



SPECTRA7 MICROSYSTEMS INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

AND

MANAGEMENT INFORMATION CIRCULAR

May 30, 2018

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SPECTRA7 MICROSYSTEMS INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual meeting (the “**Meeting**”) of the holders of the common shares (collectively, the “**Shareholders**” or individually, a “**Shareholder**”) of Spectra7 Microsystems Inc. (the “**Corporation**”) will be held at the offices of Aird & Berlis LLP, Brookfield Place, Suite 1800, 181 Bay Street, Toronto, Ontario, M5J 2T9 on Friday, June 29, 2018 at the hour of 10:00 a.m. (Toronto time) for the following purposes:

1. to receive the audited financial statements of the Corporation for the financial year ended December 31, 2017, together with the report of the auditor thereon;
2. to elect the directors of the Corporation;
3. to appoint MNP LLP, Chartered Accountants, as auditor of the Corporation for the ensuing year and to authorize the directors of the Corporation to fix its remuneration; and
4. to transact such other business as may properly be brought before the Meeting or any adjournment or adjournments thereof.

Accompanying this Notice of Annual Meeting of Shareholders is the management information circular of the Corporation dated May 30, 2018 (the “**Circular**”) and a copy of the audited financial statements of the Corporation for the financial year ended December 31, 2017, together with the report of the auditor thereon.

A Shareholder wishing to be represented by proxy at the Meeting or any adjournment thereof must deposit his, her or its duly executed form of proxy with the Corporation’s transfer agent and registrar, Computershare Trust Company of Canada, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, on or before 10:00 a.m. on Wednesday, June 27, 2018 or deliver it to the chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the time of voting.

Shareholders who are unable to be present personally at the Meeting are urged to sign, date and return the enclosed form of proxy in the envelope provided for that purpose. If you plan to be present personally at the Meeting, you are requested to bring the enclosed form of proxy for identification. The record date for the determination of those Shareholders entitled to receive the Notice of Annual Meeting of Shareholders and to vote at the Meeting was the close of business on Wednesday, May 30, 2018.

DATED at Toronto, Ontario this 30th day of May, 2018.

BY ORDER OF THE BOARD

“Raouf Halim”

Raouf Halim

Director, President & Chief Executive Officer

SPECTRA7 MICROSYSTEMS INC.

MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This management information circular (the “**Circular**”) is furnished in connection with the solicitation of proxies by the management of Spectra7 Microsystems Inc. (the “**Corporation**”) for use at the annual meeting (the “**Meeting**”) of holders (collectively, the “**Shareholders**” or individually, a “**Shareholder**”) of common shares in the capital of the Corporation (“**Common Shares**”) to be held at the time and place and for the purposes set forth in the attached Notice of Annual Meeting of Shareholders (the “**Notice**”). The solicitation will be primarily by mail, but proxies may also be solicited personally or by telephone by regular employees of the Corporation. The cost of solicitation will be borne by the Corporation.

Except as noted below, the Corporation has distributed or made available for distribution, copies of the Notice, Circular and form of proxy or voting instruction form (if applicable) (the “**Meeting Materials**”) to clearing agencies, securities dealers, banks and trust companies or their nominees (collectively, the “**Intermediaries**” and each, an “**Intermediary**”) for distribution to Beneficial Shareholders (as defined below) whose Common Shares are held by or in custody of such Intermediaries. Such Intermediaries are required to forward such documents to Beneficial Shareholders unless a Beneficial Shareholder has waived the right to receive them. The Corporation has elected to pay for the delivery of the Meeting Materials to objecting Beneficial Shareholders by the Intermediaries. The Corporation is sending proxy-related materials directly to non-objecting Beneficial Shareholders, through the services of its transfer agent and registrar, Computershare Trust Company of Canada. The solicitation of proxies from Beneficial Shareholders will be carried out by the Intermediaries or by the Corporation if the names and addresses of the Beneficial Shareholders are provided by Intermediaries. The Corporation will pay the permitted fees and costs of Intermediaries incurred in connection with the distribution of the Meeting Materials. The Corporation is not relying on the notice-and-access provisions of securities laws for delivery of the Meeting Materials to registered Shareholders or Beneficial Shareholders.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are officers and/or directors of the Corporation. **A Shareholder has the right to appoint a person (who need not be a Shareholder) to attend and act for such Shareholder and on his, her or its behalf at the Meeting other than the persons designated in the enclosed form of proxy.** Such right may be exercised by inserting in the blank space provided for that purpose the name of the desired person or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to the Corporation’s transfer agent and registrar, Computershare Trust Company of Canada., 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 not later than 10:00 a.m. on Wednesday, June 27, 2018 or delivering it to the chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the time of voting. A proxy must be executed by the registered Shareholder or his, her or its attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized.

Proxies given by Shareholders for use at the Meeting may be revoked prior to their use:

- (a) by depositing an instrument in writing executed by the Shareholder or by such Shareholder’s attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized indicating the capacity under which such officer or attorney is signing:

- (i) at the registered office, 110 Cochrane Drive, Suite 202, Markham, Ontario, L3R 9S1, at any time up to and including Thursday, June 28, 2018; or
 - (ii) with the chairman of the Meeting on the day of the Meeting or any adjournment thereof; or
- (b) in any other manner permitted by law.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the accompanying form of proxy will vote the Common Shares in respect of which they are appointed in accordance with the direction of the Shareholders appointing them. **In the absence of such direction, such Common Shares will be voted in favour of the passing of the matters set out in the Notice. The form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to other matters which may properly come before the Meeting or any adjournment thereof.** At the time of the printing of this Circular, the management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice. **However, if any other matters which at present are not known to the management of the Corporation should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.**

ADVICE TO BENEFICIAL SHAREHOLDERS

Shareholders should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares, or non-objecting beneficial owners whose names has been provided to the Corporation's registrar and transfer agent, can be recognized and acted upon at the Meeting. The information set forth in this section is therefore of significant importance to a substantial number of Shareholders who do not hold their Common Shares in their own name (referred to in this section as "**Beneficial Shareholders**"). If Common Shares are listed in an account statement provided to a Shareholder by an Intermediary, then in almost all cases those Common Shares will not be registered in such Shareholder's name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the Shareholder's Intermediary or an agent of that Intermediary. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co., as nominee for CDS Clearing and Depository Services Inc., which acts as a depository for many Canadian Intermediaries. Common Shares held by Intermediaries or their nominees can only be voted for or against resolutions upon the instructions of the Beneficial Shareholder. Without specific instructions, Intermediaries are prohibited from voting Common Shares for their clients.

Applicable regulatory policy requires Intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every Intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often the form of proxy supplied to a Beneficial Shareholder by its Intermediary is identical to the form of proxy provided by the Corporation to the Intermediaries. However, its purpose is limited to instructing the Intermediary how to vote on behalf of the Beneficial Shareholder. The majority of Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically mails the voting instruction forms or proxy forms to the Beneficial Shareholders and asks the Beneficial Shareholders to return the voting instruction forms or proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. A Beneficial Shareholder receiving a proxy or voting instruction form from Broadridge cannot use that proxy to vote Common Shares directly at the Meeting -

the proxy must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted.

Although Beneficial Shareholders may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of their Intermediary, a Beneficial Shareholder may attend the Meeting as proxyholder for the Intermediary and vote their Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their own Common Shares as proxyholder for the Intermediary should enter their own names in the blank space on the management form of proxy or voting instruction form provided to them and return the same to their Intermediary (or the agent of such Intermediary) in accordance with the instructions provided by such Intermediary or agent well in advance of the Meeting. **Beneficial Shareholders should carefully follow the instructions of their Intermediaries and their service companies.**

All references to shareholders in this Circular and the accompanying form of proxy and Notice are to Shareholders of record unless specifically stated otherwise.

NOTE TO NON-OBJECTING BENEFICIAL OWNERS

The Meeting Materials are being sent to both registered and Beneficial Shareholders. If you are a Beneficial Shareholder, and the Corporation or its agent has sent the Meeting Materials directly to you, your name and address and information about your holdings of Common Shares, have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf. By choosing to send the Meeting Materials to you directly, the Corporation (and not the Intermediary holding on your behalf) has assumed responsibility for (i) delivering the Meeting Materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Corporation has fixed the close of business on Wednesday, May 30, 2018 as the record date (the “**Record Date**”) for the purposes of determining Shareholders entitled to receive the Notice and vote at the Meeting. As at the Record Date, 172,465,672 Common Shares carrying the right to one vote per share at the Meeting were issued and outstanding.

In accordance with the provisions of the *Canada Business Corporations Act*, the Corporation will prepare a list of the holders of Common Shares on the Record Date. Each holder of Common Shares named on the list will be entitled to vote the Common Shares shown opposite his, her or its name on the list at the Meeting.

To the knowledge of the directors and executive officers of the Corporation, as at the date of this Circular, the only persons who beneficially own, or control or direct, directly or indirectly, voting securities of the Corporation carrying 10% or more of the voting rights attached to the Common Shares are as follows:

Name	Number of Shares Owned (Percentage of Class and Type of Ownership)	
	Common Shares ⁽¹⁾	Percentage of Voting Rights
CHVP Funds ⁽²⁾	19,577,365	11.35%

Notes:

- (1) The shareholdings are based upon information available on the public record.
- (2) CHVP Funds includes Celtic House Venture Partners Fund III L.P., Celtic House Venture Partners Fund III (U.S.) L.P. and Celtic House Venture Partners Fund III (Barbados) SRL (collectively, “**CHVP Funds**”).

COMPENSATION DISCUSSION AND ANALYSIS

All amounts in this Circular are expressed in Canadian dollars unless otherwise noted.

Overview

The general objectives of the Corporation’s compensation strategy are to: (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long-term shareholder value; (b) align management’s interests with the long-term interests of shareholders; and (c) attract and retain highly qualified executive officers.

Management Contracts

The following is a description of the management contracts for the Named Executive Officers (as such term is defined below):

Raouf Halim

Raouf Halim currently receives a Base Salary of US\$375,000 per annum for his services as Chief Executive Officer of the Corporation. He has entered into an employment agreement (the “**CEO Employment Agreement**”) with the Corporation and Spectra7 Microsystems Ltd. (“**Spectra7 US**”), a wholly owned subsidiary of the Corporation, which is for an indefinite term and includes provisions relating to, among other things, base salary, eligibility for benefits and an annual performance bonus, equity awards, and eligibility for short-term incentives and long-term incentive plan awards (“**LTIP**”).

Mr. Halim is eligible to be considered for an annual performance bonus (“**Annual Bonus**”) for each fiscal year of the Corporation including 2017. For the 2017 calendar year, the Annual Bonus was guaranteed and was to be no less than 75% of Mr. Halim’s Base Salary. For the 2018 and subsequent calendar years, Mr. Halim’s target Annual Bonus is no less than 75% up to a maximum of 200% of Base Salary and shall be based on criteria established by the Board and the Compensation Committee in consultation with Mr. Halim. As per the CEO Employment Agreement, beginning with the calendar year 2017, Mr. Halim is entitled to an annual LTIP award (denominated in restricted share units (“**RSUs**”)) equal to 100% of Base Salary, with 25% of such RSUs vesting on the one year anniversary of the date of the award and the remaining 75% vesting quarterly in equal instalments over the 12 calendar quarter end dates following the first anniversary of the date of the award.

Capitalized terms used but not otherwise defined in this section (“Compensation Discussion and Analysis – Management Contracts – Raouf Halim”) have the meanings ascribed to such terms below.

If Mr. Halim is subject to an Involuntary Termination upon or within the CIC Protection Period, 100% of Mr. Halim’s then-outstanding and unvested Options and RSUs will vest and (if applicable) become exercisable.

In the event of any termination, including without limitation a termination for Cause (as defined in the CEO Employment Agreement), death, voluntary resignation, Involuntary Termination (as defined in the CEO Employment Agreement) or Resignation for Good Reason (as defined in the CEO Employment Agreement), Mr. Halim shall be entitled to all accrued but unpaid Base Salary, bonuses, business expenses

and unused vacation time. In addition to such amounts and any LTIP, RSU or Option benefits provided for under the CEO Employment Agreement or any other arrangement with the Corporation or Spectra7 US, (A) if Mr. Halim is subject to an Involuntary Termination, subject to certain preconditions, Spectra7 US will pay Mr. Halim: (i) a prorated Annual Bonus in cash for the year of termination based on the number of days in the bonus period worked (the “**Prorated Bonus**”) and based on actual performance of the Corporation for the bonus period (and deeming all individual criteria for such Annual Bonus as having been met), (ii) any unpaid 2016 Annual Bonus and 2017 Annual Bonus, in full (the “**Guaranteed Bonuses**”), and (iii) a cash severance payment equal to twelve (12) months Base Salary and target Annual Bonus (equal to target Annual Bonus of 75% of Base Salary) for the same period (the “**Severance Payment**”), and (iv) a continuation of benefits and accelerated vesting of granted Options and RSUs that would have vested in the twelve (12) month period following the termination; or (B) if Mr. Halim is subject to an Involuntary Termination upon or during the CIC Protection Period, subject to certain preconditions, Mr. Halim shall be entitled to: (i) a Prorated Bonus, (ii) the Guaranteed Bonuses, (iii) a cash severance payment equal to two years’ Base Salary and target Annual Bonus for the same period; and (iv) and a continuation of benefits for two years following the termination.

Assuming an Involuntary Termination occurred on December 31, 2017 that was not within the CIC Protection Period, the estimated severance payment to Mr. Halim would have been approximately US\$828,125 and Mr. Halim would have been eligible for continued benefits for twelve months following the termination, and accelerated vesting of granted Options and RSUs that would have vested in the twelve month period following the termination. Assuming an Involuntary Termination occurred on December 31, 2017 that was within a CIC Protection Period, the estimated severance payment to Mr. Halim would have been approximately US\$1,484,375 and the continuation of benefits for two years following the termination.

For the purposes of this section only (“Compensation Discussion and Analysis – Management Contracts – Raouf Halim”), the following terms have the following meanings:

“**Base Salary**” means annual base salary at the rate in effect immediately prior to an Involuntary Termination; provided, however, that in the event of a Resignation for Good Reason due to a reduction in Base Salary, “Base Salary” means annual Base Salary at the rate in effect immediately prior to such reduction.

“**Change in Control**” means:

- a) Any “person” or “company” (as such terms are defined in the *Securities Act* (Ontario)) acquires or becomes the beneficial owner of, directly or indirectly, more than 50% of the Corporation’s or Spectra7 US’ then-outstanding voting securities;
- b) The consummation of the sale or disposition by the Corporation of more than 50% of the Corporation’s or Spectra7 US’ assets;
- c) The consummation of a merger or consolidation of the Corporation or Spectra7 US with or into any other entity, other than a merger or consolidation which would result in the voting securities of the Parent outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) more than 50% of the total voting power represented by the voting securities of the Corporation or Spectra7 US or such surviving entity or its parent outstanding immediately after such merger or consolidation; or

- d) Individuals who are members of the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the members of the Corporation’s board of directors over a period of 12 months; provided, however, that if the appointment or election (or nomination for election) of any new board member was approved by a majority vote of the members of the Incumbent Board then still in office, such new member shall, for purposes of this Agreement, be considered as a member of the Incumbent Board.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Corporation’s incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Corporation’s securities immediately before such transaction. In addition, if a Change in Control constitutes a payment event with respect to any amount which is subject to Code Section 409A, then the transaction must also constitute a “change in control event” as defined in Treasury Regulation Section 1.409A-3(i)(5) to the extent required by Code Section 409A.

“**CIC Protection Period**” means the period beginning ninety (90) days prior to and ending twenty four (24) months after a Change of Control.

Darren Ma

Darren Ma currently receives an annual base salary of US\$255,000 per annum for his services as Chief Financial Officer of the Corporation. He has entered into an employment agreement (the “**CFO Employment Agreement**”) with the Corporation and Spectra7 Microsystems Ltd., a wholly-owned subsidiary of the Corporation, which is for an indefinite term and includes provisions relating to, among other things, base salary, eligibility for benefits and an annual performance bonus, equity awards, and eligibility for short-term incentives and LTIP awards.

Pursuant to the CFO Employment Agreement, Mr. Ma is eligible to be considered for an Annual Bonus for each fiscal year of the Corporation starting in 2018. The target Annual Bonus will be 40% of his annual base salary and shall be based on criteria established by the Chief Executive Officer, the Board and the Compensation Committee in consultation with Mr. Ma. Pursuant to the CFO Employment Agreement, beginning with the calendar year commencing on January 1, 2019, Mr. Ma will be entitled to an annual LTIP award (denominated in RSUs) equal to 50% of his annual base salary, with 25% of such RSUs vesting on the one year anniversary of the date of the award and the remaining 75% vesting quarterly in equal instalments over the 12 calendar quarter end dates following the first anniversary of the date of the award.

In addition to the CFO Employment Agreement, on October 13, 2017, Mr. Ma entered into a severance protection agreement (the “**Severance Agreement**”) with Spectra7 Microsystems Ltd. and the Corporation. Capitalized terms used but not otherwise defined in this section (“Compensation Discussion and Analysis – Management Contracts – Darren Ma”) have the meanings ascribed to such terms below.

If Mr. Ma is subject to an Involuntary Termination within the Change in Control Period, Mr. Ma will be entitled to accrued but unpaid base salary, bonuses, business expenses, and unused vacation time (collectively, the “**Accrued Amounts**”). In addition to the Accrued Amounts, Mr. Ma will also be entitled to: (i) a Prorated Bonus, (ii) a cash severance payment equal to one year of base salary and target bonus compensation for the same period, (iii) continuation of benefits (including health, dental, vision, life and short term and long term disability) for one year, and (iv) accelerated vesting of all Options, RSUs and any other equity awards held immediately prior to the Involuntary Termination.

Assuming an Involuntary Termination occurred on December 31, 2017 that was within a Change in Control Period, the estimated severance payment to Mr. Ma would have been approximately US\$378,250, Mr. Ma

would have been eligible for continued benefits for one year following the termination and accelerated vesting of all granted Options and RSUs held immediately prior to such Involuntary Termination.

If Mr. Ma is subject to an Involuntary Termination outside of the Change in Control Period, Mr. Ma will be entitled to the Accrued Amounts together with: (i) a Prorated Bonus, (ii) cash severance equal to six months of base salary, and (iii) continuation of benefits (including health, dental, vision, life and short term and long term disability) for six months following termination.

Assuming an Involuntary Termination occurred on December 31, 2017 that was not within the Change in Control Period, the estimated severance payment to Mr. Ma would have been approximately US\$148,750 and Mr. Ma would have been eligible for continued benefits for six months following the termination.

For the purposes of this section only (“Compensation Discussion and Analysis – Management Contracts – Darren Ma”), the following terms have the following meanings:

“**Change in Control**” shall have the meaning ascribed it (or change of control) in any of Spectra7 US or the Corporation’s stock option plan, restricted stock unit plan, or other equity participation plan as in effect on the date hereof, and for the avoidance of doubt, shall include any of the following:

- i) Any “person” or “company” (as such terms are defined in the *Securities Act* (Ontario)) acquires or becomes the beneficial owner of, directly or indirectly, more than 50% of Spectra7 US or the Corporation’s then-outstanding voting securities;
- ii) The consummation of the sale or disposition by the Corporation of more than 50% of Spectra7 US or the Corporation’s assets;
- iii) The consummation of a merger or consolidation of Spectra7 US or the Corporation’s with or into any other entity, other than a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) more than 50% of the total voting power represented by the voting securities of Spectra7 US or the Corporation or such surviving entity or its parent outstanding immediately after such merger or consolidation; or
- iv) Individuals who are members of the Corporation’s Board of Directors (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the members of the Corporation’s board of directors over a period of 12 months; provided, however, that if the appointment or election (or nomination for election) of any new board member was approved by a majority vote of the members of the Incumbent Board then still in office, such new member shall, for purposes of the Severance Agreement, be considered as a member of the Incumbent Board.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state or jurisdiction of the Corporation’s incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Corporation’s securities immediately before such transaction.

“**Change in Control Protection Period**” means the period beginning on the execution of a binding letter of intent (or similar writing) describing a Change in Control (or if none, the consummation of a Change in Control) and ending twelve (12) months after a Change in Control.

“Involuntary Termination” means either a termination of Mr. Ma’s employment by (i) Spectra7 US, the Corporation or their successor(s) without Cause (as defined in the Severance Agreement) or (ii) by Mr. Ma for Good Reason (as defined in the Severance Agreement).

“Prorated Bonus” means a prorated cash bonus for the bonus period in which the termination occurred based on the number of days in the bonus period worked and based on actual performance of Spectra7 US, the Corporation or its successors, as the case may be, for such bonus period (and deeming all individual criteria for such bonus as having been met).

John Mitchell, Andrew Kim and Gerald Hamilton

The following Named Executive Officers (as such term is defined below), serving in the following capacities, currently receive the following annual salaries:

1. John Mitchell currently receives US\$215,000 per annum for his services as Chief Marketing Officer of the Corporation;
2. Andrew Kim currently receives US\$210,000 per annum for his services as Chief Technical Officer of the Corporation; and
3. Gerald Hamilton currently receives US\$220,000 per annum for his services as Senior Vice President of Worldwide Sales.

Each of such Named Executive Officers has entered into an employment agreement with a wholly-owned subsidiary of the Corporation which is for an indefinite term and includes standard provisions relating to, among other things, base salary, eligibility for employee benefits and confidentiality and intellectual property rights.

The employment of such Named Executive Officers with the Corporation is “at will” meaning that the Corporation or the Named Executive Officers may terminate their employment relationship at any time and for any reason, with or without cause. The employment agreements do not contain severance or change of control provisions.

Elements of Compensation

1. Base Salary

Each Named Executive Officer (as such term is defined below) receives a base salary, which constitutes a significant portion of the Named Executive Officer’s compensation package. Base salary is provided in recognition for discharging day-to-day duties and responsibilities and reflects the Named Executive Officer’s performance over time, as well as that individual’s particular experience and qualifications. A Named Executive Officer’s base salary is reviewed by the board of directors of the Corporation (the “**Board**”) or the Compensation Committee on an annual basis and may be adjusted to take into account performance contributions for the year and to reflect sustained performance contributions over a number of years. At the discretion of the Board or the Compensation Committee, each of the Named Executive Officers is eligible to receive performance bonuses, which are contingent on the Named Executive Officer achieving certain performance objectives set annually by the Compensation Committee.

2. Incentive Plans

Both the stock option plan of the Corporation (the “**Stock Option Plan**”) and the restricted share unit plan of the Corporation (the “**RSU Plan**”, collectively the “**Incentive Plans**”) are intended to reinforce commitment to long-term growth in profitability and shareholder value by encouraging share ownership and entrepreneurship on the part of the senior management and other employees. The Board believes that the Incentive Plans align the interests of the Named Executive Officers and the Board with Shareholders by linking a component of executive compensation to the longer term performance of the Common Shares.

(a) Stock Option Plan

Officers, directors, employees and service providers are eligible under the Corporation’s stock option plan to receive grants of stock options. The Stock Option Plan is an important part of the Corporation’s long-term incentive strategy for its officers, directors, employees and service providers, permitting them to participate in appreciation of the market value of the Common Shares over a stated period of time. The Stock Option Plan is intended to reinforce commitment to long-term growth in profitability and shareholder value. The size of the stock option grants to officers, directors, employees and service providers is dependent on each such person’s level of responsibility, authority and position with the Corporation and to the degree to which such person’s long term contribution to the Corporation will be key to its long term success.

Options are granted by either the Board or the Compensation Committee. In monitoring or adjusting the option allotments, the Board or the Compensation Committee, as the case may be, takes into account its own observations on individual performance (where possible) and its assessment of individual contribution to shareholder value, previous option grants and the objectives set for the Named Executive Officers. The scale of options is generally commensurate to the appropriate level of base compensation for each level of responsibility. The Board or the Compensation Committee will make these determinations subject to and in accordance with the provisions of the Stock Option Plan.

The combined maximum aggregate number of Common Shares reserved for issuance under both the Stock Option Plan and RSU Plan is currently 29,450,000 Common Shares, representing approximately 17.1% of the issued and outstanding Common Shares as at the date of this Circular. As at the date of this Circular, options to purchase up to an aggregate of 7,785,296 Common Shares were outstanding (representing approximately 4.5% of the issued and outstanding Common Shares as at the date of this Circular) and 135,416 options have been exercised under the Stock Option Plan (representing less than 0.08% of the issued and outstanding Common Shares as at the date of this Circular).

(b) RSU Plan

The purpose of the RSU Plan is to advance the interests of the Corporation by encouraging equity participation in the Corporation by its directors, officers, employees and service providers.

Awards under the RSU Plan are granted by either the Board or the Compensation Committee. In monitoring or adjusting the awards, the Board or the Compensation Committee, as the case may be, takes into account its own observations on individual performance (where possible) and its assessment of individual contribution to shareholder value, previous awards and the objectives set for the Named Executive Officers. The Board or the Compensation Committee will make these determinations subject to and in accordance with the provisions of the RSU Plan.

The combined maximum aggregate number of Common Shares reserved for issuance under both the Stock Option Plan and RSU Plan is currently 29,450,000 Common Shares, representing approximately 17.1% of

the issued and outstanding Common Shares as at the date of this Circular. As at the date of this Circular, an aggregate of 13,000,480 RSUs were outstanding (representing approximately 7.54% of the issued and outstanding Common Shares as at the date of this Circular), and 5,667,709 Common Shares have been issued under the RSU Plan (representing approximately 3.29% of the issued and outstanding Common Shares as at the date of this Circular).

Compensation of Directors

Independent members of the Board are paid US\$2,000 per regularly scheduled Board meeting to a maximum of four meetings per year and an additional US\$500 per extraordinary Board meeting to a maximum of four meetings per quarter. In addition, the Chairman of the Board, the Chairman of the Audit Committee, the Chairman of the Compensation Committee and the Chairman of the Corporate Governance and Nominating Committee receive an additional annual cash fee of US\$5,000, US\$3,000, US\$3,000 and US\$3,000, respectively. Directors of the Corporation are also compensated for their services through the granting of US\$60,000 per year of stock options and RSU awards, and may also be reimbursed for out-of-pocket expenses incurred in carrying out their duties as directors.

Officers of the Corporation who also act as directors will not receive any additional compensation for services rendered in such capacity, other than as paid by the Corporation in their capacity as officers.

Compensation Risk

The Board and, as applicable, the Compensation Committee, considers and assesses the implications of risks associated with the Corporation's compensation policies and practices and devotes such time and resources as is believed to be necessary in the circumstances. The Corporation's practice of compensating its officers primarily through a mix of salary, stock options and RSUs is designed to mitigate risk by: (i) ensuring that the Corporation retains such officers; and (ii) aligning the interests of its officers with the short-term and long-term objectives of the Corporation and its shareholders. As at the date of this Circular, the Board had not identified risks arising from the Corporation's compensation policies and practices that are reasonably likely to have a material adverse effect on the Corporation.

Financial Instruments

Pursuant to the terms of the Corporation's Insider Trading Policy, the Corporation's officers and directors are prohibited from purchasing financial instruments, such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by an officer or director.

Compensation Governance

In order to assist the Board in fulfilling its oversight responsibilities with respect to compensation matters, the Board has established the Compensation Committee and has reviewed and approved the Compensation Committee's Charter. The Compensation Committee is composed of Robert Dobkin, Ronald Pasek and John Vettese, each of whom is independent as such term is defined in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”).

The Compensation Committee meets on compensation matters as and when required with respect to executive compensation. The primary goal of the Compensation Committee as it relates to compensation matters is to ensure that the compensation provided to the Named Executive Officers and the Corporation's other executive officers is determined with regard to the Corporation's business strategies and objectives, such that the financial interest of the executive officers is aligned with the financial interest of shareholders,

and to ensure that their compensation is fair and reasonable and sufficient to attract and retain qualified and experienced executives. The Compensation Committee is given the authority to engage and compensate any outside advisor that it determines to be necessary to carry out its duties.

As a whole, the members of the Compensation Committee have direct experience and skills relevant to their responsibilities in executive compensation, including with respect to enabling the Compensation Committee in making informed decisions on the suitability of the Corporation's compensation policies and practices. Both Mr. Dobkin and Mr. Vettese have experience on the board of directors and related committees of other public companies, as described under "Particulars of Matters to be Acted Upon - Election of Directors" in this Circular.

Summary Compensation Table – Named Executive Officers

The following table sets forth the compensation paid or awarded to the following individuals: (i) the President and Chief Executive Officer; (ii) the Chief Financial Officer; (iii) the former Chief Financial Officer; (iv) the Chief Technology Officer; (v) the Chief Marketing Officer; and (vi) the Senior Vice President, Worldwide Sales (collectively, the "Named Executive Officers") for the Corporation's financial years ended December 31, 2017, 2016 and 2015.

Name and principal position	Year	Salary/ Fee (\$) ⁽¹⁾	Share-based awards (\$) ⁽²⁾	Option-based awards (\$) ⁽³⁾	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	LTIP			
Raouf Halim, President and Chief Executive Officer ⁽⁴⁾	2017	486,975	1,058,311	324,680	365,230	Nil	Nil	Nil	2,235,196
	2016	133,718	337,718	93,379	159,390	Nil	Nil	66,240	789,865
Darren Ma, Chief Financial Officer ⁽⁵⁾	2017	51,543	24,301	10,610	Nil	Nil	Nil	Nil	86,454
David Mier, Former Chief Financial Officer ⁽⁵⁾	2017	305,884	22,405	10,001	Nil	Nil	Nil	Nil	338,290
	2016	258,337	28,807	12,859	53,432	Nil	Nil	Nil	353,435
	2015	17,077	2,274	1,015	Nil	Nil	Nil	Nil	20,366
Andrew Kim, Chief Technology Officer	2017	257,555	2,140	1,114	Nil	Nil	Nil	Nil	260,809
	2016	250,563	10,430	5,442	3,312	Nil	Nil	Nil	269,747
	2015	224,423	22,091	11,531	Nil	Nil	Nil	Nil	258,045
John Mitchell, Chief Marketing Officer	2017	256,000	8,015	3,940	Nil	Nil	Nil	Nil	267,955
	2016	246,745	19,626	9,704	Nil	Nil	Nil	Nil	276,075
	2015	214,840	32,199	16,130	Nil	Nil	Nil	Nil	263,169
Gerald Hamilton, Senior Vice President, Worldwide Sales ⁽⁶⁾	2017	190,462	55,994	24,320	32,465	Nil	Nil	Nil	303,241

Notes:

- (1) The amounts denominated in Canadian dollars under "Salary" were paid/payable in US\$. Such amounts were paid on a monthly basis and therefore all US\$ amounts are converted at an exchange rate of US\$1.00:\$1.2986 for fiscal 2017.
- (2) Calculated based on the Black-Scholes model for share-based award valuation. The fair value of the share-based awards under the RSU Plan has been calculated based on the following weighted average assumptions: dividend yield 0%, expected volatility 36%, risk free rate of return 1.51% and forfeiture rate of 10%.

- (3) Calculated based on the Black-Scholes model for option valuation. The fair value of the stock options has been calculated based on the following weighted average assumptions (the grant date fair value equals the accounting fair value for stock options): dividend yield – 0%, expected volatility – 40% risk free rate of return 1.84%, forfeiture rate of 10% and expected life – 7.0 years.
- (4) Mr. Halim was appointed President and Chief Executive Officer of the Corporation on September 26, 2016.
- (5) Mr. Ma was appointed Chief Financial Officer of the Corporation on November 6, 2017, following the retirement of Mr. Mier.
- (6) Mr. Hamilton was appointed Senior Vice President, Worldwide Sales on May 2, 2017.

Incentive Plan Awards – Named Executive Officers

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth all share-based and option-based awards outstanding for the Named Executive Officers as of December 31, 2017:

Name	Option-Based Awards				Share-Based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share based awards that have not vested ⁽²⁾ (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Raouf Halim, President and Chief Executive Officer	3,453,485	\$0.34	October 26, 2026	Nil	3,333,333 1,110,583	966,667 322,069	Nil Nil
Darren Ma, Chief Financial Officer ⁽³⁾	815,000	\$0.34	November 6, 2024	Nil	815,000	236,350	Nil
David Mier, Former Chief Financial Officer ⁽³⁾	145,000	\$0.395	December 7, 2020	Nil	Nil	Nil	Nil
Andrew Kim, Chief Technology Officer	90,000	\$0.934	February 5, 2020	Nil	Nil	Nil	Nil
	60,000	\$0.76	October 4, 2020	Nil	Nil	Nil	Nil
John Mitchell Chief Marketing Officer	50,000	\$0.934	February 5, 2020	Nil	Nil	Nil	Nil
	35,000	\$0.92	November 17, 2021	Nil	8,024	2,327	212
	40,000	\$0.63	May 20, 2022	Nil	14,161	4,107	242
Gerald Hamilton, Senior Vice President, Worldwide Sales	300,000	\$0.53	May 1, 2024	Nil	300,000	87,000	Nil

Notes:

- (1) The “value of unexercised in-the-money options” is calculated based on the difference between the closing price of \$0.29 for the Common Shares on the Toronto Stock Exchange (the “**TSX**” or “**Exchange**”) on December 29, 2017 and the exercise price of the options, multiplied by the number of unexercised options.
- (2) The “market or payout value of share-based awards that have not vested” is calculated based on the closing price of \$0.29 for the Common Shares on the Exchange on December 30, 2017 multiplied by the number of Common Shares that have not vested.
- (3) Mr. Ma was appointed Chief Financial Officer of the Corporation on November 6, 2017, following the retirement of Mr. Mier.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value of all incentive plan awards vested or earned for each Named Executive Officer during the year ended December 31, 2017:

Name	Option-based awards – Value vested during the year⁽¹⁾ (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Raouf Halim, President and Chief Executive Officer	86,337	691,667	365,230
Darren Ma, Chief Financial Officer ⁽²⁾	Nil	Nil	Nil
David Mier, Former Chief Financial Officer ⁽²⁾	574	38,516	Nil
Andrew Kim, Chief Technology Officer	Nil	5,941	Nil
John Mitchell, Chief Marketing Officer	Nil	8,186	Nil
Gerald Hamilton, Senior Vice President, Worldwide Sales	Nil	Nil	32,465

Note:

- (1) The “value vested during the year” is calculated based on the difference between the closing price for the Common Shares on the TSX as of the date of vesting (or the most recent closing price on the TSX) and the exercise price of the options, multiplied by the number of vested options.
- (2) Mr. Ma was appointed Chief Financial Officer of the Corporation on November 6, 2017, following the retirement of Mr. Mier.

Director Compensation

Director Compensation Table

The following table sets forth all amounts of compensation provided to the directors of the Corporation (other than directors who are also Named Executive Officers) during the financial year ended December 31, 2017:

Name	Fees Earned⁽¹⁾ (\$)	Share-based awards⁽²⁾ (\$)	Option-based awards⁽³⁾ (\$)	All other compensation (\$)	Total (\$)
Brian Antonen	9,740	8,655	3,809	Nil	22,204
Robert Dobkin	13,635	8,655	3,809	Nil	69,295
Roger Maggs	8,441	8,655	3,809	Nil	53,101
John Vettese	10,389	12,069	5,293	Nil	73,491

Name	Fees Earned ⁽¹⁾ (\$)	Share-based awards ⁽²⁾ (\$)	Option-based awards ⁽³⁾ (\$)	All other compensation (\$)	Total (\$)
Ronald Pasek	20,128	13,655	6,194	Nil	109,547

Notes:

- (1) Certain amounts denominated in Canadian dollars under “Fees Earned” were paid/payable in US\$. All US\$ amounts are converted at an exchange rate of US\$1.00:\$1.2986 for fiscal 2017.
- (2) Calculated based on the Black-Scholes model for share-based award valuation. The fair value of the share-based awards under the RSU Plan has been calculated based on the following weighted average assumptions: dividend yield 0%, expected volatility 36%, risk free rate of return 1.51% and forfeiture rate of 10%.
- (3) Calculated based on the Black-Scholes model for option valuation. The fair value of the stock options has been calculated based on the following weighted average assumptions (the grant date fair value equals the accounting fair value for stock options): dividend yield – 0%, expected volatility – 40% risk free rate of return 1.84%, forfeiture rate of 10% and expected life – 7.0 years.

Incentive Plan Awards - Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth all awards outstanding for each of the directors of the Corporation (other than directors who are also Named Executive Officers) as of December 31, 2017:

Name	Option-Based Awards				Share-Based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share based awards that have not vested ⁽²⁾ (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Brian Antonen	50,000 32,820	\$0.934 \$0.68	February 5, 2020 May 12, 2023	Nil Nil	Nil 19,827	Nil 5,750	Nil 198
Robert Dobkin	50,000 32,820	\$0.934 \$0.68	February 5, 2020 May 12, 2023	Nil Nil	Nil 19,827	Nil 5,750	Nil 198
Roger Maggs	50,000 32,820	\$0.934 \$0.68	February 5, 2020 May 12, 2023	Nil Nil	Nil 19,827	Nil 5,750	Nil 198
John Vettese	50,000 32,820	\$0.73 \$0.68	December 18, 2021 May 12, 2023	Nil Nil	12,498 19,827	3,624 5,750	302 198
Ronald Pasek	50,000 32,820	\$0.62 \$0.68	June 18, 2022 May 12, 2023	Nil Nil	18,747 19,827	5,437 5,750	302 198

Notes:

- (1) The “value of unexercised in-the-money options” is calculated based on the difference between the closing price of \$0.29 for the Common Shares on the TSX on December 29, 2017 and the exercise price of the options, multiplied by the number of unexercised options.
- (2) The “market or payout value of share-based awards that have not vested” is calculated based on the closing price of \$0.29 for the Common Shares on the TSX on December 29, 2017 multiplied by the number of Common Shares that have not vested.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value of all incentive plan awards vested or earned by each director of the Corporation (other than directors who are also named Executive Officers) during the year ended December 31, 2017:

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year ⁽¹⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Brian Antonen	Nil	6,410	Nil
Robert Dobkin	Nil	6,410	Nil
Roger Maggs	Nil	6,410	Nil
John Vettese	Nil	10,430	Nil
Ronald Pasek	Nil	10,432	Nil

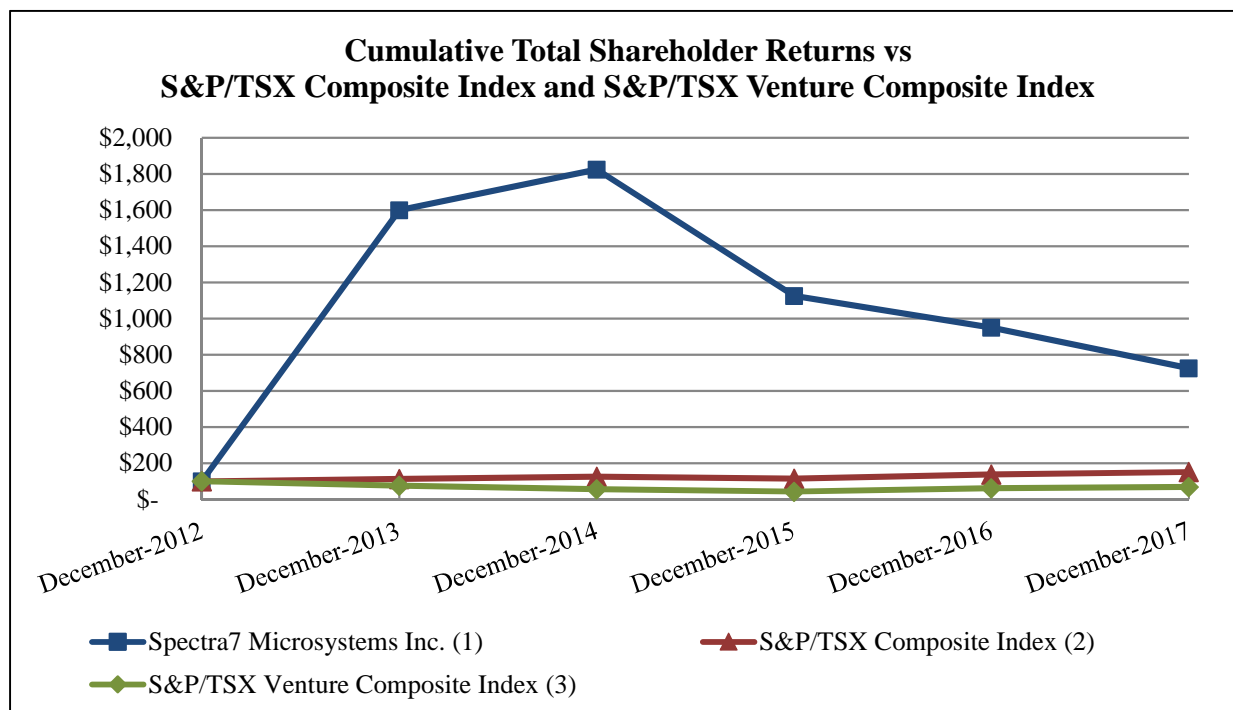
Note:

- (1) The “value vested during the year” is calculated based on the difference between the closing price for the Common Shares on the TSX as of the date of vesting (or the most recent closing price on the TSX) and the exercise price of the options, multiplied by the number of vested options.

PERFORMANCE GRAPH

On July 23, 2015, the Common Shares began trading on the TSX and were voluntarily delisted from the TSX Venture Exchange.

The following performance graph shows the cumulative return for Common Shares compared to both the S&P/TSX Composite Index and the S&P/TSX Venture Composite Index over the five year period preceding December 31, 2017 for which the Corporation has been a reporting issuer. The table shows what \$100 investments in Common Shares and the indices, made on December 31, 2012, would have been worth in each of the past five years ending December 31, 2017. The stock price performance on the graph below is not necessarily indicative of future price performance.



	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Common Shares ⁽¹⁾	\$100	\$1,600	\$1,825	\$1,125	\$950	\$725
S&P/TSX Composite Index ⁽²⁾	\$100	\$113	\$125	\$115	\$139	\$151
S&P/TSX Venture Composite Index ⁽³⁾	\$100	\$76	\$57	\$43	\$62	\$70

Notes:

- (1) Assumes \$100 invested in Common Shares on December 31, 2012. Values are stated as at December 31, 2012, 2013, 2014, 2015, 2016 and 2017.
- (2) The S&P/TSX Composite Index returns assume dividend reinvestment.
- (3) The S&P/TSX Venture Composite Index returns do not assume dividend reinvestment as the index is a price return index only. The Corporation does not believe a total return index is available for the TSXV.

As at December 31, 2017, the value of \$100 invested in Common Shares on December 31, 2012 had increased by approximately 625% compared to an increase of 51% for a similar investment in the S&P/TSX Composite Index and a decrease of 30% for a similar investment in the S&P/TSX Venture Composite Index over the same period. There is no direct correlation between the performance of the Common Shares and executive compensation. The Common Share price may be affected by a number of factors beyond the control of the Corporation, including general and industry-specific economic and market conditions. The Compensation Committee evaluates performance by reference to the overall direction and success of the Corporation rather than by any short-term fluctuations in the trading price of the Common Shares.

As described in the “Compensation Discussion and Analysis” section above, a significant portion of the total direct compensation that Named Executive Officers receive in any year is comprised of variable

compensation provided under the Stock Option Plan and the RSU Plan. These plans are intended to drive and reward superior performance during the current year as well as over the long term.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information regarding the number of Common Shares to be issued upon exercise of outstanding options pursuant to the Stock Option Plan and upon settlement of RSUs under the RSU Plan, as at December 31, 2017:

Plan Category	Number of Common Shares to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of Common Shares remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	7,523,632 ⁽¹⁾ 6,830,153 ⁽²⁾	\$0.44 N/A	15,096,215 ⁽³⁾
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	14,353,785	\$0.44 ⁽¹⁾	15,096,215

Notes:

- (1) Issuable upon exercise of outstanding options pursuant to the Stock Option Plan.
- (2) Issuable pursuant to the RSU Plan.
- (3) Combined maximum aggregate number of Common Shares available under both the Stock Option Plan and RSU Plan.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date of this Circular, no individual who is an executive officer, director, employee or former executive officer, director or employee of the Corporation or any of its subsidiaries is indebted to the Corporation or any of its subsidiaries pursuant to the purchase of securities or otherwise.

No individual who is, or at any time during the financial year ended December 31, 2017 was, a director or executive officer of the Corporation, a proposed management nominee for election as a director of the Corporation, or an associate of any such director, executive officer or proposed nominee, was indebted to the Corporation or any of its subsidiaries during the financial year ended December 31, 2017 or as at the date of this Circular in connection with security purchase programs or other programs.

REPORT ON CORPORATE GOVERNANCE

Maintaining a high standard of corporate governance is a priority for the Board and the Corporation's management as both believe that effective corporate governance will help create and maintain shareholder value in the long term. A description of the Corporation's corporate governance practices, which addresses the matters set out in NI 58-101, is set out at Schedule "A" to this Circular.

AUDIT COMMITTEE DISCLOSURE

Audit Committee's Charter

The charter (the "**Charter**") of the Corporation's Audit Committee is reproduced as Schedule "B".

Composition of Audit Committee

As at the date of this Circular, the Audit Committee is composed of Ronald Pasek (Chair), Brian Antonen and Roger Maggs, each of whom is a director of the Corporation.

All of the members of the Audit Committee are “independent” as such term is defined in National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”). The Corporation is of the opinion that all three members of the Audit Committee are “financially literate” as such term is defined in NI 52-110.

Relevant Education and Experience

All the members of the Audit Committee have the education and/or practical experience required to understand and evaluate financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation’s financial statements.

Ronald Pasek holds a Bachelor of Science degree in Finance from San Jose State University and a Master of Business Administration from Santa Clara University. Ronald Pasek is the Executive Vice President, Chief Financial Officer of NetApp, Inc. (NASDAQ), a worldwide provider of software, systems and services to manage data. Prior to his position with NetApp, Inc., Mr. Pasek was Senior Vice President of Finance and Chief Financial Officer of Altera Corporation (NASDAQ) a worldwide provider of programmable logic devices. Mr. Pasek was previously employed by Sun Microsystems where he most recently served as Vice President and Corporate Treasurer. In his 19 years at Sun Microsystems, Mr. Pasek held a variety of positions in finance, including Vice President of Worldwide Field Finance, Worldwide Manufacturing, and U.S. Field Finance.

Brian Antonen holds a Bachelor of Applied Science degree in Electrical Engineering from the University of Waterloo and a Master of Business Administration degree from the Richard Ivey School of Business at the University of Western Ontario. He is a member of the Association of Professional Engineers of Ontario and of the Certified Management Accountants of Ontario. He has held directorships on more than 17 public and private boards and currently serves on the audit and compensation committees of ViXS Systems Inc. (TSX:VXS).

Roger Maggs earned a Bachelor of Science degree in Physics from the University of Wales, and a Master’s degree from Warwick Business School. He has extensive venture capital experience, including founding Celtic House in 1994. Over his career, he has held directorships on more than 30 public and private boards and served as an audit committee member on two public companies.

Audit Committee Oversight

At no time since the commencement of the Corporation’s most recently completed financial year have any recommendations by the Audit Committee respecting the nomination and/or compensation of the Corporation’s external auditors not been adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation’s most recently completed financial year has the Corporation relied on exemptions in relation to “*De Minimis Non-audit Services*” or any exemption provided by Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

Pursuant to the terms of the Audit Committee Charter, the Audit Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditor.

External Auditor Service Fees (By Category)

Audit Fees – The Corporation's external auditors billed \$108,570 and \$79,180 for the audit of the financial years ended December 31, 2017 and 2016, respectively.

Audit-Related Fees – The Corporation's external auditors billed \$66,608 and \$40,125 for the review of financial statements during the financial years ended December 31, 2017 and 2016, respectively.

Tax Fees – The Corporation's external auditors billed the Corporation \$24,931 and \$21,266 during the financial years ended December 31, 2017 and 2016, respectively, for services related to tax compliance, tax advice and tax planning.

All Other Fees – The Corporation's external auditors billed the Corporation \$24,075 during the financial year ended December 31, 2017 for services including review of certain short form prospectuses and \$27,285 during the financial year ended December 31, 2016 for services including review of short form prospectuses.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, no "informed person" (as such term is defined in NI 51-102) or proposed nominee for election as a director of the Corporation or any associate or affiliate of the foregoing has any material interest, direct or indirect, in any transaction in which the Corporation has participated since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which has materially affected or will materially affect the Corporation.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Election of Directors

The Board presently consists of six directors, namely, Raouf Halim, Brian Antonen, Robert Dobkin, Roger Maggs, Ronald Pasek and John Vettese. Each director elected will hold office until the next annual meeting of shareholders or until his successor is duly elected or appointed pursuant to the by-laws of the Corporation. The enclosed form of proxy permits Shareholders to vote for all nominees together or for each nominee on an individual basis.

COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF EACH OF THE PROPOSED NOMINEES UNLESS A SHAREHOLDER HAS SPECIFIED IN HIS, HER OR ITS PROXY THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF ANY PARTICULAR NOMINEE OR NOMINEES. MANAGEMENT DOES NOT CONTEMPLATE THAT ANY OF SUCH NOMINEES WILL BE UNABLE TO SERVE AS DIRECTORS. HOWEVER, IF FOR ANY REASON, ANY OF THE PROPOSED NOMINEES DO NOT STAND FOR ELECTION OR ARE UNABLE TO SERVE AS SUCH, PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED FOR ANOTHER NOMINEE IN THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN HIS, HER OR ITS PROXY THAT HIS, HER OR ITS COMMON SHARES ARE

TO BE WITHHELD FROM VOTING IN RESPECT OF ANY PARTICULAR NOMINEE OR NOMINEES.

Majority Voting Policy


Shareholders will vote for the election of each individual proposed director nominee separately. The Corporation has adopted a majority voting policy for the election of directors whereby any nominee director (in an uncontested election) who receives more “withheld” votes than “for” votes at any meeting where Shareholders vote on the election, the director will be expected to submit to the Board his or her resignation, to take effect upon acceptance by the Board. The Board will then have 90 days to accept the resignation, during which time an alternate Board member may be appointed. The Board shall be expected to accept the resignation absent exceptional circumstances that would warrant the applicable director to continue to serve on the Board. In determining whether to accept the resignation, the Board will consider various matters including the results of the vote of Shareholders, the contribution of the director to the Board and committee discussions, the expressed reasons (if any) for which the withheld votes have been given, the merits of such reasons, and the ability to address the underlying concerns. The Board will promptly disclose the results of the vote director by director and will promptly issue a news release disclosing the Board’s decision. If the Board determines not to accept a resignation, the news release shall fully state the reasons for that decision.

The director under consideration will not participate in any Board or committee deliberations relating to his or her potential resignation. Subject to any corporate law restrictions, the Board may (i) leave a resultant vacancy unfilled until the next annual meeting of Shareholders; (ii) fill the vacancy through the appointment of a new director whom the Board considers to merit the confidence of Shareholders; or (iii) call a special meeting of Shareholders at which there will be presented individuals to fill the vacant position or positions.

Advance Notice Requirement


The Corporation’s By-Law No. 1, as amended pursuant to By-Law No. 1A, contains a requirement providing for advance notice of nominations of directors (the “**Advance Notice Requirement**”) in certain circumstances where nominations for election to the Board are made by Shareholders. For an annual meeting of Shareholders, notice to the Corporation must be provided not less than 30 and not more than 65 days prior to the date of the annual meeting; save and except where the annual meeting is to be held on a date less than 50 days after the date on which the first public announcement of the date of such annual meeting was made, in which event notice may be given not later than the close of business on the 10th day following such public announcement. For a special meeting of Shareholders (that is not also an annual meeting), notice to the Corporation must be given not later than the close of business on the 15th day following the day on which the first public announcement of the date of such special meeting was made. The Corporation’s By-Law No. 1, as amended by By-Law No. 1A, is available under the Corporation’s profile on SEDAR at www.sedar.com.

The following tables set out certain information as of the date of this Circular (unless otherwise indicated) with respect to the persons being nominated at the Meeting for election as directors. Information regarding Common Shares owned by each director of the Corporation is presented to the best knowledge of management of the Corporation and has been furnished to management of the Corporation by such directors.

BRIAN ANTONEN		Principal Occupation and Biographical Information		
<div>Ontario, Canada</div> <div>Director Since: February 5, 2013</div> <div>INDEPENDENT</div> <div></div>		<div>Brian Antonen opened the Toronto office of Celtic House Venture Partners in 2000. Originally an electrical engineer, Mr. Antonen has over 25 years of technical, business operational, and capital markets experience. He holds a Bachelor of Applied Science degree in Electrical Engineering from the University of Waterloo and a Master of Business Administration degree from the Richard Ivey School of Business at the University of Western Ontario. Mr. Antonen is also a member of the Association of Professional Engineers of Ontario and of the Chartered Professional Accountants of Ontario.</div> <div>Mr. Antonen’s investment focus is on media portability applications with a primary focus on consumer devices and their related network infrastructure. During his 15 years at Celtic House, he has established himself as a domain expert in video and multimedia processing and is viewed by his peers as a leading semiconductor investor in Canada. His knowledge of the media portability sector has unique breadth and depth, from the technicalities of the product to the intricacies of the market. His record of success includes ViXS Systems (a world leader in video processing SoCs) and Camilion Solutions (acquired by SAP NYSE:SAP). He has held directorships on 17 private boards, and currently serves as a board member of seven Celtic House portfolio companies.</div>		
Current Board/Committee Membership		2017 Attendance (Total)		Other Public Board Memberships
Member of the Board		6 of 6	100%	ViXS Systems Inc. (TSX:VXS)
Member of the Audit Committee		5 of 5	100%	
Number of Common Shares Beneficially Owned, Controlled or Directed				192,625 ⁽¹⁾⁽²⁾


Notes:


- (1) Represents 39,622 Common Shares held directly by Brian Antonen, 8,003 Common Shares held by the spouse of Brian Antonen and 145,000 Common Shares held by a company majority owned by Mr. Antonen.
- (2) Mr. Antonen is a partner of the general partner of CHVP Funds which hold an aggregate of 19,577,365 Common Shares. Mr. Antonen does not exercise control or direction over such Common Shares.

ROBERT DOBKIN		Principal Occupation and Biographical Information		
<div>California, U.S.A.</div> <div>Director Since: February 5, 2013</div> <div>INDEPENDENT</div> <div></div>		<div>Robert Dobkin, a founder of the Linear Technology Corporation (“Linear”), has served as Vice President of Engineering and Chief Technical Officer of Linear since April 1999, and as Vice President of Engineering of Linear from September 1981 to April 1999. From January 1969 to July 1981, he was employed in various positions at National Semiconductor Corporation, where his most recent position was Director of Advanced Circuit Development. Mr. Dobkin has extensive experience in linear integrated circuit design. He attended the Massachusetts Institute of Technology.</div>		
Current Board/Committee Membership		2017 Attendance (Total)		Other Public Board Memberships
Member of the Board		6 of 6	100%	None.
Member of the Compensation Committee ⁽¹⁾		N/A	N/A	
Number of Common Shares Beneficially Owned, Controlled or Directed				742,759 ⁽²⁾

Notes:


- (1) The Compensation Committee did not hold a formal meeting during the year ended December 31, 2017.
- (2) Includes 341,165 Common Shares held by a trust of which Mr. Dobkin is a trustee.

RAOUF HALIM				Principal Occupation and Biographical Information	
California, U.S.A. Director Since: September 26, 2016 NOT INDEPENDENT				Raouf Halim is the President and Chief Executive Officer of the Corporation. Mr. Halim is one of the co-founders of icClarity, Inc. ("icClarity"), a private company developing a 3D Video capture solution for applications in augmented reality, virtual reality, mobile, and automotive markets. Mr. Halim currently remains as Chairman of icClarity. Prior to icClarity, Mr. Halim was CEO of Mindspeed Technologies, Inc. which designed and developed semiconductor solutions for communications applications in wireless and wireline network infrastructure markets.	
Current Board/Committee Membership		2017 Attendance (Total)		Other Public Board Memberships	
Member of the Board		6 of 6	100%	None.	
Number of Common Shares Beneficially Owned, Controlled or Directed				1,444,542	

ROGER MAGGS				Principal Occupation and Biographical Information	
Gloucestershire, United Kingdom Director Since: February 5, 2013 INDEPENDENT				Roger Maggs followed a 27-year career at Alcan Aluminum, with senior postings around the world, including three Vice Presidencies of the global company, based in Montreal, Quebec. In 1994 he left Alcan and co-founded Celtic House International, a leading Canadian venture fund specializing in technology start-ups. Mr. Maggs earned a Bachelor of Science degree in Physics from the University of Wales, and a Master's degree from Warwick Business School in the UK. He was made an honorary fellow of his college in 1998. Over his career, Mr. Maggs has held directorships on more than 30 public and private boards. He is currently a director of Xcerra Corporation (Nasdaq: XCRA), and is chairman of Sandvine Corporation (TSX: SV).	
Current Board/Committee Membership		2017 Attendance (Total)		Other Public Board Memberships	
Member of the Board		4 of 6	67%	Xcerra Corporation (Nasdaq: XCRA) Sandvine Corporation (TSX: SV)	
Member of the Audit Committee		4 of 5	80%		
Member of the Corporate Governance and Nominating Committee ⁽¹⁾		N/A	N/A		
Number of Common Shares Beneficially Owned, Controlled or Directed				103,969 ⁽²⁾	


Notes:

- (1) The Corporate Governance and Nominating Committee did not hold a formal meeting during the year ended December 31, 2017.
- (2) Mr. Maggs is a founder and partner of the general partner of CHVP which hold an aggregate of 19,577,365 Common Shares. Mr. Maggs does not exercise control or direction over the Common Shares held by CHVP Funds.

RONALD J. PASEK				Principal Occupation and Biographical Information	
California, U.S.A. Director Since: June 18, 2015 INDEPENDENT				Ronald Pasek is the Executive Vice President, Chief Financial Officer of NetApp, Inc. (NASDAQ: NTAP), a worldwide provider of software, systems and services to manage data. Prior to his position with NetApp, Inc., Mr. Pasek was Senior Vice President of Finance and Chief Financial Officer of Altera Corporation (NASDAQ: ALTR), a worldwide provider of programmable logic devices. Mr. Pasek was previously employed by Sun Microsystems where he most recently served as Vice President and Corporate Treasurer. In his 19 years at Sun Microsystems, Mr. Pasek held a variety of positions in finance, including Vice President of Worldwide Field Finance, Worldwide Manufacturing, and U.S. Field Finance.	
Current Board/Committee Membership		2017 Attendance (Total)		Other Public Board Memberships	
Member of the Board		6 of 6	100%	None.	
Member of the Audit Committee		5 of 5	100%		
Member of the Compensation Committee ⁽¹⁾		N/A	N/A		
Member of the Corporate Governance and Nominating Committee ⁽²⁾		N/A	N/A		
Number of Common Shares Beneficially Owned, Controlled or Directed				752,999	

Notes:

- (1) The Compensation Committee did not hold a formal meeting during the year ended December 31, 2017.
 (2) The Corporate Governance and Nominating Committee did not hold a formal meeting during the year ended December 31, 2017.

JOHN VETTESE				Principal Occupation and Biographical Information	
Ontario, Canada Director Since: November 17, 2014 INDEPENDENT				Mr. Vettese is the Executive Chairman of the law firm of Cassels Brock & Blackwell LLP.	
Current Board/Committee Membership		2017 Attendance (Total)		Other Public Board Memberships	
Member of the Board		4 of 6	67%	None.	
Member of the Compensation Committee ⁽¹⁾		N/A	N/A		
Member of the Corporate Governance and Nominating Committee ⁽²⁾		N/A	N/A		
Number of Common Shares Beneficially Owned, Controlled or Directed				1,352,690 ⁽³⁾	

Notes:

- (1) The Compensation Committee did not hold a formal meeting during the year ended December 31, 2017.
 (2) The Corporate Governance and Nominating Committee did not hold a formal meeting during the year ended December 31, 2017.
 (3) All such Common Shares are held by a company wholly owned by Mr. Vettese.

Corporate Cease Trade Orders

To the knowledge of the Corporation, no proposed director is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

- (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under applicable securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an “**Order**”), which Order was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer of such company; or
- (b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company

The foregoing information, not being within the knowledge of the Corporation, has been furnished by the proposed directors.

Bankruptcies, or Penalties or Sanctions

Except as disclosed herein, to the knowledge of the Corporation, no proposed director:

- (a) is, as at the date of this Circular, or has been within 10 years before the date of this Circular, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (b) has within 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets;
- (c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (d) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Roger Maggs served as a director of Global Silicon Limited, a private venture capital-backed United Kingdom based company. Global Silicon Limited was a portfolio company in a CHVP Fund. CHVP withdrew further financing in 2006 and the Company’s securities ceased trading in December 2006. In November 2007, Global Silicon Limited voluntarily appointed joint liquidators to liquidate the company and the company was officially dissolved on April 15, 2013.

The foregoing information, not being within the knowledge of the Corporation, has been furnished by the proposed directors.

2. Appointment of Auditor

Management proposes to nominate MNP LLP, Chartered Accountants, which firm has been auditor of the Corporation since May 2015, as auditor of the Corporation to hold office until the next annual meeting of Shareholders.

COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF THE APPOINTMENT OF MNP LLP, CHARTERED ACCOUNTANTS, AS AUDITOR OF THE CORPORATION AND THE AUTHORIZING OF THE DIRECTORS TO FIX ITS REMUNERATION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No person or company who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last completed financial year, no proposed nominee for election as a director of the Corporation and no associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of directors.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available under the Corporation's profile on SEDAR at www.sedar.com. Financial information is provided in the Corporation's audited financial statements and Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2017. In addition, copies of the Corporation's annual financial statements and MD&A and this Circular may be obtained upon request to the Corporation. The Corporation may require the payment of a reasonable charge if the request is made by a person who is not a shareholder of the Corporation.

APPROVAL OF BOARD OF DIRECTORS

The contents of this Circular and the sending of it to each director of the Corporation, to the auditor of the Corporation, to the Shareholders and to the appropriate governmental agencies, have been approved by the directors of the Corporation.

Dated: May 30, 2018.

"Raouf Halim"

Raouf Halim
Director, President & Chief Executive Officer

SCHEDULE "A"
STATEMENT OF GOVERNANCE PRACTICES

Governance Disclosure Requirement Under the Corporate Governance National Instrument 58-101 ("NI 58-101")	Comments
Board of Directors	
1. Board of Directors—Disclose how the board of directors (the “ Board ”) of Spectra7 Microsystems Inc. (the “ Corporation ”) facilitates its exercise of independent supervision over management, including (i) the identity of directors that are independent, and (ii) the identity of directors who are not independent, and the basis for that determination.	The Board currently consists of a total of six directors of which Messrs. Brian Antonen, Ronald Pasek, Robert Dobkin, John Vettese and Roger Maggs are considered “independent” as such term is defined in NI 58-101. Raouf Halim is not considered independent as he is an executive officer of the Corporation.
2. Directorships—If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	Please refer to the Circular under the heading “Particulars of Matters to be Acted Upon - Election of Directors”.
3. Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of Corporation’s most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.	The independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. However, as part of their regularly scheduled meetings, the Board and Audit Committee typically hold in-camera sessions without management present in order to facilitate open and candid discussion.
4. Disclose whether or not the Chairman of the Board is an independent director. If the Board has a Chairman who is an independent director, disclose the identity of the independent Chairman, and describe his or her role and responsibilities.	Ronald Pasek is the Chairman of the Board and is considered “independent” as such term is defined in NI 58-101.
5. Disclose the attendance record of each director for all Board meetings held since the beginning of the Corporation’s most recently completed financial year.	Please refer to the Circular under the heading “Particulars of Matters to be Acted Upon - Election of Directors”.
6. Disclose the text of the Board’s written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.	The directors of the Board have adopted a formal written mandate which provides that the directors of the Board are responsible for the overall stewardship of the Corporation, establishing the overall policies and standards of the Corporation and approving its strategic plans. A copy of the Directors’ Mandate can be found as Schedule “G” to the Circular.
Position Descriptions	
7. Disclose whether or not the Board has developed written position descriptions for the Chairman and the Chairman of each Board committee. If the Board has not developed written position descriptions for the Chairman of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.	The directors of the Board have adopted a formal written mandate for the Chairman of the Board.
8. Describe whether or not the Board and CEO have developed a written position description for the CEO. If the Board and the CEO have not developed such a	The Board has adopted a formal mandate for the CEO which outlines the roles and responsibilities of the CEO, including management of the

Governance Disclosure Requirement Under the Corporate Governance National Instrument 58-101 (“NI 58-101”)	Comments
position description, briefly describe how the Board delineates the role and responsibilities of the CEO.	strategic and operational agenda of the Corporation and for execution of the directives and policies of the Board.
Orientation and Continuing Education	
9. Describe what steps, if any, the Board takes to orient new Board members, and describe any measures the Board takes to provide continuing education for directors.	Each director ultimately assumes responsibility for keeping himself informed about the Corporation’s business and relevant developments outside the Corporation that affect its business. Management assists directors by providing them with regular updates on relevant developments and other information that management considers of interest to the Board. Directors may also attend other Board committee meetings if they are not active members, to broaden their knowledge base and receive additional information on the Corporation’s business and developments in areas where they are not commonly exposed.
Ethical Business Conduct	
10. Disclose whether or not the Board has adopted a written code for the directors, officers and employees. If the Board has adopted a written code: (i) disclose how a person or company may obtain a copy of the code, (ii) describe how the Board monitors compliance with its code, or if the Board, and (iii) provide a cross-reference to any material change report filed since the beginning of the Corporation’s most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.	The Board has adopted a formal Code of Business Conduct (the “Code”) which highlights key issues and identifies policies and resources to help employees, officers and directors of the corporation reach appropriate and ethical decisions. The Corporation’s compliance officer is responsible for investigating all reported complaints under the Code. A copy of the Code can be obtained by contacting the Corporation.
11. Describe the steps the Board takes to ensure directors exercise independent judgement in considering transactions and agreement in respect of which a director or executive officer has a material interest, and any other steps the Board takes to encourage and promote a culture of ethical business conduct.	The Board is responsible for promoting an ethical business culture. The Board monitors compliance, including through receipt by the Audit Committee of reports of unethical behaviour. To ensure that an ethical business culture is maintained and promoted, directors are encouraged to exercise their independent judgment. If a director has a material interest in any transaction or agreement that the Corporation proposes to enter into, such director is expected to disclose such interest to the Board in compliance with the applicable laws, rules and policies which govern conflicts of interest in connection with such transaction or agreement. Further, any director who has a material interest in any proposed transaction or agreement will be excluded from the portion of the Board meeting concerning such matters and will be further precluded from voting on such matters.
Nomination of Directors	
12. Disclose the process by which the Board identifies new candidates for Board nomination, including: (i) who identifies new candidates, and (ii) the process of identifying new candidates.	The Corporate Governance and Nominating Committee is responsible for the identification and assessment of potential directors. While no formal nomination procedures are in place to identify new candidates, the Corporate Governance and Nominating Committee does review the experience and performance of nominees for election to the Board. Members of the Corporate Governance and Nominating Committee are canvassed with respect to the qualifications of a prospective candidate and each candidate is evaluated with respect to his or her experience and expertise, with particular attention paid to those areas of expertise that could complement and enhance current management. The Corporate Governance and Nominating Committee also assesses any potential conflicts, independence or time commitment concerns that the candidate may present.

Governance Disclosure Requirement Under the Corporate Governance National Instrument 58-101 ("NI 58-101")	Comments
Compensation	
13. Disclose what steps, if any, are taken to determine compensation for the directors and officers, including: (i) who determines compensation, and (ii) the process of determining compensation.	The process undertaken by the Board and the Compensation Committee in respect of compensation is more fully described in the "Compensation Discussion and Analysis" section of the accompanying Circular.
Other Board Committees	
14. If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	The Board does not have any standing committees other than the Corporate Governance and Nominating Committee, the Compensation Committee and the Audit Committee.
Assessments	
15. Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual Trustees are performing effectively.	The entire Board will evaluate the effectiveness of the Board, its committees and individual directors on an annual basis. To facilitate this evaluation, each committee will conduct an annual assessment of its performance, consisting of a review of its charter, the performance of the committee as a whole and the performance of the committee Chair.
Director Term Limits and Other Mechanisms of Board Renewal	
16. Disclose whether the Corporation has adopted term limits for the directors on its Board or other mechanisms for Board renewal and, if so, include a description of those director term limits or other mechanisms of Board renewal. If the Corporation has not adopted director term limits or other mechanisms of Board renewal, disclose why it has not done so.	The Board has not adopted a term limit for directors. The Board believes that the imposition of term limits on a director implicitly discounts the value of experience and continuity amongst Board members and runs the risk of excluding experienced and potentially valuable Board members as a result of an arbitrary determination. The notional objective of term limits is to encourage board turnover, introduce new perspectives and retain independence. The Corporation has achieved a satisfactory mix and turnover in directors over its short history, and the Board believes that it can strike the right balance between continuity and fresh perspectives without mandated term limits.
Policies Regarding the Representation of Women on the Board	
17. Disclose whether the Corporation has adopted a written policy relating to the identification and nomination of women directors. If the Corporation has not adopted such a policy, disclose why it has not done so. If the Corporation has adopted a policy, disclose a short summary of its objectives and key provisions, the measures taken to ensure that the policy has been effectively implemented, annual and cumulative progress by the issuer in achieving the objectives of the policy, and whether and, if so, how the Board or its nominating committee measures the effectiveness of the policy.	The Corporation has not adopted a written policy relating to the identification and nomination of women or minority directors. At this time, the Corporation has not adopted a target regarding the representation of women on the Board or in executive officer positions. The Corporation is committed to increasing Board diversity, and recognizes that the Board's background should represent a variety of backgrounds, experiences and skills.
Consideration of the Representation of Women in the Director Identification and Selection Process	
18. Disclose whether and, if so, how the Board or nominating committee considers the level of representation of women on the Board in identifying and nominating candidates for election or re-election to the Board. If the Corporation does not consider the representation of women on the Board in identifying and nominating candidates for election or re-election to	The diversity of the Board (and in particular the representation of women) is one of many factors considered in the selection of candidates as potential directors.

Governance Disclosure Requirement Under the Corporate Governance National Instrument 58-101 ("NI 58-101")	Comments
the Board, disclose the Corporation's reasons for not doing so.	
Consideration Given to the Representation of Women in Executive Officer Appointments	
19. Disclose whether and, if so, how the issuer considers the level of representation of women in executive officer positions when making executive officer appointments. If the Corporation does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the Corporation's reasons for not doing so.	The diversity of the executive officers (and in particular the representation of women) is one of many factors considered in the selection of candidates as potential executive officers.
20. Disclose whether the Corporation has adopted a target regarding women on the Board or in executive officer positions. If the Corporation has not adopted a target, disclose why it has not done so. If the Corporation has adopted a target, disclose the target, and the annual and cumulative progress of the Corporation in achieving the target.	The Corporation has not adopted a target regarding women on the Board or in executive officer positions.
Number of Women on the Board and in Executive Officer Positions	
21. Disclose the number and proportion (in percentage terms) of (i) directors on the Corporation's Board, and (ii) executive officers of the Corporation, who are women.	Currently, none of the six directors of the Board (0%) are women. Currently, none of six executive officers of the Corporation (0%) are women.

SCHEDULE "B"

AUDIT COMMITTEE CHARTER

(Implemented pursuant to National Instrument 52-110 – Audit Committees)

National Instrument 52-110 – *Audit Committees* (the “**Instrument**”) relating to the composition and function of audit committees was implemented for reporting issuers and, accordingly, applies to every Toronto Stock Exchange listed company, including the Corporation. The Instrument requires all affected issuers to have a written audit committee charter which must be disclosed, as stipulated by Form 52-110F2, in the management information circular of the Corporation wherein management solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors.

This Charter has been adopted by the board of directors in order to comply with the Instrument and to more properly define the role of the Committee in the oversight of the financial reporting process of the Corporation. Nothing in this Charter is intended to restrict the ability of the board of directors or Committee to alter or vary procedures in order to comply more fully with the Instrument, as amended from time to time.

PART 1

Purpose:

The purpose of the Committee is to:

- (a) improve the quality of the Corporation’s financial reporting;
- (b) assist the board of directors to properly and fully discharge its responsibilities;
- (c) provide an avenue of enhanced communication between the directors and external auditors;
- (d) enhance the external auditor’s independence;
- (e) increase the credibility and objectivity of financial reports; and
- (f) strengthen the role of the directors by facilitating in depth discussions between directors, management and external auditors.

1.1 Definitions

“**accounting principles**” has the meaning ascribed to it in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

“**Affiliate**” means a Corporation that is a subsidiary of another Corporation or companies that are controlled by the same entity;

“**audit services**” means the professional services rendered by the Corporation’s external auditor for the audit and review of the Corporation’s financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements;

“**Charter**” means this audit committee charter;

“**Committee**” means the committee established by and among certain members of the board of directors for the purpose of overseeing the accounting and financial reporting processes of the Corporation and audits of the financial statements of the Corporation;

“**Control Person**” means any individual or company that holds or is one of a combination of individuals or companies that holds a sufficient number of any of the securities of the Corporation so as to affect materially the control of the Corporation, or that holds more than 20% of the outstanding voting shares of the Corporation except where there is evidence showing that the holder of those securities does not materially affect the control of the Corporation;

“**financially literate**” has the meaning set forth in Section 1.2;

“**immediate family member**” means an individual’s spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the individual or the individual’s immediate family member) who shares the individual’s home;

“**independent**” means independent only as determined by both the Instrument and the TSX Company Manual;

“**Instrument**” means National Instrument 52-110 – *Audit Committees*;

“**MD&A**” has the meaning ascribed to it in National Instrument 51-102;

“**Member**” means a member of the Committee;

“**National Instrument 51-102**” means National Instrument 51-102 – *Continuous Disclosure Obligations*; and

“**non-audit services**” means services other than audit services.

1.2 Meaning of Financially Literate

For the purposes of this Charter, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

PART 2

2.1 Audit Committee

The board of directors has hereby established the Committee for, among other purposes, compliance with the Instrument.

2.2 Relationship with External Auditors

The Corporation will require its external auditor to report directly to the Committee and the Members shall ensure that such is the case.

2.3 Committee Responsibilities

1. The Committee shall be responsible for making the following recommendations to the board of directors:

- (a) the external auditor to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Corporation; and

- (b) the compensation of the external auditor.
1. The Committee shall be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. This responsibility shall include:
 - (a) reviewing the audit plan with management and the external auditor;
 - (b) reviewing with management and the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting;
 - (c) questioning management and the external auditor regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
 - (d) reviewing any problems experienced by the external auditor in performing the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
 - (e) reviewing audited annual financial statements, in conjunction with the report of the external auditor, and obtaining an explanation from management of all significant variances between comparative reporting periods;
 - (f) reviewing the post-audit or management letter, containing the recommendations of the external auditor, and management's response and subsequent follow up to any identified weakness;
 - (g) reviewing interim unaudited financial statements before release to the public;
 - (h) reviewing all public disclosure documents containing audited or unaudited financial information before release, including any prospectus, the annual report and management's discussion and analysis;
 - (i) reviewing the evaluation of internal controls by the external auditor, together with management's response;
 - (j) reviewing the terms of reference of the internal auditor, if any;
 - (k) reviewing the reports issued by the internal auditor, if any, and management's response and subsequent follow up to any identified weaknesses; and
 - (l) reviewing the appointments of the chief financial officer and any key financial executives involved in the financial reporting process, as applicable.
 2. The Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the issuer's external auditor.
 3. The Committee shall review the Corporation's financial statements, MD&A, and annual and interim earnings press releases before the Corporation publicly discloses this information.

4. The Committee shall ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and shall periodically assess the adequacy of those procedures.
5. When there is to be a change of auditor, the Committee shall review all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102, and the planned steps for an orderly transition.
6. The Committee shall review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Instrument 51-102, on a routine basis, whether or not there is to be a change of auditor.
7. The Committee shall, as applicable, establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.
8. As applicable, the Committee shall establish, periodically review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer.
9. The responsibilities outlined in this Charter are not intended to be exhaustive. Members should consider any additional areas which may require oversight when discharging their responsibilities.

2.4 De Minimis Non-Audit Services

The Committee shall satisfy the pre-approval requirement in subsection 2.3(2) if:

- (a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the issuer and its subsidiary entities to the issuer's external auditor during the financial year in which the services are provided;
- (b) the Corporation or the subsidiary of the Corporation, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
- (c) the services are promptly brought to the attention of the Committee and approved by the Committee or by one or more of its Members to whom authority to grant such approvals has been delegated by the Committee, prior to the completion of the audit.

2.5 Delegation of Pre-Approval Function

1. The Committee may delegate to one or more independent Members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2.3(2).
2. The pre-approval of non-audit services by any Member to whom authority has been delegated pursuant to subsection 2.5(1) must be presented to the Committee at its first scheduled meeting following such pre-approval.

PART 3

3.1 Composition

1. The Committee shall be composed of a minimum of three Members.
2. Every Member shall be a director of the issuer.
3. Every Member shall be independent.
4. Every Member shall be financially literate.
5. The board of directors of the Corporation shall appoint or re-appoint the Members after each annual meeting of shareholders of the Corporation.

PART 4

4.1 Authority

Until the replacement of this Charter, the Committee shall have the authority to:

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the Committee;
- (c) communicate directly with the internal and external auditors; and
- (d) recommend the amendment or approval of audited and interim financial statements to the board of directors.

PART 5

5.1 Required Disclosure

The Corporation must include in its Annual Information Form the disclosure required by Form 52-110F1.

5.2 Disclosure in Information Circular

If management of the Corporation solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors, the Corporation shall include in its management information circular a cross-reference to the sections in the Corporation's Annual Information Form that contain the information required by section 5.1.

PART 6

6.1 Meetings

1. Meetings of the Committee shall be scheduled to take place at regular intervals and, in any event, not less frequently than quarterly.
2. Opportunities shall be afforded periodically to the external auditor, the internal auditor and to members of senior management to meet separately with the Members.
3. Minutes shall be kept of all meetings of the Committee.

SCHEDULE "C"
DIRECTORS' MANDATE

Spectra7 Microsystems Inc.

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April 2013

SPECTRA7 MICROSYSTEMS INC.
(the “Corporation”)

DIRECTORS’ MANDATE

Directors’ Responsibilities

The Directors are responsible for the stewardship of the Corporation. To discharge this obligation, the Directors, directly and through the applicable committees of the Board of Directors, should assume responsibility in the following areas:

Strategic Planning Process

- Provide input to management on emerging trends and issues.
- Adopt, review and approve, if appropriate, management’s strategic plans on an annual basis.
- Review and approve the Corporation’s financial objectives, plans and actions, including significant capital allocations and expenditures.

Monitoring Tactical Progress

- Monitor corporate performance against the strategic and business plans, including assessing operating results to evaluate whether the business is being properly managed.

Risk Assessment

- Identify the principal risks of the Corporation’s businesses and ensure that appropriate systems are in place to manage these risks.

Senior Level Staffing

- Select, monitor and evaluate the Chief Executive Officer and approve the appointment of other senior executives, and ensure the adoption of a management succession plan.
- Approve a position description for the Chief Executive Officer including limits to management’s responsibilities and corporate objectives which the Chief Executive Officer is responsible for meeting, all upon recommendation from the Corporate Governance and Nominating Committee.
- Satisfy itself as to the integrity of the Chief Executive Officer and other executive officers.
- Satisfy itself that the Chief Executive Officer and other executive officers create, maintain and foster a culture of integrity throughout the Corporation.
- Engage in succession planning including, identifying, training and monitoring future senior management.

Integrity

- Ensure the integrity of the Corporation’s internal control and management information systems.
- Ensure ethical behaviour and compliance with laws and regulations, audit and accounting principles, and the Corporation’s own governing documents.
- Satisfy itself as to the integrity of the Chief Executive Officer and other executive officers and that the Chief Executive Officer and other executive officers create a culture of integrity throughout the organization.

Material Transactions

- Review and approve material transactions not in the ordinary course of business, including without limitation, stock issuances, acquisitions, loans and leases.

Monitoring Directors' Effectiveness

- Assess their own effectiveness in fulfilling the above and Directors' responsibilities, including monitoring the effectiveness of individual Directors.

Disclosure Policy and Code of Business Conduct

- Adopt, monitor and periodically review the effectiveness of a corporate disclosure policy and a code of business conduct.
- Make determinations with respect to waiving compliance with the code of business conduct by Directors and executive officers.
- The Board may delegate responsibility for making determinations with respect to waiving compliance with the code of business conduct to a committee of the Board.

Feedback from Shareholders

- Develop measures for the receipt, by Directors, of feedback from shareholders.

Expectations of Directors

- Directors are expected to attend all meetings.
- The specific dates of Board meetings to approve interim and annual financial results shall be scheduled at the commencement of each fiscal year.
- Additional meetings of the Board shall be called on an as-required basis.
- Directors are expected to review materials to be presented at Board meetings prior to such meetings. Such materials are to be circulated with sufficient advanced notice to allow Board members adequate review time. However, for unscheduled meetings, shorter notice may be necessary.

Corporate Governance

- Develop the Corporation's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the Corporation.
- The Board may delegate this responsibility to a committee of the directors, which committee shall have a majority of "Independent" directors (as such term is defined in National Policy 58-201 – *Corporate Governance Guidelines*) and the remaining members of which, if any, shall be "non-management" directors.

Other

- Perform such other functions as prescribed by law or assigned to the Directors in the Corporation's constating documents, policies and guidelines.