



**KNEAT.COM, INC.**

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

**and**

**MANAGEMENT INFORMATION CIRCULAR**

**Office of Fogler, Rubinoff LLP  
77 King Street West, Suite 3000  
Toronto, Ontario, Canada, M5K 1G8**

**June 25, 2020  
10:00 a.m. EST**

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**Circular dated May 21, 2020**

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**KNEAT.COM, INC.**  
**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE** is hereby given that the Annual and Special Meeting (the “**Meeting**”) of the shareholders (the “**Shareholders**”) of kneat.com, inc. (the “**Company**”) will be held at the office of Fogler, Rubinoff LLP, 77 King Street West, Suite 3000, in the city of Toronto, in the Province of Ontario, on Thursday, June 25, 2020 at 10:00 a.m. (Atlantic Time) for the following purposes:

- i. to receive and consider the audited consolidated financial statements of the Company for the fiscal year-ended December 31, 2019, together with the report of the auditor thereon;
- ii. to elect directors of the Company for the forthcoming year;
- iii. to appoint as auditors for the forthcoming year, PricewaterhouseCoopers LLP at a remuneration to be fixed by the directors;
- iv. to confirm the Company’s Stock Option Plan, as required annually under the policies of the TSX Venture Exchange;
- v. to consider and, if thought advisable, to pass with or without variation, a resolution approving an increase in the number of Common Shares reserved for issuance under the Company’s deferred share unit plan; and
- vi. to transact other business as may be brought before the Meeting or adjournment thereof.

The Company’s board of directors has fixed the close of business on May 21, 2020 as the record date for determining Shareholders entitled to receive notice of, and to vote at, the Meeting and any postponement or adjournment of the Meeting. A form of proxy solicited by management of the Company in respect of the Meeting is enclosed herewith.

Shareholders who are unable to be present at the Meeting are requested to sign the enclosed form of proxy and return it in the envelope provided for that purpose. To be effective, the form of proxy must be received at the offices of Computershare, 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, by not later than 11:00 a.m. (Atlantic Time) on June 23, 2020 or, if the Meeting is adjourned, not later than 48 hours, excluding Saturdays, Sundays or holidays, preceding the time of such adjourned Meeting, or in either case by such later date and time as the board of directors of the Company may determine in its sole discretion. The accompanying Circular provides additional information relating to the matters to be dealt with at the Meeting.

DATED at the City of Halifax, in the Province of Nova Scotia, this 21<sup>st</sup> day of May 2020.

BY ORDER OF THE BOARD OF DIRECTORS,

Signed: *“Ilan Ainsworth”*

Ilan Ainsworth, Chairman of the Board of Directors

IMPORTANT NOTE: The Company is monitoring the COVID-19 situation and is sensitive to the health concerns that our shareholders, employees and other potential meeting attendees may have, as well as the restrictions and recommendations that have been and may be imposed by federal, provincial and local governments, including those relating to social distancing and the maximum size of public gatherings. In light of the current restrictions, it is expected that our directors and our officers will not attend the meeting in person.

We strongly encourage all shareholders not to attend the meeting in person. The Company reserves the right to take any precautionary measures it deems appropriate in relation to the physical meeting and access to its premises. Shareholders should be aware that it is entirely possible the Company will be unable to permit them to attend the physical meeting.

We recommend that shareholders submit a form of proxy or voting instruction form in advance of the meeting in a timely fashion as described in the accompanying Circular. Due to the likelihood of restrictions in the number of attendees, we also recommend that shareholders not appoint a proxyholder to participate in and vote during the Meeting other than the management representatives named in the accompanying Circular.

# KNEAT.COM, INC.

Office of Fogler, Rubinoff LLP  
77 King Street West, Suite 3000  
Toronto, Ontario, Canada, M5K 1G8

## MANAGEMENT INFORMATION CIRCULAR

as at May 21, 2020 unless otherwise noted

### GENERAL VOTING AND PROXY INFORMATION

#### Solicitation of Proxies

This Information Circular (the "Circular") is furnished in connection with the solicitation by the management of kneat.com, inc. ("kneat.com", "Kneat" or the "Company") of proxies to be used at the annual and special meeting (the "Meeting") of shareholders of the Company (the "Shareholders"), and any adjournment thereof, to be held at the time and place and for the purposes set forth in the accompanying notice of meeting (the "Notice of Meeting"). The solicitation of proxies is intended to be primarily by mail but may also be made by telephone, fax, email or other electronic means of communication or in person by the directors and officers of the Company. The Company does not reimburse Shareholders, nominees or agents for their costs of obtaining authorization from their principals to sign forms of proxy. All costs of solicitation by management will be borne by the Company.

#### Appointment and Revocation of Proxies

##### *General*

Shareholders may be "Registered Shareholders" or "Non-Registered Shareholders". If common shares of the Company (the "Common Shares") are registered in the name of an intermediary and not registered in the Shareholder's name, they are said to be owned by a "Non-Registered Shareholder". An intermediary is usually a bank, trust company, securities dealer or broker, or a clearing agency in which an intermediary participates. The instructions provided below set forth the different procedures for voting Common Shares at the Meeting to be followed by Registered Shareholders and Non-Registered Shareholders.

The persons named in the enclosed form of proxy are officers and/or directors of the Company. **Each Shareholder has the right to appoint a person or company (who need not be a Shareholder) to attend and act for him/her at the Meeting other than the persons designated in the enclosed form of proxy. Shareholders who have given a proxy also have the right to revoke it insofar as it has not been exercised.** The right to appoint an alternate proxyholder and the right to revoke a proxy may be exercised by following the procedures set out below under "Registered Shareholders" or "Non-Registered Shareholders", as applicable.

If any Shareholder receives more than one proxy or voting instruction form, it is because that Shareholder's Common Shares are registered in more than one form. In such cases, Shareholders should sign and submit all proxies or voting instruction forms received by them in accordance with the instructions provided.

## ***Registered Shareholders***

Registered Shareholders have two methods by which they can vote their Common Shares at the Meeting, namely in person or by proxy. To assure representation at the Meeting, Registered Shareholders are encouraged to return the proxy included with this Circular. Voting by proxy will not prevent a Registered Shareholder from voting in person if they attend the Meeting and duly revoke their previously granted proxy, but will ensure that their vote is counted if they are unable to attend the Meeting. Registered Shareholders who do not plan to attend the Meeting or do not wish to vote in person can vote by proxy.

Completed forms of proxy must be deposited at the office of the Company's registrar and transfer agent, Computershare Investor Services Inc. ("**Computershare**"), 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 not later than forty-eight (48) hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting, unless the chairman of the Meeting elects to exercise his discretion to accept proxies received subsequently.

Any Registered Shareholder who has returned a proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a Registered Shareholder, his attorney authorized in writing or, if the Registered Shareholder is a corporation, a corporation under its corporate seal or by an officer or attorney thereof duly authorized, may revoke a proxy by instrument in writing, including a proxy bearing a later date. The instrument revoking the proxy must be deposited at the registered office of the Company, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, or with the chairman of the Meeting on the day of the Meeting or an adjournment thereof.

## ***Non-Registered Shareholders***

Non-Registered Shareholders who have not objected to their intermediary disclosing certain ownership information about themselves to the Company are referred to as "**NOBOs**". Non-Registered Shareholders who have objected to their intermediary disclosing the ownership information about themselves to the Company are referred to as "**OBOs**".

Pursuant to National Instrument 54-101 of the Canadian Securities Administrators ("**NI 54-101**"), the Company has distributed copies of proxy-related materials in connection with this Meeting (including this Circular) directly to NOBOs and indirectly to OBOs.

The Company is not relying on the notice and access delivery procedures outlined in NI 54-101 to distribute copies of proxy-related materials in connection with the Meeting.

The Company will not be paying for intermediaries to deliver to OBOs (who have not otherwise waived their right to receive proxy-related materials) copies of the proxy-related materials and related documents. Accordingly, an OBO will not receive copies of the proxy-related materials and related documents unless the OBO's intermediary assumes the costs of delivery.

## ***Meeting Materials Received by OBOs from Intermediaries***

OBOs who receive meeting materials will typically be given the ability to provide voting instructions in one of two ways:

- i. Usually, an OBO will be given a Voting Instruction Form ("**VIF**"), which must be completed and signed by the OBO in accordance with the instructions provided by the intermediary. In this case, the mechanisms described above for Registered Shareholders cannot be used and the instructions provided by the intermediary must be followed.

- ii. Occasionally, an OBO may be given a proxy that has already been signed by the intermediary. This form of proxy is restricted to the number of Common Shares owned by the OBO but is otherwise not completed. This form of proxy does not need to be signed by the OBO but must be completed by the OBO and returned to Computershare in the manner described above for Registered Shareholders.

The purpose of these procedures is to allow OBOs to direct the proxy voting of the Common Shares that they own but that are not registered in their name. **Should an OBO who receives either a form of proxy or a VIF wish to attend and vote at the Meeting in person (or have another person attend and vote on their behalf), the OBO should strike out the names of the persons designated on the enclosed form of proxy and insert the OBO's name (or the name of his or her alternate appointee) in the blank space provided for that purpose or, in the case of a VIF, follow the corresponding instructions provided by the intermediary.** In either case, OBOs who received meeting materials from their intermediary should carefully follow the instructions provided by the intermediary. To exercise the right to revoke a proxy, an OBO who has completed a proxy (or a VIF, as applicable) should carefully follow the instructions provided by the intermediary.

Proxies returned by intermediaries as “non-votes” because the intermediary has not received instructions from the OBO with respect to the voting of certain Common Shares or, under applicable stock exchange or other rules, the intermediary does not have the discretion to vote those Common Shares on one or more of the matters that come before the Meeting, will be treated as not entitled to vote on any such matter and will not be counted as having been voted in respect of any such matter. Common Shares represented by such “non-votes” will, however, be counted in determining whether there is a quorum.

#### Meeting Materials Received by NOBOs from the Company

As permitted under NI 54-101, the Company has used a NOBO list to send the meeting materials directly to the NOBOs whose names appear on that list. If you are a NOBO and the Company's transfer agent, Computershare, has sent these materials directly to you, your name and address and information about your holdings of Common Shares have been obtained from the intermediary holding such Common Shares on your behalf in accordance with applicable securities regulatory requirements.

As a result, any NOBO of the Company can expect to receive a scannable VIF from Computershare. Please complete and return the VIF to Computershare in the envelope provided. In addition, telephone voting and internet voting are available as further described in the VIF. Instructions in respect of the procedure for telephone and internet voting can be found in the VIF. Computershare will tabulate the results of the VIFs received from the Company's NOBOs and will provide appropriate instructions at the Meeting with respect to the Common Shares represented by the VIFs received by Computershare.

By choosing to send these materials to you directly, the Company (and not the intermediary holding Common Shares on your behalf) has assumed responsibility for (i) delivering these materials to you; and (ii) executing your proper voting instructions. The intermediary holding Common Shares on your behalf has appointed you as the proxyholder of such Common Shares and therefore you can provide your voting instructions by completing the proxy included with this Circular in the same way as a Registered Shareholder. Please refer to the information under the heading "*Registered Shareholders*" for a description of the procedure to return a proxy, your right to appoint another person or company to attend the meeting and your right to revoke the proxy.

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

attend the Meeting as proxyholder for the Registered Shareholder and vote the Common Shares in that capacity. Non-Registered Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the Registered Shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same in accordance with the instructions provided.

### Exercise of Proxies

Where a choice is specified, the Common Shares represented by proxy will be voted for, withheld from voting or voted against, as directed by the Shareholders, on any poll or ballot that may be called. **Where no choice is specified, the proxy will confer discretionary authority and will be voted in favour of all matters referred to on the form of proxy. The proxy also confers discretionary authority on the persons designated in the proxy to vote for, withhold from voting, or vote against amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters not specifically mentioned in the Notice of Meeting but which may properly come before the Meeting.**

Management has no present knowledge of any amendments or variations to matters identified in the Notice of Meeting or any business that will be presented at the Meeting other than that referred to in the Notice of Meeting. However, if any other matters properly come before the Meeting, it is the intention of the person named in the enclosed instrument appointing proxy to vote in accordance with the recommendations of the management of the Company.

### Voting Shares and Principal Holders Thereof

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value. As at the date of this Circular, there are 67,196,404 Common Shares issued and outstanding, each of which carries the right to one vote at meetings of the Shareholders. Persons who are Registered Shareholders at the close of business on May 21, 2020 are entitled to receive notice of and vote at the Meeting and will be entitled to one vote for each Common Share held.

As at May 21, 2020, to the knowledge of directors and officers of the Company, the following persons beneficially owned, directly or indirectly, or exercised control or direction over, more than 10% of the voting Common Shares of the Company.

Name and place of business	Number of Common Shares held	Percentage
Beek Investments Limited <sup>(1)</sup> Limerick, Ireland	13,536,023	20.14%

1) Beek Investments Ltd. is controlled by certain officers of the Company.

### Quorum

The by-laws of the Company provide that two persons present in person or represented by proxy holding or representing in the aggregate not less than 10% of the Common Shares and entitled to vote at the meeting constitute a quorum for the meeting.

### Interest of Certain Persons or Companies in Matters to Be Acted Upon

No director or executive officer of the Company, nor any person who has held such a position since incorporation, nor any nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of director and the approval of the Company's stock option plan (the "**Stock Option Plan**" or the "**Plan**") (insofar as such directors and/or officers hold stock options. See "*Particulars of Matters to be Acted Upon*")

and "*Executive Compensation*" below for particulars on the options held by directors and officers).

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

### **Audited Financial Statements**

The audited financial statements of the Company for the fiscal year-ended December 31, 2019 and the report of the auditor thereon will be submitted to the Meeting. Receipt at such Meeting of the auditor's report and the Company's financial statements for the above noted fiscal period will not constitute approval or disapproval of any matters referred to therein.

### **Election of Directors**

Directors of the Company are elected annually by the Shareholders and will hold office until the next annual meeting of Shareholders, or until his successor is duly elected or appointed, unless: (i) his office is earlier vacated in accordance with the articles and by-laws of kneat.com; or (ii) he becomes disqualified to act as a director. The constating documents of the Company provide that the number of directors to be elected shall be a minimum of one (1) and a maximum of ten (10). A Board of six (6) directors is to be elected at the Meeting.

The term of office of all present directors of the Company expires at the Meeting. Management has been informed by each nominee that he is willing to stand for election or re-election, as applicable, and serve as a director. Each of the directors will be elected on an individual basis.

The Company's board of directors (the "**Board of Directors**" or the "**Board**") has unanimously adopted a majority voting policy in director elections that will apply at any meeting of Shareholders where an uncontested election of directors is held. Pursuant to this policy, if the number of proxy votes withheld for a particular director nominee is greater than the votes for such director, the director nominee will be required to submit his or her resignation to the Chairman of the Board promptly following the applicable Shareholders' meeting.

Following receipt of the resignation, the Company's Board will consider whether or not to accept the offer of resignation. In considering whether or not to accept the resignation, the Board will consider all factors deemed relevant by its members.

The Board will be expected to accept the resignation except in situations where the considerations would warrant the applicable director to continue to serve on the Board. The Board will publicly disclose its final decision within 90 days following the Meeting. A director who tenders his or her resignation pursuant to this policy will not participate in any meeting of the Board at which the resignation is considered.

**In the absence of instructions to the contrary, the Common Shares represented by a properly executed form of proxy in favour of the persons designated by management of the Company will be voted FOR the election as directors of the nominees whose names are set forth below.**

Name and Municipality of Residence and Date First Became a Director	Present Principal Occupation	Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly <sup>(1)</sup> at the date of this Circular	Percentage of Total Outstanding Common Shares at the date of this Circular
Ian Ainsworth <sup>(2)(3)</sup> Toronto, Ontario, Canada June 27, 2016	Chairman of the Company and General Partner of Extreme Venture Partners Inc.	1,585,295 <sup>(6)</sup>	2.36%
Paul Breen <sup>(2)(5)</sup> Dublin, Republic of Ireland June 27, 2016	Founder and Executive Director of BrePco Biopharma Ltd.	310,207 <sup>(9)</sup>	0.46%
Rory Cameron Danville, CA May 1, 2019	Executive Vice President of Corporate Development of Medallia, Inc.	-	0.00%
Wade Dawe <sup>(4)</sup> Halifax, Nova Scotia, Canada January 14, 2014	Chairman and Chief Executive Fortune Bay Corp. and the President of Brigus Capital Inc.	4,652,481 <sup>(7)</sup>	6.92%
Kevin Fitzgerald Co. Clare, Republic of Ireland June 27, 2016	Co-founder and Chief Product Officer of the Company	4,004,808 <sup>(8)</sup>	5.96%
Edmund Ryan Cork, Republic of Ireland June 27, 2016	Co-founder and Chief Executive Officer of the Company	4,004,808 <sup>(8)</sup>	5.96%

- 1) The information as to Common Shares beneficially owned or over which control or direction is exercised, not being within the knowledge of the Company, has been furnished by the respective parties.
- 2) Member of the Audit Committee.
- 3) Member of the Nominations and Compensation Committee.
- 4) Chairman of the Audit Committee.
- 5) Chairman of the Nominations and Compensation Committee.
- 6) 1,130,147 Common Shares are owned by Mr. Ainsworth directly; 455,148 Common Shares are owned indirectly.
- 7) 1,206,920 Common Shares are owned by Mr. Dawe directly; 3,445,561 Common Shares are owned indirectly.
- 8) Mr. Fitzgerald and Mr. Ryan indirectly own these shares through Beek Investments Ltd. Beek Investments Ltd. holds a total of 13,536,023 shares or 20.14% of the voting Common Shares of the Company.
- 9) 243,618 Common Shares are owned by Mr. Breen directly; 66,589 Common Shares are owned indirectly.

As at the date hereof, the directors and executive officers of the Company as a group owned beneficially, directly or indirectly, controlled or exercised direction over, 18,562,407 Common Shares representing approximately 27.62% of the outstanding Common Shares.

The following are brief profiles of the directors of the Company, including a brief description of each individual's principal occupation within the past five years.

*Mr. Ian Ainsworth – Chairman*

Mr. Ainsworth has over thirty years of experience building and managing investment teams operating in both public and private markets in Europe and North America. He has managed large funds on behalf of private and institutional clients with a keen interest in healthcare and information technology. As a former managing director and Chief Investment Officer of one of Canada's leading mutual fund companies, he won several awards for investment performance. Mr. Ainsworth is active in venture capital as an angel investor and as a General Partner of Toronto based Extreme Venture Partners. Mr. Ainsworth has a Master of Business Administration in Finance and is a Chartered Financial Analyst.

*Mr. Paul Breen – Director*

Mr. Breen is a scientist with a diploma in finance. He has over thirty years of experience in the pharmaceutical industry. Mr. Breen started his career in pharmaceutical sales and marketing before moving into pharmaceutical manufacturing. During his career, he has headed up sales, marketing and

manufacturing operations for a number of multi-national pharmaceutical companies. Mr. Breen is the Executive Director and co-founder of BrePco Biopharma Ltd., a private healthcare company based in Ireland aimed at developing products for the unique needs of paediatric populations. He holds a Bachelor of Science from the University College Dublin and a Diploma in Finance from the Irish Management Institute.

*Mr. Rory Cameron – Director*

Mr. Cameron has over 15 years experience in the global enterprise software market. Mr. Cameron is currently the Executive Vice President of Corporate Development at Medallia, Inc. where he is accelerating Medallia's growth through new technology partnerships and acquisitions. Prior to joining Medallia, Mr. Cameron was Executive Vice President at CallidusCloud where they sold the company to SAP for \$2.4 billion. At Callidus, Mr. Cameron not only led corporate development but ran their fastest growing division, Litmos the enterprise learning platform. Prior to joining CallidusCloud, Mr. Cameron was at Datapac, Bytes and MTL.

*Mr. Wade Dawe – Director*

Mr. Dawe is an accomplished entrepreneur, financier and investor based in Halifax, Nova Scotia. During his career, he has completed deals valued in excess of \$1 billion, and he has founded or co-founded a number of successful companies, both public and private. Mr. Dawe is the Chairman and CEO of Fortune Bay Corp. and Numus Financial Inc. and President of Brigus Capital Inc. In addition, Mr. Dawe is CEO and a Board Member of Torrent Capital Ltd., and serves as Chairman of the Board for Pivot Technology Solutions Inc. Mr. Dawe holds a Bachelor of Commerce degree from Memorial University (MUN), where he sits on the Advisory Board to the Faculty of Business Administration. His philanthropic activities include establishing and personally funding the annual James R. Pearcey Entrepreneurial Scholarship at MUN, and he funded DC Makes, a new entrepreneurship-based program at the Discovery Centre in Halifax, Nova Scotia. Mr. Dawe, originally from Newfoundland, is also a member of the Young Presidents' Organization (YPO), and is a fellow of the Creative Destruction Lab (CDL) in Halifax, Nova Scotia.

*Mr. Kevin Fitzgerald – Director and Chief Product Officer*

Mr. Fitzgerald is a co-founder of the Company and served as the Director of Research and Development until 2020. He currently serves as a Director and Chief Product Officer of the company. He has more than twenty two years of experience in design and project management within the pharmaceutical manufacturing industry and also in the area of research and development of regulatory information technology products for the life sciences industry. Mr. Fitzgerald holds a Bachelor of Engineering (Electronic Engineering) from the University of Limerick.

*Mr. Edmund Ryan – Director and Chief Executive Officer*

Mr. Ryan is a co-founder of the Company and currently serves as the Chief Executive Officer. He has fourteen years of experience in design, production and project management within pharmaceutical manufacturing and fourteen years of experience in regulated information technology development and sales to the life sciences industry. Mr. Ryan has managed multidisciplinary pharmaceutical projects on behalf of blue-chip companies. He also headed Irish sales for multi-national manufacturers of capital and consumable pharmaceutical equipment. Mr. Ryan holds a Bachelor of Engineering (Mechanical Engineering) from the University of Limerick and a post graduate diploma in International Sales and Marketing from the Dublin Institute of Technology.

## **Orders, Penalties and Bankruptcies**

To the knowledge of the Company, no director to be nominated for election at the Meeting:

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

For the purposes of the above section, the term "order" means:

- (i) a cease trade order;
- (ii) an order similar to a cease trade order; or
- (iii) 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.

To the knowledge of the Company, as of the date hereof, no director nominated for election at the Meeting 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.

## **CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS**

The following information has been furnished by the directors or officers of the Company.

### ***Cease Trade Orders***

To the Company's knowledge, no director, at the date of this Circular, or was within the ten years before the date of this Circular, a director that:

- (a) while such person was acting in that capacity, was the subject of a cease trade or similar order, or an order that denied the relevant company access to any exemptions under securities legislation, for a period of more than 30 consecutive days (an "**Order**"); or
- (b) was subject to an Order that was issued, after such person ceased to be a director, and which resulted from an event that occurred while that person was acting in the capacity as director.

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

To the Company's knowledge, no director, 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 investor in making an investment decision.

### ***Bankruptcies***

To the Company's knowledge, no director or officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as at the date of this Management Information Circular, or has been within the 10 years before the date of this Management Information Circular, a director or officer of any company (including the Company) 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, state the fact; or
- (b) has, within the 10 years before the date of this Management Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

### **Appointment of Auditors**

Management recommends the appointment of PricewaterhouseCoopers LLP as auditors of the Company to hold office until the close of the next annual meeting of the Shareholders and to authorize the Board to fix the remuneration of the auditors. PricewaterhouseCoopers LLP were first appointed as auditors of the Company on May 2, 2014. This resolution requires the approval of a simple majority of the votes cast at the Meeting, in person or by proxy, in order to be approved.

**In the absence of instructions to the contrary, the Common Shares represented by a properly executed form of proxy in favour of the persons designated by management of the Company will be voted FOR the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company.**

### **Special Business – Confirming the Company's Stock Option Plan**

Shareholders are being asked to confirm re-approval of the Company's Stock Option Plan, as outlined under "*Securities Authorized for Issuance under Equity Compensation Plans*" and accepted by the TSX Venture Exchange ("TSX-V"). There have been no changes to the Stock Option Plan since the Plan was approved at the Annual and Special meeting of Shareholders held on June 19, 2019.

The Plan is a "rolling" or "evergreen" plan pursuant to which 10% of the issued and outstanding common shares of the Company on the date of option grant are reserved for issuance upon the exercise of stock options. For further details regarding the Stock Option Plan, see "*Securities Authorized for Issuance under Equity Compensation Plans*".

Whether or not the resolution is approved, all stock options currently outstanding under the Stock Option Plan will remain in effect in accordance with their terms. If the resolution is not approved, any currently unallocated options, rights or entitlements under the Stock Option Plan will no longer be available for grant and previously granted options will not be available for reallocation if they are cancelled prior to exercise.

In accordance with the policies of the TSX-V, a plan with a rolling 10% maximum must be confirmed by shareholders at each annual general meeting. Accordingly, at the Meeting, the shareholders will be asked to pass the following resolution:

“WHEREAS

- i. The Board of Directors of the Company adopted a Stock Option Plan, which reserves for issuance pursuant to stock options a maximum number of common shares of the Company equal to 10% of the aggregate issued and outstanding common shares on the date of grant;

BE IT RESOLVED THAT:

- i. All unallocated stock options under the Stock Option Plan be and are hereby approved; and
- ii. Any officer or director of the Company be and is hereby authorized for and on behalf of the Company to execute and deliver all documents and instruments, and to take all such other actions as such officer or director may deem necessary or desirable to implement the foregoing resolution and the matters authorized hereby, such determinations to be conclusively evidenced by the execution and delivery of such documents and other instruments and the taking of any such action.”

The Board of Directors has determined that the approval of the unallocated options, rights or other entitlements pursuant to the Stock Option Plan is in the best interests of the Company and its shareholders. **The Board of Directors recommends that shareholders vote FOR the adoption of the resolution set forth herein. Unless contrary instructions are indicated on the form of proxy, the persons designated in the accompanying form of proxy intend to vote FOR the approval of the unallocated options, rights or other entitlements pursuant to the Stock Option Plan.**

#### **Special Business – Approval of an Amendment to the Deferred Share Unit Plan**

At the Meeting, pursuant to the policies of the TSX-V, the holders of Common Shares (excluding those insiders entitled to receive a benefit under the DSU Plan) will be requested to consider and, if thought advisable, to pass with or without variation, a resolution in the form below approving an increase in the number of Common Shares reserved for issuance under the Company’s deferred share unit plan (the “**DSU Plan**”):

**WHEREAS** the Board of Directors has approved an amendment to the Company’s deferred share unit plan (the “DSU Plan”) as described in the Company’s management information circular dated May 21, 2020, subject to the approval of the holders of common shares (the “Common Shares”) excluding those insiders entitled to receive a benefit under the DSU Plan on the basis set out in the management information circular of the Company;

**NOW BE IT RESOLVED THAT:**

1. Section 7.1 of the DSU Plan be amended to increase the maximum number of Common Shares reserved for issuance from treasury under the DSU Plan from 667,667 to 950,000.
2. Any one officer or director of the Company is authorized to do all such acts and things and to execute such other documents, whether under the corporate seal of the Company or otherwise, that may be necessary to give effect to this resolution.

For more information, please see “Equity Compensation Plan Information – Deferred Share Unit Plan”

The Company is currently authorized by the TSX-V and its shareholders to reserve 667,667 Common Shares for issuance under section 7.1 of the DSU Plan, representing approximately 1.0% of the outstanding Common Shares as at May 21, 2020. The Board of Directors have resolved to increase the number of Common Shares available for issuance under the DSU Plan by 283,333 so that, subject to approval by the Company’s shareholders (excluding those insiders entitled to receive a benefit under the DSU Plan) the maximum number of Common Shares reserved for issuance under the DSU Plan will increase to 950,000, representing approximately 1.4% of the outstanding Common Shares as at May 21, 2020.

The insiders excluded from voting on approval of the DSUP hold 18,562,407 Common Shares, which represent approximately 27.6% of the outstanding Common Shares. For more information, please see “Equity Compensation Plan Information – Deferred Share Unit Plan”.

**In the absence of a contrary instruction, the person(s) designated by management of the Company in the enclosed form of proxy intend to vote FOR the approval of the resolution set out above approving an increase in the number of Common Shares reserved for issuance under the Company’s DSU Plan, which resolution will only be passed if approved by a majority of the votes of disinterested shareholders cast at the Meeting.**

**ANY OTHER MATTERS**

Management of the Company knows of no matters to come before the Meeting other than those referred to in the Notice of Meeting accompanying this Circular. However, if any other matters properly come before the Meeting, it is the intention of the persons named in the form of proxy accompanying this Circular to vote the same in accordance with their best judgment of such matters.

**INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as set forth in this Circular, no director, executive officer, shareholder who beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the outstanding Common Shares, or any known associate or affiliate of any such person, has or had any material interest, direct or indirect, in any transaction since the previous fiscal year of the Company or in any proposed transaction, that has materially affected or will materially affect the Company or a subsidiary of the Company.

**STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The Canadian Securities Administrators have published National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”), National Policy 58-201 – *Corporate Governance Guidelines* (“**NP 58-201**”) and National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”). These instruments set out a series of guidelines and requirements for effective corporate governance (collectively, the

"Guidelines"). The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. NI 58-101 requires disclosure by each listed corporation of its approach to corporate governance with reference to the Guidelines. Set out below is a description of the Company's approach to corporate governance in relation to the Guidelines.

### **Board of Directors**

NI 52-110 sets out the standard for director independence. Under NI 52-110, a director is independent if he or she has no direct or indirect material relationship with the Company. Under NI 52-110, a material relationship is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment. NI 52-110 also sets out certain situations where a director will automatically be considered to have a material relationship with the Company.

The Board currently consists of six members, namely Ian Ainsworth, Paul Breen, Rory Cameron, Wade Dawe, Kevin Fitzgerald and Edmund Ryan. Four of the directors are independent directors, namely Ian Ainsworth, Paul Breen, Wade Dawe and Rory Cameron. They are considered independent directors since none of them, in the view of the Board, has a direct or indirect material relationship with the Company, which could reasonably be expected to interfere with the exercise of such director's independent judgment. Mr. Fitzgerald and Mr. Ryan are considered to be non-independent directors as they are Director of Research and Development and Chief Executive Officer of the Company, respectively.

The Board relies on senior outside legal counsel to provide advice and consultation on current and anticipated matters of corporate governance. The independent directors may meet in-camera, from time to time, with the Company's outside legal counsel participating by invitation, when deemed appropriate by the independent directors. At the present time, the Board believes that the knowledge, experience and qualifications of its independent directors are sufficient to ensure that the Board can function independently of management and discharge its responsibilities.

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

<b>Director</b>	<b>Public Company Board Member</b>
Wade Dawe	Torrent Capital Ltd. (TSX-V) Pivot Technology Solutions, Inc. (TSX) Fortune Bay Corp. (TSX-V)

### **Board Mandate**

The Charter of the Company's Board of Directors outlines the mandate of the Board. The Board has the following duties and responsibilities, which may be initially reviewed by the applicable committees of the Board before being recommended to the full Board for approval:

- (a) Strategic Planning:
  - (i) Ensuring that a company-wide strategic planning process is in place and approving the resulting business plan on at least an annual basis. This business plan should take into account, at a minimum the short and long term opportunities and risks of the business;
  - (ii) Approving the Company's annual operating and capital budgets; and
  - (iii) Reviewing performance results in relation to the business plan and budgets.
- (b) Risk Management and Internal Controls:
  - (i) Identifying and assessing the principal risks of the Company's business and ensuring the

- implementation of systems to mitigate these risks;
  - (ii) Ensuring the integrity of the Company's internal control and management information systems and the safeguarding of the Company's assets;
  - (iii) Reviewing, approving, and as required, overseeing compliance with the Company's Disclosure Policy by directors, officers, senior management and other employees;
  - (iv) Reviewing, approving and overseeing the Company's disclosure, controls and procedures; and
  - (v) Reviewing and approving the Code of Business Conduct of kneat.com with the purpose of promoting integrity and deterring wrongdoing, and encouraging and promoting a culture of ethical business conduct, and as required, overseeing compliance with the Company's Code of Business Conduct by directors, officers, senior management and other employees.
- (c) Chief Executive Officer ("CEO") and Senior Management:
  - (i) Appointing the Chief Executive Officer of kneat.com and determining the terms and conditions of his appointment;
  - (ii) Developing, along with the CEO, a written position description for the role of the CEO;
  - (iii) Satisfying itself as to the integrity of the CEO; and
  - (iv) Providing attention to succession planning, including the appointment, training, monitoring and continuing education of the CEO, officers and senior management.
- (d) Governance:
  - (i) Developing the Company's approach to governance practices, including expectations and responsibilities of individual directors, including expectations for attendance at meetings and the level of engagement that is expected of members of the Board;
  - (ii) Approving the nomination of directors to the Board, as well as:
    - (I) determining which directors, in the reasonable opinion of the Board, are independent pursuant to applicable legislation and regulatory requirements;
    - (II) developing qualifications and criteria for the selection of directors; and
    - (III) appointing the Board Chairman, lead independent director, if applicable, and the Chair and members of each Committee of the Board in consultation with the relevant Committee.
  - (iii) Determining that Audit Committee members meet all applicable legislative, regulatory and listing qualifications, including financial literacy and independence;
  - (iv) Providing an orientation program for new directors and continuing education opportunities for all directors;
  - (v) Assessing annually the effectiveness of the Board Chairman and/or lead independent director, each Committee of the Board and their respective Chairs, as well as individual Directors;
  - (vi) Developing position descriptions for the Chairman, the lead independent director and for each Committee Chair so that they may be evaluated objectively; and
  - (vii) Appointing and removing the Company's corporate secretary.
- (e) Financial Reporting, Auditors and Transactions:
  - (i) Reviewing and approving, as required, the Company's financial statements and related financial information;
  - (ii) Appointing, subject to the approval of shareholders, and removing the external auditor;
  - (iii) Appointing and removing of the Company's Chief Financial Officer; and
  - (iv) Delegating, to the extent permitted by law, to the CEO, other officers and senior management appropriate powers to manage the business affairs of the Company.
- (f) Legal Requirements and Communication:

- (i) Overseeing the adequacy of the Company's processes to ensure compliance by the Company with applicable legal and regulatory requirements;
  - (ii) Developing and implementing measures through which the Board can receive feedback from security holders; and
  - (iii) Performing any other function that is prescribed by law that has not been delegated by the Board to a Committee of the Board or to management.
- (g) Oversight of the Company's Environmental Risks:
- (i) Review and monitor the environment policy and environmental management system.

### ***Position Descriptions***

The position descriptions for the Company's Board Chairman are outlined in the Charter of the Board of Directors. The Board Chairman and/or lead independent director shall lead the Board in all aspects of its work and are responsible to effectively manage the affairs of the Board and ensuring that the Board is properly organized and functions efficiently. As appropriate, the Chairman and/or the lead independent director will advise the CEO in matters concerning the Board, including the relationship between management and the Board. Specifically, the Board Chairman shall:

- (a) Provide the leadership necessary to enable the Board to carry out its duties and responsibilities described in the Board Charter;
- (b) Work with the CEO, other officers and senior management to monitor progress on the business plan, annual budgets, policy implementation and succession planning;
- (c) Provide advice, counsel and mentorship to the CEO and fellow members of the Board;
- (d) Foster an effective working relationship between the Board and management;
- (e) Chair the Board meetings;
- (f) Determine, in consultation with the CEO, the Secretary, the Chairs of Committees, the frequency, dates and location of meetings of the Board, the Committees of the Board and the shareholders;
- (g) Review the meeting agendas to ensure that all required business comes before the Board so that it may effectively and efficiently carry out its duties and responsibilities;
- (h) Ensure that all items requiring Board and Committee approval are tabled as appropriate;
- (i) Ensure the proper flow of information to the Board;
- (j) Review, with the corporate secretary and CEO, the adequacy and timing of information and materials in support of management proposals to the Board;
- (k) In conjunction with the relevant Committee of the Board and its Chair, review and assess individual director's meeting attendance records and the effectiveness and performance of the Board, its Committees, Committee Chairs and individual directors;
- (l) Act for the CEO and exercise his/her authority in the event that the CEO is absent and is unable to act where action by the CEO is necessary to protect the interests of the Company;
- (m) Attend Committee meetings in a non-voting capacity as deemed appropriate;
- (n) Ensure that an opportunity exists at each regular meeting for the independent directors to meet separately without non-independent directors and management personnel present; and
- (o) Carry out other functions or assignments as requested by the Board.

### ***Orientation and Continuing Education***

The Board does not currently provide a formal orientation or education program for Board members, as it believes that informal discussions and review of policies, plans and financial information is most appropriate based on the Company's size and complexity. The Company's Board members have considerable industry and public company experience and rely on this experience and their backgrounds in business to best determine how to maintain and enhance their skills.

### ***Ethical Business Conduct***

The Company has adopted a Code of Business Conduct and Ethics (the “Code”) to which all directors, officers and employees of the Company must adhere. The Code is a comprehensive set of expectations, obligations and responsibilities relating to ethical conduct, corporate reporting, conflicts of interests and compliance with legal and regulatory obligations and with the Company’s policies, including its environmental, health and safety, non-discrimination and other policies. A copy of the Code may be examined by accessing the Company’s website at [www.kneat.com](http://www.kneat.com). Under the Code, directors, officers and employees are required to promptly report any problems or concerns and any actual or potential violation of the Code to their supervisor. The Board monitors compliance with the Code by requiring management to advise it of any reports received regarding violations of the Code.

The Company also has a Whistleblower Policy which sets out the procedures for the receipt and treatment of complaints or concerns received by the Company regarding any impropriety or inaccuracy in respect of its financial statement disclosure or regarding its accounting procedures or practices, internal accounting controls, auditing matters or any violations of the Code. The policy includes provision for the submission or reporting by employees (including officers) of the Company or others, on a confidential and anonymous basis, of any such complaints or concerns to the Audit Committee. Complaints or concerns are investigated by the Audit Committee or by persons designated by the Audit Committee.

In respect of any transactions or agreements involving the Company and in respect of which a director of the Company has a material interest or a conflict or potential conflict of interest, that director, in order that the members of the Board exercise independent judgment in respect thereto, is required to disclose such to the Board prior to any such transaction or agreement being considered by the Board and is not permitted to vote on any Board resolution with respect thereto. Should any officer similarly have any such material interest or conflict or potential conflict of interest, such officer must similarly disclose such to the Board.

### ***Nomination of Directors***

Prior to their standing for election, new nominees to the Board will be reviewed by the entire Board. The Nominations and Compensation Committee will have the responsibility of making recommendations to the Board with respect to the new nominees and for assessing directors on an on-going basis. The Company considers it important to retain directors with significant business experience in the industry, and therefore the Company’s practice is to not set term limits for its directors. Individual directors are invited to propose new nominees to the Board having regard to the Company’s business strategy and the current composition of the Board.

### ***Board Committees***

The Board currently has two committees: (i) the Audit Committee; and (ii) the Nominations and Compensation Committee. All such committees report directly to the Board. From time-to-time, based on need, ad hoc committees of the Board may also be appointed.

### ***The Audit Committee***

The Audit Committee is currently composed of three directors, being Wade Dawe (Chair), Paul Breen and Ian Ainsworth. Two of the Company’s Audit Committee members, namely Ian Ainsworth and Paul Breen, are considered to be independent directors. Wade Dawe is not considered to be independent for purposes of the Audit Committee as he is a shareholder in a company that has collected fees from the Company for services rendered. All such members are “financially literate”, as such term is used in NI 52-110 (i.e.,

having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the relevant entity's financial statements). The Audit Committee operates under a written charter which is attached as Appendix A to this Circular.

The Audit Committee meets with the Company's Chief Financial Officer and financial management personnel and/or its independent auditors at least four times a year, and at least once every quarter, to review and assist, as part of its Audit Committee Charter, the Board in its oversight responsibilities relating to, among other matters, the quality and integrity of the Company's financial statements and MD&A, the accounting and financial reporting principles and procedures of the Company and the adequacy of the Company's system of internal controls. The Audit Committee meets with the Company's independent auditors twice per year and at least once per audit without the presence of management and as well communicates directly with such auditors as circumstances warrant. The Audit Committee reviews, among other things, the Company's financial reporting practices and procedures, the Company's annual and quarterly financial statements and MD&A prior to their issuance to shareholders and filing with regulatory agencies, actual and prospective changes in significant accounting policies and their effect, the planned scope of examinations by the Company's independent auditors and their findings and recommendations and the scope of audit and non-audit services provided by the independent auditors. It also recommends to the Board the independent auditors to be proposed to the Shareholders for appointment at the Company's annual meeting and approves the remuneration of such auditors.

In response to regulatory initiatives in Canada, the Audit Committee has also reviewed the Company's use of its independent auditors for non-audit services.

The aggregate fees incurred for audit and non-audit services provided by PricewaterhouseCoopers LLP for the financial years ended December 31, 2019 and December 31, 2018 are as follows:

<b>Nature of Services</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Audit fees <sup>(1)</sup>	\$98,050	\$93,817
Audit related fees <sup>(2)</sup>	\$25,500	26,682
Tax services <sup>(3)</sup>	\$4,800	24,387
All other fees	-	N/A
<b>Total</b>	<b>\$ 128,350</b>	<b>\$144,886</b>

1) Audit fees relate to professional services rendered for the audit of the annual financial statements of the Company and its subsidiaries, for the reviews of quarterly reporting, and for services normally provided in connection with statutory and regulatory filings or engagements.

2) Audit related fees were paid for professional services related to the public offering of common shares.

3) Tax fees were paid for professional services rendered with respect to income tax filings, indirect tax compliance and general tax consulting.

The Audit Committee believes that the extent to which the Company uses its independent auditors for non-audit services is not significant and accordingly does not affect their independence.

#### *The Nominations and Compensation Committee*

The Nominations and Compensation Committee is currently composed of the following three independent directors: Paul Breen (Chair), Ian Ainsworth and Wade Dawe. The Board has adopted a Nominations and Compensation Committee Charter, which, among other responsibilities, requires the Nominations and Compensation Committee to identify individuals qualified to become board members, recommend to the Board proposed nominees for membership on the Board, and to establish, administer

and evaluate the compensation philosophy, policies and plans for non-employee directors and executive officers; make recommendations to the Board regarding director and executive compensation; and review the performance and determine the compensation of the Chief Executive Officer, based on criteria including the Company's performance and accomplishment of long-term strategic objectives.

### ***Assessments***

Board effectiveness is assessed by the Board as a whole, considering the operation of the Board committees, the adequacy of information provided to directors, the quality of communication between the Board and management and the historic growth and performance of the Company. The Board believes that this informal assessment has permitted the Board to operate effectively.

### ***Director Term Limits***

The Company has not adopted director term limits for directors. However, the Chairman and/or lead independent director and the Board regularly assess the effectiveness and contribution of directors. The Company feels that its current governance system is sufficient to ensure that the Board, from year to year, is composed of directors with the appropriate knowledge and skills necessary to enhance the long-term performance of the Company. Furthermore, the Company recognizes the significant value that can be offered by long-serving directors, including the breadth of experience and familiarity with the Company and its industry of those members that have joined the Board. As such, the Company believes that it would not be best suited to the needs of the Company to adopt director terms limits or any formal board renewal mechanisms other than those already in place and discussed in this Circular.

### ***Gender Diversity***

The Company currently does not have a formal policy related to the representation of women on the Board or the management team. However, the Board is aware of the benefit of diversity on the Board and within the management team of the Company. The Nominations and Compensation Committee takes gender diversity into consideration during the recruitment and selection process of Board and management positions.

The Company ensures there is a diverse Board, with a sufficient number of directors, to encourage a variety of opinions and insights on matters which come before the Board, while at the same time limiting its membership to a number of directors that facilitates effective and efficient decision-making. Recommendations concerning director appointments are based on merit and performance, with diversity taken into consideration. Diversity is considered advantageous as it relates to qualifications, insights and experiences.

The Board has not adopted targets regarding the representation of women on the Board and in executive officer positions due to the small size of the Company and the need to consider a balance of criteria in each individual appointment. It is important that each appointment to the Board or in executive officer positions be made based on the merits of the individual and the need of the Company at that point in time. In addition, targets based on specific criteria such as gender could limit the Board's ability to ensure that the overall composition of the Board or management of the Company meets the needs of the Company.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

The following discussion and analysis sets out the Company's philosophy and objectives in determining executive compensation and explains how its policies and practices implement that philosophy. All dollar amounts in this Circular are expressed in Canadian dollars unless otherwise indicated. For purposes of this section, the term "Named Executive Officers" refers to the Chief Executive Officer, Chief Financial Officer, Director of Research and Development and Director of Quality of the Company.

#### Overview

The Company's approach to executive compensation is to provide suitable compensation for executives that is internally equitable, externally competitive and reflects individual achievement. The Company will attempt to maintain compensation arrangements that will attract and retain highly qualified individuals who are able and capable of carrying out the objectives of the Company. The Company's compensation arrangements for the Named Executive Officers, in addition to salary, include compensation in the form of bonuses and, over a longer term, benefits arising from the grant of stock options and/or deferred share units. Given the stage of development of kneat.com, compensation of the Named Executive Officers includes the granting of stock option awards to attract and retain management and, to a certain extent, to conserve cash. This policy may be re-evaluated in the future to instead emphasize increased base salaries and cash bonuses with a reduced reliance on option awards, depending upon the future development of the Company and other factors which may be considered relevant by the Board of Directors from time to time.

The Nominations and Compensation Committee of the Board of Directors consists of two directors appointed to review the compensation of the Company's officers and to make recommendations to the Board of Directors regarding base salary, bonuses, stock option awards and other benefits of Named Executive Officers, as well as negotiating services and employment agreements on behalf of the Company. Information on the Company's Nominations and Compensation Committee and the skills and experience of its members in making decisions with respect to compensation policies and practices of the Company can be found in "*Statement of Corporate Governance Practices*" – "*Board Committees*" – "*The Nominations and Compensation Committee*" in this Circular.

The Company's executive compensation program is designed to recognize the fundamental value added to the Company by having a motivated and committed management team whose short, medium and long-term objectives are aligned with those of Shareholders. In determining executive compensation, the Company's Nominations and Compensation Committee bears in mind the relatively small size of the Company, the financial resources of the Company and the size of the executive team.

The Company's Nominations and Compensation Committee relies on general discussion and informal comparisons to similar development stage companies, while giving consideration to the experience, qualifications and performance of the executive, in determining executive compensation. The Company's executive compensation is typically comprised of three primary components:

- i. base salary;
- ii. a short-term incentive plan, which may include the potential for cash bonuses; and
- iii. a long-term incentive plan, which may include grants of stock options, grants of deferred share units and/or participation in a pension plan.

The base salary of each executive is reviewed and evaluated by the Company's Nominations and Compensation Committee annually based on the philosophy, objectives and criteria outlined above. A short-term incentive award, if any, in the form of a cash bonus, may be awarded to an executive, as determined by the Company's Nominations and Compensation Committee, based on the philosophy, objectives and criteria outlined above, with some use of formal objectives.

With respect to long-term incentives, an executive may be awarded stock options or deferred share units or the Company may contribute to a pension plan for the benefit of the executive. The amount of the long-term incentive shall be determined by the Nominations and Compensation Committee and recommended to the Board of Directors, based on the philosophy, objectives and criteria outlined above, considering previous stock option grants.

The Nominations and Compensation Committee has discretion in determining both short-term and long-term incentive awards. The Company has not engaged compensation advisors in the past but may consider this in the future.

### **Approach to Risk**

The Board is aware that compensation practices can have unintended risk consequences. The Nominations and Compensation Committee reviews the Company's compensation policies to identify any practice that might encourage an employee to expose the Company to unacceptable risk. At the present time, the Nominations and Compensation Committee is satisfied that the current executive compensation program does not encourage the executives to expose the business to inappropriate risk. The Board takes a conservative approach to executive compensation rewarding individuals for the success of the Company once that success has been demonstrated and incenting them to continue that success through the grant of long-term incentive awards.

### **Hedging Policy**

No Named Executive Officer or director has purchased any financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officer or director, notwithstanding that there is no policy prohibiting such purchase as of the date of this Circular.

### **Summary Compensation Table**

Securities legislation requires the disclosure of compensation received by each "Named Executive Officer" of the Company for the three most recently completed financial years. "Named Executive Officer" is defined by the legislation to mean (i) each of Chief Executive Officer and Chief Financial Officer of the Company; (ii) the Company's most highly compensated executive officer, or the most highly compensated individual acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year and whose total compensation exceeds \$150,000; and (iii) any additional individual for whom disclosure would have been provided under (ii) but for the fact that the individual was not serving as an executive officer of the Company at the end of the most recently completed financial year-end of the Company.

For purposes of this Circular, Named Executive Officers of the Company means the following individuals:

- (a) the Company's Chief Executive Officer, or an individual who acted in a similar capacity, for any part of the most recently completed financial year ("CEO");

- (b) the Company's Chief Financial Officer or an individual who acted in a similar capacity, for any part of the most recently completed financial year ("CFO");
- (c) the Company's Director of Research and Development or an individual who acted in a similar capacity, for any part of the most recently completed financial year; and
- (d) the Company's Director of Quality, or an individual who acted in a similar capacity, for any part of the most recently completed financial year.

The following table sets forth a summary of all compensation for each of the Named Executive Officers as of December 31:

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans		
Brian Ahearne <sup>(1)</sup> Chief Technical Officer	2019	175,721	-	52,897 <sup>(3)</sup>	-	-	10,543	239,161
	2018	152,944	-	-	-	-	9,177	162,121
	2017	146,436	-	-	-	-	8,786	155,222
Kevin Fitzgerald <sup>(1)</sup> Chief Product Officer	2019	175,721	-	52,897 <sup>(3)</sup>	-	-	10,543	239,161
	2018	152,944	-	-	-	-	9,177	162,121
	2017	146,436	-	-	-	-	8,786	155,222
Edmund Ryan <sup>(1)</sup> Chief Executive Officer	2019	197,996	-	52,897 <sup>(3)</sup>	-	-	11,880	262,773
	2018	175,886	-	-	-	-	10,553	186,439
	2017	168,401	-	-	-	-	10,104	178,505
Hugh Kavanagh <sup>(2)</sup> Chief Financial Officer	2019	44,439	-	209,534 <sup>(4)</sup>	-	-	-	253,973
Sarah Oliver Chief Financial Officer	2019	111,643	-	47,960 <sup>(3)</sup>	-	-	6,699	166,302
	2018	130,000	-	-	-	-	9,745	139,745
	2017	130,000	-	-	-	-	9,700	139,700

- 1) Brian Ahearne, Kevin Fitzgerald, Edmund Ryan & Hugh Kavanagh are compensated in Euros. The amounts included in the table above are translated to the Canadian dollar equivalent using a rate of 1.48497 for the year ended December 31, 2019 (December 31, 2018 - 1.52944).
- 2) Hugh Kavanagh replaced Sarah Oliver as Chief Financial Officer on September 23, 2019.
- 3) These values reflect the estimated grant date fair value of options granted that will be recognized as compensation expense by the Company for financial reporting purposes, as determined in accordance with International Financial Report Standards ("IFRS"). The estimated fair value of options is calculated using the Black-Scholes Option Pricing Model. The Black-Scholes Option Pricing Model values the option based awards granted to these Named Executive Officers during the year at a weighted-average fair value of \$0.70 per option based on the following weighted-average assumptions: a 4.5 year expected term, 84.25% volatility, risk-free interest rate of 1.63% per annum, and a dividend rate of 0%.
- 4) This values reflect the estimated grant date fair value of options granted that will be recognized as compensation expense by the Company for financial reporting purposes, as determined in accordance with International Financial Report Standards ("IFRS"). The estimated fair value of the options was also calculated using the Black-Scholes Option Pricing Model. The Black-Scholes Option Pricing Model values the option based awards granted to Hugh Kavanagh during the year at a weighted-average fair value of \$1.05 per option based on the following weighted-average assumptions: a 4.5 year expected term, 93.27% volatility, risk-free interest rate of 1.43% per annum, and a dividend rate of 0%.

## Outstanding Stock Option Awards – Named Executive Officers

The following table sets forth the details in respect of outstanding stock options granted to each Named Executive Officer as of December 31, 2019. The value shown for unexercised in-the-money options is calculated based on the closing price of a Common Share on the TSX-V on the last day of the year-ended December 31, 2019, less the respective exercise price of the options, multiplied by the number of options exercisable.

Name and principal position	Option-based awards					Value of unexercised in-the-money options (\$) <sup>(2)</sup>
	Number of securities underlying options at the time of grant (#)	Number of securities underlying unexercised options (#)	Percentage of class (%) <sup>(1)</sup>	Option exercise price (\$)	Option expiration date	
Brian Ahearne, Chief Technical Officer	66,667	66,667	2.05%	\$0.90	July 4, 2021	\$122,667
	75,000	75,000	2.30%	\$1.06	Mar 7, 2024	-
Kevin Fitzgerald, Chief Product Officer	66,667	66,667	2.05%	\$0.90	July 4, 2021	\$122,667
	75,000	75,000	2.30%	\$1.06	Mar 7, 2024	-
Edmund Ryan, Chief Executive Officer	66,667	66,667	2.05%	\$0.90	July 4, 2021	\$122,667
	75,000	75,000	2.30%	\$1.06	Mar 7, 2024	-
Hugh Kavanagh, <sup>(3)</sup> Chief Financial Officer	200,000	200,000	6.14%	\$1.52	Sep 23, 2024	-
Sarah Oliver, <sup>(3)</sup> Chief Financial Officer	68,000	68,000	2.09%	\$1.06	Mar 4, 2024	-

1) As a percentage of the stock options outstanding at December 31, 2019.

2) Based on the December 31, 2019 closing share price on the TSX-V of \$2.74 per share.

3) Hugh Kavanagh replaced Sarah Oliver as Chief Financial Officer on September 23, 2019.

In addition to the Stock Option Plan, the Company also has a Deferred Share Unit Plan (“DSU Plan”). There were no deferred share units (DSUs) granted or outstanding during the fiscal year-ended December 31, 2019. Refer to further information related to the DSU Plan under the section “*Equity Compensation Plan Information*”.

## Incentive Plan Awards – Value Vested or Earned during the Most Recently Completed Financial Year

The following table sets forth the value of the stock option awards that vested for each Named Executive Officer in 2019, as well as the non-equity incentive plan compensation earned during the financial year-ended December 31, 2019.

Name and principal position	Option-based awards – value vested during the year (\$) <sup>(1)</sup>	Non-equity incentive plan compensation – value earned during the year (\$)
Brian Ahearne, Chief Technical Officer	6,222 <sup>(2)</sup>	nil
Kevin Fitzgerald, Chief Product Officer	6,222 <sup>(2)</sup>	nil
Edmund Ryan, Chief Executive Officer	6,222 <sup>(2)</sup>	nil
Hugh Kavanagh, Chief Financial Officer <sup>(3)</sup>	nil	nil
Sarah Oliver, Chief Financial Officer <sup>(3)</sup>	nil	nil

1) Value vested is calculated as the dollar value that would have been realized had the option been exercised on the date that it vested less the related exercise price multiplied by the number of vested options.

2) Based on the number of options which were fully vested on July 4, 2019 multiplied by the difference between the previous day closing share price of \$1.18 per share and the exercise price of \$0.90 per share.

3) Hugh Kavanagh replaced Sarah Oliver as Chief Financial Officer on September 23, 2019.

## Options Re-pricings

The Company did not re-price any options during the financial year-ended December 31, 2019.

## Long-Term Incentive Plan and Pension Plans

Effective January 1, 2017, the Company implemented a defined contribution pension plan whereby the Company contributes 6% to the defined contribution pension plan of the Named Executive Officers. During the fiscal year-ended December 31, 2019, the Company did not have any other long-term incentive plans for directors or executive officers, other than those described in this Circular.

## Termination and Change of Control Benefits

Effective June 27, 2016, Mr. Edmund Ryan was appointed Chief Executive Officer of the Company. Pursuant to his employment contract, Mr. Ryan is entitled to an annual salary of €135,000, payable monthly. Should a "change in control" event, as defined in the related employment contract, occur for the Company, Mr. Ryan will receive a lump sum payment equal to 24 months of his then current base salary.

Effective June 27, 2016, Mr. Brian Ahearne and Mr. Kevin Fitzgerald were appointed Director of Quality and Director of Research and Development of the Company, respectively. They currently hold the position of Chief Technical Officer and Chief Product Officer respectively at the date of this Circular. Pursuant to their employment contracts, Mr. Ahearne and Mr. Fitzgerald are each entitled to an annual salary of €120,000, payable monthly. Should a "change in control" event, as defined in the related employment contracts, occur for the Company, Mr. Ahearne and Mr. Fitzgerald will each receive a lump sum payment equal to 24 months of their then current base salary.

## Director Compensation

For the year-ended December 31, 2019, non-employee directors were compensated by the issuance of Deferred Share Unit's. The Company is eligible to grant stock options to directors under the Company's Stock Option Plan however no stock options were granted during the year-ended December 31, 2019.

During the year ended December 31, 2019, the Company accrued directors' fees of \$27,914 for the non-employee directors. During the same period, outstanding directors' fees accrued of \$306,800 were settled through the issuance of 255,666 DSUs and there was a payment of \$42,247 made to the estate of the late former non-employee director, James Osborne. At the year-ended December 31, 2019, there were no director fees accrued relating to non-employee directors of the Company.

The following chart provides an overview of the total number of DSUs and stock options granted to non-employee directors during 2019:

Name	DSUs granted 2019	Stock options granted 2019
Ian Ainsworth	141,415 <sup>(1)</sup>	-
Paul Breen	113,319 <sup>(1)</sup>	-
Wade Dawe	113,319 <sup>(1)</sup>	-
Rory Cameron	100,000	-

1) Includes the conversion of amounts owing for accrued directors' fees to 85,222 DSU's during the financial year ended December 31, 2019.

As of December 31, 2019, non-employee directors of the Company held the following options:

Name	Number of stock options held
Ian Ainsworth	33,333
Paul Breen	395,831
Wade Dawe	33,333
Rory Cameron	-

As of December 31, 2019, non-employee directors of the Company held the following deferred share units:

Name	Number of DSUs held
Ian Ainsworth	141,415
Paul Breen	113,319
Wade Dawe	113,319
Rory Cameron	100,000

The directors are indemnified by the Company against all costs, charges and expenses reasonably incurred by such director in respect of any action or proceeding to which such director is made a party by reason of being a director of the Company, subject to the limitations in respect thereof contained in the *Canada Business Corporations Act*. Directors are reimbursed for their out-of-pocket expenses incurred in attending directors' and committee meetings.

The following table summarizes the compensation granted to each of the non-employee directors of the Company for the year-ended December 31, 2019:

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Deferred share units (\$) <sup>(1)</sup>	All other compensation (\$)	Total (\$)
Ian Ainsworth	-	-	-	\$387,477	-	\$387,477
Paul Breen	-	-	-	\$310,494	-	\$310,494
Wade Dawe	-	-	-	\$310,494	-	\$310,494
Rory Cameron	-	-	-	\$274,000	-	\$274,000

<sup>(1)</sup> The value of Deferred Share Unit awards was determined utilizing the closing price of the Company's Common Shares on December 1, 2019 being \$2.74.

### Outstanding Stock Option Awards – Directors

The following table sets forth the details in respect of outstanding stock options granted to each of the non-employee directors as of December 31, 2019.

The value shown for unexercised in-the-money options is calculated based on the closing price of a Common Share on the TSX-V on the last day of the year-ended December 31, 2019, less the respective exercise price of the options, multiplied by the number of options exercisable.

Name	Number of securities underlying options at the time of grant (#)	Number of securities underlying unexercised options (#)	Option-based awards			
			Percentage of class (%) <sup>(1)</sup>	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(2)</sup>
Ian Ainsworth	33,333	33,333	1.02%	0.90	July 4, 2021	61,333
Paul Breen	395,831	395,831	12.16%	0.90	July 4, 2021	728,331
Wade Dawe	33,333	233,333	1.02%	0.90	Nov 10, 2020	61,333
Rory Cameron	-	-	-	-	-	-

1) As a percentage of the 3,256,371 stock options outstanding at December 31, 2019.

2) Based the December 31, 2019 closing share price on the TSX-V of \$2.74 per share.

### Outstanding Deferred Share Unit Awards – Directors

The following table provides information relating to each Directors' Deferred Share Units as at December 31, 2019.

Name	Number of Deferred Share Units Held	Market or payout value of Deferred Share Units not paid out or distributed <sup>(1)</sup>
Ian Ainsworth	141,415	\$387,477
Paul Breen	113,319	\$310,494
Wade Dawe	113,319	\$310,494
Rory Cameron	100,000	\$274,000

<sup>(1)</sup> This amount represents the aggregate value of each Director's DSUs as at December 31, 2019 which amount is based on the closing price of the Company's Common Shares at December 31, 2019, being \$2.74.

### Incentive Plan Awards – Value Vested or Earned During the Year – Directors

The following table sets forth the value of the incentive stock option-based awards that vested for each non-employee director in 2019, as well as the non-equity incentive plan compensation earned during the financial year-ended December 31, 2019:

Name	Option-based awards – value vested during the year (\$) <sup>(1)</sup>	Non-equity incentive plan compensation – value earned during the year (\$) <sup>(2)</sup>
Ian Ainsworth	3,111 <sup>(3)</sup>	nil
Paul Breen	3,111 <sup>(3)</sup>	nil
Wade Dawe <sup>(4)</sup>	nil	nil

1) Value vested is calculated as the dollar value that would have been realized had the option been exercised on the date that it vested less the related exercise price multiplied by the number of vested options.

2) Represents cash bonuses awarded to the non-employee directors in respect of the year-ended December 31, 2019.

3) Based on the number of options which were fully vested on July 4, 2019 multiplied by the difference between the previous day closing share price of \$1.18 per share and the exercise price of \$0.90 per share.

4) On March 4, 2019, Wade Dawe exercised 200,000 options at an exercise price of \$0.90 per share.

## EQUITY COMPENSATION PLAN INFORMATION

### ***Securities Authorized for Issuance under Equity Compensation Plans***

The Company's current Stock Option Plan was approved at the Annual and Special meeting of Shareholders of kneat.com, inc. held on June 19, 2019. The Plan is designed to comply with the policies of the TSX Venture Exchange and requires annual shareholder approval. The Company is seeking re-approval of the Plan by the shareholders in accordance with the rules and policies of the TSX-V.

### The Purpose of the Stock Option Plan

The purpose of the Plan is to attract and retain directors, officers, employees and consultants of, and service providers to, the Company and to align their interests with Shareholders by allowing them to directly participate in an increase in per share value created for the Company's Shareholders.

### Summary of the Plan

The principal features of the Stock Option Plan are as follows:

1. The Plan is administered by the Board which shall, without limitation, subject to the approval of the TSX-V, have full and final authority in its discretion, but subject to the express provisions of the 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 Plan.
2. Options may be granted under the Plan to Directors, Employees, Consultants and Management Company Employees (as those terms are defined in Policy 4.4 – *Incentive Stock Options* of the TSX-V) of the Company and any of its subsidiaries.
3. The aggregate number of Shares (the "Optioned Shares") that may be issuable pursuant to options granted under the Plan cannot exceed 10% of the number of issued shares at the time of the granting of options under the Plan.
4. No more than 5% of the issued Shares, calculated at the date the option is granted, may be granted to any one optionee in any twelve-month period.
5. No more than 10% of the issued Shares, calculated at the date the option is granted, may be granted to Insiders in any twelve-month period.
6. No more than 2% of the issued kneat.com shares, calculated at the date the option is granted, may be granted to any one consultant in any twelve-month period.
7. No more than an aggregate of 2% of the issued Shares, calculated at the date the option is granted, may be granted to all consultants and employees conducting "Investor Relations Activities" (as that term is defined in Policy 1.1 – *Interpretation* of the TSX-V ("Policy 1.1")) in any 12-month period.
8. The exercise price to each optionee for each Optioned Share shall be determined by the Board but cannot, in any event, be less than the "Discounted Market Price" of the Shares as traded on the TSX-V (as that term is defined in Policy 1.1), or such other price as may be agreed to by kneat.com and accepted by the TSX-V; provided that the exercise price for each Optioned Share in respect of options granted within 90 days of a "Distribution" by a "Prospectus" (as those terms are defined in Policy 1.1) shall not be less than the greater of the Discounted Market Price and the price per share paid by public investors for listed shares under the Distribution.

9. In the event kneat.com wishes to reduce the exercise price of any options held by Insiders at the time of the proposed reduction, the approval of the disinterested shareholders of kneat.com will be required prior to the exercise of any such options at the reduced exercise price.
10. The options may be exercisable for a period of up to five years from the date such options are granted.
11. The options are non-transferable or assignable, except in certain circumstances. The options can only be exercised by the optionee as long as the optionee remains an eligible optionee pursuant to the Plan or within a period of not more than 90 days (30 days for providers of Investor Relations Activities) after ceasing to be an eligible optionee or, if the optionee dies, within one year from the date of the optionee's death.
12. An optionee who is a consultant conducting Investor Relations Activities who is granted an option under the Plan will become vested with the right to exercise one-quarter (1/4) of the option upon the conclusion of every three (3) months subsequent to the date of the grant of the option, such that that optionee will be vested with the right to exercise one hundred percent (100%) of his or her option upon the conclusion of 12 months from the date of the grant of the option (by way of example, in the event that optionee did not exercise one-quarter (1/4) of his option at the conclusion of three (3) months from the date of the grant of the option, he or she would be entitled to exercise one-half (1/2) of his or her option upon the conclusion of six (6) months from the date of the grant of the option).
13. In the event of a stock dividend, subdivision, redivision, consolidation, share reclassification (other than pursuant to the Plan), amalgamation, merger, corporate arrangement, reorganization, liquidation or the like of or by the Company, the Board may make such adjustment, if any, of the number of Optioned Shares, or of the exercise price, or both, as it shall deem appropriate to give proper effect to such event.
14. If an optionee ceases to be either a Director, Employee, Consultant or Management Company Employee of kneat.com or of any of its subsidiaries as a result of having been dismissed from any such position for cause, all unexercised option rights of that optionee under the Plan shall immediately become terminated and shall lapse.
15. If an optionee ceases to be either a Director, Employee, Consultant or Management Company Employee of kneat.com or any of its subsidiaries for any reason other than as a result of having been dismissed for cause or as a result of the optionee's death, such optionee shall have the right for a period of 90 days (or until the normal expiry date of the option rights of such optionee if earlier) from the date of ceasing to be either a Director, Employee, Consultant or Management Company Employee to exercise the option under the Plan.
16. If an optionee engaged in providing Investor Relations Activities to kneat.com ceases to be employed in providing such Investor Relations Activities, such optionee shall have the right for a period of 30 days (or until the normal expiry date of the option rights of such optionee if earlier) from the date of ceasing to provide such Investor Relations Activities to exercise the option under the Plan.
17. In the event of the death of any optionee, the legal representatives of the deceased optionee shall have the right for a period of one year (or until the normal expiry date of the option rights of such optionee if earlier) from the date of death of the deceased optionee to exercise the deceased optionee's options.
18. Subject to the acceptance of the TSX-V, the Board may from time to time amend or revise the terms of the Plan or may discontinue the Plan at any time, provided that no such action may in any manner adversely affect the rights under any options earlier granted to an optionee under the Plan without the consent of that optionee.

19. Upon exercise of an option, the optionee shall pay to the Company amounts necessary to satisfy applicable withholding tax requirements or shall otherwise make arrangements satisfactory to the Company for such requirements.

#### Renewal of the Plan

In accordance with the requirements of the TSX-V, the Plan shall be renewed at the annual and special meeting of Shareholders every year. The following table summarizes relevant information as of December 31, 2019 with respect to compensation plans under which equity securities are authorized for issuance.

<b>Plan Category</b>	<b>Number of shares to be issued upon exercise of outstanding options and rights</b>	<b>Weighted-average exercise price of outstanding options and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans</b>
Stock Option Plan	3,256,371	\$0.92	2,762,163
Deferred Share Unit Plan	468,053	n/a	198,614

As at May 21, 2020, 3,305,138 options, being 4.9% of the 67,196,404 currently issued Common Shares of the Company, were issued and outstanding. As at May 21, 2020, 498,173 deferred share units, being 0.7% of the 67,196,404 currently issued Common Shares of the Company, were issued and outstanding with none of them being exercisable or vested.

#### Deferred Share Unit Plan

The DSU Plan is intended to further align the interests of directors and Senior Officers with the Company's shareholders' interests and the Company's values of behaving like an owner, continuously improving the Company and delivering results, so as to increase the value of the Common Shares going forward.

##### *Payment of Director's Retainer; Discretionary Grants; Limitations on Shares to Be Issued*

Directors may elect each year to receive all or part of their annual retainer in deferred share units (each a "DSU" and collectively, the "DSUs") having a market value equal to the portion of the retainer to be received in that form, subject to such limits as the Board may impose. The Board may also grant, each year, DSUs to directors or Senior Officers having a market value not greater than the annual retainer or base salary for each such director or Senior Officer, respectively. The number of DSUs to be issued will be determined by dividing the amount of the retainer or base salary determined as the basis for the award by the volume-weighted average trading price of the neat.com shares (as reported by the TSX-V) for the five (5) trading days immediately preceding the date the DSUs are awarded. Subject to vesting, each DSU may be redeemed for one (1) share of the Company upon the participant ceasing to hold any position with the Company (whether by termination, retirement, change of control or death).

The number of securities issuable to insiders, at any time, under all security-based compensation arrangements, cannot exceed 10% of the issued and outstanding shares. The number of securities issued to Insiders, within any one (1) year period, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding shares of the Company.

##### *Vesting*

DSUs awarded to directors and Senior Officers will vest based on the following vesting schedule: 33.3% on the first anniversary of the Award Date (as defined in the DSU Plan), 33.3% on the second anniversary of the Award Date and 33.4% on the third anniversary of the Award Date. Early vesting is provided in the event of a change of control (as defined in the DSU Plan) of the Company.

### *Redemption of Deferred Share Units*

Subject to certain limitations and unless the DSUs have expired or been terminated in accordance with the DSU Plan, the DSUs shall be settled as per Section 5.5 of the DSU Plan. The participant (or, if deceased, his or her estate) shall receive as soon as practicable after the Settlement Date (as defined in the DSU Plan), but no later than the last business day of the calendar year following the calendar year in which the Separation Date (as defined in the DSU Plan) occurs, the number of shares represented by the vested DSUs then recorded in the name of such participant, less any number of shares representing the amount which may be required to be withheld or deducted under applicable taxation or other laws.

### *Death of Participant Prior to Redemption*

If a participant dies prior to the redemption of the DSUs credited to the account of such participant under the DSU Plan, there shall be issued to the estate of such participant on or about the thirtieth (30th) day after the Company is notified of the death of the participant a number of shares equivalent to the amount which would have been issued to the participant pursuant to the DSU Plan, calculated on the basis that the day on which the participant died is the Settlement Date and that all such DSUs vested on such date.

### *Adjustment Provisions*

The number of shares for which a DSU may be redeemed shall be adjusted proportionately in the event of (a) a subdivision, redivision or consolidation of the shares of the Company into a greater or lesser number of shares; (b) a reclassification or change of the shares into a different class or type of securities; or (c) any other capital reorganization of the Company, or a consolidation, amalgamation or merger of the Company with or into any other entity or the sale of the properties and assets of the Company as or substantially as an entirety to any other entity.

### *Assignability and Transferability*

Except as required by law, the rights of a participant under the DSU Plan are not capable of being assigned, transferred, alienated, sold, encumbered, pledged, mortgaged or charged and are not capable of being subject to attachment or legal process for the payment of any debts or obligations of the participant.

### *Amendments, Suspension or Termination of the DSU Plan*

The Board may, in its sole discretion, at any time and from time to time:

- (i) amend or suspend the DSU Plan in whole or in part;
- (ii) amend or discontinue any DSUs granted under the DSU Plan; and
- (iii) terminate the DSU Plan, without prior notice to or approval by any participants or shareholders.

Without limiting the generality of the foregoing, the Board may:

- (iv) make amendments of a "housekeeping" nature, including any amendment for the purpose of curing any ambiguity, error or omission in the DSU Plan or to correct or supplement any provision of the DSU Plan that is inconsistent with any other provision hereof;
- (v) amend the definition of "Participant" or the eligibility requirements for participating in the DSU Plan, where such amendment would not have the potential of broadening or increasing insider participation;
- (vi) amend the manner in which participants may elect to participate in the DSU Plan or elect the dates on which DSUs shall be redeemed;
- (vii) amend the provisions of this DSU Plan relating to the redemption of DSUs and the dates for the redemption of the same;
- (viii) make any amendment which is intended to ensure compliance with applicable laws and the

- requirements of the TSX-V;
- (ix) make any amendment which is intended to provide additional protection to shareholders (as determined at the discretion of the Board);
  - (x) make any amendment which is intended to remove any conflicts or other inconsistencies which may exist between any terms of the DSU Plan and any provisions of any applicable laws and the requirements of the TSX-V;
  - (xi) make any amendment which is intended to cure or correct any typographical error, ambiguity, defective or inconsistent provision, clerical omission, mistake or manifest error;
  - (xii) make any amendment which is not expected to materially adversely affect the interests of the shareholders; and
  - (xiii) make any amendment which is intended to facilitate the administration of the DSU Plan. Any such amendment, suspension, or termination shall not adversely affect the DSUs previously granted to a participant at the time of such amendment, suspension or termination, without the consent of the affected participant.

No modification or amendment to the following provisions of the DSU Plan shall be effective unless and until the Company has obtained the approval of the shareholders in accordance with the rules and policies of the TSX-V:

- (xiv) the number of shares reserved for issuance under the DSU Plan (including a change from a fixed maximum number shares to a fixed maximum percentage of shares);
- (xv) the definition of "Participant" or the eligibility requirements for participating in the DSU Plan, where such amendment would have the potential of increasing Insider participation; and
- (xvi) the extension of any right of a Participant under the DSU Plan beyond the date on which such right would originally have expired.

No amendment, suspension or discontinuance of the DSU Plan or of any granted DSUs may contravene the requirements of the TSX-V or any securities commission or regulatory body to which the DSU Plan or the Company is now or may hereafter be subject.

If the Board terminates the DSU Plan, no new DSUs (other than DSUs that have been granted but vest subsequently pursuant the DSU Plan) will be credited to the account of a participant, but previously credited (and subsequently vesting) DSUs shall be redeemed in accordance with the terms and conditions of the DSU Plan existing at the time of termination. The DSU Plan will finally cease to operate for all purposes when the last remaining participant receives the redemption price for all DSUs recorded in the participant's account. Termination of the DSU Plan shall not affect the ability of the Board to exercise the powers granted to it hereunder with respect to DSUs granted under the DSU Plan prior to the date of such termination.

#### **INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS TO THE COMPANY**

No director or senior officer of the Company, proposed management nominee for election as a director of the Company or associate or affiliate of any such director, senior officer or proposed nominee is or has been indebted to the Company or any of its subsidiaries at any time during the Company's last completed financial year, other than routine indebtedness.

## **ADDITIONAL INFORMATION**

Additional information regarding the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.kneat.com](http://www.kneat.com). Financial information regarding the Company is provided in the Company's Consolidated Financial Statements and Management Discussion and Analysis ("**MD&A**"), mailed to those Shareholders who requested such information. The Company's Consolidated Financial Statements and MD&A for the year-ended December 31, 2019, together with the auditor's report thereon, and this Circular may be obtained from the Secretary of the Company upon request.

## **DIRECTORS' APPROVAL**

The Board of Directors has approved the contents of this Circular and has authorized it to be sent to shareholders.

DATED at Halifax this 21<sup>st</sup> day of May 2020.

Signed "*Ian Ainsworth*"

Ian Ainsworth, Chairman of the Board of Directors

**APPENDIX A**  
**kneat.com, inc.**  
**AUDIT COMMITTEE CHARTER**

**1. INTRODUCTION**

The Audit Committee (the "**Committee**" or the "**Audit Committee**") of kneat.com, inc. (the "**Corporation**") is a committee of the Board of Directors (the "**Board**"). The Committee shall oversee the accounting and financial reporting practices of the Corporation and the audits of the Corporation's financial statements and exercise the responsibilities and duties set out in this Mandate.

**2. MEMBERSHIP**

*Number of Members*

The Committee shall be composed of three or more members of the Board.

*Independence of Members*

Each member of the Committee must be independent. "Independent" shall have the meaning, as the context requires, given to it in National Instrument 52-110 Audit Committees, as may be amended from time to time, subject to any exemptions or relief that may be granted from such requirements.

*Chair*

At the time of the annual appointment of the members of the Audit Committee, the Board shall appoint a Chair of the Audit Committee. The Chair shall be a member of the Audit Committee, preside over all Audit Committee meetings, coordinate the Audit Committee's compliance with this Mandate, work with management to develop the Audit Committee's annual work-plan and provide reports of the Audit Committee to the Board.

*Financial Literacy of Members*

At the time of his or her appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

*Term of Members*

The members of the Committee shall be appointed annually by the Board. Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a member of the Board. Unless a Chair is elected by the Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

**3. MEETINGS**

*Number of Meetings*

The Committee may meet as many times per year as necessary to carry out its responsibilities.

### *Quorum*

No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. A majority of members of the Committee shall constitute a quorum.

### *Calling of Meetings*

The Chair, any member of the Audit Committee, the external auditors, the Chairman of the Board, or the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Audit Committee by notifying the Corporation's Corporate Secretary who will notify the members of the Audit Committee. The Chair shall chair all Audit Committee meetings that he or she attends, and in the absence of the Chair, the members of the Audit Committee present may appoint a chair from their number for a meeting.

### *Minutes; Reporting to the Board*

The Committee shall maintain minutes or other records of meetings and activities of the Committee in sufficient detail to convey the substance of all discussions held. Upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board. However, the Chair may report orally to the Board on any matter in his or her view requiring the immediate attention of the Board.

### *Attendance of Non-Members*

The external auditors are entitled to attend and be heard at each Audit Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the Corporation, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities.

### *Meetings without Management*

The Committee shall hold unscheduled or regularly scheduled meetings, or portions of meetings, at which management is not present.

### *Procedure*

The procedures for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those applicable to meetings of the Board.

### *Access to Management*

The Committee shall have unrestricted access to the Corporation's management and employees and the books and records of the Corporation.

## **4. DUTIES AND RESPONSIBILITIES**

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the duties required of an audit committee by any exchange upon which securities of the Corporation are traded, or any governmental or regulatory body exercising authority over the Corporation, as are in effect from time to time (collectively, the "**Applicable Requirements**").

## *Financial Reports*

### (a) General

The Audit Committee is responsible for overseeing the Corporation's financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Corporation's financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Corporation. The auditors are responsible for auditing the Corporation's annual consolidated financial statements and for reviewing the Corporation's unaudited interim financial statements, if required.

### (b) Review of Annual Financial Reports

The Audit Committee shall review the annual consolidated audited financial statements of the Corporation, the auditors' report thereon and the related management's discussion and analysis of the Corporation's financial condition and results of operation ("**MD&A**"). After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval the annual financial statements and the related MD&A.

### (c) Review of Interim Financial Reports

The Audit Committee shall review the interim consolidated financial statements of the Corporation, the auditors' review report thereon and the related MD&A. After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval the interim financial statements and the related MD&A.

### (d) Review Considerations

In conducting its review of the annual financial statements or the interim financial statements, the Audit Committee shall:

- (i) meet with management and the auditors to discuss the financial statements and MD&A;
- (ii) review the disclosures in the financial statements;
- (iii) review the audit report or review report prepared by the auditors;
- (iv) discuss with management, the auditors and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements;
- (v) review the accounting policies followed and critical accounting and other significant estimates and judgments underlying the financial statements as presented by management;
- (vi) review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under Canadian GAAP;
- (vii) review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;
- (viii) review management's report on the effectiveness of internal controls over financial reporting;
- (ix) review the factors identified by management as factors that may affect future financial results; and

- (x) review any other matters, related to the financial statements, that are brought forward by the auditors, management or which are required to be communicated to the Audit Committee under accounting policies, auditing standards or Applicable Requirements.

(e) Approval of Other Financial Disclosures

The Audit Committee shall review and, if advisable, approve and recommend for Board approval financial disclosure in a prospectus or other securities offering document of the Corporation, press releases disclosing, or based upon, financial results of the Corporation and any other material financial disclosure, including financial guidance provided to analysts, rating agencies or otherwise publicly disseminated.

*Auditors*

(a) General

The Audit Committee shall be responsible for oversight of the work of the auditors, including the auditors' work in preparing or issuing an audit report, performing other audit, review or attest services or any other related work.

(b) Nomination and Compensation

The Audit Committee shall review and, if advisable, select and recommend for Board approval the external auditors to be nominated and the compensation of such external auditor. The Audit Committee shall have ultimate authority to approve all audit engagement terms and fees, including the auditors' audit plan.

(c) Resolution of Disagreements

The Audit Committee shall resolve any disagreements between management and the auditors as to financial reporting matters brought to its attention.

(d) Discussions with Auditors

At least annually, the Audit Committee shall discuss with the auditors such matters as are required by applicable auditing standards to be discussed by the auditors with the Audit Committee.

(e) Audit Plan

At least annually, the Audit Committee shall review a summary of the auditors' annual audit plan. The Audit Committee shall consider and review with the auditors any material changes to the scope of the plan.

(f) Quarterly Review Report

The Audit Committee shall review a report prepared by the auditors in respect of each of the interim financial statements of the Corporation, if available.

(g) Independence of Auditors

At least annually, and before the auditors issue their report on the annual financial statements, the Audit Committee shall obtain from the auditors a formal written statement describing all relationships between the auditors and the Corporation; discuss with the auditors any disclosed relationships or services that may affect the objectivity and independence of the auditors; and obtain written confirmation from the auditors that they are objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which the auditors belong and other Applicable Requirements. The Audit Committee shall take appropriate action to oversee the independence of the auditors.

(h) Evaluation and Rotation of Lead Partner

At least annually, the Audit Committee shall review the qualifications and performance of the lead partner(s) of the auditors and determine whether it is appropriate to adopt or continue a policy of rotating lead partners of the external auditors.

(i) Requirement for Pre-Approval of Non-Audit Services

The Audit Committee shall approve in advance any retainer of the auditors to perform any non-audit service to the Corporation that it deems advisable in accordance with Applicable Requirements and Board approved policies and procedures. The Audit Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any member of the Audit Committee to whom this authority has been delegated must be presented to the full Audit Committee at its next scheduled Audit Committee meeting.

(j) Approval of Hiring Policies

The Audit Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

(k) Financial Executives

The Committee shall review and discuss with management the appointment of key financial executives and recommend qualified candidates to the Board, as appropriate.

*Internal Controls*

(a) General

The Audit Committee shall review the Corporation's system of internal controls.

(b) Establishment, Review and Approval

The Audit Committee shall require management to implement and maintain appropriate systems of internal controls in accordance with Applicable Requirements, including internal controls over financial reporting and disclosure and to review, evaluate and approve these procedures. At least annually, the Audit Committee shall consider and review with management and the auditors:

- (i) the effectiveness of, or weaknesses or deficiencies in, the design or operation of the Corporation's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;
- (ii) any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Corporation's periodic regulatory filings;
- (iii) any material issues raised by any inquiry or investigation by the Corporation's regulators;
- (iv) the Corporation's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Corporation to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and
- (v) any related significant issues and recommendations of the auditors together with management's responses thereto, including the timetable for implementation of

recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

#### *Compliance with Legal and Regulatory Requirements*

The Audit Committee shall review reports from the Corporation's Corporate Secretary and other management members on: legal or compliance matters that may have a material impact on the Corporation; the effectiveness of the Corporation's compliance policies; and any material communications received from regulators. The Audit Committee shall review management's evaluation of and representations relating to compliance with specific applicable law and guidance, and management's plans to remediate any deficiencies identified.

#### *Audit Committee Hotline Whistleblower Procedures*

The Audit Committee shall establish procedures for (a) the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters. Any such complaints or concerns that are received shall be reviewed by the Audit Committee and, if the Audit Committee determines that the matter requires further investigation, it will direct the Chair of the Audit Committee to engage outside advisors, as necessary or appropriate, to investigate the matter and will work with management and the general counsel to reach a satisfactory conclusion.

#### *Audit Committee Disclosure*

The Audit Committee shall prepare, review and approve any audit committee disclosures required by Applicable Requirements in the Corporation's disclosure documents.

#### *Delegation*

The Audit Committee may, to the extent permissible by Applicable Requirements, designate a sub-committee to review any matter within this mandate as the Audit Committee deems appropriate.

### **5. NO RIGHTS CREATED**

This Mandate is a statement of broad policies and is intended as a component of the flexible governance framework within which the Audit Committee, functions. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Corporation's By-laws, it is not intended to establish any legally binding obligations.

### **6. MANDATE REVIEW**

The Committee shall review and update this Mandate annually and present it to the Board for approval.