the Corporation to disclose annually in its Annual Information Form (“AIF”) certain information concerning the constitution of its Audit Committee and its relationship with its independent auditor. The Corporation chooses to comply with the requirement to file an AIF by filing a Form 20-F – Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and disclose the information required by NI 52-110 in this Circular. A copy of the Corporation’s Form 20-F dated April 6, 2020 is available on the Corporation’s website at www.kelsotech.com and is also available under the Corporation’s profile on SEDAR at www.sedar.com in Canada and on EDGAR at www.sec.gov in the United States.

Audit Committee Charter

The Corporation’s Audit Committee of the Board is governed by an audit committee charter, the text of which is attached as Schedule “A” to this Circular.

The principal purpose of the Audit Committee is to ensure that the Corporation’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 of the Corporation and to review the Corporation’s compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts on financial and tax related matters.

The Corporation has adopted a formal written charter for the Audit Committee, which is available on the Corporation’s website at www.kelsotech.com. The charter provides that the Audit Committee shall consist of at least three members of the Board, all of whom shall be “independent” within the meaning of NI 52-110. NI 52-110 provides that a member of an audit committee is “independent” if the member has no direct or indirect relationship with the issuer, which could, in the view of the issuer’s board of directors, reasonably interfere with the exercise of the member’s independent judgment. During the most recently completed financial year, the Audit Committee was composed of three (3) directors: Messrs. Dyer, Crews and Cass, all of whom were considered independent. Subsequent to the financial year ended December 31, 2019, Mr. Dyer resigned as a director of the Corporation and Mr. Frank Busch was appointed to the Board and as a member of the Audit Committee. Mr. Busch is considered independent.

The Audit Committee meets a minimum of four times a year, including the review of the interim and annual financial statements prior to their submission to the Board. The Audit Committee has direct communication channels with internal personnel responsible for financial statement preparation and with the Corporation’s external auditors. The Audit Committee may also engage independent counsel or other advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

The Board appoints the members of the Audit Committee for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the Corporation’s Shareholders. The Board may at any time remove or replace any member of the Audit Committee and may fill any vacancy in the committee.

Relevant Education and Experience

Phil Dyer

Mr. Dyer served as a member and Chair of the Corporation’s Audit Committee during the financial year ended December 31, 2019. Mr. Dyer was employed by Legacy Texas Bank, Plano, Texas from November 1996 to February 2016, including the holding position of President from December 2000 to December 2014. Mr. Dyer is also the former mayor of Plano, Texas having served from 2009 to 2013. Mr. Dyer holds a Bachelors’ degree from the University of Texas and an MBA from East Texas State University. Subsequent to the financial year ended December 31, 2019, Mr. Dyer resigned as a director of the Corporation and Mr. Frank Busch was appointed to the Board and as a member of the Audit Committee.

Paul Cass

Mr. Cass was formerly COO of Whitewater West Industries, a privately held design/manufacturing firm specializing in waterpark and amusement park equipment installations around the world. Prior to which Mr. Cass was COO at Ballard Power Systems Ltd., a public company specializing in the development and manufacture of fuel cell technology for automotive and non-automotive markets. Mr. Cass holds an MBA and BAsc and is a member of the Association of Professional Engineers and Geoscientists of British Columbia (P.Eng).

Jesse V. Crews

Mr. Crews is currently Chief Investment Officer of Trinity Industries Leasing Company (“TILC”), which position he has held since November 2011. TILC is the railcar leasing subsidiary of Trinity Industries Inc. Mr. Crews is responsible for TILC's long-term portfolio management strategy, wide ranging capital market and structured finance activities as well as major transaction initiatives. Previously, Mr. Crews was the Chief Operating Officer and Executive Vice President of Willis Lease Finance Corp. His career in the equipment leasing and finance industry has spanned forty-plus years. His prior roles included holding executive leadership positions at GATX Financial Services, Inc. (President/CEO) and a Managing Director at Fortress Investment Group. He is a member of the Board of Trustees for the Darden Graduate School of Business at the University of Virginia. Mr. Crews holds a Masters’ in Business Administration from the University of Virginia and a Bachelor of Arts degree in Economics from Yale University.

Audit Committee Oversight

Since the commencement of the Corporation’s most recently completed financial year, the Corporation’s Board has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

Reliance on Certain Exemptions

Since the commencement of the Corporation’s most recently completed financial year, the Corporation has not relied on the exemptions contained in sections 2.4 or Part 8 of NI 52-110. Section 2.4 (*De Minimis Non-audit Services*) provides an exemption from the requirement that the Audit Committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided. Part 8 (*Exemptions*) permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110 in whole or in part.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as set out in the Audit Committee Charter of the Corporation. A copy of the Corporation’s Audit Committee Charter is attached as Schedule “A” to this Circular.

External Auditor Service Fees

The aggregate fees billed by the Corporation’s external auditor during the fiscal year ended December 31, 2019 and December 31, 2018 by category, are as follows:

Financial Period Ended	Audit Fees ⁽¹⁾	Audit Related Fees ⁽²⁾	Tax Fees ⁽³⁾	All Other Fees ⁽⁴⁾
December 31, 2019	\$90,000	\$15,500	-	\$1,098
December 31, 2018	\$85,000	\$5,000	\$ 6,500	N/A

⁽¹⁾ This category includes the fees for the audit of our financial statements and the quarterly reviews of interim financial statements. This category also includes advice on audit and accounting matters that arose during or as a result of the audit or the review of interim financial statements and services in connection with Securities and Exchange Commission filings.

⁽²⁾ This category includes assurance and related services that are reasonably related to the performance of the audit or review of the financial statements that are not reported under Audit Fees and describes the nature of the services comprising the fees disclosed under this category.

⁽³⁾ This category includes the fees for professional services rendered for tax compliance, tax advice and tax planning, and describes the nature of the services comprising the fees disclosed under this category.

- (4) This category includes products and services provided by the principal accountant, other than the services reported under Audit Fees, Audit-Related Fees or Tax Fees.
- (5) These fees were related to Smythe LLP's fees to review the Corporation's Form 20F.

Compensation Committee

The principal purpose of the Compensation Committee is to implement and oversee compensation policies approved by the Board. The duties and responsibilities of the Compensation Committee include, without limitation, the following:

- (a) to recommend to the Board compensation policies and guidelines for the Corporation; and
- (b) to review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer and, in light of those goals and objectives, to recommend to the Board the annual salary, bonus and other benefits, direct and indirect, of the Chief Executive Officer and to approve compensation for all other designated officers of the Corporation, after considering the recommendations of the Chief Executive Officer, all within the human resources and compensation policies and guidelines approved by the Board.

The Corporation has adopted a formal written charter for the Compensation Committee, which is available on the Corporation's website at www.kelsotech.com. The charter provides that the committee shall consist of at least three members of the Board, a majority of whom shall be "independent" within the meaning of the Governance Guidelines. During the most completed financial year, the Compensation Committee members were Messrs. Hughes, Cass and Ms. Roach. All members of the Compensation Committee are independent.

All members of the Compensation Committee have direct experience which is relevant to their responsibilities as Compensation Committee members. A majority of the members of the Compensation Committee are, or have acted, as a CEO or senior management of a public or private company, and therefore have a good understanding of how compensation works and how to motivate staff. All members have good financial understanding which allows them to assess the costs versus benefits of compensation plans. The members combined experience in the railway or trucking sector provides them with the understandings of the Corporation's success factors and risks which is very important when determining the metrics for measuring success.

The Board appoints the members of the Compensation Committee for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the Corporation's Shareholders. The Board may at any time remove or replace any member of the Compensation Committee and may fill any vacancy in the committee.

The Compensation Committee meets regularly each year on such dates and at such locations as the Chair of the Compensation Committee determines. The Compensation Committee has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel or advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

Assessment of the Board

Prior to the preparation of this Circular the Corporate Governance and Nominating Committee distributed a Board effectiveness assessment to directors. This assessment questions members as to their level of satisfaction with the functioning of the Board, its interaction with management and the performance of the standing committees of the Board. Board members conduct peer reviews and a self assessment regarding their effectiveness as a Board member as part of this assessment process. To ensure the assessment process is candid, the individual assessments are returned on a confidential basis to the Chair of the Corporate Governance and Nominating Committee with a copy to the Corporate Secretary. The results are compiled for the Corporate Governance and Nominating Committee. The Committee reviews and discusses the results and makes recommendations to the Board regarding any action that may be deemed necessary or advisable to ensure the Board continues to function effectively and adequately perform its mandate. The Board aims for a 100% compliance rate for completion of the assessment by directors, which was achieved this year. The peer reviews and self-assessments by Directors are considered as part of the director nomination process.

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

Approval of all unallocated options issuable pursuant to the 2014 Option Plan

The Corporation's 2014 Option Plan, which is a 10% rolling stock option plan, was originally instituted on June 4, 2014. Pursuant to TSX requirements, every three years after institution, all unallocated options, rights and other entitlements under any security based compensation arrangement which does not have a fixed maximum number of securities issuable thereunder (commonly referred to as "rolling plans"), must be approved by the majority of the Corporation's Directors and Shareholders.

Based on the 2014 Stock Option Plan, the aggregate number of Common Shares reserved for issuance upon the exercise of all options granted under the 2014 Stock Option Plan, may not exceed 10% of the issued and outstanding Common Shares of the Corporation from time to time. The number of unallocated options is calculated by subtracting (i) the number of Common Shares issuable pursuant to outstanding options under the 2014 Stock Option Plan from (ii) the number calculated as 10% of the issued and outstanding Common Shares at the time.

As at the date of this Management Proxy Circular, the Corporation has 47,170,086 Common Shares issued and outstanding and 3,845,000 Common Shares issuable under existing option grants (equal to 8.15% of the issued and outstanding Common Shares of the Corporation). The number of Common Shares available to be approved for issuance pursuant to unallocated options as of the date of the Management Proxy Circular is 4,717,008 (representing 10% of the total issued and outstanding Common Shares) less 3,845,000 Common Shares reserved for issuance pursuant to outstanding options, being 872,008 Common Shares (representing 1.85% of the issued and outstanding Common Shares).

If the Shareholders approve the unallocated options at the Meeting, the Corporation will next be required to seek similar approval from the Shareholders no later than June 25, 2023. If the 2014 Stock Option Plan Resolution (as defined below) is not approved by the Shareholders at the Meeting then, after that date, the Corporation will not have the ability to grant further Options under the 2014 Stock Option Plan. Allocated options that are subsequently cancelled, terminated or expire unexercised will not be available to be re-granted by the Corporation.

To be effective, the following resolution to approve the unallocated options under the 2014 Stock Option Plan (the "**Stock Option Plan Resolution**") must be authorized and approved by a simple majority of votes cast by the holders of Common Shares present in person or represented by proxy and entitled to vote at the Meeting:

"BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. the unallocated options under the 2014 Stock Option Plan, as amended from time to time, be and are hereby approved and authorized, and the Corporation shall be permitted to grant options thereunder until June 25, 2023; and
2. the Board be and is hereby authorized on behalf of the Corporation to make any amendments to the 2014 Option Plan as may be required by regulatory authorities or otherwise made necessary by applicable legislation, without further approval of the shareholders of the Corporation, in order to ensure the adoption and efficient function of the 2014 Option Plan; and
3. any director or officer of the Corporation be and is hereby authorized and directed to do such things and to execute and deliver all such instruments, deeds and documents, and any amendments thereto, as may be necessary or advisable in order to give effect to the foregoing resolutions, and to complete all transactions in connection with the implementation of the 2014 Option Plan."

The Board believes the passing of the foregoing ordinary resolution is in the best interests of the Corporation and recommends that Shareholders vote in favour of the 2014 Option Plan Resolution.

Unless otherwise directed, the management representatives named in the accompanying form of proxy intend to vote **FOR** the 2014 Option Plan Resolution at the Meeting.

Management of the Corporation knows of no other matters to come before the Meeting other than those referred to in the Notice of Meeting. However, if any other matters that are not known to management should properly come before the Meeting, the accompanying form of proxy confers discretionary authority upon the persons named therein to vote on such matters in accordance with their best judgment.

ADDITIONAL INFORMATION

The Board approves the Corporation's annual Financial Statements and annual MD&A, interim quarterly reports to shareholders and the content of the Corporation's other significant public disclosure documents. These and other prescribed documents are available on the Corporation's website at www.kelsotech.com and are also available under the Corporation's profile on SEDAR at www.sedar.com in Canada and on EDGAR at www.sec.gov in the United States. Also available on the Corporation's website are copies of the mandate for the Chairman and Lead Director as well as the Corporation's Board mandate.

The Corporation maintains a corporate website at www.kelsotech.com that includes, among other things, an investors section containing past annual and quarterly reports and press releases. Financial information regarding the Corporation is provided in the annual financial statements and annual MD&A for the period ended December 31, 2019. The Corporation will provide, at no charge to the shareholder, a copy of its latest Financial Statements and MD&A for the year ended December 31, 2019, interim quarterly reports for subsequent periods, and a copy of this Management Proxy Circular upon request to the to the Corporation as follows:

- (i) e-mail: klove@kelsotech.com
- (ii) telephone: 1 (250) 212-4318
- (iii) mail: Kelso Technologies Inc.
13966 18B Avenue
Surrey, British Columbia V4A 8J1, Canada
Attn: Corporate Development

DIRECTORS' APPROVAL

The contents and the distribution of this Circular to the Shareholders of the Corporation has been approved by the Board.

**BY ORDER OF THE BOARD OF DIRECTORS
KELSO TECHNOLOGIES INC.**

"James R. Bond"

James R. Bond,
President, Chief Executive Officer and Director

Dated: May 19, 2020

**SCHEDULE “A”
CHARTER OF THE AUDIT COMMITTEE**

(As adopted by the Board of Directors on August 1, 2014, amended on August 6, 2015 and reviewed on March 19, 2019 and March 16, 2020)

GENERAL

The Audit Committee is a committee of the board of directors (the “**Board**”) of Kelso Technologies Inc. (the “**Corporation**”) to which the Board delegates its responsibility for oversight of the financial reporting process.

Responsibilities of the Audit Committee include:

- Review the financial reporting process to ensure the accuracy of the financial statements of the Corporation;
- Assist the Board to properly and fully discharge its responsibilities;
- Strengthen the role of the Board by facilitating in depth discussions between directors, management and external auditors;
- Evaluate the independent auditor’s qualifications, performance and independence;
- Facilitate the independence of the independent auditor;
- Assess the processes relating to the determination and mitigation of risks and the maintenance of an effective control environment; and
- Review the processes to monitor compliance with laws and regulations.

The Audit Committee will provide communication among the independent auditor, senior management of the Corporation and the Board. The Audit Committee has the sole authority to approve any non-audit engagement by the Corporation’s independent auditors and to approve all audit engagement fees and terms.

FINANCIAL REPORTING

1. Review, with management and the independent auditor, the Corporation’s annual financial statements, independent auditor reports, and disclosures under “Management’s Discussion and Analysis” before they are reviewed by the Board. Review interim financial information before it is released to the public.
2. Review all public disclosure documents containing audited or unaudited financial information before release, including any prospectus, the annual report, the annual information form and management’s discussion and analysis.
3. Conduct an investigation sufficient to provide reasonable grounds for believing that the financial statements and reports referred to in a) above are complete in all material respects and consistent with the information known to Committee members and assess whether the financial statements reflect appropriate accounting principles.
4. Review with senior management of the Corporation and the independent auditor, management’s handling of any proposed audit adjustments identified by the independent auditors, the presentation and impact of signification risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting.
5. Meet with the independent auditor to review the results of the annual audit, their judgments about the quality and appropriateness of the Corporation’s accounting principles, and any audit problems or difficulties and management’s response.
6. Review and resolve any significant disagreement among the Corporation’s management and the independent auditors in the financial reporting process.

7. Review the integrity of the Corporation's internal and external financial reporting process, in consultation with the independent auditors.
8. Review the evaluation of internal controls by the external auditor, together with management's response.
9. Review the post-audit or management letter, containing the recommendations of the external auditor, and management's response and subsequent follow up to any identified weakness.
10. Consider, evaluate and recommend to the Board such changes as are appropriate to the Corporation's auditing and accounting principles and practices as suggested by the independent auditors or the Corporation's senior management.
11. Review with independent auditors and the Corporation senior management the extent to which changes and improvements in financial and accounting practices, as approved by the Audit Committee, have been implemented.

INDEPENDENT AUDITOR

1. Approve the independent auditors' proposed audit scope, approach and fees.
2. At least annually, obtain and review a report by the independent auditor describing:
 - a) the firm's internal quality-control procedures, and
 - b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
3. Confirm the independence of the independent auditor by discussing and reviewing all significant relationships that the independent auditors have with the Corporation and obtaining their assertion of independence in accordance with professional standards.
4. Review the performance of the independent auditor.
5. Engage the Corporation's independent auditor and present recommendations on the appointment or discharge of the independent auditor to the Board for presentation to the shareholders.
6. Approve in advance of the Corporation's final commitment all consulting arrangements and any other non-audit service with the Corporation's independent auditors other than services related to reviews of interim reports and tax services.
7. Approve all audit fees and terms.
8. When there is to be a change in the auditor, review all issues relating to the change including any reportable events.
9. Review any engagements for non-audit services to be provided by the independent auditor's firm or affiliates, together with estimated fees and consider the independence of the auditor.

RISK ASSESSMENT AND RISK MANAGEMENT.

1. Discuss with Corporation management guidelines and policies governing the risk assessment and risk management processes.
2. Review with Corporation management, the independent auditors, significant risks and exposures.

3. Review management's plans and processes to minimize such risks, including insurance coverage.
4. Evaluate whether Corporation management is adequately communicating the importance of internal control to all relevant personnel.
5. Periodically privately consult with the independent auditor about internal controls and the completeness and accuracy of the Corporation's financial statements.
6. Review whether the internal control recommendations made by the internal auditors and the independent auditor are being implemented by Corporation management and, if not, why not.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

Periodically obtain updates from the Corporation's senior management regarding procedures and processes to ensure compliance with applicable laws and regulations (including but not limited to, securities, tax and environmental matters).

OTHER RESPONSIBILITIES

1. Meet at least four times annually (for review of Q1, Q2 and Q3 interim reports as well as pre audit) with senior management and the independent auditors in separate sessions.
2. Institute special investigations, if necessary, and hire special counsel or experts to assist, if appropriate.
3. Review and update this Charter at least annually or as otherwise determined by the Committee and obtain approval of changes from the Board.
4. Set clear hiring policies for employees or former employees of the independent auditors.
5. Review the procedures established for the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters.
6. Review the procedures established allowing the confidential, anonymous submission by Corporation employees of concerns regarding questionable accounting or auditing matters and resolution of such concerns, if any.
7. Review with the Board, any issues that arise with respect to the quality or accuracy of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements and the performance and independence of the Corporation's independent auditors.
8. Perform other oversight functions as requested by the Board.
9. As considered necessary in the course of fulfilling Audit Committee duties, obtain advice and assistance from outside legal, accounting or other advisors.
10. Report after each meeting to the Board regarding actions taken and matters discussed by the Committee.

ORGANIZATION OF THE AUDIT COMMITTEE

1. The Audit Committee shall be comprised of a minimum of three directors of which the majority are not officers, employees or control persons of the Corporation or its affiliates.
2. Each member of the Committee shall have a working knowledge of basic finance and accounting practices.
3. The Chair of the Committee must have accounting or related financial management experience.

4. The members of the Committee and its Chair shall be appointed by the Board of Directors.
5. Appointments shall be made in accordance with procedures established by the Corporate Governance and Nominating Committee of the Board of Directors from time to time.
6. The Corporation will adequately fund the budget of the Audit Committee. The budget will include, at a minimum, payments to the independent auditors for audit services and, if necessary, other professionals retained by the Audit Committee from time to time.
7. The Committee shall meet four times annually (for review of Q1, Q2 and Q3 interim reports as well as pre audit), or more frequently as circumstances dictate. On an annual basis, the Committee shall report to the Board on the Committee's performance against its charter and the goals established annually by the Committee for itself.

PROCEDURE GOVERNING ERRORS OR MISSTATEMENTS IN FINANCIAL STATEMENTS

1. In the event a director or an officer of the Corporation has reason to believe, after discussion with management, that a material error or misstatement exists in financial statements of the Corporation, that director or officer shall forthwith notify the Audit Committee and the auditor of the error or misstatement of which the director or officer becomes aware in a financial statement that the auditor or a former auditor has reported on.
2. If the auditor or a former auditor of the Corporation is notified or becomes aware of an error or misstatement in a financial statement on which the auditor or former auditor has reported, and if in the auditor's or former auditor's opinion the error or misstatement is material, the auditor or former auditor shall inform each director accordingly.
3. When the Audit Committee or the Board is made aware of an error or misstatement in a financial statement the Board shall prepare and issue revised financial statements or otherwise inform the shareholders and file such revised financial statements as required.

LIMITATION ON AUDIT COMMITTEE MEMBERS' DUTIES

Nothing in this Charter is intended, or may be construed, to impose on any member of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard required by law.