



OMNIBUS LONG-TERM INCENTIVE PLAN

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**COVALON TECHNOLOGIES LTD.
OMNIBUS LONG-TERM INCENTIVE PLAN**

Covalon Technologies Ltd. (the “**Corporation**”) hereby establishes an Omnibus Long-Term Incentive Plan for certain qualified directors, officers and employees, providing ongoing services to the Corporation and/or its Subsidiaries (as defined herein) that can have a significant impact on the Corporation’s long-term results.

ARTICLE 1—DEFINITIONS

Section 1.1 Definitions.

Where used herein or in any amendments hereto or in any communication required or permitted to be given hereunder, the following terms shall have the following meanings, respectively, unless the context otherwise requires:

“**active employment**” means the period in which a Participant who is an employee of the Corporation or an Affiliate performs work for the Corporation or an Affiliate. For certainty, “active employment” shall be deemed to only include any period constituting the minimum notice of termination period that is required to be provided to an employee Participant pursuant to applicable employment standards legislation but shall exclude any other period that follows the later of the end of the statutory notice period or the employee Participant’s last day of performing work for the Corporation or an Affiliate;

“**Affiliates**” has the meaning given to this term in the *Securities Act* (Ontario), as such legislation may be amended, supplemented or replaced from time to time;

“**Alternative Awards**” has the meaning ascribed thereto in Section 10.1 hereof;

“**Award Agreement**” means, individually or collectively, an Option Agreement, RSU Agreement, PSU Agreement, DSU Agreement, and/or Restricted Share Agreement as the context requires;

“**Awards**” means Options, RSUs, PSUs, DSUs and/or Restricted Share granted to a Participant pursuant to the terms of the Plan;

“**Black-Out Period**” means the period of time during which, pursuant to any policies or determinations of the Corporation or applicable law, securities of the Corporation may not be traded by Insiders or other specified persons;

“**Board**” means the board of directors of the Corporation as constituted from time to time;

“**Broker**” has the meaning ascribed thereto in Section 3.7(2) hereof;

“**Business Day**” means any day on which the Exchange is open for trading;

“**Cancellation**” has the meaning ascribed thereto in Section 2.4(1) hereof;

“**Cash Equivalent**” means:

- (a) in the case of Share Units, the amount of money equal to the Market Value multiplied by the number of vested Share Units in the Participant’s Account, net of any applicable taxes in accordance with Section 11.6, on the date of settlement of the Share Unit;
- (b) in the case of DSUs, the amount of money equal to the Market Value multiplied by the whole number of DSUs then recorded in the Participant’s Account which the Participant

requests to redeem pursuant to the DSU Redemption Notice, net of any applicable taxes in accordance with Section 11.6, on the date the Corporation receives, or is deemed to receive, the DSU Redemption Notice;

“Cause” means (i) if the Participant has a written employment agreement with the Corporation or any of its Affiliates, “cause”, “just cause” or any other similar term as defined in that agreement, or (ii) if there is no such agreement or definition, means:

- (a) the willful failure by the Participant to perform his or her duties with respect to the Corporation or any Affiliate;
- (b) theft, fraud, dishonesty or misconduct by the Participant involving the property, business or affairs of the Corporation or any Affiliate or in carrying out of the Participant’s duties with respect to the Corporation or any Affiliate;
- (c) the material breach by the Participant of his or her employment agreement, including the policies of the Corporation, including the Code of Conduct;
- (d) the Participant is convicted of or pleads guilty (or “no contest”) to a crime that constitutes an indictable offence or felony; or
- (e) any conduct or behaviour which would entitle an employer to terminate the Participant’s employment without notice or payment in lieu of notice.

“CG Committee” means the Compensation and Governance Committee or an equivalent committee of the Board;

“Change of Control” means unless the Board determines otherwise, the happening, in a single transaction or in a series of related transactions, of any of the following events:

- (a) any transaction (other than a transaction described in clause (b) below) pursuant to which any person or group of persons acting jointly or in concert acquires the direct or indirect beneficial ownership of securities of the Corporation representing 50% or more of the aggregate voting power of all of the Corporation’s then issued and outstanding securities entitled to vote in the election of directors of the Corporation, other than any such acquisition that occurs as a result of the issuance from treasury of voting securities or securities convertible into voting securities.
- (b) there is consummated an arrangement, amalgamation, merger, consolidation or similar transaction involving (directly or indirectly) the Corporation and, immediately after the consummation of such arrangement, amalgamation, merger, consolidation or similar transaction, the shareholders of the Corporation immediately prior thereto do not beneficially own, directly or indirectly, either (i) outstanding voting securities representing more than 50% of the combined outstanding voting power of the surviving or resulting entity in such amalgamation, merger, consolidation or similar transaction, or (ii) more than 50% of the combined outstanding voting power of the parent of the surviving or resulting entity in such arrangement, amalgamation merger, consolidation or similar transaction, in each case in substantially the same proportions as their beneficial ownership of the outstanding voting securities of the Corporation immediately prior to such transaction;
- (c) (i) the sale, lease, exchange, license or other disposition of all or substantially all of the Corporation’s assets to a person other than a person that was a Subsidiary of the Corporation at the time of such sale, lease, exchange, license or other disposition;

- (d) the passing of a resolution by the Board or shareholders of the Corporation to substantially liquidate the assets of the Corporation or wind up the Corporation's business or significantly rearrange its affairs in one or more transactions or series of transactions or the commencement of proceedings for such a liquidation, winding-up or re-arrangement (except where such re-arrangement is part of a bona fide reorganization of the Corporation in circumstances where the business of the Corporation is continued and the shareholdings remain substantially the same following the re-arrangement); or
- (e) any other matter determined by the Board to be a Change of Control.

"Code of Conduct" means any code of ethics adopted by the Corporation, as modified from time to time, including but not limited to the Corporation's Code of Business Ethics and Conduct, Whistleblowing Policy, Insider Trading Policy, Disclosure Policy and Corporate Policy and Procedure.

"Consultant" means a Person (including an individual whose services are contracted for through another Person) with whom the Corporation or a Subsidiary has a written contract for services and who, in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or a Subsidiary of the Corporation;

"Corporation" means Covalon Technologies Ltd., a corporation existing under the *Business Corporations Act* (Ontario);

"Disability" has the meaning attributed thereto in the Participant's Employment Agreement or written agreement with the Corporation or an Affiliate and if there is no such defined term or agreement, means the Participant's inability to substantially fulfil his or her duties on behalf of the Corporation as a result of illness or injury for a continuous period of nine (9) months or more or for an aggregate period of twelve (12) months or more during any consecutive twenty-four (24) month period.

"Dividend Share Units" has the meaning ascribed thereto in Section 7.2 hereof;

"DSU" means a deferred share unit, which is a bookkeeping entry equivalent in value to a Share credited to a Participant's Account in accordance with Article 4 hereof;

"DSU Agreement" means a written notice from the Corporation to a Participant evidencing the grant of DSUs and the terms and conditions thereof, substantially in the form set out in Schedule "A", or such other form as the Board may approve from time to time;

"DSU Redemption Deadline" has the meaning ascribed thereto in Section 4.3(1) hereof;

"DSU Redemption Notice" has the meaning ascribed thereto in Section 4.3(1) hereof;

"Eligible Participants" has the meaning ascribed thereto in Section 2.3(1) hereof;

"Employment Agreement" means, with respect to any Participant, any written employment agreement between the Corporation or a Subsidiary and such Participant;

"Exchange" means the TSX Venture Exchange or any other stock exchange on which the Shares are listed and posted for trading or quoted;

"Exercise Notice" means a notice in writing signed by a Participant and stating the Participant's intention to exercise or settle a particular Award, if applicable;

“Exercise Price” has the meaning ascribed thereto in Section 3.2 hereof;

“Expiry Date” has the meaning ascribed thereto in Section 3.4 hereof;

“Grant Date” means the date an Award is granted to a Participant as set out in the Participant’s Award Agreement;

“Insider” means a “reporting insider” of the Corporation as defined in National Instrument 55-104 – *Insider Reporting Requirements and Exemptions* and the TSX Venture Exchange Corporate Finance Manual in respect of the rules governing security-based compensation arrangements, as amended from time to time;

“Investor Relations Activities” has the meaning ascribed thereto in the policies of the TSX-V and, for clarity, persons retained to provide Investor Relations Activities include any Consultant that performs Investor Relations Activities and any employee or director whose role and duties primarily consist of Investor Relations Activities;

“Market Value” means at any date when the market value of Shares of the Corporation is to be determined,

- (i) if the Shares of the Corporation are listed on any Exchange, the last closing price of the Shares on the Exchange with the greatest volume of trading prior to such date; and
- (ii) if the Shares of the Corporation are not listed on any Exchange, the value as is determined solely by the Board, acting reasonably and in good faith based on the reasonable application of a reasonable valuation method not inconsistent with Canadian tax law.

“Non-Employee Directors” means members of the Board who, at the time of execution of an Award Agreement, if applicable, and at all times thereafter while they continue to serve as a member of the Board, are not officers or employees of the Corporation or a Subsidiary;

“Option” means an option granted by the Corporation to a Participant entitling such Participant to acquire one Share from treasury at the Exercise Price, but subject to the provisions hereof;

“Option Agreement” means a written notice from the Corporation to a Participant evidencing the grant of Options and the terms and conditions thereof, substantially in the form set out in Schedule “B”, or such other form as the Board may approve from time to time;

“Original Statements” means an Award described in Section 11.4;

“Participant’s Account” means an account maintained to reflect each Participant’s participation in RSUs, PSUs and/or DSUs under the Plan;

“Participants” means Eligible Participants that are granted Awards under the Plan;

“Performance Criteria” means criteria established by the Board which, without limitation, may include criteria based on the Participant’s personal performance, the financial performance of the Corporation and/or of its Subsidiaries and/or achievement of corporate goals and strategic initiatives, and that may be used to determine the vesting of the Awards, when applicable;

“Performance Period” means the period determined by the Board pursuant to Section 5.3 hereof;

“Person” means, without limitation, an individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate and a trustee executor, administrator, or other legal representative, and pronouns which refer to a Person shall have a similarly extended meaning;

“Plan” means this Omnibus Long-Term Incentive Plan, as amended and restated from time to time, including, for greater certainty, any sub-plan adopted by the Board in accordance with Section 11.2 hereof;

“PSU” means a right awarded to a Participant to receive a payment in the form of Shares (or the Cash Equivalent) as provided in Article 4 hereof and subject to the terms and conditions of the Plan;

“PSU Agreement” means a written notice from the Corporation to a Participant evidencing the grant of PSUs and the terms and conditions thereof, substantially in the form set out in Schedule “C”, or such other form as the Board may approve from time to time;

“Regulatory Authorities” means the TSX Venture Exchange and all securities commissions or similar securities regulatory bodies having jurisdiction over the Corporation;

“Relevant Equity Recoupment Date” means an Award described in Section 11.4;

“Restated Statements” means an Award described in Section 11.4;

“Restricted Share” means an Award described in Section 6.1;

“Restricted Share Agreement” means an agreement, substantially in the form of Schedule “D”, between the Corporation and a Participant evidencing an Award of Restricted Shares;

“RSU” means a restricted share unit awarded to a Participant to receive a payment in the form of Shares (or the Cash Equivalent) as provided in Article 5 hereof and subject to the terms and conditions of the Plan;

“RSU Agreement” means a written notice from the Corporation to a Participant evidencing the grant of RSUs and the terms and conditions thereof, substantially in the form set out in Schedule “C”, or such other form as the Board may approve from time to time;

“Share Compensation Arrangement” means a stock option, employee stock purchase plan, long-term incentive plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Shares to one or more Eligible Participants of the Corporation or a Subsidiary, including this Plan. For greater certainty, a “Share Compensation Arrangement” does not include a security-based compensation arrangement used as an inducement to person(s) or company(ies) not previously employed by and not previously an Insider of the Corporation;

“Share Unit” means a RSU and/or PSU, as the context requires;

“Share Unit Vesting Determination Date” has the meaning described thereto in Section 5.4 hereof;

“Shares” means the common shares in the capital of the Corporation;

“Subsidiary” means a company, partnership or other body corporate that is controlled, directly or indirectly, by the Corporation;

“Surrender” has the meaning ascribed thereto in Section 3.7(3);

“Surrender Notice” has the meaning ascribed thereto in Section 3.7(3);

“Tax Act” means the *Income Tax Act* (Canada) and its regulations thereunder, as amended from time to time;

“Termination Date” means (i) with respect to a Participant who is an employee or officer of the Corporation or a Subsidiary, such Participant’s last day of active employment, (ii) with respect to a Participant who is a Consultant, the date such Consultant ceases to provide services to the Corporation or a Subsidiary, and (iii) with respect to a Participant who is a Non-Employee Director, the date such Person ceases to be a director of the Corporation or Subsidiary, effective on the last day of the Participant’s actual and active Board membership whether such day is selected by agreement with the individual, unilaterally by the Corporation and whether with or without advance notice to the Participant, provided that if a Non-Employee Director becomes an employee of the Corporation or any of its Subsidiaries, such Participant’s Termination Date will be such Participant’s last day of active employment, and **“Terminate”** and **“Terminated”** have corresponding meanings.

“Trading Day” means any day on which the applicable Exchange is open for trading;

“transfer” includes any sale, exchange, assignment, gift, bequest, disposition, mortgage, lien, charge, pledge, encumbrance, grant of security interest or any arrangement by which possession, legal title or beneficial ownership passes from one Person to another, or to the same Person in a different capacity, whether or not voluntary and whether or not for value, and any agreement to effect any of the foregoing and **“transferred”**, **“transferring”** and similar variations have corresponding meanings; and

“TSX-V” means the TSX Venture Exchange.

ARTICLE 2—PURPOSE AND ADMINISTRATION OF THE PLAN; GRANTING OF AWARDS

Section 2.1 Purpose of the Plan.

The purpose of the Plan is to advance the interests of the Corporation by: (i) enhancing the Corporation’s ability to attract, motivate and retain Eligible Participants; (ii) to reward Eligible Participants for their contributions to the business; and (iii) to encourage Eligible Participants to take into account the long-term financial performance of the business and the creation of shareholder value through their participation in the Corporation’s equity.

Section 2.2 Implementation and Administration of the Plan.

- (1) The Plan shall be administered and interpreted by the Board or, if the Board by resolution so decides, by the CG Committee. If the CG Committee is appointed for this purpose, all references to the term “Board” in this Plan will be deemed to be references to the CG Committee, except as may otherwise be determined by the Board.
- (2) Subject to the terms and conditions set forth in the Plan, the Board shall have the sole and absolute discretion to: (i) designate Participants; (ii) determine the type, size, and terms, and conditions of Awards to be granted; (iii) determine the method by which an Award may be settled, exercised, canceled, forfeited, or suspended; (iv) determine the circumstances under which the delivery of cash with respect to an Award may be deferred either automatically or at the Participant’s or the Board’s election; (v) interpret and administer, reconcile any inconsistency in, correct any defect in, and supply any omission in the Plan and any Award granted under, the Plan; (vi) establish, amend, suspend, or waive any rules and regulations and appoint such agents as the Board shall deem appropriate for the proper administration of the Plan; (vii) accelerate the

vesting, delivery, or exercisability of, or payment for or lapse of restrictions on, or waive any condition in respect of, Awards; (viii) to establish, amend and rescind any regulations, rules or guidelines relating to this Plan; and (ix) make any other determination and take any other action that the Board deems necessary or desirable for the administration of the Plan or to comply with any applicable law.

- (3) No member of the Board will be liable for any action or determination taken or made in good faith in the administration, interpretation, construction or application of the Plan, any Award Agreement or other document or any Awards granted pursuant to the Plan.
- (4) The day-to-day administration of the Plan may be delegated to such officers and employees of the Corporation as the Board determines.
- (5) Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions regarding the Plan or any Award or any documents evidencing any Award granted pursuant to the Plan shall be within the sole discretion of the Board, may be made at any time, and shall be final, conclusive, and binding upon all persons or entities, including, without limitation, the Corporation, any Subsidiary, any Participant, any holder or beneficiary of any Award, and any shareholder of the Corporation.
- (6) The Board's discretion and authority is subject to any mandatory requirements of any Exchange.

Section 2.3 Eligible Participants.

- (1) The Persons who shall be eligible to receive Awards shall be the directors, officers, employees or Consultants of the Corporation or a Subsidiary, providing ongoing services to the Corporation and/or its Subsidiaries (collectively, "**Eligible Participants**").
- (2) Participation in the Plan shall be entirely voluntary and any decision not to participate shall not affect an Eligible Participant's relationship, employment or appointment with the Corporation or a Subsidiary.
- (3) Notwithstanding any express or implied term of the Plan to the contrary, the granting of an Award pursuant to the Plan shall in no way be construed as a guarantee of employment or appointment by the Corporation or a Subsidiary.
- (4) In the case of Awards granted to Consultants and employees, the Corporation represents that the Participant is a bona fide Consultant or employee, as applicable.

Section 2.4 Shares Subject to the Plan.

- (1) Subject to Section 2.4(2) and to adjustment pursuant to provisions of Article 9 hereof, the total number of Shares reserved and available for grant and issuance pursuant to Awards under the Plan or pursuant to awards under any other established Share Compensation Arrangement, shall not exceed ten percent (10%) of the total issued and outstanding Shares from time to time, or such other number as may be approved by the TSX-V and the shareholders of the Corporation from time to time. For the purposes of this Section 2.4(1), in the event that the Corporation cancels or purchases to cancel any of its issued and outstanding Shares ("**Cancellation**") and as a result of such Cancellation, the Corporation exceeds the limit set out in this Section 2.4(1), no approval of the Corporation's shareholders will be required for the issuance of Shares on the exercise of any Options which were granted prior to such Cancellation. The Plan is considered an "evergreen" plan, since the Shares covered by Awards which have been exercised shall be available for subsequent grants under the Plan and the number of Awards available to grant increases as the number of issued and outstanding Shares increases from time to time.
- (2) For greater certainty, any issuance from treasury by the Corporation that is or was issued in reliance upon an exemption under applicable Exchange rules applicable to security based

compensation arrangements used as an inducement to Persons not previously employed by and not previously an Insider of the Corporation shall not be included in determining the maximum Shares reserved and available for grant and issuance under Section 2.4(1).

- (3) Shares in respect of which an Award is exercised, granted under the Plan (or any other Share Compensation Arrangement) but not exercised prior to the termination of such Award, not vested or settled prior to the termination of such Award due to the expiration, termination, cancellation or lapse of such Award, or settled in cash in lieu of settlement in Shares, shall, in each case, be available for Awards to be granted thereafter pursuant to the provisions of the Plan. All Shares issued from treasury pursuant to the exercise or the vesting of the Awards granted under the Plan shall, when the applicable Exercise Price, if any, is received by the Corporation in connection therewith, be so issued as fully paid and non-assessable Shares.

Section 2.5 Participation Limits.

- (1) Subject to adjustment pursuant to provisions of Article 9 hereof, the aggregate number of Shares (i) issued to Insiders under the Plan or any other proposed or established Share Compensation Arrangement within any one-year period, and (ii) issuable to Insiders at any time under the Plan or any other proposed or established Share Compensation Arrangement, shall in each case not exceed ten percent (10%) of the total issued and outstanding Shares from time to time determined on a non-diluted basis. Any Awards granted pursuant to the Plan to a Participant prior to the Participant becoming an Insider, shall be excluded for the purposes of the limits set out in this Section 2.5.
- (2) Subject to adjustment pursuant to provisions of Article 9 hereof, the number of Shares issuable to any one Participant pursuant to any Awards under the Plan or pursuant to awards under any other established Share Compensation Arrangement, within any twelve (12) month period, cannot exceed five percent (5%) of the total issued and outstanding Shares from time to time determined on a non-diluted basis, calculated at the date an Award is granted to the Participant, unless the Corporation obtains the requisite disinterested shareholder approval.
- (3) Subject to adjustment pursuant to provisions of Article 9 hereof, the number of Shares issuable to any one Consultant pursuant to any Awards issued or granted under the Plan or pursuant to awards under any other established Share Compensation Arrangement, within any twelve (12) month period, cannot exceed two percent (2%) of the total issued and outstanding Shares from time to time determined on a non-diluted basis, calculated at the date an Award is granted to the Consultant.
- (4) Participants retained to provide Investor Relations Activities may not receive any Awards under the Plan other than Options. Subject to adjustment pursuant to provisions of Article 9 hereof, the number of Shares issuable to any one Participant retained to provide Investor Relations Activities pursuant to any Options granted under the Plan or under any other established Share Compensation Arrangement, within any twelve (12) month period, cannot exceed two percent (2%) of the total issued and outstanding Shares from time to time determined on a non-diluted basis, calculated at the date an Award is granted to the Consultant. Options granted to Participants retained to provide Investor Relations Activities must vest over a period of not less than twelve (12) months with no more than $\frac{1}{4}$ of the Options vesting in any three (3) month period.

Section 2.6 Non-Employee Director Participation

Awards held by Non-Employee Directors will at all times be limited to no more than 1% of the Shares issued and outstanding from time to time (calculated on a non-diluted basis) and the total annual grant to any one Non-Employee Director under all Awards granted pursuant to the Plan shall not exceed a grant value of \$100,000 of Options and \$150,000 in total equity. For greater certainty, any Awards that

are granted in lieu of cash fees at the option of the Non-Employee Directors that would otherwise be payable to Non-Employee Directors, shall be excluded from the above limitations.

ARTICLE 3—OPTIONS

Section 3.1 Nature of Options.

Each Option is an option granted by the Corporation to a Participant entitling such Participant to acquire one Share from treasury at the Exercise Price, subject to the provisions hereof.

Section 3.2 Option Awards.

- (1) The Board shall, from time to time, in its sole discretion, (i) designate the Eligible Participants who may receive Options under the Plan, (ii) determine the number of Options, if any, to be granted to each Eligible Participant and the date or dates on which such Options shall be granted, (iii) determine the price per Share to be payable upon the exercise of each such Option (the “**Exercise Price**”), (iv) determine the relevant vesting provisions (including Performance Criteria, if applicable) and (v) determine the Expiry Date, the whole subject to the terms and conditions prescribed in the Plan, in any Option Agreement and any applicable rules of the TSX-V and any other stock exchange on which the Shares are listed or posted for trading.
- (2) All Options granted herein shall vest in accordance with the terms of the resolutions of the Board approving such Options and the terms of the Option Agreement entered into in respect of such Options. Unless otherwise determined by the Board in its sole discretion at the time of grant or any time following the date that a particular Option is granted, Options will vest equally over three (3) years with one third of such Options vesting on each anniversary date following the Grant Date. Vesting shall occur on the applicable vesting date irrespective of any Black-Out Period.

Section 3.3 Exercise Price.

The Exercise Price for any Option shall be fixed by the Board when such Option is granted, but shall not be less than the Market Value of the Shares underlying the Option at the time of the grant.

Section 3.4 Expiry Date; Black-Out Period.

Subject to Section 9.2, each Option must be exercised no later than ten (10) years after the date the Option is granted or such shorter period as set out in the Participant's Option Agreement, at which time such Option will expire (the “**Expiry Date**”). Notwithstanding any other provision of the Plan, each Option that would expire during or within ten (10) Business Days immediately following a Black-Out Period shall expire on the date that is ten (10) Business Days immediately following the expiration of the Black-Out Period. Where an Option will expire on a date that falls immediately after a Black-Out Period, and for greater certainty, not later than ten (10) Business Days after the Black-Out Period, then the date such Option will expire will be automatically extended by such number of days equal to ten (10) Business Days less the number of Business Days after the Black-Out Period that the Option expires.

Section 3.5 Option Agreement.

Each Option must be confirmed by an Option Agreement. The Option Agreement shall contain such terms that may be considered necessary in order that the Option will comply with any provisions respecting options under income tax or other laws in force in any country or jurisdiction of which the Participant may from time to time be a resident or citizen or the rules of any Regulatory Authority.

Section 3.6 Exercise of Options.

- (1) Subject to the provisions of the Plan, a Participant shall be entitled to exercise an Option granted to such Participant, subject to vesting limitations which may be imposed by the Board at the time such Option is granted and set out in the Option Agreement.

- (2) Prior to its expiration or earlier termination in accordance with the Plan, each Option shall be exercisable as to all or such part or parts of the optioned Shares and at such time or times and/or pursuant to the achievement of such Performance Criteria and/or other vesting conditions as the Board may determine in its sole discretion.
- (3) No fractional Shares will be issued upon the exercise of Options granted under the Plan and, accordingly, if a Participant would become entitled to a fractional Share upon the exercise of an Option, or from an adjustment pursuant to Section 9.1, such Participant will only have the right to acquire the next lowest whole number of Shares, and no payment or other adjustment will be made with respect to the fractional interest so disregarded.

Section 3.7 Method of Exercise and Payment of Purchase Price.

- (1) Subject to the provisions of the Plan and the alternative exercise procedures set out herein, an Option granted under the Plan may be exercisable (from time to time as provided in Section 3.6 hereof) by the Participant (or by the liquidator, executor or administrator, as the case may be, of the estate of the Participant) by delivering an exercise notice substantially in the form appended to the Option Agreement (an “**Exercise Notice**”) to the Corporation in the form and manner determined by the Board from time to time, together with a bank draft, certified cheque, wire transfer or other form of payment acceptable to the Corporation in an amount equal to the aggregate Exercise Price of the Shares to be purchased pursuant to the exercise of the Options and any applicable tax withholdings.
- (2) Pursuant to the Exercise Notice, and subject to the approval of the Board, a Participant may choose to undertake a “cashless exercise” with the assistance of a broker (the “**Broker**”) in order to facilitate the exercise of such Participant’s Options. The “cashless exercise” procedure may include a sale of such number of Shares as is necessary to raise an amount equal to the aggregate Exercise Price for all Options being exercised by that Participant under an Exercise Notice and any applicable tax withholdings. Pursuant to the Exercise Notice, the Participant may authorize the Broker to sell Shares on the open market by means of a short sale and forward the proceeds of such short sale to the Corporation to satisfy the Exercise Price and any applicable tax withholdings, promptly following which the Corporation shall issue the Shares underlying the number of Options as provided for in the Exercise Notice.
- (3) In addition, in lieu of exercising any vested Option in the manner described in this Section 3.7(1) or Section 3.7(2), and pursuant to the terms of this Section 3.7(3) but subject to Section 3.6(3), a Participant may, by surrendering an Option (“**Surrender**”) with a properly endorsed notice of Surrender to the Corporate Secretary of the Corporation, substantially in the form appended to the Option Agreement (a “**Surrender Notice**”), elect to receive that number of Shares calculated using the following formula, subject to acceptance of such Surrender Notice by the Board and provided that arrangements satisfactory to the Corporation have been made to pay any applicable withholding taxes:

$$X = (Y * (A-B)) / A$$

Where:

X = the number of Shares to be issued to the Participant upon exercising such Options; provided that if the foregoing calculation results in a negative number, then no Shares shall be issued;

Y = the number of Shares underlying the Options to be Surrendered;

A = the Market Value of the Shares as at the date of the Surrender; and

B = the Exercise Price of such Options.

- (4) No share certificates shall be issued and no person shall be registered in the share register of the Corporation as the holder of Shares until actual receipt by the Corporation of an Exercise Notice and payment for the Shares to be purchased.
- (5) Upon the exercise of an Option pursuant to this Section 3.7, the Corporation shall, as soon as practicable after such exercise but no later than ten (10) Business Days following such exercise, forthwith cause the transfer agent and registrar of the Shares to deliver to the Participant (or as the Participant may otherwise direct) such number of Shares as the Participant shall have then paid for and as are specified in such Exercise Notice.

ARTICLE 4—DEFERRED SHARE UNITS

Section 4.1 Nature of DSUs.

A DSU is a unit granted to Participants representing the right to receive a Share or the Cash Equivalent, subject to restrictions and conditions as the Board may determine at the time of grant. Conditions may be based on vesting terms, achievement of pre-established Performance Criteria and in the case of Non-Employee Directors, continuing service as a Non-Employee Director.

Section 4.2 DSU Awards.

- (1) Each DSU must be confirmed by a DSU Agreement that sets forth the terms, conditions and limitations for each DSU and may include, without limitation, the vesting and terms of the DSUs and the provisions applicable on a Termination Date, and shall contain such terms that may be considered necessary in order that the DSU will comply with any provisions respecting DSUs under income tax or other laws in force in any country or jurisdiction of which the Participant may from time to time be a resident or citizen or the rules of any Regulatory Authority.
- (2) Any DSUs that are awarded to an Eligible Participant who is a resident of Canada or employed in Canada (each for purposes of the Tax Act) shall be structured so as to be considered to be a plan described in section 7 of the Tax Act or to meet requirements of paragraph 6801(d) of the Income Tax Regulations adopted under the Tax Act (or any successor to such provisions).
- (3) Subject to vesting and other conditions and provisions set forth herein and in the DSU Agreement, the Board shall determine whether each DSU awarded shall entitle the Participant: (i) to receive one Share issued from treasury; (ii) to receive the Cash Equivalent of one Share; or (iii) to receive either one Share from treasury, the Cash Equivalent of one Share or a combination of cash and Shares, as the Board may determine in its sole discretion on redemption. In the absence of any determination made by the Board in any DSU Agreement or at the time of redemption, DSUs shall automatically be settled by awarding Shares issued from treasury.
- (4) Unless otherwise determined by the Board in its sole discretion at the time of grant or any time following the date that a particular DSU is granted, DSUs will vest equally over three (3) years with one third of such DSUs vesting on each anniversary date following the Grant Date. Vesting shall occur on the applicable vesting date irrespective of any Black-Out Period.

Section 4.3 Redemption of DSUs.

- (1) Each Participant shall be entitled to redeem his or her DSUs during the period commencing on the Business Day immediately following the Termination Date and ending on the date that is not later than the 90th day following the Termination Date, or such shorter redemption period set out in the relevant DSU Agreement (the “**DSU Redemption Deadline**”), by providing a written notice of settlement to the Corporation setting out the number of DSUs to be settled and the particulars regarding the registration of the Shares issuable upon settlement, if applicable (the “**DSU Redemption Notice**”). In the event of the death of the Participant, the Notice of Redemption shall be filed by the administrator or liquidator of the estate of the Participant.

- (2) If a DSU Redemption Notice is not received by the Corporation on or before the DSU Redemption Deadline, the Participant shall be deemed to have delivered a DSU Redemption Notice on the DSU Redemption Deadline and, if not otherwise set out in the DSU Agreement, the Board shall determine the number of DSUs to be settled by way of Shares, the Cash Equivalent or a combination of Shares and the Cash Equivalent and delivered to the Participant, administrator or liquidator of the estate of the Participant, as applicable.
- (3) Subject to Section 8.5 and the DSU Agreement, settlement of DSUs shall take place promptly following the Corporation's receipt or deemed receipt of the DSU Redemption Notice through, at the Corporation's discretion, as follows:
 - (a) in the case of settlement of DSUs for their Cash Equivalent, delivery of bank draft, certified cheque, wire transfer or other acceptable form of payment to the Participant representing the Cash Equivalent;
 - (b) in the case of settlement of DSUs for Shares, delivery of Shares to Participant equal to the number of DSUs being redeemed (which may be reduced by the number of Shares with an aggregate Market Value equal to the applicable withholding taxes); or
 - (c) in the case of settlement of DSUs for a combination of Shares and the Cash Equivalent, a combination of (a) and (b) above.

ARTICLE 5—SHARE UNITS

Section 5.1 Nature of Share Units.

A Share Unit is a unit granted to Participants representing the right to receive a Share or the Cash Equivalent, subject to restrictions and conditions as the Board may determine at the time of grant. Conditions may be based on vesting terms, achievement of pre-established Performance Criteria and in the case of Non-Employee Directors, continuing service as a Non-Employee Director.

Section 5.2 Share Unit Awards.

- (1) Each RSU must be confirmed by an RSU Agreement that sets forth the terms, conditions and limitations for each RSU and may include, without limitation, the vesting and terms of the RSUs and the provisions applicable in the event employment or service terminates, and shall contain such terms that may be considered necessary in order that the RSUs will comply with any provisions respecting RSUs under income tax or other laws in force in any country or jurisdiction of which the Participant may from time to time be a resident or citizen or the rules of any Regulatory Authority.
- (2) Each PSU must be confirmed by a PSU Agreement that sets forth the terms, conditions and limitations for each PSU and may include, without limitation, the applicable Performance Period and Performance Criteria, vesting and terms of the PSUs and the provisions applicable in the event employment or service terminates, and shall contain such terms that may be considered necessary in order that the PSUs will comply with any provisions respecting PSUs under income tax or other laws in force in any country or jurisdiction of which the Participant may from time to time be a resident or citizen or the rules of any Regulatory Authority.
- (3) Subject to the provisions herein set forth and any shareholder or regulatory approval which may be required, the Board shall, from time to time, in its sole discretion; (i) designate the Eligible Participants who may receive RSUs and/or PSUs under the Plan; (ii) fix the number of RSUs and/or PSUs, if any, to be granted to each Eligible Participant and the date or dates on which such RSUs and/or PSUs shall be granted; and (iii) determine the relevant conditions and vesting provisions (including, in the case of PSUs, the applicable Performance Period and Performance Criteria, if any) and restriction period of such RSUs and/or PSUs, the whole subject to the terms

and conditions prescribed in the Plan and in any RSU Agreement or PSU Agreement, as applicable.

- (4) Unless otherwise determined by the Board in its sole discretion at the time of grant or any time following the date that a particular RSU or PSU is granted, RSUs and PSUs will vest equally over three (3) years with one third of such RSU or PSU vesting on each anniversary date following the Grant Date, subject in the case of PSUs to any applicable Performance Criteria. Vesting shall occur on the applicable vesting date irrespective of any Black-Out Period.
- (5) Any RSUs or PSUs that are awarded to an Eligible Participant who is a resident of Canada or employed in Canada (each for purposes of the Tax Act) shall be structured so as to be considered to be a plan described in section 7 of the Tax Act or in such other manner to ensure that such award is not a “salary deferral arrangement” as defined in the Tax Act (or any successor to such provisions).
- (6) Subject to the vesting and other conditions and provisions set forth herein and in the RSU Agreement and/or PSU Agreement, the Board shall determine whether each RSU and/or PSU awarded to a Participant shall entitle the Participant: (i) to receive one Share issued from treasury; (ii) to receive the Cash Equivalent of one Share; or (iii) to receive either one Share from treasury, the Cash Equivalent of one Share or a combination of cash and Shares, as the Board may determine in its sole discretion on settlement. In the absence of any determination made by the Board in any RSU Agreement, DSU Agreement or at the time of redemption, RSUs and DSUs shall automatically be settled by awarding Shares issued from treasury.

Section 5.3 Performance Criteria and Performance Period Applicable to PSU Awards.

- (1) For each award of PSUs, the Board shall establish the period in which any Performance Criteria and other vesting conditions must be met in order for a Participant to be entitled to receive Shares in exchange for all or a portion of the PSUs held by such Participant (the “**Performance Period**”).
- (2) For each award of PSUs, the Board shall establish any Performance Criteria and other vesting conditions for a Participant to be entitled to receive Shares in exchange for his or her PSUs.

Section 5.4 Share Unit Vesting Determination Date.

The vesting determination date means the date on which the Board determines if the Performance Criteria and/or other vesting conditions with respect to Share Units have been met (the “**Share Unit Vesting Determination Date**”), and as a result, establishes the number of RSUs and/or PSUs that become vested, if any. In respect of RSUs, the Share Unit Vesting Determination Date shall be the date on which the RSUs have vested in accordance with the RSU Agreement, and no determination shall be required to be made by the Board.

Section 5.5 Settlement of RSUs and PSUs.

- (1) Subject to the Award Agreement, settlement of Share Units shall take place within 30 days following the Share Unit Vesting Determination Date, at the Corporation’s discretion, as follows:
 - (a) in the case of settlement of Share Units for their Cash Equivalent, delivery of bank draft, certified cheque, wire transfer or other acceptable form of payment to the Participant representing the Cash Equivalent;
 - (b) in the case of settlement of Share Units for Shares, delivery of Shares to Participant equal to the number of Share Units being settled (which may be reduced by the number of Shares with an aggregate Market Value equal to the applicable withholding taxes); or

- (c) in the case of settlement of Share Units for a combination of Shares and the Cash Equivalent, a combination of (a) and (b) above.

ARTICLE 6—RESTRICTED SHARES

Section 6.1 Nature of Restricted Shares

A Restricted Share is an Award of Shares issued from treasury that is generally subject to a restriction on transfer and a risk of forfeiture when granted.

Section 6.2 Restricted Period

The Board will determine the period during which any restriction on transfer remains in effect, but it may not be more than three years after the Grant Date unless specified otherwise in the applicable Restricted Share Agreement.

Section 6.3 Evidence of Restricted Shares

The Corporation will determine the manner in which Restricted Shares will be evidenced, which may include book-entry registration in an account with the Corporation's registrar and transfer agent.

Section 6.4 Rights as a Holder of Restricted Shares

Subject to the restrictions on transfer and any required approval of any stock exchange, the Participant will be treated for all purposes as a shareholder of the Corporation with respect to the Restricted Shares.

ARTICLE 7—GENERAL CONDITIONS

Section 7.1 General Conditions applicable to Awards.

Each Award, as applicable, shall be subject to the following conditions:

- (1) **Employment** - The granting of an Award to a Participant shall not impose upon the Corporation or a Subsidiary any obligation to retain the Participant in its employ in any capacity. For greater certainty, the granting of Awards to a Participant shall not impose any obligation on the Corporation to grant any awards in the future nor shall it entitle the Participant to receive future grants.
- (2) **No Rights as a Shareholder** - Neither the Participant nor such Participant's personal representatives or legatees shall have any rights whatsoever as shareholder in respect of any Shares covered by such Participant's Awards (other than in respect of Restricted Shares) until the date of issuance of a share certificate to such Participant (or to the liquidator, executor or administrator, as the case may be, of the estate of the Participant) or the entry of such person's name on the share register for the Shares. Without in any way limiting the generality of the foregoing, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such share certificate is issued or entry of such person's name on the share register for the Shares.
- (3) **Conformity to Plan** – In the event that an Award is granted or an Award Agreement is executed which does not conform in all particulars with the provisions of the Plan, or purports to grant Awards on terms different from those set out in the Plan, the Award or the grant of such Award shall not be in any way void or invalidated, but the Award so granted will be adjusted to become, in all respects, in conformity with the Plan.
- (4) **Non-Transferability** – Except as set forth herein, Awards are not transferable. Awards may be exercised only by:

- (a) the Participant to whom the Awards were granted;
- (b) with the Board's prior written approval and subject to such conditions as the Board may stipulate, such Participant's family or retirement savings trust or any registered retirement savings plans or registered retirement income funds of which the Participant is and remains the annuitant;
- (c) upon the Participant's death, by the legal representative of the Participant's estate; or
- (d) upon the Participant's incapacity, the legal representative having authority to deal with the property of the Participant;

provided that any such legal representative shall first deliver evidence satisfactory to the Corporation of entitlement to exercise any Award. A person exercising an Award may subscribe for Shares only in the person's own name or in the person's capacity as a legal representative.

- (5) **No Guarantee** – For greater certainty, the granting of Awards to a Participant shall not impose any obligation on the Corporation to grant any Awards in the future nor shall it entitle the Participant to receive future grants. No amount will be paid to or in respect of a Participant under the Plan or pursuant to any other arrangement, and no Awards will be granted to such Participant to compensate for any downward fluctuation in the price of the Shares, nor will any other form of benefit be conferred upon or in respect of the Participant for such purpose.
- (6) **Acceptance of Terms** – Participation in the Plan by any Participant shall be construed as acceptance of the terms and conditions of the Plan by the Participant and as to the Participant's agreement to be bound thereby.

Section 7.2 Dividend Share Units.

When dividends (other than stock dividends) are paid on Shares, Participants shall receive additional DSUs, RSUs and/or PSUs, as applicable ("**Dividend Share Units**") as of the dividend payment date. The number of Dividend Share Units to be granted to the Participant shall be determined by multiplying the aggregate number of DSUs, RSUs and/or PSUs, as applicable, held by the Participant on the relevant record date by the amount of the dividend paid by the Corporation on each Share, and dividing the result by the Market Value on the dividend payment date, which Dividend Share Units shall be in the form of DSUs, RSUs and/or PSUs, as applicable. Dividend Share Units granted to a Participant in accordance with this Section 7.2 shall be subject to the same vesting conditions and settlement terms as applicable to the related DSUs, RSUs and/or PSUs in accordance with the respective Award Agreement.

Section 7.3 Unfunded Plan.

Unless otherwise determined by the Board, the Plan shall be unfunded. To the extent any Participant or his or her estate holds any rights by virtue of a grant of Awards under the Plan, such rights (unless otherwise determined by the Board) shall be no greater than the rights of an unsecured creditor of the Corporation.

ARTICLE 8—TERMINATION OF EMPLOYMENT

Section 8.1 Termination of Employment.

- (1) Subject to a written Employment Agreement of a Participant or any Award Agreement and as otherwise determined by the Board, all Awards shall be subject to the following conditions.
 - (a) **Termination for Cause.** If a Participant's employment is terminated for Cause, or if the Participant resigns in circumstances that would entitle him or her to be terminated for

Cause, then all Awards held by the Participant on the Participant's Termination Date, whether vested or unvested, shall automatically terminate on the Termination Date and be of no further force or effect.

- (b) **Resignation, Retirement and Termination other than for Cause.** If a Participant resigns, retires or is terminated other than for Cause, then:
- (i) any unvested Awards held by the Participant on the Termination Date will automatically terminate on the Termination Date and the Participant will cease to have any rights in relation to those Awards;
 - (ii) in the case of any vested Options held by the Participant on the Termination Date, the Participant will have the lesser of (i) 30 days after the Termination Date and (ii) remaining term of the Options to exercise those Options in accordance with this Plan, failing which the unexercised Options will automatically terminate and the Participant will cease to have any rights in relation to those Options; and
 - (iii) in the case of any vested RSUs, PSUs or other Awards held by the Participant on the Termination Date, the Corporation will settle those Awards as soon as practicable after the Termination Date in accordance with this Plan, and no later than the date on which such Awards would have been settled had the Participant not experienced a Termination Date.
- (c) In the case of a Participant ceasing to be an Eligible Participant due to such Participant's resignation, retirement or termination other than for "cause", as applicable, subject to any later expiration dates determined by the Board, all Awards shall expire on the earlier of ninety (90) days after the effective date of such Termination Date or in the case of Options, the expiry date of such Option, to the extent such Option was vested and exercisable by the Participant on the effective date of such Termination Date, and all unexercised unvested Options granted to such Participant shall terminate on the effective date of such resignation, retirement or termination.
- (d) **Death or Disability.** If a Participant dies or has a Termination Date in connection with a Disability, then:
- (i) any unvested Awards (other than Options) held by the Participant on the Termination Date will vest on a proportionate basis based on the number of Awards available to vest in the vesting period in which the Termination Date occurs and the ratio that (i) the period from the (1) Grant Date or (2) last vesting date, as applicable, to the Termination Date is to (ii) the period from the (1) Grant Date or (2) last vesting date, as applicable, to the next vesting date, and any other unvested Awards will automatically terminate on the Termination Date and the Participant will cease to have any rights in relation to those Awards;
 - (ii) in the case of Options held by the Participant on the Termination Date, (i) any unvested Options will automatically vest on the Termination Date and (ii) the Expiry Date of vested Options (including those vested under clause (i)) will be the earlier of (1) the date specified in the applicable Option Agreement and (2) the date that is one year after the Termination Date;
 - (iii) in the case of any vested RSUs, PSUs or other Awards held by the Participant on the Termination Date, the Corporation will settle those Awards as soon as practicable after the Termination Date in accordance with this Plan, and no later than the date on which such Awards would have been settled had the Participant not experienced a Termination Date; and

- (iv) only in the case if the Participant dies, the right to exercise or be paid for an Award terminates on the earlier of: (i) the date on which the particular Award expires or terminates; and (ii) the date is one year after the Participant's death.
- (2) For the avoidance of doubt, subject to applicable employment standards legislation, a Participant shall have no entitlement to damages or other compensation whatsoever arising from, in lieu of, or related to not receiving any awards or compensation which would have vested or been granted after the Termination Date including but not limited to damages in lieu of notice at common law.

ARTICLE 9—ADJUSTMENTS AND AMENDMENTS

Section 9.1 Adjustment to Shares Subject to Outstanding Awards.

- (1) In the event of any stock dividend, stock split, combination or exchange of Shares, merger, consolidation, spin-off or other distribution (other than normal cash dividends) of the Corporation's assets to shareholders, or any other change in the Shares, the Board will make such proportionate adjustments, if any, as the Board in its discretion, subject to regulatory approval, may deem appropriate to reflect such change (for the purpose of preserving the value of the Awards), with respect to (i) the number or kind of Shares or other securities reserved for issuance pursuant to the Plan; and (ii) the number or kind of Shares or other securities subject to unexercised Awards previously granted and the exercise price of those Awards provided, however, that no substitution or adjustment will obligate the Corporation to issue or sell fractional Shares. The existence of any Awards does not affect in any way the right or power of the Corporation or an Affiliate or any of their respective shareholders to make, authorize or determine any adjustment, recapitalization, reorganization or any other change in the capital structure or the business of, or any amalgamation, merger or consolidation involving, to create or issue any bonds, debentures, shares or other securities of, or to determine the rights and conditions attaching thereto, to effect the dissolution or liquidation of or any sale or transfer of all or any part of the assets or the business of, or to effect any other corporate act or proceeding relating to, whether of a similar character or otherwise, the Corporation or such Affiliate, whether or not any such action would have an adverse effect on the Plan or any Award granted hereunder.

Section 9.2 Amendment or Discontinuance of the Plan.

- (1) The Board may, in its sole discretion, suspend or terminate the Plan at any time or from time to time and/or amend or revise the terms of the Plan or of any Award granted under the Plan and any agreement relating thereto, provided that such suspension, termination, amendment, or revision shall:
 - (a) not materially adversely alter or impair any Award previously granted except as permitted by the terms of the Plan or upon the consent of the applicable Participant(s); and
 - (b) be in compliance with applicable law and with the prior approval, if required, of the shareholders of the Corporation and of the TSX-V or any other Exchange.
- (2) If the Plan is terminated, the provisions of the Plan and any administrative guidelines and other rules and regulations adopted by the Board and in force on the date of termination will continue in effect as long as any Award or any rights awarded or granted under the Plan remain outstanding and, notwithstanding the termination of the Plan, the Board will have the ability to make such amendments to the Plan or the Awards as they would have been entitled to make if the Plan were still in effect.
- (3) Subject to Section 9.2(4), the Board may from time to time, in its discretion and without the approval of shareholders, make changes to the Plan or any Award that do not require the approval of shareholders under Section 9.2(1) which may include but are not limited to:

- (a) a change to the provisions governing the effect of termination of a Participant's employment, contract or office;
 - (b) amendments to, or waivers of, the vesting provisions or other conditions of this Plan or any Award;
 - (c) amendments to the termination or early termination provisions of any Award (including any Award held by an Insider) that does not entail an extension beyond the original expiry date of that Award;
 - (d) an amendment of the Plan or an Award as necessary to comply with applicable law or the requirements of any Exchange or any other Regulatory Authority, the Plan, the Participants or the shareholders of the Corporation;
 - (e) any amendment of a "housekeeping" nature, including without limitation those made to clarify the meaning of an existing provision of the Plan or any agreement, correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan or any agreement, correct any grammatical or typographical errors or amend the definitions in the Plan regarding administration of the Plan;
 - (f) any amendment regarding the administration of the Plan; or
 - (g) any other amendment, fundamental or otherwise, not requiring shareholder approval under Section 9.2(4), applicable laws or the applicable rules of the TSX-V or any other Exchange.
- (4) Notwithstanding the foregoing or any other provision of the Plan, shareholder approval is required for the following amendments to the Plan, and approval of the disinterested shareholders are required for (b) and (c) below:
- (a) any increase in the maximum number of Shares that may be issuable from treasury pursuant to Awards granted under the Plan, other than an adjustment pursuant to Section 9.1;
 - (b) any reduction in the exercise price of an Award including cancellation and reissuance of an Award, except in the case of an adjustment pursuant to Section 9.1;
 - (c) any extension of the Expiry Date of an Award, except in case of an extension due to a Black-Out Period;
 - (d) any amendment to remove or to exceed the insider participation limit set out in Section 2.5 or to remove or to increase the participation of Non-Employee Directors as set out in Section 2.6;
 - (e) any amendment to Section 7.1(4); and
 - (f) any amendment to Section 9.2(3) or Section 9.2(4) of the Plan.

ARTICLE 10—CHANGE OF CONTROL

Section 10.1 Effect of a Change of Control

Where there is a prospective Change of Control and the Board is not satisfied that the Person acquiring control intends to assume and honour the outstanding Awards or to substitute "**Alternative Awards**", the Board, in addition to its other powers, may terminate this Plan and accelerate vesting of

Awards and instruct the Corporation to give written notice to all Participants advising that this Plan is to be terminated effective immediately before the Change of Control and all Awards (in the case of PSUs and other Awards with Performance Criteria the number to vest to be determined by the Board in its discretion) are deemed to have vested and have an exercise date or settlement date, as applicable, immediately before the termination of this Plan.

Section 10.2 Alternative Awards

In order to qualify as an Alternative Award, the right being substituted for an Award must (i) be based on a share that is listed on an Exchange or other public trading market, (ii) provide its Participants with rights and entitlements substantially equivalent to or better than under its existing Awards, including as to the terms of vesting, (iii) recognize, for purpose of vesting, the time existing Awards have been held before the Change of Control and (iv) have substantially equivalent economic value to the value of that Award (determined before the Change of Control).

Section 10.3 Powers of the Board

Despite anything else to the contrary in the Plan, in the event of a potential Change of Control, the Board will have the power, in its sole discretion, to modify the terms of the Plan and/or the Awards to assist the Participants in tendering to a take-over bid or other transaction leading to a Change of Control. For greater certainty, in the event of a take-over bid or other transaction leading to a Change of Control, the Board has the power, in its sole discretion, to accelerate the vesting of Awards and to permit Participants to conditionally exercise their Awards, such conditional exercise to be conditional upon the take-up by such offeror of the Shares or other securities tendered to such take-over bid in accordance with the terms of the take-over bid (or the effectiveness of such other transaction leading to a Change of Control). If, however, the potential Change of Control referred to in this Section 10.3 is not completed within the time specified (as the same may be extended), then despite this Section 10.3 or the definition of "Change of Control", (i) any conditional exercise of vested Awards will be deemed to be null, void and of no effect, and such conditionally exercised Awards will for all purposes be deemed not to have been exercised, and (ii) Awards which vested pursuant to this Section 10.3 will be returned by the Participant to the Corporation and reinstated as authorized but unissued Shares and the original terms applicable to such Awards will be reinstated.

ARTICLE 11—MISCELLANEOUS

Section 11.1 Currency.

Unless otherwise specifically provided, all references to dollars in the Plan are references to Canadian dollars.

Section 11.2 Sub-Plans.

The Board may, from time to time, establish one or more sub-plans under the Plan for purposes of satisfying applicable blue sky, securities or tax laws of various jurisdictions. The Board will establish such sub-plans by adopting supplements to this Plan containing (a) such limitations on the Board's discretion under the Plan as the Board deems necessary or desirable, or (b) such additional terms and conditions not otherwise inconsistent with the Plan as the Board shall deem necessary or desirable. All supplements adopted by the Board shall be deemed to be part of the Plan, but each supplement will apply only to Participants within the affected jurisdiction and the Corporation will not be required to provide copies of any supplements to Participants in any jurisdiction which is not subject to such supplement.

Section 11.3 Compliance and Award Restrictions.

- (1) The Corporation's obligation to issue and deliver Shares under any Award is subject to: (i) the completion of such registration or other qualification of such Shares or obtaining approval of such Regulatory Authority as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof; (ii) the admission of such Shares to

listing on any Exchange; and (iii) the receipt from the Participant of such representations, agreements and undertakings as to future dealings in such Shares as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction. The Corporation shall take all reasonable steps to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Shares in compliance with applicable securities laws and for the listing of such Shares on any Exchange.

- (2) The Participant agrees to fully cooperate with the Corporation in doing all such things, including executing and delivering all such agreements, undertakings or other documents or furnishing all such information as is reasonably necessary to facilitate compliance by the Corporation with such laws, rule and requirements, including all tax withholding and remittance obligations.
- (3) No Awards will be granted where such grant is restricted pursuant to the terms of any trading policies or other restrictions imposed by the Corporation.
- (4) The Corporation is not obliged by any provision of the Plan or the grant of any Award under the Plan to issue or sell Shares if, in the opinion of the Board, such action would constitute a violation by the Corporation or a Participant of any laws, rules and regulations or any condition of such approvals.
- (5) If Shares cannot be issued to a Participant upon the exercise or settlement of an Award due to legal or regulatory restrictions, the obligation of the Corporation to issue such Shares will terminate and, if applicable, any funds paid to the Corporation in connection with the exercise of any Options will be returned to the applicable Participant as soon as practicable.
- (6) At the time a Participant ceased to hold Awards which are or may become exercisable, the Participant ceases to be a Participant.
- (7) Nothing contained herein will prevent the Board from adopting other or additional compensation arrangements for the benefit of any Participant or any other Person, subject to any required regulatory, shareholder or other approval.

Section 11.4 Clawback

If any of the following events occurs:

- (a) the Board determines that the Participant engaged in gross negligence, willful misconduct or fraud in respect of the performance of the Participant's duties to or for the Corporation or a Subsidiary, which resulted in material financial or reputational harm to the Corporation or its Subsidiaries; or
- (b) the Corporation's financial statements (the "**Original Statements**") are required to be restated (other than as a result of a change in accounting policy or under applicable financial reporting standards) and the restated financial statements (the "**Restated Statements**") disclose, in the Board's opinion, materially worse financial results than those contained in the Original Statements,

then the Board, in its discretion, to the extent it determines that its action is in the best interests of the Corporation, and in addition to any other rights that the Corporation or a Subsidiary may have at law or under any agreement, may take one or more of the following actions:

- (c) require the Participant (and the Participant agrees) to reimburse the Corporation for any amount paid to the Participant in respect of an Award in cash in the case where paragraph (a) applies, or in the case where paragraph (b) applies, the excess of the amount that should otherwise have been paid in respect of that Award had the

determination of that amount been based on the Restated Statements, in each case, less any applicable withholding taxes;

- (d) reduce the number or value of, or cancel and terminate, any one or more unvested grants of Award (other than Shares) on or before the vesting dates, or cancel or terminate any outstanding Awards that have vested in the 12 months before the date on which under paragraph (a) the Board determined that the Original Statements are required to be restated (each such date being a “**Relevant Equity Recoupment Date**”); or
- (e) require the Participant (and the Participant agrees) to pay to the Corporation the value of any Shares acquired by the Participant pursuant to an Award granted in the twelve (12) months before a Relevant Equity Recoupment Date (less any amount paid by the Participant to acquire those Shares) less any applicable withholding taxes.

Section 11.5 Use of an Administrative Agent and Trustee.

The Board may in its sole discretion appoint from time to time one or more entities to act as administrative agent to administer the Awards granted under the Plan and to act as trustee or Broker to hold and administer the assets that may be held in respect of Awards granted under the Plan, the whole in accordance with the terms and conditions determined by the Board in its sole discretion. The Corporation and the administrative agent will maintain records showing the number of Awards granted to each Participant under the Plan.

Section 11.6 Tax Withholding.

- (1) Notwithstanding any other provision of the Plan, all distributions, delivery of Shares or payments to a Participant (or to the liquidator, executor or administrator, as the case may be, of the estate of the Participant) under the Plan shall be made net of applicable source deductions. If the event giving rise to the withholding obligation involves an issuance or delivery of Shares, then, the withholding obligation may be satisfied by (a) having the Participant elect to have the appropriate number of such Shares sold by the Corporation, the Corporation’s transfer agent and registrar or any trustee or Broker appointed by the Corporation pursuant to Section 11.5 hereof, on behalf of and as agent for the Participant as soon as permissible and practicable, with the proceeds of such sale being delivered to the Corporation, which will in turn remit such amounts to the appropriate governmental authorities, or (b) any other mechanism as may be required or appropriate to conform with local tax and other rules. Notwithstanding any other provision of the Plan, the Corporation shall not be required to issue any Shares or make payments under this Plan until arrangements satisfactory to the Corporation have been made for payment of all applicable withholdings obligations.
- (2) The sale of Shares by the Corporation, or by a Broker, under Section 11.6(1) or under any other provision of the Plan will be made on the TSX-V (or any other Exchange). The Participant consents to such sale and grants to the Corporation an irrevocable power of attorney to effect the sale of such Shares on his behalf and acknowledges and agrees that (i) the number of Shares sold will be, at a minimum, sufficient to fund the withholding obligations net of all selling costs, which costs are the responsibility of the Participant and which the Participant hereby authorizes to be deducted from the proceeds of such sale; (ii) in effecting the sale of any such Shares, the Corporation or the Broker will exercise its sole judgment as to the timing and the manner of sale and will not be obligated to seek or obtain a minimum price; and (iii) neither the Corporation nor the Broker will be liable for any loss arising out of such sale of the Shares including any loss relating to the pricing, manner or timing of the sales or any delay in transferring any Shares to a Participant or otherwise.
- (3) The Participant further acknowledges that the sale price of the Shares will fluctuate with the market price of the Shares and no assurance can be given that any particular price will be received upon any sale. The Corporation makes no representation or warranty as to the future market value of the Shares or with respect to any income tax matters affecting the Participant

resulting from the grant or exercise of an Award and/or transactions in the Shares. Neither the Corporation, nor any of its directors, officers, employees, shareholders or agents will be liable for anything done or omitted to be done by such person or any other person with respect to the price, time, quantity or other conditions and circumstances of the issuance of Shares under the Plan, with respect to any fluctuations in the market price of Shares or in any other manner related to the Plan.

- (4) Notwithstanding the first paragraph of this Section 11.6, the applicable tax withholdings may be waived where the Participant directs in writing that a payment be made directly to the Participant's registered retirement savings plan in circumstances to which regulation 100(3) of the regulations of the Tax Act apply.

Section 11.7 Reorganization of the Corporation.

The existence of any Awards shall not affect in any way the right or power of the Corporation or its shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in the Corporation's capital structure or its business, or any amalgamation, combination, merger or consolidation involving the Corporation or to create or issue any bonds, debentures, shares or other securities of the Corporation or the rights and conditions attaching thereto or to affect the dissolution or liquidation of the Corporation or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.

Section 11.8 Governing Laws.

The Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Section 11.9 Successors and Assigns.

The Plan shall be binding on all successors and assigns of the Corporation and a Participant, including without limitation, the personal legal representatives of a Participant, or any receiver or trustee in bankruptcy or representative of the Corporation's or Participant's creditors.

Section 11.10 Severability.

The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision and any invalid or unenforceable provision shall be severed from the Plan.

Section 11.11 No Liability.

No member of the Board or of the CG Committee shall be liable for any action or determination taken or made in good faith in the administration, interpretation, construction or application of the Plan or any Award granted hereunder.

Section 11.12 Effective Date of the Plan.

The Plan was approved by the Board and shall take effect on March 8, 2023, subject to shareholder approval.

SCHEDULE "A"

FORM OF DSU AWARD AGREEMENT

COVALON TECHNOLOGIES LTD. DSU AWARD AGREEMENT

This DSU Award Agreement (this "**Agreement**"), dated as of ●, is made by and between Covalon Technologies Ltd. (the "**Corporation**") and ● (the "**Grantee**").

WHEREAS, the Corporation has adopted the Omnibus Long-Term Incentive Plan (as may be amended from time to time, the "**Plan**");

AND WHEREAS the Corporation desires to continue to receive the benefit of your services and to more fully align your interests with the Corporation's and its Affiliates' future success;

AND WHEREAS the Corporation desires to grant to you Deferred Share Units ("**Units**") upon the terms and conditions hereinafter provided;

AND WHEREAS capitalized terms used and not otherwise defined in this Agreement shall have the meanings set forth in the Plan;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, for themselves and for their successors and assigns, hereby agree as follows:

1. Grant of DSUs.

(a) **Grant.** The Recipient is granted ● Units.

(b) **Incorporation by Reference, Etc.** The provisions of the Plan are incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any interpretations, amendments, rules, and regulations promulgated by the CG Committee from time to time pursuant to the Plan. In the event of any inconsistency or conflict between the provisions of the Plan and any this Agreement, the provisions of the Plan shall prevail. Any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The CG Committee shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations under them, and its decision shall be binding and conclusive upon the Grantee and his or her legal representatives in respect of any questions arising under the Plan or this Agreement.

2. Vesting; Forfeiture. The Units shall vest [as follows:●] / [in accordance with Section 4.2 of the Plan.]

3. Settlement. The Corporation shall settle the DSUs granted hereunder as soon as possible after receiving or being deemed to receive a DSU Redemption Notice, at which time the Corporation shall, subject to any required tax withholding and the execution of any required documentation, deliver to the Grantee, at the Corporation's option at the time of settlement, either (i) one Share from treasury for each DSU, (ii) the Cash Equivalent (as defined in the Plan) of one (1) Share for each DSU, or (iii) a combination of (i) and (ii) (and, upon such settlement, the DSUs shall cease to be credited to the Grantee's account) less an amount equal to any federal, state, provincial, and local income and employment taxes required to be withheld. Such settlement will occur not later than the 90th day following the Termination Date.

4. Tax Withholding. The Corporation shall be entitled to require, as a condition to the payment of any cash in settlement of the DSUs granted hereunder, that the Grantee remit an amount in cash or other property having a value sufficient to satisfy all federal, state, provincial, and local or other applicable withholding taxes relating thereto. In addition, the Corporation shall have the right and is hereby authorized to withhold from the cash otherwise deliverable upon settlement of the DSUs, or from any compensation or other amount owing to the Grantee, the amount (in cash or, in the discretion of the Corporation, other property) of any applicable withholding taxes in respect of the settlement of the DSUs and to take such other action as may be necessary in the discretion of the Corporation to satisfy all obligations for the payment of such taxes.

5. Compliance with Legal Requirements. The granting and settlement of the DSUs, and any other obligations of the Corporation under this Agreement, shall be subject to all applicable federal, state, provincial and local laws, rules, and regulations and to such approvals by any regulatory or governmental agency (including stock exchanges) as may be required. The Committee shall have the right to impose such restrictions on the DSUs as it deems reasonably necessary or advisable under applicable securities laws and the rules and regulations of the TSX-V.

6. Miscellaneous.

(a) **Transferability.** The DSUs are non-transferable or assignable except in accordance with the Plan.

(b) **Inconsistency.** This Agreement is subject to the terms and conditions of the Plan and, in the event of any inconsistency or contradiction between the terms of this Agreement and the Plan, the terms of the Plan shall govern.

(c) **Severability.** Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

(d) **Entire Agreement.** This Agreement and the Plan embody the entire agreement and understanding among the parties and supersede and pre-empt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(e) **Successors and Assigns.** This DSU Agreement shall bind and enure to the benefit of the Grantee and the Corporation and their respective successors and permitted assigns.

(f) **Time of the Essence.** Time shall be of the essence of this Agreement and of every part hereof.

(g) **Governing Law.** This Agreement and the DSUs shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

(h) **Counterparts.** This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

By signing this Agreement, the Grantee represents, warrants and acknowledges that the Grantee (i) has been provided a copy of and has read and understands the Plan and agrees to the terms and conditions of the Plan and this Agreement, (ii) has requested and is satisfied that the foregoing be

drawn up in the English language (*Le soussigné reconnaît qu'il a exigé que ce qui précède soit rédigé et exécuté en anglais et s'en déclare satisfait.*), (iii) has participated in the trade and acceptance of DSUs voluntarily, and (iv) has not been induced to participate in the Plan by expectation of engagement, appointment, employment, continued engagement, continued appointment or continued employment, as application with the Corporation or its Affiliates. For absolute certainty, by accepting and executing this Agreement, the Grantee specifically represents, warrants and acknowledges that the Grantee has read and understood the terms and conditions set out in Article 8 of the Plan and the definitions of "active employment", "Cause" and "Termination Date" in the Plan, which (i) state that the Grantee shall have no entitlement to damages or other compensation whatsoever arising from, in lieu of, or related to not receiving any incentive compensation or any other applicable rights pursuant to this Agreement and the Plan which would have vested or been granted after a termination including but not limited to damages in lieu of notice at common law; and (ii) have the effect that no period of common law reasonable notice that exceeds the Grantee's minimum statutory notice period under applicable employment standards legislation (if any), shall be used for the purposes of calculating the Grantee's entitlements under this Agreement or the Plan. By accepting and executing this Agreement, the Grantee further waives any eligibility to receive damages or payment in lieu of any forfeited incentive compensation or any other applicable rights pursuant to this Agreement or the Plan that would have vested or accrued during any common law reasonable notice period that exceeds the Grantee's minimum statutory notice period under the applicable employment standards legislation (if any).

IN WITNESS WHEREOF the parties hereof have executed this Agreement as of the _____ day of _____, 20__.

COVALON TECHNOLOGIES LTD.

By: _____
Authorized Signing Officer

[Insert Participant's Name]

SCHEDULE "B"
FORM OF OPTION AGREEMENT

COVALON TECHNOLOGIES LTD.
OPTION AGREEMENT

This Stock Option Agreement (the "**Option Agreement**") is granted by Covalon Technologies Ltd. (the "**Corporation**"), in favour of the optionee named below (the "**Optionee**") pursuant to and on the terms and subject to the conditions of the Corporation's Omnibus Long-Term Incentive Plan (the "**Plan**"). Capitalized terms used and not otherwise defined in this Option Agreement shall have the meanings set forth in the Plan.

The terms of the option (the "**Option**"), in addition to those terms set forth in the Plan, are as follows:

1. **Optionee**. The Optionee is ●.
2. **Number of Shares**. The Optionee may purchase up to ● Shares of the Corporation (the "**Option Shares**") pursuant to this Option, as and to the extent that the Option vests and becomes exercisable as set forth in section 6 of this Option Agreement.
3. **Exercise Price**. The exercise price is Cdn \$● per Option Share (the "**Exercise Price**").
4. **Date Option Granted**. The Option was granted on ●.
5. **Expiry Date**. The Option terminates on ●. (the "**Expiry Date**").
Vesting. The Option to purchase Option Shares shall vest and become exercisable [as follows:●] / [in accordance with Section 3.2 of the Plan.]
6. **Exercise of Options**. In order to exercise the Option, the Optionee shall notify the Corporation in the form annexed hereto as Appendix I, pay the Exercise Price to the Corporation as required by the Plan, whereupon the Optionee shall be entitled to receive a certificate representing the relevant number of fully paid and non-assessable Shares in the Corporation. Alternatively, the Optionee may deliver a Surrender Notice in the form annexed hereto as Appendix II.
7. **Transfer of Option**. The Option is not-transferable or assignable except in accordance with the Plan.
8. **Inconsistency**. This Option Agreement is subject to the terms and conditions of the Plan and any Employment Agreement and, in the event of any inconsistency or contradiction between the terms of this Option Agreement and the Plan or any Employment Agreement, the terms of the Employment Agreement shall govern.
9. **Severability**. Wherever possible, each provision of this Option Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Option Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Option Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.
10. **Entire Agreement**. This Option Agreement and the Plan embody the entire agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

11. **Successors and Assigns.** This Option Agreement shall bind and enure to the benefit of the Optionee and the Corporation and their respective successors and permitted assigns.
12. **Time of the Essence.** Time shall be of the essence of this Option Agreement and of every part hereof.
13. **Governing Law.** This Option Agreement and the Option shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.
14. **Counterparts.** This Option Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

By signing this Option Agreement, the Optionee represents, warrants and acknowledges that the Optionee (i) has been provided a copy of and has read and understands the Plan and agrees to the terms and conditions of the Plan and this Option Agreement, (ii) has requested and is satisfied that the foregoing be drawn up in the English language (*Le soussigné reconnaît qu'il a exigé que ce qui précède soit rédigé et exécuté en anglais et s'en déclare satisfait.*), (iii) has participated in the trade and acceptance of Options voluntarily, and (iv) has not been induced to participate in the Plan by expectation of engagement, appointment, employment, continued engagement, continued appointment or continued employment, as application with the Corporation or its Affiliates. For absolute certainty, by accepting and executing this Option Agreement, the Optionee specifically represents, warrants and acknowledges that the Optionee has read and understood the terms and conditions set out in Article 8 of the Plan and the definitions of "active employment", "Cause" and "Termination Date" of the Plan, which (i) state that the Optionee shall have no entitlement to damages or other compensation whatsoever arising from, in lieu of, or related to not receiving any incentive compensation or any other applicable rights pursuant to this Option Agreement and the Plan which would have vested or been granted after a termination including but not limited to damages in lieu of notice at common law; and (ii) have the effect that no period of common law reasonable notice that exceeds the Optionee's minimum statutory notice period under applicable employment standards legislation (if any), shall be used for the purposes of calculating the Optionee's entitlements under this Option Agreement or the Plan. By accepting and executing this Option Agreement, the Optionee further waives any eligibility to receive damages or payment in lieu of any forfeited incentive compensation or any other applicable rights pursuant to this Option Agreement or the Plan that would have vested or accrued during any common law reasonable notice period that exceeds the Optionee's minimum statutory notice period under the applicable employment standards legislation (if any).

IN WITNESS WHEREOF the parties hereof have executed this Option Agreement as of the _____ day of _____, 20__.

COVALON TECHNOLOGIES LTD.

By: _____
Authorized Signing Officer

[Insert Participant's Name]

**APPENDIX I
COVALON TECHNOLOGIES LTD.
ELECTION TO EXERCISE STOCK OPTIONS**

TO: Covalon Technologies Ltd. (the "Corporation")

The undersigned Optionee hereby elects to exercise Options granted by the Corporation to the undersigned pursuant to an Option Agreement dated _____, 20__ under the Corporation's Omnibus Long-Term Incentive Plan (the "**Plan**"), for the number Shares set forth below. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Plan.

Number of Shares to be Acquired: _____

Exercise Price (per Share): Cdn.\$ _____

Aggregate Purchase Price: Cdn.\$ _____

Amount enclosed that is payable on account of any source deductions relating to this Option exercise (contact the Corporation for details of such amount):

Cdn.\$ _____

Or check here if alternative arrangements have been made with the Corporation.

and hereby tenders a bank draft, certified cheque, wire transfer or other form of payment confirmed as acceptable by the Corporation for such aggregate purchase price, and, if applicable, all source deductions, and directs such Shares to be registered in the name of _____.

I hereby agree to file or cause the Corporation to file on my behalf, on a timely basis, all insider reports and other reports that I may be required to file under applicable securities laws. I understand that this request to exercise my Options is irrevocable.

DATED this ____ day of _____, _____.

Signature of Participant

Name of Participant (Please Print)

APPENDIX II

COVALON TECHNOLOGIES LTD.
OPTIONS SURRENDER NOTICE

TO: **Covalon Technologies Ltd.** (the "Corporation")

The undersigned Optionee hereby elects to surrender _____ Options granted by the Corporation to the undersigned pursuant to an Award Agreement dated _____, 20__ under the Corporation's Omnibus Long-Term Incentive Plan (the "Plan") in exchange for Shares as calculated in accordance with Section 3.7(3) of the Plan. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Plan.

Amount enclosed that is payable on account of any source deductions relating to this surrender of Options (contact the Corporation for details of such amount):

Cdn.\$ _____

Or check here if alternative arrangements have been made with the Corporation

Please issue a certificate or certificates representing the Shares in the name of _____.

I hereby agree to file or cause the Corporation to file on my behalf, on a timely basis, all insider reports and other reports that I may be required to file under applicable securities laws. I understand that this request to exercise my Options is irrevocable.

DATED this ____ day of _____, _____.

Signature of Participant

Name of Participant (Please Print)

SCHEDULE "C"
FORM OF RSU / PSU AGREEMENT

COVALON TECHNOLOGIES LTD.
[RSU / PSU] GRANT AGREEMENT

This **[RSU / PSU]** grant agreement ("**Grant Agreement**") is entered into between Covalon Technologies Ltd. (the "**Corporation**") and the Participant named below (the "**Recipient**") of the **[RSUs / PSUs]** ("**Units**") pursuant to the Corporation's Omnibus Long-Term Incentive Plan (the "**Plan**"). Capitalized terms used and not otherwise defined in this Grant Agreement shall have the meanings set forth in the Plan.

The terms of the Units, in addition to those terms set forth in the Plan, are as follows:

1. **Recipient.** The Recipient is ●.
2. **Grant of [RSUs / PSUs].** The Recipient is granted ● Units.
3. **Vesting.** The Units shall vest **[as follows:●] / [in accordance with Section 5.2 of the Plan.]**
4. **[Performance Criteria. Settlement of the Units shall be conditional upon the achievement of the following Performance Criteria within the Performance Period set forth herein: ●.]**
5. **Settlement.** The Units shall be settled in accordance with Section 5.5 of the Plan.
6. **Grant Date.** The Units were granted to the Recipient on ●.
7. **Transfer of Units.** The Units are non-transferable or assignable except in accordance with the Plan.
8. **Inconsistency.** This Grant Agreement is subject to the terms and conditions of the Plan and, in the event of any inconsistency or contradiction between the terms of this Grant Agreement and the Plan, the terms of the Plan shall govern.
9. **Severability.** Wherever possible, each provision of this Grant Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Grant Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Grant Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.
10. **Entire Agreement.** This Grant Agreement and the Plan embody the entire agreement and understanding among the parties and supersede and pre-empt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.
11. **Successors and Assigns.** This Grant Agreement shall bind and enure to the benefit of the Recipient and the Corporation and their respective successors and permitted assigns.
12. **Time of the Essence.** Time shall be of the essence of this Grant Agreement and of every part hereof.

13. **Governing Law.** This Grant Agreement and the Units shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.
14. **Counterparts.** This Grant Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

By signing this Grant Agreement, the Recipient represents, warrants and acknowledges that the Recipient (i) has been provided a copy of and has read and understands the Plan and agrees to the terms and conditions of the Plan and this Grant Agreement, (ii) has requested and is satisfied that the foregoing be drawn up in the English language (*Le soussigné reconnaît qu'il a exigé que ce qui précède soit rédigé et exécuté en anglais et s'en déclare satisfait.*), (iii) has participated in the trade and acceptance of Units voluntarily, and (iv) has not been induced to participate in the Plan by expectation of engagement, appointment, employment, continued engagement, continued appointment or continued employment, as application with the Corporation or its Affiliates. For absolute certainty, by accepting and executing this Grant Agreement, the Recipient specifically represents, warrants and acknowledges that the Recipient has read and understood the terms and conditions set out in Article 8 of the Plan and the definitions of "active employment", "Cause", and "Termination Date" of the Plan, which (i) state that the Recipient shall have no entitlement to damages or other compensation whatsoever arising from, in lieu of, or related to not receiving any incentive compensation or any other applicable rights pursuant to this Grant Agreement and the Plan which would have vested or been granted after a termination including but not limited to damages in lieu of notice at common law; and (ii) have the effect that no period of common law reasonable notice that exceeds the Recipient's minimum statutory notice period under applicable employment standards legislation (if any), shall be used for the purposes of calculating the Recipient's entitlements under this Grant Agreement or the Plan. By accepting and executing this Grant Agreement, the Recipient further waives any eligibility to receive damages or payment in lieu of any forfeited incentive compensation or any other applicable rights pursuant to this Grant Agreement or the Plan that would have vested or accrued during any common law reasonable notice period that exceeds the Recipient's minimum statutory notice period under the applicable employment standards legislation (if any).

IN WITNESS WHEREOF the parties hereof have executed this Grant Agreement as of the _____ day of _____, 20__.

COVALON TECHNOLOGIES LTD.

By: _____

Authorized Signing Officer

[Insert Participant's Name]

SCHEDULE "D"
FORM OF RESTRICTED SHARE GRANT AGREEMENT

COVALON TECHNOLOGIES LTD.
RESTRICTED SHARE GRANT AGREEMENT

This restricted share grant agreement ("**Restricted Grant Agreement**") is entered into between Covalon Technologies Ltd. (the "**Corporation**") and the Participant named below (the "**Recipient**") of the restricted shares ("**Restricted Shares**") pursuant to the Corporation's Omnibus Long-Term Incentive Plan (the "**Plan**"). Capitalized terms used and not otherwise defined in this Grant Agreement shall have the meanings set forth in the Plan.

The terms of the Restricted Shares, in addition to those terms set forth in the Plan, are as follows:

1. **Recipient**. The Recipient is ●.
2. **Restricted Shares**. The Recipient is granted ● Restricted Shares.
3. **Vesting**. The Restricted Shares shall vest as follows: ●.
4. **Shareholder Rights**. You shall have no rights whatsoever as a shareholder in respect of any of the Restricted Shares.
5. **Transfer of Restricted Shares**. The Restricted Shares are non-transferable or assignable except in accordance with the Plan.
6. **Inconsistency**. This Restricted Grant Agreement is subject to the terms and conditions of the Plan and, in the event of any inconsistency or contradiction between the terms of this Restricted Grant Agreement and the Plan, the terms of the Plan shall govern.
7. **Severability**. Wherever possible, each provision of this Restricted Grant Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Restricted Grant Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Restricted Grant Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.
8. **Entire Agreement**. This Restricted Grant Agreement and the Plan embody the entire agreement and understanding among the parties and supersede and pre-empt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.
9. **Time of the Essence**. Time shall be of the essence of this Restricted Grant Agreement and of every part hereof.
10. **Governing Law**. This Restricted Share Grant Agreement and the Restricted Shares shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.
11. **Counterparts**. This Restricted Grant Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

By signing this Restricted Grant Agreement, the Recipient represents, warrants and acknowledges that the Recipient (i) has been provided a copy of and has read and understands the Plan and agrees to the terms and conditions of the Plan and this Restricted Grant Agreement, (ii) has requested and is satisfied that the foregoing be drawn up in the English language (*Le soussigné reconnaît qu'il a exigé que ce qui precede soit rédigé et exécute en anglais et s'en declare satisfait.*), (iii) has participated in the trade and acceptance of Units voluntarily, and (iv) has not been induced to participate in the Plan by expectation of engagement, appointment, employment, continued engagement, continued appointment or continued employment, as application with the Corporation or its Affiliates. For absolute certainty, by accepting and executing this Restricted Grant Agreement, the Recipient specifically represents, warrants and acknowledges that the Recipient has read and understood the terms and conditions set out in Article 8 of the Plan and the definitions of "active employment", "Cause" and "Termination Date" of the Plan, which (i) state that the Recipient shall have no entitlement to damages or other compensation whatsoever arising from, in lieu of, or related to not receiving any incentive compensation or any other applicable rights pursuant to this Restricted Grant Agreement and the Plan which would have vested or been granted after a termination including but not limited to damages in lieu of notice at common law; and (ii) have the effect that no period of common law reasonable notice that exceeds the Recipient's minimum statutory notice period under applicable employment standards legislation (if any), shall be used for the purposes of calculating the Recipient's entitlements under this Restricted Grant Agreement or the Plan. By accepting and executing this Restricted Grant Agreement, the Recipient further waives any eligibility to receive damages or payment in lieu of any forfeited incentive compensation or any other applicable rights pursuant to this Restricted Grant Agreement or the Plan that would have vested or accrued during any common law reasonable notice period that exceeds the Recipient's minimum statutory notice period under the applicable employment standards legislation (if any).

IN WITNESS WHEREOF the parties hereof have executed this Restricted Grant Agreement as of the _____ day of _____, 20__.

COVALON TECHNOLOGIES LTD.

By: _____
Authorized Signing Officer

[Insert Participant's Name]