



**SPECIAL MEETING OF THE HOLDERS OF COMMON SHARES  
OF XORTX THERAPEUTICS INC.  
TO BE HELD ON SEPTEMBER 2, 2021**

**Dated August 9, 2021**

These materials are important and require your immediate attention. If you have questions or require assistance with voting your shares you may contact XORTX Therapeutics proxy solicitation agent:

Laurel Hill Advisory Group

North American Toll-Free Number: 1-877-452-7184

Outside North America: 416-304-0211

Email: [assistance@laurelhill.com](mailto:assistance@laurelhill.com)



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## MANAGEMENT INFORMATION CIRCULAR

### FOR THE SPECIAL MEETING OF THE HOLDERS OF COMMON SHARES OF XORTX THERAPEUTICS INC. TO BE HELD ON SEPTEMBER 2, 2021

Dated August 9, 2021

## GENERAL PROXY INFORMATION

### Solicitation of Proxies

This management information circular ("**Management Information Circular**") is furnished in connection with the solicitation of proxies by the management and the directors of XORTX THERAPEUTICS INC. ("**XORTX**" or the "**Company**") for use at the special meeting of the shareholders (the "**Shareholders**") of the Company (the "**Meeting**") to be held via teleconference at Suite 4000, 421 – 7<sup>th</sup> Avenue SW, Calgary, Alberta at 11:00 a.m. (Calgary time) on Thursday, September 2, 2021, and at all adjournments thereof for the purposes set forth in the accompanying notice of the Meeting (the "**Notice of Meeting**"). The solicitation of proxies will be made primarily by mail and may be supplemented by telephone or other personal contact by the directors, officers and employees of the Company. Directors, officers and employees of the Company will not receive any extra compensation for such activities. The Company may also retain, and pay a fee to, one or more professional proxy solicitation firms to solicit proxies from the Shareholders in favour of the matters set forth in the Notice of Meeting. The Company may pay brokers or other persons holding common shares of the Company ("**Common Shares**") in their own names, or in the names of nominees, for their reasonable expenses for sending proxies and this Management Information Circular to beneficial owners of Common Shares and obtaining proxies therefrom. The cost of the solicitation will be borne directly by the Company.

Laurel Hill Advisory Group is acting as the Company's proxy solicitation agent. If you have any questions or require assistance in voting your proxy, please contact Laurel Hill Advisory Group at 1-877-452-7184 toll free in North America, or 416-304-0211 (outside North America) or by email at [assistance@laurelhill.com](mailto:assistance@laurelhill.com). The Company will be paying Laurel Hill a fee of \$35,000, plus reasonable out-of-pocket expenses.

No person is authorized to give any information or to make any representation other than those contained in this Management Information Circular and, if given or made, such information or representation should not be relied upon as having been authorized by the Company. The delivery of this Management Information Circular shall not, under any circumstances, create an implication that there has not been any change in the information set forth herein since the date hereof.

This Management Information Circular is being sent to both registered and non-registered owners of the Common Shares.

## Non-Registered Shareholders

Only registered Shareholders, or the persons they appoint as their proxies, are entitled to attend and vote at the Meeting. However, in many cases, Common Shares beneficially owned by a person (a “**Non-Registered Shareholder**”) are registered either:

- (a) in the name of an intermediary (an “**Intermediary**”) with whom the Non-Registered Shareholder deals in respect of the Common Shares (Intermediaries include, among others: banks, trust companies, securities dealers or brokers, trustees or administrators of a self-administered registered retirement savings plan, registered retirement income fund, registered education savings plan and similar plans); or
- (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited in Canada, and the Depository Trust Company in the United States) of which the Intermediary is a participant.

In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Company has distributed copies of the Notice of Meeting, this Management Information Circular and its form of proxy (collectively the “**Meeting Materials**”) to the Intermediaries and clearing agencies for onward distribution to Non-Registered Shareholders. Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless the Non-Registered Shareholders have waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will either:

- (a) be given a voting instruction form **which is not signed by the Intermediary** and which, when properly completed and signed by the Non-Registered Shareholder and **returned to the Intermediary or its service company**, will constitute voting instructions (often called a “**voting instruction form**”) which the Intermediary must follow.; Most brokers delegate responsibility for obtaining instructions from clients to Broadridge Financial Services (Broadridge). Broadridge mails a voting instruction form (“**VIF**”) in lieu of a proxy provided by the Company. The completed VIF must be returned by mail (using the return envelope provided) or by facsimile. Alternatively, Non-Registered Shareholders may call a toll-free number or go online to [www.proxyvote.com](http://www.proxyvote.com) to vote; or
- (b) be given a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of Common Shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting the proxy. In this case, the Non-Registered Shareholder who wishes to submit a proxy should properly complete the form of proxy and deposit it with TSX Trust Company, 100 Adelaide Street West, Suite 301, Toronto, Ontario, Canada, M5H 4H1.

The purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the Common Shares they beneficially own.

The Company may utilize Broadridge’s Quickvote™ system to assist Shareholders with voting their Common Shares. Certain Non-Registered Shareholders who have not objected to the Company knowing who they are (non-objecting beneficial owners) may be contacted by Laurel Hill, which is soliciting proxies on behalf of management of the Company, to conveniently obtain a vote directly over the phone.

Should a Non-Registered Shareholder who receives either a voting instruction form or a form of proxy wish to attend the Meeting and vote in person (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the names of the persons named in the form of proxy and insert the Non-Registered Shareholder’s (or such other person’s) name in the blank space provided or, in the case of a voting instruction form, follow the directions indicated on the form. **In either case, Non-Registered Shareholders should carefully follow the instructions of their**

**Intermediaries and their service companies, including those regarding when and where the voting instruction form or the proxy is to be delivered.**

**Shareholders who have questions or need assistance with voting their shares may contact Laurel Hill Advisory Group, the proxy solicitation agent, by telephone at: 1-877-452-7184 (North American Toll Free) or 416-304-0211 (Outside North America); or by email at: [assistance@laurelhill.com](mailto:assistance@laurelhill.com).**

### **Appointment and Revocation of Proxies**

The persons named in the form of proxy accompanying this Management Information Circular are directors and/or officers of the Company. A shareholder of the Company has the right to appoint a person or company (who need not be a shareholder), other than the persons whose names appear in such form of proxy, to attend and act for and on behalf of such shareholder at the Meeting and at any adjournment thereof. Such right may be exercised by either striking out the names of the persons specified in the form of proxy and inserting the name of the person or company to be appointed in the blank space provided in the form of proxy, or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to TSX Trust Company in time for use at the Meeting in the manner specified in the Notice of Meeting.

A registered shareholder of the Company who has given a proxy may revoke the proxy at any time prior to use by: (a) depositing an instrument in writing, including another completed form of proxy, executed by such registered shareholder or by his or her attorney authorized in writing or by electronic signature or, if the registered shareholder is a corporation, by an officer or attorney thereof properly authorized, either: (i) at the office of the Company, c/o Suite 4000, 421 – 7<sup>th</sup> Avenue SW, Calgary, Alberta, T2P 4K9 at any time prior to 11:00 a.m. (Calgary time) on the second last business day preceding the day of the Meeting or any adjournment thereof; (ii) with TSX Trust Company, 100 Adelaide Street West, Suite 301, Toronto, Ontario, Canada, M5H 4H1 at any time prior to 1:00 p.m. (Toronto time) on the second last business day preceding the day of the Meeting or any adjournment thereof; or (iii) with the chairman of the Meeting on the day of the Meeting or any adjournment thereof; (b) transmitting, by telephone or electronic means, a revocation that complies with paragraphs (i), (ii) or (iii) above and that is signed by electronic signature, provided that the means of electronic signature permits a reliable determination that the document was created or communicated by or on behalf of such shareholder or by or on behalf of his or her attorney, as the case may be; or (c) in any other manner permitted by law including attending the Meeting in person.

Only Registered Shareholders have the right to revoke a proxy. A Non-Registered Shareholder who has submitted a proxy can change their vote by contacting the Intermediary through which the Non-Registered Shareholder's Common Shares are held in sufficient time prior to the Meeting to arrange to change the vote and, if necessary, revoke the proxy.

### **Exercise of Discretion by Proxies**

The Common Shares represented by an appropriate form of proxy will be voted or withheld from voting on any ballot that may be conducted at the Meeting, or at any adjournment thereof, in accordance with the instructions of the shareholder thereon. **In the absence of instructions, such Common Shares will be voted for each of the matters referred to in the Notice of Meeting as specified thereon.**

**The enclosed form of proxy, when properly completed and signed, confers discretionary authority upon the persons named therein to vote on any amendments to or variations of the matters identified in the Notice of Meeting and on other matters, if any, which may properly be brought before the Meeting or any adjournment thereof.** At the date hereof, management of the Company knows of no such amendments or variations or other matters to be brought before the Meeting. However, if any other matters which are not now known to management of the Company should properly be brought before the Meeting, or any adjournment thereof, the Common Shares represented by such proxy will be voted on such matters in accordance with the judgment of the person named as proxy therein.

## **Signing of Proxy**

The form of proxy must be signed by the shareholder of the Company or the duly appointed attorney of the shareholder of the Company authorized in writing or, if the shareholder of the Company is a corporation, by a duly authorized officer of such corporation. A form of proxy signed by the person acting as attorney of the shareholder of the Company or in some other representative capacity, including an officer of a corporation which is a shareholder of the Company, should indicate the capacity in which such person is signing and should be accompanied by the appropriate instrument evidencing the qualification and authority to act of such person, unless such instrument has previously been filed with the Company. A shareholder of the Company or his or her attorney may sign the form of proxy or a power of attorney authorizing the creation of a proxy by electronic signature provided that the means of electronic signature permits a reliable determination that the document was created or communicated by or on behalf of such shareholder or by or on behalf of his or her attorney, as the case may be.

## **Voting in Person**

Given the continued risk resulting from the COVID-19 outbreak, XORTX asks that Shareholders follow the current instructions and recommendations of federal, provincial, and local health authorities when considering attending the Meeting. While it is not known what the situation with COVID-19 will be on the date of the Meeting, XORTX will adhere to all government and public health authority recommendations and restrictions in order to support efforts to reduce the impact and spread of COVID-19. As such, in order to mitigate potential risks to the health and safety of our communities, Shareholders, employees and other stakeholders, the Company is urging all Shareholders to vote by proxy in advance of the Meeting and not attend the Meeting in person unless and until all social distancing recommendations or restrictions have been lifted. The Company will follow the guidance and orders of government and public health authorities in that regard, including those restricting the size of public gatherings and attendance at the Meeting may be limited to only the legal requirements for shareholder meetings.

Rather than attending in person, the Company encourages Shareholders to access a teleconference of the Meeting, which will give Shareholders an equal opportunity to access the Meeting regardless of their geographic location. Please email the Company's corporate secretary at [cmay@xortx.com](mailto:cmay@xortx.com) prior to 11:00 a.m. (Vancouver time) on September 1, 2021 (or the last Business Day before the day of an adjourned Meeting) to receive call-in details.

## **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

### **Description of Share Capital**

The Company is authorized to issue an unlimited number of Common Shares. Each Common Share entitles the holder of record thereof to one vote per Common Share at all meetings of the Shareholders. As at the close of business on August 9, 2021, there were 110,076,717 Common Shares outstanding.

### **Record Date**

The directors of the Company have fixed July 12, 2021 as the record date for the determination of the Shareholders entitled to receive notice of the Meeting. Shareholders of record at the close of business on July 12, 2021, will be entitled to vote at the Meeting and at all adjournments thereof.

### **Ownership of Securities of the Company**

As at August 9, 2021, to the knowledge of the directors and officers of the Company, as at the date of this Management Information Circular, other than Prevail Partners LLC, that owns 11,473,714 Common Shares representing 10.42%, no individual or corporation beneficially owns, directly or indirectly, or exercises control or direction over, voting securities of the Company carrying more than 10% of the voting rights attached to any class of voting securities of the Company.

## PARTICULARS OF MATTERS TO BE ACTED UPON

### 1. CONSOLIDATION RESOLUTION

XORTX is a research and development (“**R&D**”) company whose focus is to develop therapies to treat kidney disease. Ongoing activities to advance our programs toward marketing approval include:

- Expansion of our intellectual property portfolio through development of novel technologies;
- Increase program technology value through development technologies through clinical trials and demonstrate the safety and effectiveness of these programs;
- Inform and expose our programs to a broader investor base; and
- Establish future pharmaceutical partner relationships to address global markets.

R&D at XORTX has advanced sufficiently that the Company now has the kidney disease programs, XRx-008 for treatment of Autosomal Dominant Polycystic Kidney Disease and XRx-101 for Coronavirus / COVID-19 infection, that can be advanced into late stage clinical trials. To support this important next step in the development of these programs, the Company requires additional funding. The U.S. capital markets offer the best source for these funds. The Company’s proposed clinical trials are key activities supporting a New Drug Application filing with the U.S. Food and Drug Administration and the European Drug Agency and eventually revenue upon marketing approval.

It is the judgement of XORTX management and the board of directors of the Company (the “**Board**”), that the U.S. capital markets provide the best opportunity for the Company to continue to advance our clinical programs through clinical trials, obtain U.S., European and global marketing approvals for our therapies under development, expand visibility of XORTX programs to a wider spectrum of global investors, and also provide potential for pharmaceutical partners. At present, public capital market and venture fund interest is supporting XORTX’s efforts to access and participate in the premier capital market in the world.

On August 12, 2021, the Company filed a Registration Statement on Form F-1 with the United States Securities Commission to begin the process of conducting its initial public offering in the United States. Concurrently, with the filing of the Registration Statement on Form F-1 the Company applied to list its common shares on either the NASDAQ Capital Market or the NYSE American. The Company believes that the share consolidation will enhance its ability to obtain an initial listing on either the NASDAQ Capital Market or the NYSE American. The NASDAQ Capital Market and the NYSE American require, among other items, an initial bid price of least US\$3.00 to US\$4.00 per share and following initial listing, maintenance of a continued price of at least US\$1.00 per share. A decrease in the number of outstanding common shares resulting from the share consolidation, absent other factors, increase the per common share market price of our common shares, although we cannot provide any assurance that our minimum bid price would remain over the minimum bid price requirement of either the NASDAQ Capital Market or the NYSE American following the share consolidation. It is the condition of the closing of the initial public offering that our common shares are listed on either the NASDAQ Capital Market or the NYSE American. This circular does not constitute an offer to sell or the solicitation of an offer to buy any securities. Any offers, solicitations or offers to buy, or any sales of securities will be made in accordance with the registration requirements of the United States Securities Act of 1933, as amended (the “**Securities Act**”). This announcement is being issued pursuant to and in accordance with Rule 135 under the Securities Act.

At the Meeting, shareholders will be asked to consider and, if thought appropriate, to approve, confirm and adopt, with or without variation, an ordinary resolution to amend the articles of the Company to consolidate all of the Company’s issued and outstanding shares on the basis of a ratio within the range between one (1) post-consolidation Common Share for every five (5) pre-consolidation Common Shares and one (1) post-consolidation Common Share for every 45 pre-consolidation Common Shares (the “**Consolidation**”), with the ratio to be selected and implemented by the Board (if at all) at any time prior to close of a financing on a US securities exchange. On a post-consolidation basis, the Company will have, as of the effective

date of the Share Consolidation, between 21,995,343 Common Shares issued and outstanding, assuming completion on the basis of one (1) new common share for every five (5) pre-consolidation common shares outstanding, or 2,446,149 Common Shares issued and outstanding, assuming completion on the basis of one (1) new common share for every forty-five (45) pre-consolidation common shares outstanding. All outstanding options and warrants and other rights to acquire securities of the Company, if any, will be adjusted for the Share Consolidation, in accordance with the adjustment provisions contained in the instruments governing such securities.

The number of pre-Consolidation shares in the ratio must be a whole number of Common Shares. The Consolidation remains subject to receipt of all necessary regulatory approvals, including approval of the Canadian Securities Exchange (the “CSE”).

If the Board decides to implement the Consolidation, upon completion of the Consolidation the number of Common Shares issued and outstanding will be reduced from approximately 110,076,717 Common Shares as of August 9, 2021 to between approximately 22,015,343 and 2,446,149 shares, depending on the ratio selected by the Board. The following table sets out the approximate percentage reduction in the number of outstanding Common Shares and the approximate number of Common Shares that would be outstanding as a result of a Consolidation at the ratios indicated:

<b>Proposed Range of Consolidation Ratio</b>	<b>Approximate Percentage Reduction in Number of Outstanding</b>	<b>Approximate Number of Outstanding Common Shares (Post Consolidation)<sup>(1)</sup></b>
1 for 5	80.0%	22,015,343
1 for 6	83.3%	18,346,119
1 for 7	85.7%	15,725,245
1 for 8	87.5%	13,759,589
1 for 9	88.9%	12,230,746
1 for 10	90.0%	11,007,671
1 for 11	90.9%	10,006,974
1 for 12	91.7%	9,173,059
1 for 13	92.3%	8,467,439
1 for 14	92.9%	7,862,622
1 for 15	93.3%	7,338,447
1 for 16	93.8%	6,879,794
1 for 17	94.1%	6,475,101
1 for 18	94.4%	6,115,373
1 for 19	94.7%	5,793,511
1 for 20	95.0%	5,503,835
1 for 21	95.2%	5,241,748
1 for 22	95.5%	5,003,487
1 for 23	95.7%	4,785,944
1 for 24	95.8%	4,586,529
1 for 25	96.0%	4,403,068
1 for 26	96.2%	4,233,719
1 for 27	96.3%	4,076,915
1 for 28	96.4%	3,931,311
1 for 29	96.6%	3,795,748
1 for 30	96.7%	3,669,223

<b>Proposed Range of Consolidation Ratio</b>	<b>Approximate Percentage Reduction in Number of Outstanding</b>	<b>Approximate Number of Outstanding Common Shares (Post Consolidation)<sup>(1)</sup></b>
1 for 31	96.8%	3,550,861
1 for 32	96.9%	3,439,897
1 for 33	97.0%	3,335,658
1 for 34	97.1%	3,237,550
1 for 35	97.1%	3,145,049
1 for 36	97.2%	3,057,686
1 for 37	97.3%	2,975,046
1 for 38	97.4%	2,896,755
1 for 39	97.4%	2,822,479
1 for 40	97.5%	2,751,917
1 for 41	97.6%	2,684,797
1 for 42	97.6%	2,620,874
1 for 43	97.7%	2,559,923
1 for 44	97.7%	2,501,743
1 for 45	97.8%	2,446,149

Note:

(1) Based on the number of Common Shares outstanding on August 9, 2021.

It is the position of the Board that the Share Consolidation is in the best interests of the Company, its shareholders and other stakeholders and that the benefits of the Share Consolidation could include:

- **Graduation to a U.S. Based Exchange:** The Share Consolidation is expected to result in qualifying the Company to list its Common Shares on a U.S. based stock exchange providing greater access to capital.
- **Anticipated Higher Share Price:** The Share Consolidation is expected to result in the trading price of the Common Shares increasing to reflect the consolidation ratio. A higher price per share would place the Company's Common Shares at a level that is more typical of shares of other widely-owned publicly traded companies that are in XORTX's peer group of companies.
- **Increased Investor Interest:** A higher post-consolidation price of the Common Shares could increase investor interest in the Company as a higher price per share may qualify the Common Shares for certain institutional investors and investment funds that otherwise may be prevented under their investing mandates or guidelines from investing in the Company's Common Shares at the current price. Also, a smaller number of Common Shares trading at a higher price may make the Company more attractive to other new investors, and could further enhance the value of the Common Shares held by current Shareholders.

As of the date of this Management Information Circular, to qualify for listing on a U.S. based stock exchange, the Company's shares will require consolidation to meet applicable share price listing requirements. Accordingly, in order to meet such share price listing thresholds, the Board and management are recommending shareholder approval of the range of potential Consolidation ratios outlined above (rather than a single Consolidation ratio) as this provides the Board with flexibility to achieve the desired results of the Consolidation to meet the threshold for listing on a U.S. based stock exchange to facilitate obtaining the funding required to advance the Company's products, XRx-108 and XRx-101 to clinical trial phase. XORTX has received significant support for the U.S. listing strategy.

If the Share Consolidation Resolution (as defined below) is approved, the Consolidation will be implemented, on determination by the Board that the Consolidation is in the best interests of the Company



and the shareholders at that time. In connection with any determination to implement a Consolidation, the Board will set the timing for such Consolidation and select the specific ratio from within the approved range set forth in the Share Consolidation Resolution. The Board's selection of the specific ratio will be based primarily on the decision on which U.S. based stock exchange to list.

No further action on the part of shareholders will be required in order for the Board to implement the Consolidation. If the Board does not implement the Consolidation before December 31, 2021, the authority granted by the Share Consolidation Resolution to implement the Consolidation on the terms described herein will lapse and be of no further force or effect. The Share Consolidation Resolution will also authorize the Board to elect not to proceed with, and abandon, the Consolidation at any time if it determines, in its sole discretion, to do so. The Board would exercise this right if it determined that the Consolidation was no longer in the best interests of the Company and its shareholders.

### **Certain Risks of the Share Consolidation**

#### *No Guarantee of an Increased Share Price or Trading Liquidity*

The effect of the Share Consolidation upon the market price of the Common Shares cannot be predicted with any certainty, and the history of similar share consolidations for corporations similar to the Company is varied. There can be no assurance that the total market capitalization of the Common Shares immediately following the Share Consolidation will be equal to or greater than the total market capitalization immediately before the Share Consolidation. In addition, there can be no assurance that the per-share market price of the Common Shares following the Share Consolidation will remain higher than the per-share market price immediately before the Share Consolidation or equal or exceed the direct arithmetical result of the Share Consolidation. In addition, a decline in the market price of the Common Shares after the Share Consolidation may result in a greater percentage decline than would occur in the absence of the Share Consolidation.

There can also be no assurance that the implementation of the Share Consolidation will, in and of itself, guarantee the continued listing of the Common Shares on the CSE or any other exchange on which the Common Shares are listed or that the Common Shares will not be delisted from the such stock exchanges because the Company fails to meet the applicable continued listing requirements.

Although the Company believes that establishing a higher market price for the Common Shares could increase investment interest for the Common Shares by potentially expanding the pool of investors that may consider investing, there is no assurance that implementing the Share Consolidation will achieve this result.

#### *Shareholders may hold Odd Lots following the Share Consolidation*

The Share Consolidation may lead to an increase in the number of shareholders who will hold "odd lots"; that is, a number of shares not evenly divisible into board lots (a board lot is either 100, 500 or 1,000 shares, depending on the price of the shares). As a general rule, the cost to shareholders transferring an odd lot of Common Shares is somewhat higher than the cost of transferring a "board lot". Nonetheless, despite the risks and the potential increased cost to shareholders in transferring odd lots of post-consolidation Common Shares, the Board believes the Share Consolidation is in the best interest of all shareholders and the Company.

### **Effect on Common Share Certificates**

If the Board decides to proceed with the Share Consolidation, a letter of transmittal (the "**Letter of Transmittal**") will be sent to registered shareholders. In order to obtain a certificate(s) representing the post-consolidation Common Shares after giving effect to the Share Consolidation, each registered shareholder will be requested to complete and execute the Letter of Transmittal and deliver same to TSX Trust Company, together with their Common Share certificates representing their pre-consolidation Common Shares in accordance with the instructions set out in the Letter of Transmittal. The certificates that are surrendered shall be exchanged for new certificates (or direct registration statements) representing

the number of post-consolidation Common Shares to which such registered shareholder is entitled as a result of the Share Consolidation. No delivery of a new certificate (or direct registration statement) to a registered shareholder will be made until the registered shareholder has surrendered his, her or its existing certificates representing the pre-consolidation Common Shares. Until surrendered, each Common Share certificate representing pre-consolidation Common Shares shall be deemed for all purposes to represent the number of post-consolidation Common Shares to which the holder is entitled as a result of the Share Consolidation. In the event that the Share Consolidation is not implemented, all Common Share certificates delivered pursuant to a Letter of Transmittal will be returned to the respective registered shareholders. In addition, after the exchange of pre-consolidation Common Share certificates for post-consolidation Common Share certificates (or direct registration statements), shareholders will have no further interest with respect to any fractional pre-consolidated Common Shares.

Registered shareholders who do not deliver their Common Share certificates representing pre-consolidation Common Shares and all other required documents to TSX Trust Company on or before the sixth anniversary of the effective date of the Share Consolidation will lose their rights to receive post-consolidation Common Shares in exchange for their existing pre-consolidation Common Shares. Non-registered shareholders holding their Common Shares through an intermediary should note that intermediaries may have different procedures for processing the Share Consolidation than those that will be put in place by the Company for registered shareholders. If you hold your Common Shares with an intermediary and you have questions in this regard, you are encouraged to contact your intermediary.

Any Registered shareholder whose share certificate(s) have been lost, destroyed or stolen will be entitled to a replacement share certificate only after complying with the requirements that customarily apply in connection with lost, stolen or destroyed certificates.

The method chosen for delivery of share certificates and Letters of Transmittal to the TSX Trust Company is the responsibility of the Registered shareholder and neither the Company nor the transfer agent will have any liability in respect of share certificates and/or Letters of Transmittal which are not actually received by the TSX Trust Company.

**REGISTERED SHAREHOLDERS SHOULD NEITHER DESTROY NOR SUBMIT ANY SHARE CERTIFICATE UNTIL HAVING RECEIVED A LETTER OF TRANSMITTAL.**

### **No Dissent Rights**

Under the *Business Corporations Act* (British Columbia) ("**Business Corporations Act**"), the shareholders do not have any dissent and appraisal rights with respect to the proposed Share Consolidation.

### **Shareholder Approval Authorizing the Share Consolidation**

At the Meeting, Shareholders will be asked to consider and, if thought appropriate, approve the following ordinary resolution, with or without variation, to approve the proposed Share Consolidation:

"RESOLVED, as an ordinary resolution of the shareholders of XORTX Therapeutics Inc. ("**XORTX**"), with or without amendment, that:

1. XORTX Therapeutics Inc. (the "**Company**") be and it is hereby authorized to file articles of amendment under the *Business Corporations Act* (British Columbia) (the "**Business Corporations Act**") to amend its articles of association ("**Articles**") to change the number of issued and outstanding common shares of the Company (the "**Common Shares**") by consolidating the issued and outstanding Common Shares within a range of between one (1) post-consolidation Common Share for every five (5) pre-consolidation Common Shares and one (1) post-consolidation Common Share for every 45 pre-consolidation Common Shares (the "**Share Consolidation**"), such amendment to become effective at a date in the future to be determined by the board of directors of the Company (the "**Board**") when the Board considers it to be in the best interests of the Company to implement such

Share Consolidation, but in any event not later than one year after the date on which this resolution is approved, subject to approval of the CSE and any other securities exchange on which the Common Shares are then listed.

2. The amendment to the Articles giving effect to the Share Consolidation will provide that no fractional Common Shares will be issued in connection with the Share Consolidation and that the number of post-consolidation Common Shares to be received by a registered shareholder will be rounded down to the nearest whole number of Common Shares that such holder would otherwise be entitled to receive upon the implementation of the Share Consolidation.
3. Notwithstanding that this ordinary resolution has been duly adopted by the shareholders of the Company the Board be and it is hereby authorized, in its sole discretion, to revoke this ordinary resolution in whole or in part at any time prior to its being given effect without further notice to, or approval of, the shareholders of the Company.
4. Any one director or officer of the Company be and is hereby authorized to do all such further acts and things and execute all such documents and instruments as may be necessary or desirable to give effect to the matters contemplated by this ordinary resolution, including but not limited to the filing of amendments to the articles and notice of articles under the *Business Corporations Act*.”

Management recommends that the shareholders vote in favour of the ordinary resolution to approve the Share Consolidation as set out above. In order for the ordinary resolution to approve the Share Consolidation to be effective, it must be approved by the affirmative vote of a majority of the votes cast in respect thereof by Shareholders present in person or by proxy at the Meeting. **In the absence of contrary directions, the persons named in the enclosed form of proxy intend to vote in favour of the approval of the Share Consolidation.**

## **2. ADVANCE NOTICE PROVISION**

Effective August 6, 2021, the Board adopted an advance notice policy (the “**Advance Notice Policy**”) requiring shareholders proposing director nominations for a shareholder meeting to provide advance notice to the Company of their proposed nominees in order for the nominees to be eligible to stand for election at the meeting. The Board is now proposing that the Company’s Articles be amended to incorporate the provisions of the Advance Notice Policy in Article 14.12 of the Articles (the “**Advance Notice Provisions**”).

The Board is of the view that the Advance Notice Provisions will: (i) facilitate an orderly and efficient annual general or, where the need arises, special meeting, process; (ii) ensure that all shareholders receive adequate notice of the director nominations and sufficient information with respect to all nominees; and (iii) allow shareholders to register an informed vote having been afforded reasonable time for appropriate deliberation.

At the Meeting, Shareholders will be asked to consider and vote on a special resolution (the “**Advance Notice Resolution**”) approving the Advance Notice Provisions. A copy of the Advance Notice Resolution is attached hereto as Schedule B. The full text of the Advance Notice Provisions is written below in Schedule B. The summary below is qualified in its entirety by the full text of the Advance Notice Provisions.

### **Purpose of the Advance Notice Provisions**

The purpose of amending the Company’s Articles to include the Advance Notice Provisions is to provide shareholders, directors and management of the Company with a transparent, fair and structured framework for nominating directors. This advanced notice provision fixes a deadline by which holders of record of Common Shares of the Company must submit director nominations to the Company prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include in the notice

to the Company for the notice to be in proper written form in order for any director nominee to be eligible for election at any annual or special meeting of shareholders.

It is the position of the Company that the Advanced Notice Provisions is in the best interests of the Company, its shareholders and other stakeholders. The Advanced Notice Provisions will be subject to an annual review, and will reflect changes as required by securities regulatory agencies or stock exchanges, or so as to meet industry standards.

### **Terms of the Advance Notice Provisions**

The Advance Notice Provisions provide that advance notice to the Company must be made and the procedures set out in the Articles must be followed for persons to be eligible for election to the Board. Nomination of persons for election to the Board may only be made at an annual meeting of shareholders or at a special meeting of shareholders if one of the purposes for which the special meeting was called is the election of directors.

Among other things, the Advance Notice Provisions fix a deadline by which holders of record of Common Shares must submit director nominations by providing written notice to the Chief Financial Officer of the Company prior to any annual or special meeting of shareholders and sets forth the specific information that a shareholder must include in such notice for an effective nomination to occur. No person will be eligible for election as a director of the Company unless nominated in accordance with the Advance Notice Provisions.

In the case of an annual meeting of shareholders, the notice must be made not less than 30 days prior to the date of the annual meeting; provided, however, that if the annual meeting is to be held on a date that is less than 50 days after the date (the “**Notice Date**”) that is the earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10<sup>th</sup> day following the Notice Date. In the case of a special meeting of shareholders (which is not also an annual meeting), following the day that is earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the special meeting of shareholders was made.

The Board may, in its sole discretion, waive any requirement of the Advance Notice Provisions. To be effective, the Advance Notice Resolution must be approved by more than 66⅔% of the votes cast by shareholders voting in person or by proxy at the Meeting. The Board believes the passing of the Advance Notice Resolution is in the best interests of the Company and recommends that shareholders vote in favour of the resolution.

**The persons named in the accompanying proxy (if named and absent contrary directions) intend to vote the voting securities represented thereby FOR the approval of the Advance Notice Resolution.**

### **3. ARTICLES OF AMENDMENT RESOLUTION – CHOICE OF LAW PROVISION**

At the Meeting, Shareholders will be requested to consider and, if thought advisable, pass a special resolution adopting an amendment to the Company’s articles providing for a forum for adjudication of certain disputes (the “**Choice of Law Clause**”), whereby unless the Company approves or consents in writing to the selection of an alternative forum, the applicable court of competent jurisdiction for the Province of Alberta shall be the sole and exclusive forum for: (a) a derivative action, including an application for leave to commence such an action, in the name of and on behalf of the Company; (b) an application for an oppression remedy, including an application for leave to commence such a proceeding; (c) an action asserting a claim of breach of the duty of care owed by the Company or any director, officer or other employee of the Company to the Company or to any of the Company’s shareholders; (d) an action asserting a claim of breach of fiduciary duty owed by any director, officer or other employee of the Company to the Company or to any of the Company’s shareholders; (e) an action or other proceeding asserting a claim or seeking a remedy pursuant to any provision of the *Business Corporations Act* or the Company’s articles or by-laws (as either may be amended or restated from time to time); and (f) an action or other proceeding asserting a claim against the Company or any director or officer or other employee of the Company

regarding a matter of the regulation of the business and affairs of the Company, including (without limitation), the articles, bylaws, internal affairs, governance, status, internal controls and procedures of the Company. The full text of the Choice of Law Clause is included in Schedule C.

This amendment is intended to avoid subjecting the Company to multiple lawsuits in multiple jurisdictions on matters relating to the corporate law of Alberta. The ability to require such actions to be brought in a single forum provides numerous benefits to the Company and its shareholders.

Specifically, the Company and its shareholders benefit from having disputes resolved by the courts of Alberta. The courts in Alberta have experienced jurists who have a deep understanding of Alberta corporate law and the duties of directors and officers. Alberta's well-developed body of case law provides shareholders with more certainty about the outcome of intra-corporate disputes. Further, by ensuring that intra-corporate disputes are heard in Alberta, the Company and its shareholders avoid costly and duplicative litigation, the risk that Alberta law would be misapplied by a court in another jurisdiction and the risk of inconsistent outcomes when two similar cases proceed in different courts.

The Board believes that the adoption of a forum selection provision can reduce or eliminate the risk of costly and disruptive multi-forum litigation as well as abusive "forum shopping", by requiring intra-corporate claims to be brought in the Alberta courts. In addition, the Board believes that Alberta courts are best suited to address disputes involving such matters given that the Company is headquartered in Alberta and that the Alberta courts have a reputation for expertise in corporate law matters. For these reasons, the Board believes that providing for Alberta as the exclusive forum for the types of disputes listed in the amendment is in the best interests of the Company and its shareholders. At the same time, the Board believes the Company should retain the ability to consent to an alternative forum on a case-by-case basis where the Company determines that the Company's interests and those of its shareholders would be best served by permitting such a dispute to proceed in a forum other than the courts designated in the amendment.

The full text of the resolution to approve the amendment to the Company's articles to include the Choice of Law Clause attached hereto as Schedule C.

**To become effective, the resolution adopting the amendment to the Company's articles to include the Choice of Law Clause must be approved by not less than 66⅔% of the votes cast upon such resolution by Shareholders, voting as a single class, present in person or represented by proxy at the Meeting. The persons named in the accompanying proxy (if named and absent contrary directions) intend to vote the voting securities represented thereby FOR the resolution adopting the amendment to the Company's articles to include the Choice of Law Clause.**

#### **OTHER MATTERS WHICH MAY COME BEFORE THE MEETING**

The management knows of no matters to come before the Meeting other than as set forth in the Notice of Meeting. However, if other matters which are not known to the management should properly come before the Meeting, the accompanying proxy will be voted on such matters in accordance with the best judgment of the persons voting the proxy.

#### **STATEMENT OF EXECUTIVE COMPENSATION**

In accordance with NI 51-102 and the related form requirements, this Management Information Circular includes certain comparative data and information for prescribed prior years.

#### **Named Executive Officers**

For the purpose of this statement of executive compensation, a "CEO" or "CFO" means each individual who served as Chief Executive Officer or Chief Financial Officer, respectively, of the Company or acted in a similar capacity during the most recently completed financial year. A "Named Executive Officer" or "NEO" means each CEO, each CFO, the Company's most highly compensated officer, other than the CEO and CFO, who was serving as an officer at the end of the most recently completed financial year and whose total compensation was more than \$150,000, and any additional individuals who would be a Named

Executive Officer but for the fact that the individual was not an executive officer of the Company, and was not acting in a similar capacity, at the end of the financial year.

Based on the foregoing definitions, the Company's Named Executive Officers for the financial year ended December 31, 2020 were Allen Davidoff, CEO, and James Fairbairn, former CFO.

## Director and Named Executive Officer Compensation

### Director and Named Executive Officer Compensation, Excluding Compensation Securities

The following table sets forth a summary of the compensation paid to the NEOs and the directors for the financial year ended December 31, 2020.

Table of Compensation Excluding Compensation Securities							
Name and Position <sup>(1)</sup>	Year	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Stock Option (\$)	Value of All Other Compensation (\$)	Total Compensation (\$)
Allen Davidoff <i>CEO</i>	2020	196,097	Nil	Nil	63,072	Nil	259,169
	2019	192,000	Nil	Nil	17,137	Nil	209,137
Amar Keshri <sup>(2)</sup> <i>CFO</i>	2020	N/A	N/A	N/A	N/A	N/A	N/A
	2019	N/A	N/A	N/A	N/A	N/A	N/A
James Fairbairn <sup>(3)</sup> <i>Former CFO</i>	2020	30,000	Nil	Nil	15,635	Nil	45,635
	2018	30,000	Nil	Nil	12,510	Nil	42,510
Ian Klassen <sup>(4)</sup> <i>Director</i>	2020	Nil	Nil	Nil	30,988	Nil	30,988
	2019	Nil	Nil	Nil	Nil	Nil	Nil
Bruce Rowlands <i>Director</i>	2020	36,000	Nil	Nil	41,348	Nil	77,348
	2019	Nil	Nil	Nil	Nil	Nil	Nil
Paul Van Damme <i>Director</i>	2020	Nil	Nil	Nil	33,387	Nil	33,387
	2019	Nil	Nil	Nil	Nil	Nil	Nil
Allan Williams <sup>(5)</sup> <i>Former Director</i>	2020	Nil	Nil	Nil	33,387	Nil	X
	2019	Nil	Nil	Nil	Nil	Nil	Nil
Bruce Cousins <sup>(6)</sup> <i>Former Director</i>	2020	Nil	Nil	Nil	33,387	Nil	33,387
	2019	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) William Farley and Jacqueline Le Saux, current directors of the Company, are not included in the above table as they were appointed on May 12, 2021 and June 16, 2021, respectively.
- (2) Amar Keshri was appointed as CFO on July 14, 2021.
- (3) James Fairbairn was elected CFO on November 9, 2018 and resigned effective July 14, 2021.
- (4) Ian Klassen was appointed as a director on August 27, 2020.
- (5) Allan Williams resigned as a director effective June 16, 2021.
- (6) Bruce Cousins was elected as a director on June 27, 2018 and resigned effective August 26, 2020.

### Outstanding Share-Based Awards and Option-Based Awards

The following table sets out for each NEO and director of the Company all compensation securities granted or issued to such NEO and director in the most recently completed financial year and up to and including December 31, 2020.

Compensation Securities							
Name and Position <sup>(1)</sup>	Type of Compensation Security	Number of Compensation Securities, Number of Underlying Securities and Percentage of Class	Date of Issue or Grant	Issue, Conversion or Exercise Price (\$)	Closing Price of Security or Underlying Security on Date of Grant (\$)	Closing Price of Security or Underlying Security at Year End (\$)	Expiry Date
Allen Davidoff <sup>(2)</sup> <i>CEO</i>	Options	Nil	N/A	N/A	N/A	N/A	N/A
Amar Keshri <sup>(3)</sup> <i>CFO</i>		N/A	N/A	N/A	N/A	N/A	N/A
James Fairbairn <sup>(3)</sup> <i>Former CFO</i>	Options	Nil	N/A	N/A	N/A	N/A	N/A
Ian Klassen <sup>(4)</sup> <i>Director</i>	Options	Nil	N/A	N/A	N/A	N/A	N/A
Bruce Rowlands <sup>(5)</sup> <i>Director</i>		Nil	N/A	N/A	N/A	N/A	N/A
Paul Van Damme <sup>(6)</sup> <i>Director</i>		Nil	N/A	N/A	N/A	N/A	N/A
Allan Williams <sup>(7)</sup> <i>Director</i>		Nil	N/A	N/A	N/A	N/A	N/A
Bruce Cousins <sup>(8)</sup> <i>Former Director</i>		Nil	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) William Farley and Jacqueline Le Saux, current directors of the Company, are not included in the above table as they were appointed on May 12, 2021 and June 16, 2021, respectively. As of the date of this Management Information Circular, William Farley holds 250,000 options exercisable at \$0.16 expiring May 12, 2026 and Jacqueline Le Saux holds 250,000 options exercisable at \$0.15 expiring June 16, 2026.
- (2) Allen Davidoff holds 1,000,000 options, 500,000 exercisable at \$0.50 and 500,000 exercisable at \$0.14, expiring March 19, 2023 and June 23, 2025, respectively.
- (3) Amir Keshri was appointed as CFO on July 14, 2021 replacing James Fairbairn who holds 500,000 options, 250,000 exercisable at \$0.50 and 500,000 exercisable at \$0.14, expiring March 19, 2023 and June 23, 2025, respectively.
- (4) Ian Klassen was appointed as a director on August 27, 2020 and holds 500,000 options, 150,000 options exercisable at \$0.24 expiring August 27, 2025 and 350,000 options exercisable at \$0.28 expiring January 11, 2026.
- (5) Bruce Rowlands holds 600,000 options, 150,000 exercisable at \$0.50 and 450,000 exercisable at \$0.14, expiring March 19, 2023 and June 23, 2025, respectively.
- (6) Paul Van Damme holds 450,000 options, 150,000 exercisable at \$0.50 and 300,000 exercisable at \$0.14, expiring March 19, 2023 and June 23, 2025, respectively.
- (7) Allan Williams holds 450,000 options, 150,000 exercisable at \$0.50 and 300,000 exercisable at \$0.14, expiring March 19, 2023 and June 23, 2025, respectively.
- (8) Bruce Cousins was elected as a director of the Company on June 27, 2018 and resigned August 26, 2020. At year-end December 31, 2020, all options held by Bruce Cousins had expired unexercised.

### Exercise of Share-Based Awards and Option-Based Awards

The following table sets out for each NEO and director of the Company all compensation securities exercised in the most recently completed financial year and up to and including December 31, 2020.

Exercise of Compensation Securities by Directors and NEOs							
Name and Position <sup>(1)</sup>	Type of Compensation Security	Number of Underlying Securities Exercised	Exercise Price Per Security (\$)	Date of Exercise	Closing Price Per Security on Date of Exercise (\$)	Difference Between Exercise Price and Closing Price on Date of Exercise (\$)	Total Value on Exercise Date (\$)
Allen Davidoff <i>CEO</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Amar Keshri <sup>(2)</sup> <i>CFO</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
James Fairbairn <i>Former CFO</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ian Klassen <sup>(3)</sup> <i>Director</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bruce Rowlands <i>Director</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Paul Van Damme <i>Director</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Allan Williams <sup>(4)</sup> <i>Director</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bruce Cousins <sup>(5)</sup> <i>Former Director</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

(1) William Farley and Jacqueline Le Saux, current directors of the Company, are not included in the above table as they were appointed on May 12, 2021 and June 16, 2021, respectively.

(2) Amar Keshri was appointed CFO on July 14, 2021.

(3) Ian Klassen was appointed as a director on August 27, 2020.

(4) Allan Williams resigned as a director on June 16, 2021.

(5) Bruce Cousins resigned as a director on August 26, 2020.

### NEO Employment and Consulting Agreements

#### **Dr. Allen Davidoff, CEO**

The Company employs Dr. Allen Davidoff as the Company's President and CEO at an annual salary of \$190,000 pursuant to an executive employment agreement (the "**Davidoff Agreement**"). The Davidoff Agreement contains standard confidentiality and non-compete clauses and has an indefinite term. The Davidoff Agreement can be terminated by Dr. Davidoff or the Company by providing 30 days' notice. In the case of the Company providing termination notice, Dr. Davidoff would receive the equivalent of six times his then current monthly salary in a lump sum payment if terminated prior to the first anniversary and if after the first anniversary, Dr. Davidoff is entitled to a lump sum payment of 12 times his then current monthly salary. In the case of a change of control, the Davidoff Agreement provides for a lump sum payment equal to 12 times his monthly base salary amount in effect at the time. As well, all unvested Options then held by Dr. Davidoff shall be deemed to have vested upon any such termination.



**Amar Keshri, CFO**

Amar Keshri, the Company's CFO, provides his services to the Company in accordance with the terms of an independent contractor agreement through his holding company called Next Level Consultants Inc. (the "**Next Level Agreement**"). The Next Level Agreement contains standard confidentiality clauses and sets out a monthly retainer of \$10,000 (plus HST) per month for the services of Amar Keshri. The Next Level Agreement has a one year term and can be cancelled by the Company by providing 30 days' notice. The Next Level Agreement does not provide for change of control benefits.

**Compensation Discussion and Analysis****Director and NEO Compensation**

The Company's Board is responsible for ensuring that the Company has in place an appropriate plan for executive compensation ensuring that total compensation paid to all NEOs is fair and reasonable and is consistent with the Company's compensation philosophy and in line with industry practice.

Compensation for the executive officers is composed primarily of three components: base compensation, performance bonuses and the granting of options. Performance bonuses may be considered from time to time. The Board does not have a pre-determined compensation plan, but rather reviews the performance of the executive officers and considers a variety of factors, when determining compensation levels. These factors, which are informally discussed by the Board, include the long-term interests of the Company and its Shareholders, the financial and operating performance of the Company and each executive officer's individual performance, contribution towards meeting corporate objectives, responsibilities and length of service. The Board believes that the compensation arrangements for the Company's executive officers are commensurate with the executive officer's position, experience and performance. The directors of the Company will continue to review compensation philosophy to ensure that the Company is competitive and that compensation is consistent with the performance of the Company.

Other than Options to purchase Common Shares granted under the Plan, there were no long-term incentive awards made to the NEOs during the most recently completed financial year.

**Pension Plan Benefits**

There are no pension plan benefits in place for NEOs.

**Gender Diversity in Executive Officer Positions**

The Company has not adopted a formal policy which specifies targets regarding the representation of women in executive officer positions or on its Board. While the Company believes that diversity, including gender diversity, is an important consideration in determining the makeup of its executive team, it is only one of a number of factors (which include merit, talent, experience, expertise, leadership capabilities, innovative thinking and strategic agility), that are considered in selecting the best candidates for executive positions. At the present time, the Company has one woman on the Board and one woman on its executive team.

**Termination and Change of Control Benefits**

The Company does not have in place any pension or retirement plan. The Company has not provided compensation, monetary or otherwise, during the preceding fiscal year, to any person who now acts or has previously acted as a NEO of the Company. In connection with or related to the retirement, termination or resignation of such person and the Company has provided no compensation to such persons as a result of change of control of the Company, its subsidiaries or affiliates. Under the current NEO employment arrangements, if a severance payment triggering event were to occur, the severance payments that would be payable to each of the NEOs is as outlined in the following table.

Name	Termination by the Company (\$)	Change of Control (\$)
Allen Davidoff	190,000	190,000
Amar Keshri	Nil	Nil
<b>Total</b>	<b>190,000</b>	<b>190,000</b>

### Compensation of Directors

During the period ended December 31, 2020, the non-executive directors of the Company received no compensation for director services. During the financial year of the Company ended December 31, 2020, 1,850,000 Options were granted to non-executive directors.

In July 2021, the Board resolved, at the recommendation of the Compensation Committee that with effect from July 1, 2021, the Company pay independent directors an annual fee of \$12,000 and that for each meeting exceeding 30 minutes, the Company pay each committee chair a fee of \$700 and each committee member receive a fee of \$300.

### Equity Compensation Plan Information

The following table sets forth aggregated information as at December 31, 2020 with respect to compensation plans of the Company under which equity securities of the Company are authorized for issuance.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (#)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (\$)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (#)
Equity compensation plans approved by Shareholders <sup>(1),(2)</sup>	5,450,000	\$0.28	2,667,912
Equity compensation plans not approved by Shareholders	Nil	Nil	Nil
<b>Total</b>	<b>5,450,000</b>	<b>\$0.28</b>	<b>2,667,912</b>

Notes:

- (1) The Stock Option Plan is a "rolling" stock option plan whereby the maximum number of Common Shares that may be reserved for issuance pursuant to the Plan will not exceed 10% of the issued shares of the Company at the time of the stock option grant.
- (2) As at August 9, 2021, 6,700,000 Options are outstanding, with 4,307,672 Options remaining available for issuance under the Plan.

### INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

As of December 31, 2020, there was no indebtedness of any director or officer of the Company or of any proposed nominee for election as a director of the Company to, or guaranteed or supported by, the Company or any subsidiary thereof either pursuant to an employee stock purchase program or any other programs of the Company or a subsidiary or otherwise.

### INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as disclosed in this Management Information Circular, management of the Company is not aware of any material interest of any director or nominee for director or executive officer or anyone who has held office as such since the beginning of the Company's last financial year or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Since January 1, 2020, no director or executive officer of the Company who beneficially owns, or controls or directs, directly or indirectly more than 10% of the outstanding Common Shares or any known associate or affiliate of such persons, has or has had any material interest direct or indirect, in any transaction or in any proposed transaction that has materially affected or is reasonably expected to material affect the Company except for Prevail Partners LLC ("**Prevail**"), which owns 11,473,714 Common Shares, currently representing 10.42% of the outstanding Common Shares of the Company. Prevail acquired the 11,473,714 Common Shares as part of the private placement that closed on February 28, 2020, in connection with an agreement between the Company and Prevail wherein the Company paid a deposit of \$1,606,320 (US\$1,200,000 at the exchange rate on the date of the transaction) to Prevail to support two clinical trials on behalf of the Company.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board and senior management of the Company consider good corporate governance to be central to the effective and efficient operation of the Company.

National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**") requires that if management of an issuer solicits proxies from its securityholders for the purpose of electing directors, certain prescribed disclosure in respect of corporate governance matters be included in its management information circular.

The CSE also requires listed companies to provide, on an annual basis, the corporate governance disclosure which is prescribed by NI 58-101.

The prescribed corporate governance disclosure for the Company is that contained in Form 58-101F2 – *Corporate Governance Disclosure* ("**Form 58-101F2**") and is set out on the following pages.

National Policy 58-201 – *Corporate Governance Guidelines* establishes corporate governance guidelines which apply to all public companies. The Company has reviewed its own corporate governance practices in light of these guidelines. In certain cases, the Company's practices comply with the guidelines; however, the Board considers that some of the guidelines are not suitable for the Company at its current stage of development and therefore these guidelines have not been adopted. The Company will continue to review and implement the corporate governance guidelines as the business of the Company progresses and becomes more active in operations.

### Form 58-101F2 – Corporate Governance Disclosure

#### **Board**

The Board is currently composed of six directors. Form 58-101F2 suggests that the board of directors of every listed company should be constituted with a majority of individuals who qualify as "independent" directors under NI 58-101 which provides that a director is independent if he or she has no direct or indirect "material relationship" with the Company. "**Material relationship**" is defined as a relationship which could, in the view of the board of directors, be reasonably expected to interfere with the exercise of a director's independent judgment. Of the six directors, one director, Allen Davidoff, current CEO is considered a non-independent director. Dr. Davidoff is a management director and accordingly is not "independent". Each of the remaining directors: William Farley, Ian Klassen, Jacqueline Le Saux, Bruce Rowlands and Paul Van Damme are considered "independent", within the meaning of NI 58-101.

The Board meets formally on an as needed basis to review and discuss the Company's business activities, and to consider and if thought fit, to approve matters presented to the Board for approval, and to provide guidance to management. In addition, management informally provides updates to the Board between formal meetings. In general, management consults with the Board when deemed appropriate to keep it informed regarding the Company's affairs. The Board facilitates the exercise of independent supervision over management through these various meetings.

In addition to the Audit Committee, the Company has formed a Compensation Committee and a Corporate Governance and Nominating Committee (the “**CGN Committee**”). When necessary, the Board will strike a special committee of independent directors to deal with matters requiring independence. The composition of the Board is such that the independent directors have significant experience in business affairs and, as a result, these directors are able to provide significant and valuable independent supervision over management. In the event of a conflict of interest at a meeting of the Board, the conflicted director will in accordance with corporate law and in accordance with his fiduciary obligations as a director of the Company, disclose the nature and extent of his interest to the meeting and abstain from voting on or against the approval of such participation.

The Board has determined that the current constitution of the Board is appropriate for the Company’s current stage of development. The Board has free access to the Company’s external auditors, legal counsel and to any of the Company’s officers.

### **Directorships**

Certain of the directors are also directors of other reporting issuers, as follows:

<b>Director</b>	<b>Other Reporting Issuers</b>
Ian Klassen	eXeBlock Technology Corporation, GMV Minerals Inc. and Grande Portage Resources Ltd.
Bruce Rowlands	A-Labs Capital II Corp.

### **Participation of Directors in Board Meetings**

For the year ended December 31, 2020, the Board held three board meetings and three audit committee meetings.

<b>Director<sup>(1)</sup></b>	<b>Attendance / Number of Board Meetings</b>	<b>Attendance / Number of Audit Committee Meetings</b>
Bruce Cousins <sup>(2)</sup>	2 / 2	2 / 2
Allen Davidoff	3 / 3	N/A
Ian Klassen <sup>(3)</sup>	1 / 1	N/A
Bruce Rowlands	3 / 3	3 / 3
Paul Van Damme	3 / 3	3 / 3
Allan Williams <sup>(4)</sup>	3 / 3	N/A

Notes:

- (1) William Farley and Jacqueline Le Saux, current directors of the Company, are not included in the above table as they were appointed on May 12, 2021 and June 16, 2021, respectively.
- (2) Bruce Cousins resigned effective August 26, 2020.
- (3) Ian Klassen was appointed as a director on August 27, 2020.
- (4) Allan Williams resigned effective June 16, 2021.

### **Orientation and Continuing Education**

The Board does not have a formal orientation or education program for its members. The Board’s continuing education is typically derived from correspondence with the Company’s legal counsel to remain up to date with developments in relevant corporate and securities’ law matters.

### **Ethical Business Conduct**

The Board has adopted guidelines and has quantified and stipulated steps to encourage and promote a culture of ethical business conduct. The Company also promotes ethical business conduct through the

nomination of directors it considers ethical, through avoiding or minimizing conflicts of interest, and by having a majority of its directors independent of corporate matters.

### ***Nomination and Assessments***

The recruitment of new directors has generally resulted from recommendations made by directors and shareholders. The assessment of the contributions of individual directors has principally been the responsibility of the Board. Prior to standing for election, new nominees to the Board are reviewed by the entire Board.

### ***Compensation***

During the financial year ended December 31, 2020, the Board decided the compensation for the Company's officers, based on industry standards and the Company's financial position.

### ***Other Board Committees***

On May 7, 2021, the Company formed two additional committees of the Board, a Compensation Committee and a CGN Committee.

The Compensation Committee has been formed to assist in fulfilling the Board corporate governance responsibilities under applicable laws, including assisting the Board in setting director and senior executive compensation. The Compensation Committee also has the responsibility of making recommendations concerning annual bonuses and grants to eligible persons under the Stock Option Plan. The directors of the Company, in consultation with the compensation committee, determine the level of compensation in respect of the executive officers of the Company. The Compensation Committee is currently comprised of Ian Klassen (Chair), William Farley and Paul Van Damme. All of the members of the Compensation Committee are independent within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**").

The CGN Committee has been formed to assist the Board with respect to corporate governance and director nomination matters. The CGN Committee is currently comprised of Jacqueline Le Saux (Chair), Bruce Rowlands and Paul Van Damme. All members of the CGN Committee are independent within the meaning of NI 58-101.

### ***Assessment of Directors, the Board and Board Committees***

Currently the Board has not implemented a formal process for assessing the performance of the Board, its committees, or its individual directors. On May 7, 2021, the Board formed a CGN Committee. The CGN Committee plans on implementing a process for assessing the effectiveness of the Board as a whole, the committees of the directors and individual directors based upon the mandate of the Board and charters of the appropriate committees, respectively and for individual directors, their skills and competencies which directors are expected to bring to the Board.

## **AUDIT COMMITTEE**

National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") reporting issuers are required to provide disclosure with respect to its Audit Committee including the text of the Audit Committee's Charter, composition of the Committee, and the fees paid to the external auditor. The Company provides the following disclosure with respect to its Audit Committee:

### **Audit Committee Charter**

The full text of the charter of the Company's Audit Committee is attached hereto as Schedule A.

## Composition of the Audit Committee

The Company's Audit Committee is comprised of three directors: Ian Klassen, Bruce Rowlands and Paul Van Damme (Chair).

## Relevant Education and Experience

**Ian Klassen** – Mr. Klassen has close to 30 years of business experience in the administration of public companies and finance. He is the current President and CEO of two gold exploration companies listed on the TSX Venture Exchange and was a founding director of Canabo Medical Corp., a public company that completed a business combination with Aleafia Health Inc. in March 2018. He has extensive experience chairing governance, audit, risk assessment and compensation committees. Mr. Klassen has a B.A. (Honours) from the University of Western Ontario. Mr. Klassen is financially literate and an independent director of the Company for the purpose of NI 52-110.

**Bruce Rowlands** -- Mr. Rowlands has over 25 years business experience in the public markets in the areas of biotechnology, investment banking and scientific instrumentation industries. He is a former director of Eurocontrol Technics Group Inc., a TSX Venture Exchange listed company and the former Chairman and Chief Executive Officer. Prior to joining Eurocontrol, Bruce Rowlands held the positions of Senior Vice President with Lorus Therapeutics, a leading Canadian biotechnology company and Vice President and Director of Dominick and Dominick Securities Canada, a Canadian investment banking firm. Mr. Rowlands is financially literate and an independent director of the Company for the purpose of NI 52-110.

**Paul Van Damme (Chair)** – Paul Van Damme is a Chartered Professional Accountant with over 45 years business experience. He holds a Bachelor of Commerce degree from the University of Toronto and a MBA from the Rotman School of Management. He is an experienced accountant having worked for Pricewaterhouse Coopers in their Toronto and London, UK offices and he has held the position of CFO with a number of Canadian and US private and public companies including Allelix Biopharmaceuticals Inc., Vasogen and Structural Genomics Consortium, a UK-based charity. Additionally, Paul Van Damme is the Managing Director of WD Capital. Mr. Van Damme is financially literate and an independent director of the Company for the purpose of NI 52-110.

## Audit Committee Oversight

Since the commencement of the Company's most recently completed fiscal year, the Company's Board has adopted all recommendations of the Audit Committee to nominate or compensate an external auditor.

## Audit Fees

The following table provides details in respect of audit, audit related, tax and other fees billed by the external auditor of the Company for professional services rendered to the Company during the financial years ended December 31, 2020 and December 31, 2019:

Year Ended	Audit Fees (\$)	Audit-Related Fees (\$)	Tax Fees (\$)	All Other Fees (\$)
December 31, 2020	\$ 23,726	Nil	Nil	Nil
December 31, 2019	\$18,750	Nil	Nil	Nil

**Audit Fees** – aggregate fees billed for professional services rendered by the auditor for the audit of the Company's annual financial statements as well as services provided in connection with statutory and regulatory filings.

**Audit-Related Fees** – aggregate fees billed for professional services rendered by the auditor and were comprised primarily of audit procedures performed related to the review of quarterly financial statements and related documents.

*Tax Fees* – aggregate fees billed for tax compliance, tax advice and tax planning professional services. These services included reviewing tax returns and assisting in responses to government tax authorities.

*All Other Fees* – aggregate fees billed for professional services which included accounting advice and advice related to relocating employees.

### **Exemption**

The Company is relying on the exemptions set out in subsection 6.1 of NI 52-110, which provide that venture issuers are exempt from the audit committee composition and reporting obligation requirements set out in NI 52-110.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com). The Company will provide any Shareholder of the Company, without charge, upon request to the Corporate Secretary of the Company a copy of this Management Information Circular.

### **APPROVAL**

The contents of this Management Information Circular and the sending thereof to the Shareholders of the Company have been approved by the directors of the Company.

DATED at Calgary, Alberta, this 9<sup>th</sup> day of August, 2021.

BY ORDER OF THE BOARD OF DIRECTORS

*“Allen Davidoff”*

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Dr. Allen Davidoff  
Chief Executive Officer

## SCHEDULE A AUDIT COMMITTEE CHARTER

### **GENERAL**

#### **1. Purpose and Responsibilities of the Committee**

##### 1.1 Purpose

The primary purpose of the Committee is to assist Board oversight of:

- (a) the integrity of the Company's financial statements;
- (b) the Company's compliance with legal and regulatory requirements;
- (c) the External Auditor's qualifications and independence; and
- (d) the performance of the Company's internal audit function and the External Auditor.

#### **2. Definitions and Interpretation**

##### 2.1 Definitions

In this Charter:

- (a) **"Board"** means the board of directors of the Company;
- (b) **"Chair"** means the chair of the Committee;
- (c) **"Committee"** means the audit committee of the Board;
- (d) **"Company"** means XORTX Therapeutics Inc.;
- (e) **"Director"** means a member of the Board; and
- (f) **"External Auditor"** means the Company's independent auditor.

##### 2.2 Interpretation

The provisions of this Charter are subject to the articles and by-laws of the Company and to the applicable provisions of the *Business Corporations Act*, and any other applicable legislation.

### **CONSTITUTION AND FUNCTIONING OF THE COMMITTEE**

#### **3. Establishment and Composition of the Committee**

##### 3.1 Establishment of the Audit Committee

The Committee is hereby continued with the constitution, function and responsibilities herein set forth.

##### 3.2 Appointment and Removal of Members of the Committee

- (a) *Board Appoints Members.* The members of the Committee shall be appointed by the Board.



- (b) *Annual Appointments.* The appointment of members of the Committee shall take place annually at the first meeting of the Board after a meeting of the shareholders at which Directors are elected, provided that if the appointment of members of the Committee is not so made, the Directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.
- (c) *Vacancies.* The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Directors. If a vacancy exists on the Committee, the remaining members shall exercise all of their powers so long as a quorum remains in office.
- (d) *Removal of Member.* Any member of the Committee may be removed from the Committee by a resolution of the Board.

### 3.3 Number of Members

The Committee shall consist of three or more Directors.

### 3.4 Independence of Members

Each member of the Committee shall be independent for the purposes of all applicable regulatory and stock exchange requirements. Each member of the Committee must not have participated in the preparation of the financial statements of the Corporation or any current subsidiary of the Corporation at any time during the past three years.

### 3.5 Financial Literacy

- (a) *Financial Literacy Requirement.* Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee, and at least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities, as each such qualification is interpreted by the Board in its business judgment. In addition, at least one member of the Committee shall be an "audit committee financial expert" as such term is defined by the U.S. Securities and Exchange Commission.
- (b) *Definition of Financial Literacy.* "**Financially literate**" means 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 Company's financial statements.

## 4. **Committee Chair**

### 4.1 Board to Appoint Chair

The Board shall appoint the Chair from the members of the Committee who are unrelated directors (or, if it fails to do so, the members of the Committee shall appoint the Chair from among its members).

### 4.2 Chair to be Appointed Annually

The designation of the Committee's Chair shall take place annually at the first meeting of the Board after a meeting of the members at which Directors are elected, provided that if the designation of Chair is not so made, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

## **5. Committee Meetings**

### **5.1 Quorum**

A quorum of the Committee shall be two members.

### **5.2 Secretary**

The Chair shall designate from time to time a person who may, but need not, be a member of the Committee, to be Secretary of the Committee.

### **5.3 Time and Place of Meetings**

The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; provided, however, the Committee shall meet at least four times per year on a quarterly basis.

### **5.4 In Camera Meetings**

On at least an annual basis, the Committee shall meet separately with each of:

- (a) management; and
- (b) the External Auditor.

### **5.5 Right to Vote**

Each member of the Committee shall have the right to vote on matters that come before the Committee.

### **5.6 Voting**

Any matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose; actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose.

### **5.7 Invitees**

The Committee may invite Directors, officers, employees and consultants of the Company or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee. The External Auditor shall receive notice of each meeting of the Committee and shall be entitled to attend any such meeting at the Company's expense.

### **5.8 Regular Reporting**

The Committee shall report to the Board at the Board's next meeting the proceedings at the meetings of the Committee and all recommendations made by the Committee at such meetings.

## **6. Authority of Committee**

### **6.1 Retaining and Compensating Advisors**

The Committee shall have the sole authority to engage independent counsel and any other advisors as the Committee may deem appropriate in its sole discretion and to set the compensation for any advisors

employed by the audit committee. The Committee shall not be required to obtain the approval of the Board in order to retain or compensate such consultants or advisors.

## 6.2 Funding

The Committee shall have the authority to authorize the payment of:

- (a) compensation to any external auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (National Instrument 52-110 – *Audit Committees* requires disclosure of fees by category paid to the External Auditor);
- (b) compensation for any advisors employed by the audit committee under Section 6.1 hereof; and
- (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

## 6.3 Subcommittees

The Committee may form and delegate authority to subcommittees if deemed appropriate by the Committee.

## 6.4 Recommendations to the Board

The Committee shall have the authority to make recommendations to the Board, but shall have no decision-making authority other than as specifically contemplated in this Charter.

## 6.5 Compensation

The Committee has the authority to communicate directly with External Auditors and the internal auditors.

## **7. Remuneration of Committee Members**

### 7.1 Remuneration of Committee Members

Members of the Committee and the Chair shall receive such remuneration for their service on the Committee as the Board may determine from time to time.

### 7.2 Directors' Fees

No member of the Committee may earn fees from the Company or any of its subsidiaries other than directors' fees (which fees may include cash and/or shares or options or other in-kind consideration ordinarily available to directors, as well as all of the regular benefits that other directors receive). For greater certainty, no member of the Committee shall accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Company.

## **SPECIFIC DUTIES AND RESPONSIBILITIES**

## **8. Integrity of Financial Statements**

### 8.1 Review and Approval of Financial Information

- (a) *Annual Financial Statements.* The Committee shall review and discuss with management and the External Auditor the Company's audited annual financial statements and related management's discussion and analysis ("**MD&A**") together with the report of the External

Auditor thereon and, if appropriate, recommend to the Board that it approve the audited annual financial statements.

- (b) *Interim Financial Statements.* The Committee shall review and discuss with management and the External Auditor and, if appropriate, approve the Company's interim unaudited financial statements and related MD&A.
- (c) *Material Public Financial Disclosure.* The Committee shall discuss with management and the External Auditor:
  - (i) the types of information to be disclosed and the type of presentation to be made in connection with profit or loss or earnings press releases; and
  - (ii) financial information and earnings guidance (if any) provided to analysts and rating agencies.
- (d) *Procedures for Review.* The Committee shall be satisfied that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements (other than financial statements, MD&A and profit or loss or earnings press releases, which are dealt with elsewhere in this Charter) and shall periodically assess the adequacy of those procedures.
- (e) *General.* To the extent the Committee deems it necessary or appropriate, the Committee may review and discuss with management and the External Auditor:
  - (i) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles;
  - (ii) major issues as to the adequacy of the Company's internal controls over financial reporting and any special audit steps adopted in light of material control deficiencies;
  - (iii) prepared by management and/or the External Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative accounting methods on the financial statements;
  - (iv) the effect on the financial statements of the Company of regulatory and accounting initiatives, as well as off-balance sheet transaction structures, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons that have a material current or future effect on the financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses of the Company;
  - (v) the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented;
  - (vi) any financial information or financial statements in prospectuses and other offering documents;
  - (vii) the management certifications of the financial statements as required under applicable securities laws in Canada or otherwise; and
  - (viii) any other relevant reports or financial information submitted by the Company to any governmental body or the public.

## 9. External Auditor

### 9.1 External Auditor

- (a) *Authority with Respect to External Auditor.* As a representative of the Company's shareholders, the Committee shall be directly responsible for the appointment, compensation and oversight of the work of the External Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. In the discharge of this responsibility, the Committee shall:
- (i) have sole responsibility for recommending to the Board the person to be proposed to the Company's shareholders for appointment as External Auditor for the above-described purposes and recommending such External Auditor's compensation;
  - (ii) determine at any time whether the Board should recommend to the Company's shareholders that the incumbent External Auditor should be removed from office;
  - (iii) review the terms of the External Auditor's engagement, discuss the audit fees with the External Auditor and be solely responsible for approving such audit fees; and
  - (iv) require the External Auditor to confirm in its engagement letter each year that the External Auditor is accountable to the Board and the Committee as representatives of shareholders.
- (b) *Independence.* The Committee shall satisfy itself as to the independence of the External Auditor. As part of this process the Committee shall:
- (i) require the External Auditor to submit on a periodic basis to the Committee a formal written statement delineating all relationships between the External Auditor and the Corporation consistent with The Public Company Accounting Oversight Board Rule 3526 and engage in a dialogue with the External Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the External Auditor and recommend that the Board take appropriate action in response to the External Auditor's report to satisfy itself of the External Auditor's independence;
  - (ii) unless the Committee adopts pre-approval policies and procedures, approve any non-audit services provided by the External Auditor, provided the Committee may delegate such approval authority to one or more of its independent members who shall report promptly to the Committee concerning their exercise of such delegated authority; and
  - (iii) review and approve the policy setting out the restrictions on the Company partners, employees and former partners and employees of the Company's current or former External Auditor.
- (c) *Issues Between External Auditor and Management.* The Committee shall:
- (i) review any problems experienced by the External Auditor in conducting the audit, including any restrictions on the scope of the External Auditor's activities or access to requested information; and
  - (ii) review any significant disagreements with management and, to the extent possible, resolve any disagreements between management and the External Auditor.

- (d) *Non-Audit Services:*
- (i) The Committee shall either:
    - (A) approve any non-audit services provided by the External Auditor or the external auditor of any subsidiary of the Company to the Company (including its subsidiaries); or
    - (B) adopt specific policies and procedures for the engagement of non-audit services, provided that such pre-approval policies and procedures are detailed as to the particular service, the audit committee is informed of each non-audit service and the procedures do not include delegation of the audit committee's responsibilities to management.
  - (ii) The Committee may delegate to one or more independent members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in the previous section, provided that such member or members must present any non-audit services so approved to the full Committee at its first scheduled meeting following such pre-approval.
  - (iii) The Committee shall instruct management to promptly bring to its attention any services performed by the External Auditor which were not recognized by the Company at the time of the engagement as being non-audit services.

## **10. Other**

### **10.1 Related Party Transactions**

The Committee shall review and approve all related party transactions in which the Company is involved or which the Company proposes to enter into.

### **10.2 Expense Accounts**

The Committee shall review and make recommendations with respect to:

- (a) the expense account summaries submitted by the President and Chief Executive Officer on an annual basis;
- (b) the Company's expense account policy, and rules relating to the standardization of the reporting on expense accounts.

### **10.3 Whistle Blowing**

The Committee shall put in place procedures for:

- (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
- (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

## **11. Performance Evaluation**

On a regular basis, the Committee shall follow the process established by the Board for assessing the performance and effectiveness of the Committee.

**12. Charter Review**

The Committee shall review and assess the adequacy of this Charter on an annual basis and recommend to the Board any changes it deems appropriate.

**Approved and adopted by the Board on August 9, 2021.**

**SCHEDULE B  
ADVANCE NOTICE RESOLUTION**

RESOLVED, as a special resolution of the shareholders of XORTX Therapeutics Inc. (“**the Company**”), with or without amendment, that:

1. The articles of the Company (the “**Articles**”) are hereby amended by adding the following Article 14.12 after Article 14.11 of the Articles:

**“14.12 ADVANCE NOTICE**

(1) Purpose and Definitions

The Company is committed to: (i) facilitating an orderly and efficient annual general or, where the need arises, special meeting, process; (ii) ensuring that all shareholders receive adequate notice of the director nominations and sufficient information with respect to all nominees; and (iii) allowing shareholders to register an informed vote having been afforded reasonable time for appropriate deliberation.

The purpose of this advanced notice provision is to provide shareholders, directors and management of the Company with a transparent, fair and structured framework for nominating directors. This advanced notice provision fixes a deadline by which holders of record of common shares of the Company must submit director nominations to the Company prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include in the notice to the Company for the notice to be in proper written form in order for any director nominee to be eligible for election at any annual or special meeting of shareholders.

It is the position of the Company that this advanced notice provision is in the best interests of the Company, its shareholders and other stakeholders. This advanced notice provision will be subject to an annual review, and will reflect changes as required by securities regulatory agencies or stock exchanges, or so as to meet industry standards.

For purposes of this advanced notice provision:

- (a) “**public announcement**” shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Company under its profile on the System of Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com).
- (b) “**Applicable Securities Laws**” means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada.
- (c) “**Representatives**” of a person means the affiliates and associates of such person, all persons acting jointly or in concert with any of the foregoing, and the affiliates and associates of any such persons acting jointly or in concern, and “**Representative**” means anyone of them.

(2) Nominations of Directors

Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Company. Nominations of persons for election to the board of directors may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called is the election of directors:

- (a) by or at the direction of the board, including pursuant to a notice of meeting;



- (b) by or at the direction or request of one or more shareholders of the Company pursuant to a “**proposal**” or requisition of the shareholders made in accordance with the provisions of the *Business Corporations Act*; or
- (c) by any person (a “**Nominating Shareholder**”) who: (i) at the close of business on the date of the giving by the Nominating Shareholder of the notice provided for below in this advanced notice provision and at the close of business on the record date for notice of such meeting of shareholders, is entered in the securities register of the Company as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting and provides evidence of such beneficial ownership to the Company; and (ii) complies with the notice procedures set forth below in this advanced notice provision.

In addition to any other requirements under applicable laws, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given notice thereof that is both timely (in accordance with paragraphs (d) and (e) below) and in proper written form (in accordance with paragraphs (f) and (g) below) to the Chief Financial Officer of the Company at the principal executive offices of the Company.

To be timely, a Nominating Shareholder’s notice to the Chief Financial Officer of the Company must be made:

- (d) in the case of an annual meeting of shareholders, not less than 30 prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date (the “**Notice Date**”) that is the earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10<sup>th</sup>) day following the Notice Date;
- (e) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes as well), not later than the close of business on the fifteenth (15<sup>th</sup>) day following the day that is earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the special meeting of shareholders was made,

provided that, in either instance, if notice-and-access (as defined in National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*) is used for delivery of proxy related materials in respect of a meeting described in paragraph (d) or paragraph (e), and the Notice Date in respect of the meeting is not less than 50 days before the date of the applicable meeting, the notice must be received not later than the close of business on the fortieth (40<sup>th</sup>) day before the applicable meeting. In the event of any adjournment or postponement of an annual meeting of shareholders or special meeting (which is not also an annual meeting of the shareholders) of shareholders called for the purpose of electing directors (whether or not called for other purposes as well) or the announcement thereof, a new time period will commence for the giving of a Nominating Shareholder’s notice.

To be in proper written form, a Nominating Shareholder’s notice to the Chief Financial Officer of the Company must set forth:

- (f) as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (i) the name, age, business address and residential address of the person; (ii) the principal occupation, business or employment of the person for the most recent five years, and the name and principal business of any company in which any such employment is carried on; (iii) the citizenship of such person; (iv) the number of securities of each class or series of securities in the capital of the Company which are owned beneficially or of record by the person or under the control or direction, directly or indirectly, of the person

as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; (v) full particulars regarding any proxy, contract, agreement, arrangement or understanding, including without limitation financial, compensation and indemnity related arrangements, between the person or any associate or affiliate of the person and any Nominating Shareholder or any of its Representatives; (vi) whether the person is party to any existing or proposed relationship, agreement, arrangement or understanding with any competitor of the Company or its affiliates or any other third party which may give rise to a real or perceived conflict of interest between the interests of the Company and the interests of the person; (vii) whether the person is eligible for consideration as an independent director under the relevant standards contemplated by Applicable Securities Laws or any stock exchange rules that may be applicable to the Company; (viii) such person's written consent to being named in the notice as a nominee and to serving as a director of the Company if elected; and (ix) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to *Business Corporations Act* and Applicable Securities Laws; and

- (g) as to the Nominating Shareholder giving the notice and each beneficial owner, if any, on whose behalf the nomination is made: (i) the name and address of such Nominating Shareholder, as they appear on the securities register of the Company; (ii) the number of securities of each class or series of securities of the Company owned of record and beneficially by, or under the control or direction of, directly or indirectly, such Nominating Shareholder; (iii) full particulars regarding any agreement, arrangement or understanding with respect to the nomination between or among such Nominating Shareholder, any of their respective affiliates or associates, and any others acting jointly or in concert with any of the foregoing, including the nominee; (iv) full particulars regarding any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the notice by, or on behalf of, such Nominating Shareholder, whether or not such instrument or right shall be subject to settlement in underlying securities of the Company, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such Nominating Shareholder with respect to securities of the Company; (v) full particulars regarding any proxy, contract, agreement, arrangement or understanding pursuant to which such Nominating Shareholder has a right to vote or direct or control the voting of any securities of the Company; (vi) a representation as to whether such person or any of its Representatives intends to deliver a proxy circular and/or form of proxy to any shareholder of the Company in connection with such nomination or otherwise solicit proxies or votes from shareholders of the Company in support of such nomination; and (vii) any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the *Business Corporations Act* and Applicable Securities Laws.

The Company may require any proposed nominee to furnish such other information and documents as may reasonably be required by the Company to satisfy applicable corporate and securities laws and the requirements of applicable stock exchange rules.

In addition, a Nominating Shareholder's notice shall be promptly updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting. A Nominating Shareholder and any proposed nominee will also comply with all of the applicable requirements of the *Business Corporations Act*, Applicable Securities Laws and applicable stock exchange rules regarding the matters set forth herein.

All information to be provided in a timely notice pursuant to paragraph (f) and paragraph (g) above will be provided as of the record date for determining shareholders entitled to vote at the meeting (if such date will then have been publicly announced) and as of the date of such notice. The Nominating Shareholder will update such information forthwith if there are any material changes in the information previously disclosed.

No person shall be eligible for election as a director of the Company unless nominated in accordance with the provisions of this advanced notice provision; provided, however, that nothing in this advanced notice provision shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter that is properly before such meeting pursuant to the provisions of the *Business Corporations Act* or the discretion of the Chairman. The Chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

Notwithstanding any other provision of this advanced notice provision, notice given to Chief Financial Officer of the Company pursuant to this advanced notice provision may only be given by personal delivery, facsimile transmission or by email (at such email address as may be stipulated from time to time by the Chief Financial Officer of the Company for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery to the Chief Financial Officer at the address of the principal executive offices of the Company, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received); provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Calgary time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the next following day that is a business day.

Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this advanced notice provision.

This advanced notice provision was approved and adopted by the board on August 6, 2021 (the "**Effective Date**") and is and shall be effective and in full force and effect in accordance with its terms and conditions from and after such date. Notwithstanding the foregoing, if this advanced notice provision is not approved by a special resolution of shareholders of the Company present in person or voting by proxy at the next meeting of those shareholders validly held following the Effective Date, then this advanced notice provision shall terminate and be void and of no further force and effect following the termination of such meeting of shareholders.

This advanced notice provision shall be interpreted and enforced in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable in that province."

2. Any officer or director of the Company is hereby authorized and directed for and on behalf of the Company to execute or cause to be executed and to deliver or cause to be delivered all such other documents and instruments and to perform or cause to be performed all such other acts and things as such person determines may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or instrument or the doing of any such act or thing.

**SCHEDULE C  
CHOICE OF LAW RESOLUTION**

1. "RESOLVED, a special resolution of the shareholders of XORTX Therapeutics Inc. ("**the Company**"), with or without amendment, that:

The articles of the Company (the "**Articles**") are hereby amended by adding the following Article 28 after Article 27 of the Articles:

**"28. CHOICE OF LAW – EXCLUSIVE FORUM OF CERTAIN DISPUTES**

Unless the Company consents in writing to the selection of an alternative forum, the applicable court of competent jurisdiction for the Province of Alberta, Canada (the "**Alberta Court**") shall, to the fullest extent permitted by law, be the sole and exclusive forum for any of the following actions or other proceedings:

- (a) a derivative action, including an application for leave to commence such an action, in the name of and on behalf of the Company;
- (b) an application for an oppression remedy, including an application for leave to commence such a proceeding;
- (c) an action asserting a claim of breach of the duty of care owed by the Company or any director, officer or other employee of the Company to the Company or to any of the Company's shareholders;
- (d) an action asserting a claim of breach of fiduciary duty owed by any director, officer or other employee of the Company to the Company or to any of the Company's shareholders;
- (e) an action or other proceeding asserting a claim or seeking a remedy pursuant to any provision of the *Business Corporations Act* or the Company's articles or by-laws (as either may be amended or restated from time to time); and
- (f) an action or other proceeding asserting a claim against the Company or any director or officer or other employee of the Company regarding a matter of the regulation of the business and affairs of the Company, including (without limitation), the articles, bylaws, internal affairs, governance, status, internal controls and procedures of the Company.

If any action or other proceeding the subject matter of which is within the scope of the preceding sentence is filed in a court other than the Alberta Court in the name of any shareholder (an "**Extra-Jurisdictional Action**"), such shareholder shall be deemed to have consented to: (a) the personal jurisdiction of the Alberta Court in connection with any action or other proceeding to enforce the action, and (b) having service of process made upon such shareholder in any such action or other proceeding by service upon such shareholder's counsel in the Extra-Jurisdictional Action as agent for such shareholder."

2. Any officer or director of the Company is hereby authorized and directed for and on behalf of the Company to execute or cause to be executed and to deliver or cause to be delivered all such other documents and instruments and to perform or cause to be performed all such other acts and things as such person determines may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or instrument or the doing of any such act or thing.

**QUESTIONS MAY BE DIRECTED TO THE PROXY SOLICITOR**



**North American Toll Free  
1-877-452-7184**

**Outside North America  
416-304-0211**

**Email  
[assistance@laurelhill.com](mailto:assistance@laurelhill.com)**