



KNIGHT THERAPEUTICS INC.

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
AND
MANAGEMENT INFORMATION CIRCULAR**

May 13, 2016

NOTICE IS HEREBY GIVEN that the Annual Meeting (the “**Meeting**”) of the shareholders of Knight Therapeutics Inc. (the “**Corporation**”) will be held at 6111 Royalmount Avenue, Montreal, Quebec H4P 2T4 Canada, on June 15, 2016 at 5:00 p.m. EST for the following purposes:

1. To receive the consolidated financial statements of the Corporation for the financial year ended December 31, 2015 together with the auditors’ report thereon;
2. To elect the following Directors to serve for the ensuing year: James C. Gale, Jonathan Ross Goodman, Meir Jakobsohn, Robert N. Lande, Ed Schutter, and Sylvie Tendler;
3. To appoint Ernst & Young LLP as auditors of the Corporation and to authorize the Board of Directors of the Corporation to fix the auditors’ remuneration; and
4. To transact such other business as may properly come before the Meeting or any adjournment thereof.

Montreal, Quebec, May 13, 2016

By order of the Board of Directors,

(s) James C. Gale

(s) Jonathan Ross Goodman

James C. Gale

Jonathan Ross Goodman, B.A. LL.B., M.B.A.

Chairman of the Board of Directors

President and Chief Executive Officer

If you cannot attend the Meeting in person, kindly complete and return the enclosed form of proxy to the transfer agent, CST Trust Company in the envelope provided, or vote by telephone or internet using the instructions listed on the enclosed form of proxy. **In order to be valid, the proxy must be received by CST Trust Company no later than forty-eight (48) hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting, or any adjournment thereof.**

KNIGHT THERAPEUTICS INC.
MANAGEMENT INFORMATION CIRCULAR
SOLICITATION AND REVOCATION OF PROXIES

This Management Information Circular (the “Information Circular”) is furnished in connection with the solicitation of proxies by or on behalf of the management of Knight Therapeutics Inc. (the “Corporation”) to be used at the Annual Meeting of Shareholders of the Corporation (the “Meeting”) or any adjournment thereof to be held at the time and place for the purposes set forth in the foregoing notice of the said Meeting. The solicitation will be by mail and the cost of solicitation will be borne by the Corporation.

The persons named in the accompanying form of proxy are directors or officers of the Corporation. **However, each holder of common shares of the Corporation (the “Common Shares”) has the right to appoint a person (who need not be a shareholder of the Corporation) other than the persons specified above to represent the shareholder at the Meeting in the manner and to the extent permitted pursuant to the terms of the enclosed form of proxy. Such right may be exercised by inserting the name of such person in the blank space provided in such form of proxy.**

Pursuant to Section 148 (4) of the *Canada Business Corporations Act*, a shareholder who has given a proxy may revoke it by an instrument in writing executed by the shareholder or by his attorney authorized in writing and depositing it either (i) at the registered office of the Corporation to the attention of the Secretary no later than the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or (ii) with the chairman of such Meeting on the day of the Meeting, or any adjournment thereof. A shareholder may also revoke a proxy by delivering another form of proxy duly signed and bearing a later date, by depositing it in the above manner or in any other manner permitted by law.

VOTING OF PROXIES

The persons named in the enclosed form of proxy will vote or withhold from voting the shares in respect of which they are appointed in accordance with the directions of the shareholders appointing them.

In the absence of such directions, such shares will be voted:

- a) FOR the election as directors of James C. Gale, Jonathan Ross Goodman, Meir Jakobsohn, Robert N. Lande, Ed Schutter, and Sylvie Tendler; and
- b) FOR the appointment of Ernst & Young LLP as auditors of the Corporation and the authorization of the Board of Directors of the Corporation to fix the auditors’ remuneration.

All matters to be voted upon at the Meeting will be decided by a majority of the votes cast by the shareholders entitled to vote thereon.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the accompanying notice of the Meeting or with respect to such other matters as may properly come before the Meeting, or any adjournment thereof. At the date hereof, the management of the Corporation knows of no such amendments, variations or other matters to be presented for action at the Meeting, or any adjournment thereof. However, if any other matters which are not now known to management should properly come before the Meeting, or any adjournment thereof, the persons named in the enclosed form of proxy will vote on such matters in accordance with their best judgment.

NON-REGISTERED SHAREHOLDERS

The names of the shareholders whose shares are held in the name of a broker or another intermediary will not appear on the list of shareholders of the Corporation. If a shareholder is not a registered shareholder of the Corporation, in order to vote the shareholder must obtain the materials relating to the Meeting from its broker or other intermediary, complete the request for voting instructions sent by the broker or other intermediary and follow the directions of the broker or other intermediary with respect to voting procedures.

In accordance with National Instrument 54-101 - Communication with Beneficial Owners of Securities of a Reporting Issuer adopted by the Canadian Securities Administrators (the “CSA”), the Corporation is distributing copies of the materials related to the Meeting to clearing agencies and intermediaries for distribution to non-registered holders. Intermediaries must forward the materials related to the Meeting to non-registered holders, the cost of which will not be assumed by the Corporation, and often use a service company

(such as ADP Investor Communications in Canada) to permit a shareholder, if it is not a registered shareholder, to direct the voting of the Common Shares which such shareholder beneficially owns. If a shareholder is a non-registered shareholder of the Corporation, it may revoke voting instructions which have been given to an intermediary at any time by written notice to the intermediary. If a shareholder is a non-registered shareholder of the Corporation, such shareholder should submit voting instructions to its intermediary or broker in sufficient time to ensure that such shareholder's votes are received by the Corporation in the manner and to the extent permitted pursuant to the terms of the enclosed form of proxy.

SHAREHOLDER PROPOSALS FOR 2017 ANNUAL MEETING

Shareholder proposals intended to be presented at the Corporation's 2017 annual meeting of shareholders must be submitted for inclusion in the Corporation's proxy materials prior to February 1, 2017.

VOTING SHARES AND PRINCIPAL SHAREHOLDERS

Holders of Common Shares who are included in the list of shareholders registered at the close of business on May 11, 2016 (the "Record Date") shall have the right to vote at the Meeting or at any adjournment thereof. Each Common Share is entitled to one vote with respect to the matters pertaining to the Meeting.

The Corporation is authorized to issue an unlimited number of Common Shares. As at May 11, 2016, 103,478,063 Common Shares were issued and outstanding.¹ If two or more persons holding Common Shares jointly are present, in person or by proxy, at the Meeting, they shall vote as one on the Common Shares jointly held by them.

As at May 11, 2016, to the knowledge of the Corporation's management, the only persons who owned directly or indirectly, or who exercised control or direction over 10% or more of the Common Shares were:

Name	Ownership (%)
Jonathan Ross Goodman	21.0% ⁽¹⁾⁽²⁾

(1) Mr. Goodman directly owns 255,175 shares and indirectly owns 21,523,233 shares through Long Zone Holdings Inc., a company controlled by Mr. Goodman and 100 Common Shares owned by his son, Noah Goodman.

(2) On the assumptions that 25,000,000 Common Shares are issued pursuant to the bought deal agreement entered into by the Corporation on May 11, 2016, as further described in the footnote below, then Mr. Goodman's ownership of the Corporation will be reduced to 17.0%.

Information as to ownership of the Common Shares has been taken from the list of registered shareholders maintained by CST Trust Company, from a review of publicly filed documents or has been provided by or on behalf of the persons or companies.

¹ On May 11, 2016, the Corporation entered into a bought deal agreement with a syndicate of underwriters led by GMP Securities L.P. (the "Lead Underwriter", and collectively with the syndicate, the "Underwriters"), pursuant to which the Underwriters have agreed to purchase 25,000,000 Common Shares at a price of \$8.00 per Common Share for gross proceeds to the Corporation of \$200,000,000 (the "Offering"). In addition, the Underwriters will have the option, exercisable for a period of 30 days after the closing date, to acquire up to an aggregate of 3,750,000 additional Common Shares at the offering price to cover over-allotments, if any (the "Over-Allotment Option"). If the Over-Allotment Option is exercised in full, the total gross proceeds of the Offering shall be \$230,000,000. The Common Shares will be offered by way of a short form prospectus to be filed in all of the provinces of Canada. The Offering is scheduled to close on or about June 2, 2016.

ELECTION OF DIRECTORS

The following are the nominees proposed by management of the Corporation for election as directors (the “**Directors**”) of the Corporation. Directors may hold office until the next Annual Meeting of shareholders of the Corporation or until their successors are elected or appointed.

The persons named as proxies in the enclosed form of proxy intend to vote the Common Shares represented by such proxy in favour of the election to the Board of Directors (the “Board”) of the nominees whose names are set forth below, unless the shareholder granting this proxy has indicated that his or her shares are to be voted otherwise or are not to be voted in respect of the election of Directors.

On April 23, 2015, the Board adopted a majority voting policy. This means that if a Director receives more “withhold” votes than “for” votes at the annual meeting of shareholders, then the Director will tender his or her resignation to the chairman of the Board. This would be effective if accepted by the Board. The Nominating Committee will consider a Director’s offer to resign and make a recommendation to the Board as to whether to accept it. The Board will have 90 days from the annual meeting to make and publicly disclose its decision. This policy does not apply in circumstances involving contested Director elections.

Management does not anticipate that any of the proposed nominees will be unable to serve as a Director. If such becomes the case for any reason whatsoever prior to the Meeting, the persons named as proxies in the enclosed form of proxy reserve the right to vote in favour of any other nominee that management may recommend.

The following table sets out information regarding the nominees for election as Directors:

Name and Residence	Principal Occupation	Director Since	Common Shares Beneficially Owned or Controlled ⁽⁴⁾⁽⁵⁾
James C. Gale ⁽¹⁾⁽²⁾⁽³⁾ New York, USA	Managing Partner, Signet Healthcare Partners, Chairman of the Corporation	2014	106,053
Jonathan Ross Goodman ⁽⁶⁾ Quebec, Canada	President and Chief Executive Officer of the Corporation	2013	23,504,978
Meir Jakobsohn ⁽⁷⁾ Israel	President and Chief Executive Officer, Medison Biotech (1995) Ltd.	2015	10,830,884
Robert N. Lande ⁽¹⁾⁽²⁾ New York, USA	Chief Financial Officer, FXCM Inc.	2014	82,348
Ed Schutter ⁽¹⁾ Georgia, USA	President and CEO of Arbor Pharmaceuticals, LLC	2015	41,204
Sylvie Tendler ⁽³⁾ Quebec, Canada	President, Sylvie Tendler & Associates	2014	61,474

⁽¹⁾ Member of the Audit Committee.

⁽²⁾ Member of the Corporate Governance and Compensation Committee.

⁽³⁾ Member of the Nominating Committee.

⁽⁴⁾ Number of Common Shares beneficially owned as at May 11, 2016.

⁽⁵⁾ Includes the number of Common Shares that would be beneficially owned or controlled if all outstanding stock options were exercised.

⁽⁶⁾ Includes 21,523,233 Common Shares owned by Long Zone Holdings Inc., a company controlled by Jonathan Ross Goodman and 100 Common Shares owned by his son, Noah Goodman.

⁽⁷⁾ Includes 5,014,230 Common Shares owned by Medison Biotech (1995) Ltd. as well as 2,960,097 Common Shares and 278,000 stock options owned by Tzalir Holdings Ltd, each a company controlled by Meir Jakobsohn.

The following are brief biographies for each of the persons proposed by management to be nominated for election as directors:

James C. Gale, Chairman of the Board of Directors

Mr. Gale is the founding partner of Signet Healthcare Partners. He is currently the Chairman of the Board of Alpex Pharma S.A. and Teligent Inc., and also serves on the Board of Directors of Spempharm AG, Bionpharma Inc., CoreRx, Inc., Leon Nanodrugs GmbH and Chr. Olesen Synthesis A/S. Prior to Signet, Mr. Gale worked for Gruntal & Co., LLC (“**Gruntal**”) as head of principal investment activities and investment banking. Prior to joining Gruntal, he worked for Home Insurance Co., Gruntal’s parent. Earlier in his career, Mr. Gale was a senior investment banker at E.F. Hutton & Co. Mr. Gale holds an M.B.A. from the University of Chicago. Mr. Gale was on the Board of Paladin Labs Inc. (“**Paladin**”) from 2008 to 2014.

Jonathan Ross Goodman, President and Chief Executive Officer, Director

Prior to Knight, Mr. Goodman was the co-founder, President and CEO of Paladin which was acquired by Endo Health Solutions Inc. for \$3.2 billion. Under his leadership, \$1.50 invested in Paladin at its founding was worth \$142 nineteen years later. Prior to co-founding Paladin in 1995, Mr. Goodman was a consultant with Bain & Company and also worked in brand management for Procter & Gamble. Mr. Goodman holds a B.A. with Great Distinction from McGill University and the London School of Economics with 1st Class Honours. Additionally, Mr. Goodman holds an LL.B. and an M.B.A. from McGill University.

Meir Jakobsohn, Director

Mr. Jakobsohn founded Israeli-based Medison Pharma Ltd. (“**Medison**”) in 1996 and spearheaded its growth as a leading international marketing group. Formerly, he served as the Chief Operating Officer of M. Jakobsohn Ltd., a pioneer in opening the Israeli market to global pharmaceutical companies like Ciba-Geigy (Novartis), which it represented between 1937 and 1995. Mr. Jakobsohn holds a B.A. in Economics from Bar-Ilan University and an Executive M.B.A. from Bradford University in the UK.

Robert N. Lande, Director

Mr. Lande is the Chief Financial Officer of FXCM, Inc. a foreign exchange brokerage firm. Formerly, he was managing partner and Chief Operating Officer of Riveredge Capital Partners LLC (“**Riveredge**”). Prior to Riveredge, Mr. Lande worked for over 16 years within the BCE/Bell Canada group where his last position was Chief Financial Officer of Telecom Américas Ltd., a joint venture between Bell Canada International, AT&T (then SBC Communications) and America Movil. Mr. Lande is a chartered financial analyst and holds an M.B.A. from the John Molson School of Business and a B.A. in Economics from McGill University. Mr. Lande was on the Board of Paladin from 1995 to 2014.

Ed Schutter, Director

Mr. Schutter is the President and CEO of Arbor Pharmaceuticals, LLC. (“**Arbor**”). Prior to Arbor, Mr. Schutter was the President of Sciele Pharmaceuticals (“**Sciele**”) which was subsequently sold to Shionogi & Co. Ltd. in 2008 for \$1.3 billion. Prior to Sciele, Mr. Schutter served as the VP of Global Business Development at Solvay Pharmaceuticals. He was also a co-founder of North Hampton Pharmaceuticals which later was renamed to Ventrus Biosciences. Mr. Schutter holds a Bachelor degree in Pharmaceutical Sciences from Mercer University, an M.B.A. from Kennesaw State University and has also completed post graduate work in international business at Nyenrode University in the Netherlands.

Sylvie Tendler, Director

Ms. Tendler is a leading pharmaceutical market research specialist. In 2001, she founded The Tendler Group, a custom medical marketing research company, which served 12 of the Top 20 global pharmaceutical companies. In 2007, the company was acquired by IntrinsicQ LLC (owned at the time by Accel-KKR). Ms. Tendler stayed through 2010 to oversee the managerial transition following the acquisition. Ms. Tendler has hands-on experience conducting global primary research in Canada, the US, the top 5 EU markets, as well as Brazil and Mexico and has been involved in the development and launch of blockbuster prescription products across several therapeutic categories. Ms. Tendler holds a Master’s degree in International Management from the University of Maryland, and a Financial Management Certificate from Cornell University.

COMPENSATION OF DIRECTORS

Narrative Discussion

The Corporate Governance and Compensation Committee (“CGCC”) or the Board reviews the compensation of the Corporation’s Directors on an annual basis. For the 2014 and 2015 years, Director compensation practices were benchmarked against the historical Director compensation practices of Paladin, the Corporation’s predecessor. During the 2015 financial year, the compensation of independent Directors was as follows, payable on a quarterly basis: \$2,500 per Board meeting attended in person (\$3,500 for Board chair), \$1,250 per Board meeting attended by teleconference (\$1,750 for Board chair), \$1,250 per committee meeting attended in person (\$1,500 for committee chair), and \$625 per committee meeting attended by teleconference (\$750 for Committee chair). The Corporation’s Directors were also reimbursed for travel expenses incurred in connection with such meetings. Remuneration of \$60,000 was earned by independent Directors during the financial year ended December 31, 2015. Non-independent Directors did not receive remuneration to attend Board or Committee meetings.

In addition to the Director fees described above, independent Directors each receive an annual stock option grant of 20,000 options pursuant to the Corporation’s Option Plan (defined and described below). Each option has an exercise price equal to the closing price of the Corporation’s Common Shares on TSX on the later of (i) the last trading day immediately preceding the day on which the option grant is approved by the Board or (ii) the end of the blackout period if the option grant was made during a blackout period. Consequently, the issuance of options to Directors provides them with an ongoing equity stake in the Corporation throughout their respective periods of Board service. In the 2015 financial year, the Directors who were executives of the Corporation received stock options for serving as Directors equivalent to the remuneration received by independent Directors. The Corporation does not have a retirement plan for Directors. Pursuant to the Corporation’s Employee Share Purchase Plan (“ESPP”), all Directors are eligible to participate in the ESPP as part of their long-term compensation package. For non-executive Directors, the yearly participation amount cannot exceed \$10,000. All ESPP shares are granted in accordance with the ESPP described below under the Section “Employee Share Purchase Plan”. There were no other arrangements under which Directors were compensated in their capacity as Directors by the Corporation during the most recently completed financial year.

Summary Compensation Table for Independent Directors

The following table provides details of the compensation earned by the independent Directors of the Corporation during the 2015 financial year:

Name	Fees earned (\$)	Share-based Awards (\$)	Option-based Awards ⁽¹⁾ (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All Other Compensation (\$)	Total (\$)
James C. Gale	17,375	-	186,200	-	-	-	203,575
Robert N. Lande ⁽²⁾	23,250	-	186,200	-	-	-	209,450
Hillel Rosen ⁽³⁾	-	-	-	-	-	-	-
Ed Schutter	10,000	-	186,200	-	-	-	196,200
Sylvie Tendler	9,375	-	186,200	-	-	-	195,575

(1) The table above includes option-based awards granted to Directors pursuant to the Option Plan on March 24, 2015 and December 16, 2015 in reference to the 2015 and 2016 financial years respectively. Fair value for option-based awards listed above were determined using the Black-Scholes model, an established option pricing methodology. The option-based awards issued on March 24, 2015 were valued at \$5.21 per option and those issued on December 16, 2015 were valued at \$4.10 per option. There are no differences between grant date fair values included above and the accounting fair values for purposes of stock-based compensation expense. For assumptions used in determining the fair value of the stock option awards granted, please refer to Footnote 5 of the Summary Compensation Table for Named Executive Officers below.

(2) Includes fees earned in Mr. Lande’s capacity as a Director of one of the Corporation’s wholly-owned subsidiaries.

(3) Mr. Rosen resigned from the Board in January 2015 and earned no compensation during the 2015 financial year as a Director.

Outstanding Option-based Awards and Share-based Awards

The following table indicates for each independent Director all awards outstanding at the end of the 2015 financial year:

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option Expiration Date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested ⁽²⁾ (#)	Market or payout value of share-based awards that have not vested ⁽²⁾ (\$)	Market or payout value of vested share-based awards not paid out or distributed ⁽²⁾ (\$)
James C. Gale	20,000	5.65	Jun. 2, 2021	41,400	-	-	-
	20,000	8.75	Mar. 24, 2022	-	-	-	-
	20,000	7.76	Mar. 16, 2023	-	-	-	-
Robert N. Lande	20,000	5.65	Jun. 2, 2021	41,400	355	2,741	-
	20,000	8.75	Mar. 24, 2022	-	-	-	-
	20,000	7.76	Mar. 16, 2023	-	-	-	-
Hillel Rosen	-	-	-	-	-	-	-
Ed Schutter	20,000	8.75	Mar. 24, 2022	-	323	2,494	-
	20,000	7.76	Mar. 16, 2023	-	-	-	-
Sylvie Tendler	20,000	5.76	Sep. 5, 2021	39,200	368	2,841	-
	20,000	8.75	Mar. 24, 2022	-	-	-	-
	20,000	7.76	Mar. 16, 2023	-	-	-	-

(1) The value of the unexercised in-the-money options is the difference between the closing price of the Common Shares on December 31, 2015 on the TSX (\$7.72) and the option exercise prices. This value has not been, and may never be realized by the Director. The actual gains, if any, on exercise will depend on the value of the Common Shares on the date of the option exercise. See "Stock Option Plan" Section below for further information regarding the plan.

(2) The Corporation has an ESPP allowing all directors to purchase Common Shares at fair market value from treasury. See a description of the ESPP below under the heading "Employee Share Purchase Plan". The amount included above for each of the Directors relates to the Corporate Contribution Amount assuming the Director remains on the Board and has held the original shares for two years from the date originally purchased based on the fair market value of the Common Share contribution on the date of issue, being the TSX volume weighted average closing price for the five days prior to the date of issue, and the closing price on the TSX on December 31, 2015, which was \$7.72.

Incentive-plan Awards – Value Vested or Earned during the Year

The following table indicates for each independent Director the value on vesting of all awards (had they been exercised on the vesting date) and the value earned during the 2015 financial year:

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
James C. Gale	26,800	-	-
Robert N. Lande	26,800	-	-
Hillel Rosen	26,800	-	-
Ed Schutter	-	-	-
Sylvie Tendler	24,600	-	-

(1) The option-based awards granted to independent Directors under the Option Plan are generally exercisable at the end of the financial year of which they are granted. Exceptionally, the option-based awards granted to all independent Directors in the 2014 financial year vested on January 1, 2015, and the option-based awards granted to all independent Directors on December 16, 2015 will vest on December 31, 2016. The value vested during the year with respect to option-based awards for each independent Director equals the aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date.

The following table indicates for each independent Director the number of options vested and the number of options exercised during the 2015 financial year as well as the aggregate value realized for such options and their expiry date:

Name	Options Vested during the Year (#)	Options Exercised During the Year (#)	Aggregate value realized (\$)	Expiry Date
James C. Gale	20,000	-	-	Jun. 2, 2021
	20,000	-	-	Mar. 24, 2022
Robert N. Lande	20,000	-	-	Jun. 2, 2021
	20,000	-	-	Mar. 24, 2022
Hillel Rosen	20,000	20,000	54,200	Jun. 2, 2021
Ed Schutter	20,000	-	-	Mar. 24, 2022
Sylvie Tendler	20,000	-	-	Sep. 5, 2021
	20,000	-	-	Mar. 24, 2022

CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES

During the past five years, all of the Directors whose names appear above have held the positions shown or held management responsibilities in the same or related companies, with the exception of Jonathan Ross Goodman, who from 1995 to 2014, served in roles of President, CEO and Chairman of Paladin Labs Inc.

None of the proposed Directors:

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

COMPENSATION DISCUSSION AND ANALYSIS

Objective of the Compensation Program

Within the Corporation, remuneration plays an important role in attracting, retaining and motivating key members of the management team. The Corporation is committed to a compensation policy that drives business performance, is competitive and seeks to align the interests of executives with the interests of the Corporation's shareholders.

What the Compensation Program is Designed to Reward

Plans and programs are designed so as to constitute adequate reward for services and incentive for the management team to implement both short-term and long-term strategies aimed at increasing shareholder value. The Corporation's executive compensation strategy is therefore heavily weighted towards the issuance of stock options. Remuneration potential, as well as the allocation of various remuneration and incentive components are established in order to compete with remuneration practices of companies similar to the Corporation. In this respect, the Corporation identifies remuneration practices and remuneration levels of other publicly traded Canadian companies that, similar to the Corporation, are involved in the pharmaceutical industry. This group of companies is referred to in this report as the "Comparator Group". When analyzing the remuneration practices and levels of the Comparator Group, the CGCC will also take into consideration the Corporation's past performance.

Executive Compensation Philosophy

The Corporation's compensation philosophy is to:

- a) Establish compensation opportunities that are at a competitive level in relation to the Comparator Group;
- b) Encourage executive officers to view their compensation as being tied to the long-term best interests of the Corporation and its shareholders.

Components of Compensation Program

The major components of the executive compensation program are as follows:

- a) Base salary;
- b) Discretionary annual bonus; and
- c) Long-term incentives through option grants.

Rationale for each Component and Determination of Amounts

The compensation policies and guidelines for the Named Executive Officers² are recommended by the President and Chief Executive Officer ("CEO"), and in the case of the Corporation's Executive Officers³, approved by the Board. The CGCC reviews the individual components as well as the overall compensation of the Corporation's Executive Officers on an annual basis. The CGCC of the Board is composed of two independent directors: James C. Gale and Robert N. Lande. Mr. Gale and Mr. Lande each have extensive executive management experience in the pharmaceutical industry that is relevant to their roles on the CGCC and that enables the CGCC to adequately make decisions on the suitability of the Corporation's compensation policies and practices.

² "Named Executive Officers" or "NEOs" refers to the President and CEO, the CFO and in addition, the three most highly compensated executive officers or individuals acting in a similar capacity.

³ "Executive Officers" is more narrowly defined to include the President and CEO, the CFO and the Vice President of Business Development.

Base Salary

For the 2014 financial year, the Corporation's first year of operations, Executive Officers' salaries, except for the President and CEO, were established within a range of 70% to 80% of the historical salary paid to senior executives of the Corporation's predecessor, Paladin, who held similar positions within the organization. The Executive Officers' salaries were established on the basis of the level of their responsibility relative to other positions in the Corporation. For the 2015 financial year, Executive Officers' salaries were again benchmarked in relation to historical base salaries at Paladin. For NEOs who were not Executive Officers, base salaries were established by the Executive Officers.

Annual Bonus

The Corporation's NEOs are entitled to be considered for a discretionary annual cash bonus at the end of each fiscal year. Each eligible NEO has an annual cash bonus target expressed as a percentage of base salary. For Executive Officers, the bonus target percentage is recommended by the CGCC and adopted by the Board. For the 2015 financial year, the target bonus percentage of base salary for the Executive Officers, excluding the President and CEO, was set at 25%, which falls below the 25th percentile of the Comparator Group's short-term incentive practices. In the CGCC's view, the bonus payments to the Executive Officers, excluding the President and CEO, in respect of the 2015 financial year were reasonable taking into consideration the Corporation's overall performance. For NEOs who were not Executive Officers, the bonus target percentage ranged from 10% to 20%.

Long Term Incentives – Stock Options

The Corporation believes that the grant of stock options as long-term incentives helps align management and shareholder interests. The Corporation regards the strategic use of incentive stock options as a key component of the Corporation's compensation plan. It applies to personnel at all levels and continues to be one of the primary tools for attracting, motivating and retaining qualified personnel. Options to purchase Common Shares may be granted from time to time to NEOs and other employees pursuant to the Corporation's Option Plan in order to sustain a commitment to long-term profitability. Each option issued under the Option Plan has an exercise price equal to the closing price of the Common Shares on TSX on the later of (i) the last trading day immediately preceding the day on which the option grant is approved by the Board or (ii) the end of the blackout period if the option grant was made during a blackout period. With the exception of the Performance Options (defined and discussed below), all employee options granted in 2015 vest at a rate of one-third per year. Two hundred thousand options issued to select NEOs on December 16, 2015 (the "**Performance Options**") may vest at a rate of one-third per year conditional upon the achievement of a performance target by the Corporation with reference to the 2016 financial year. The performance target used to establish whether Performance Options have vested pertains to the achievement of a non-financial corporate objective approved by the Board related to the number of new products in-licensed. Any and all unexercised employee options granted in the 2015 financial year had an initial expiry date of between seven and eight years after the date of the option grant, inclusively.

Stock options are granted to reward individuals for current performance, expected future performance and to align the long term interest of NEOs with shareholders. For the 2015 financial year, the number of stock options granted to NEOs were benchmarked on a relative basis against the historical number of stock options granted to senior executives of the Corporation's predecessor, Paladin, who held similar positions within the organization. In evaluating option grants to an NEO, the Board also evaluates a number of factors including, but not limited to: (i) the number of options already held by such NEO; (ii) a fair balance between the number of options held by the NEO concerned and the other executives of the Corporation, in light of their responsibilities and objectives; and (iii) the value of the options (determined using the Black-Scholes pricing model) as a component in the NEO's overall compensation package.

In the financial year ended December 31, 2015, the Corporation granted to its NEOs, excluding the President and CEO, a total of 600,000 stock options representing in the aggregate 0.6% of the number of Common Shares outstanding on a non-diluted basis as at May 11, 2016. The NEOs, excluding the President and CEO, were granted 310,000 stock options on March 24, 2015 earned in respect of the 2015 financial year and 290,000 stock options on December 16, 2015 in respect of the 2016 financial year. As at December 31, 2015, there were a total of 815,000 options outstanding held by NEOs, excluding the President and CEO, representing 0.8% of the aggregate number of Common Shares outstanding on a non-diluted basis.

Employee Stock Purchase Plan (“ESPP”)

As an additional long-term incentive, permanent employees of the Corporation are eligible to participate in the ESPP as part of their long-term compensation package. All ESPP shares are granted in accordance with the ESPP described below under the Section “Employee Share Purchase Plan”. In the financial year ended December 31, 2015, the Corporation issued a total of 5,454 ESPP shares to NEOs, excluding the President and CEO.

President and CEO

A critical function of the CGCC is to monitor and assess the President and CEO’s performance and to recommend his compensation to the Board for approval. The Board supports the principle that CEO compensation should be directly related to the overall current performance of the Corporation and its potential for continued future growth. As such, in determining recommendations for CEO’s total compensation, the CGCC considered:

- The absolute and relative performance of the Corporation;
- Comparison with equivalent roles within the Comparator Group.

Accordingly, the CGCC reviews this information, as well as the performance of the Corporation and of the President and CEO individually when recommending the President and CEO’s salary and annual incentives for a given year.

Knight has estimated the ratio of the President and CEO’s total compensation to that of Knight’s median employee as at December 31, 2015, with reference to the 2015 financial year, to be approximately 30 to 1. Further, Knight has estimated the ratio of the President and CEO’s cash compensation (i.e. excluding option-based awards) to that of Knight’s median employee as at December 31, 2015, with reference to the 2015 financial year, to be approximately 4 to 1.

Base Salary

In the 2015 financial year, the President and CEO received a base salary of \$300,000 which falls between the 25th percentile and the median of the Comparator Group’s CEO base salary levels.

Annual Bonus

The President and CEO’s annual incentive bonus is determined in the same manner as the other NEOs, as described above. For the 2015 financial year, the CEO’s bonus target percentage was set at 37.5% of his base salary. This bonus target percentage falls below the midpoint of the Comparator Group’s short-term incentive practices.

Long Term Incentives – Stock Options

In the financial year ended December 31, 2015, the Corporation granted to its President and CEO a total of 540,000 stock options (including the 20,000 options granted in his capacity as Director) representing in the aggregate 0.5% of the number of Common Shares outstanding on a non-diluted basis as at May 11, 2016; Mr. Goodman was granted 290,000 options on March 24, 2015 earned in respect of the 2015 financial year and 250,000 options on December 16, 2015 in respect of the 2016 financial year. For the 2015 financial year, the number of stock options granted to the President and CEO was benchmarked on a relative basis against the historical number of stock options granted to the President and CEO of the Corporation’s predecessor, Paladin. As at December 31, 2015, there were a total of 1,726,470 options outstanding held by the President and CEO, representing 1.7% of the aggregate number of Common Shares outstanding on a non-diluted basis.

Share-based Awards

In reference to the financial year ended December 31, 2015, the Corporation issued 648 shares to the President and CEO pursuant to the ESPP on the same basis and terms as those of all other employees.

Option-based Awards

The grant of options is part of the long-term incentive component of executive compensation. As such, the formal Option Plan was

initially developed by the Board along with the assistance of the President and CEO and the Chief Financial Officer (“CFO”) of the Corporation. The role of the Board included market research, plan design, list of participants and size of grants. The role of the President and CEO and CFO was in connection with the financial and accounting aspects of the Option Plan and option grants thereunder. The annual grant of options under the Option Plan is part of the annual review of executive compensation by the Board with the support of the CGCC as needed. This review may be more or less extensive depending on the circumstances. The Committee Chair and the President and CEO have complete access to each other for communication purposes, before and after Committee meetings.

Annual Compensation Decision-Making

In addition to using corporate and individual performance to determine annual compensation levels, the CGCC reviews the total compensation for each NEO. The review by the CGCC assigns a dollar value to each component of compensation, including: base salary; short-term cash incentives; vested, unvested and previously paid equity awards; benefits and perquisites.

Termination and Change of Control Benefits

In the event of (i) involuntary or constructive termination or (ii) a change in a NEO’s responsibilities, arrangements, if any, severance or other payments will be determined in accordance with industry practices and applicable law.

Summary Compensation Table for Named Executive Officers

Compensation earned in respect of the 2014 and 2015 financial years by the NEOs is summarized in the table below:

Name and principal position	Year	Salary (\$)	Share-based Awards (\$)	Option-based Awards (\$) ⁽⁴⁾	Non-equity incentive plan compensation (\$)		Pension value (\$)	All Other Compensation (\$) ⁽⁸⁾	Total (\$)
					Annual incentive plans ⁽⁷⁾	Long-term incentive plans			
Jonathan Ross Goodman <i>President and CEO</i>	2015	300,000	-	2,535,900 ⁽⁵⁾	56,250	-	-	-	2,892,150
	2014	1	-	3,879,757	450,000	-	-	-	4,329,758
Jeffrey Kadanoff <i>CFO</i>	2015	225,000	-	1,215,850 ⁽⁵⁾	28,125	-	-	-	1,468,975
	2014	189,519 ⁽¹⁾	-	277,950	84,375	-	-	-	551,844
Amal Khouri <i>VP, Business Development</i>	2015	225,000	-	1,215,850 ⁽⁵⁾	28,125	-	-	-	1,468,975
	2014	84,808 ⁽¹⁾	-	264,350	57,868	-	-	-	407,026
Tanya Radhakrishna <i>Director, Business Development</i>	2015	75,000 ⁽²⁾	-	232,750	3,750	-	-	-	311,500
	2014	49,519 ⁽²⁾	-	81,750	6,524	-	-	-	137,793
Jody Engel <i>Director, Business Development</i>	2015	122,674 ⁽³⁾	-	178,250 ⁽⁶⁾	11,267	-	-	-	312,191
	2014	18,822 ⁽³⁾	-	76,800	18,501	-	-	-	114,123

(1) The period of compensation during the 2014 financial year for Mr. Kadanoff and Ms. Khouri was less than 12 months. On an annualized basis, each base salary was \$225,000.

(2) The period of compensation during the 2014 financial year for Ms. Radhakrishna was less than 12 months. In addition, Ms. Radhakrishna works on a part-time basis. On an annualized full-time basis, her base salary was \$100,000 prior to August 15, 2014 and \$120,000 thereafter.

(3) The period of compensation during the 2014 financial year for Ms. Engel was less than 12 months. On an annualized full-time basis, her base salary was \$145,000. In addition, Ms. Engel’s compensation for the full 2014 financial year and part of the 2015 financial year was on a part-time basis.

(4) The amount of option-based awards listed above for each NEO in respect of the 2015 financial year includes options granted on March 24, 2015 with reference to the 2015 financial year and options granted on December 16, 2015 with reference to the 2016 financial year.

(5) With the exception of the Performance Options, the option-based awards granted to NEOs in the 2015 financial year vest at a rate of one-third per year. The Performance Options granted to Jonathan Ross Goodman (100,000 options), Jeffrey Kadanoff (50,000 options) and Amal Khouri (50,000 options) on December 16, 2015 vest at a rate of one-third per year conditional upon the achievement of a performance target by the Corporation with reference to the 2016 financial year related to the number of new products in-licensed. Fair value for option-based awards listed above were determined using the Black-Scholes model, an established option pricing methodology. The fair value of the option-based awards granted on March 24, 2015 was \$5.20 per option, obtained using the following assumptions: risk-free interest rate: 0.96%; dividend yield: \$nil; volatility factor: 60%; annualized forfeiture rate: 5%; average expected life: 7 years. The fair value of the option-based awards granted on December 16, 2015 was \$4.10 per option, obtained using the following assumptions: risk-free interest rate: 1.14%; dividend yield: \$nil; volatility factor: 50%; annualized forfeiture rate: 5%; average expected life: 7.25 years. There is no difference between grant date fair value included above and accounting fair value for purposes of stock-based compensation.

(6) Includes 10,000 option-based awards granted to Ms. Engel on March 30, 2016 with reference to the 2016 financial year. The options were valued at \$38,600 using the Black-Scholes model using assumptions substantially the same as those of the December 16, 2015 option grant described in footnote 5 above except for the average expected life which is just under 7 years and vest at a rate of one-third per year conditional upon the achievement of a performance target by the Corporation with reference to the 2016 financial year related to the number of new products in-licensed.

- (7) The non-equity annual incentive plan compensation consists entirely of discretionary bonuses.
- (8) The total amount of other annual compensation including perquisites for any NEO on an aggregate basis, generally including certain benefits under an Employee Deferred Profit Sharing Plan (a plan available to permanent employees pursuant to which the Corporation matches a contribution of up to 4% of an NEO's salary in the form of a registered retirement savings plan contribution), does not exceed the lesser of \$50,000 and 10% of their annual cash compensation and as such have not been included as they do not reach the prescribed threshold.

Outstanding Option-based Awards and Share-based Awards

The following table indicates for each NEO all awards outstanding at the end of the 2015 financial year:

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option Expiration Date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested ⁽²⁾ (#)	Market or payout value of share-based awards that have not vested ⁽²⁾ (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Jonathan Ross Goodman	1,186,470 ⁽³⁾	5.65	Jun. 2, 2021	2,455,993	530	4,092	-
	290,000 ⁽³⁾	8.75	Mar. 24, 2022	-			
	250,000	7.76	Mar. 16, 2023	-			
Jeffrey Kadanoff	85,000	5.65	Jun. 2, 2021	175,950	558	4,308	-
	135,000	8.75	Mar. 24, 2022	-			
	125,000	7.76	Mar. 16, 2023	-			
Amal Khouri	85,000	5.20	Aug. 25, 2021	214,200	434	3,350	-
	135,000	8.75	Mar. 24, 2022	-			
	125,000	7.76	Mar. 16, 2023	-			
Tanya Radhakrishna	25,000	5.65	Jun. 2, 2021	51,750	184	1,420	-
	25,000	8.75	Mar. 24, 2022	-			
	25,000	7.76	Mar. 16, 2023	-			
Jody Engel	20,000	6.00	Sep. 10, 2021	34,400	380	2,934	-
	15,000	8.75	Mar. 24, 2022	-			
	25,000 ⁽⁴⁾	7.76	Mar. 16, 2023	-			

- (1) The value of the unexercised in-the-money options at financial year-end (some of which have not yet vested) is the difference between the closing price of the Common Shares on December 31, 2015 on TSX (\$7.72) and the exercise prices. This value has not been, and may never be realized by the NEO. The actual gains, if any, on exercise will depend on the value of the Common Shares on the date of the option exercise. See "Stock Option Plan" and "Employee Share Purchase Plan" sections below for further information regarding the plans.
- (2) The Corporation has an ESPP allowing permanent employees to purchase Common Shares at fair market value from treasury. See a description of the ESPP below under the heading "Employee Share Purchase Plan". The amount included above for each of the NEOs relates to the Corporate Contribution Amount assuming the NEO remains employed by the Corporation and has held the original shares for two years from the date originally purchased based on the fair market value of the of the Common Share contribution on the date of issue, being the TSX volume weighted average closing price for the five days prior to the date of issue, and the closing price on TSX on December 31, 2015, which was \$7.72.
- (3) Includes 20,000 stock options earned by Mr. Goodman in his capacity as Director of the Corporation.
- (4) Includes 10,000 stock options granted to Ms. Engel on March 30, 2016.

Incentive-plan Awards – Value Vested or Earned during the Year

The following table indicates for each NEO the value on vesting of all awards (had they been exercised on the vesting date) and the value earned during the 2015 financial year:

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$) ⁽²⁾
Jonathan Ross Goodman	368,965 ⁽³⁾	-	56,250
Jeffrey Kadanoff	20,533	-	28,125
Amal Khouri	38,500	-	28,125
Tanya Radhakrishna	7,333	-	3,750
Jody Engel	10,133	-	11,267

(1) The option-based awards granted to permanent employees, including NEOs, pursuant to the Option Plan are generally exercisable in equal portions of 33% per annum and expire 7 years following the date of grant; the options granted on December 16, 2015 expire 7.25 years following date of grant. (See section below “Stock Option Plan” for further information regarding the plan). The value vested during the year with respect to option-based awards for each NEO equals the aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date.

(2) The amount of non-equity incentive plan compensation is the amount of discretionary bonus received by NEOs during the year and is consistent with the amount under the non-equity incentive plan compensation column of the Summary Compensation Table for NEOs.

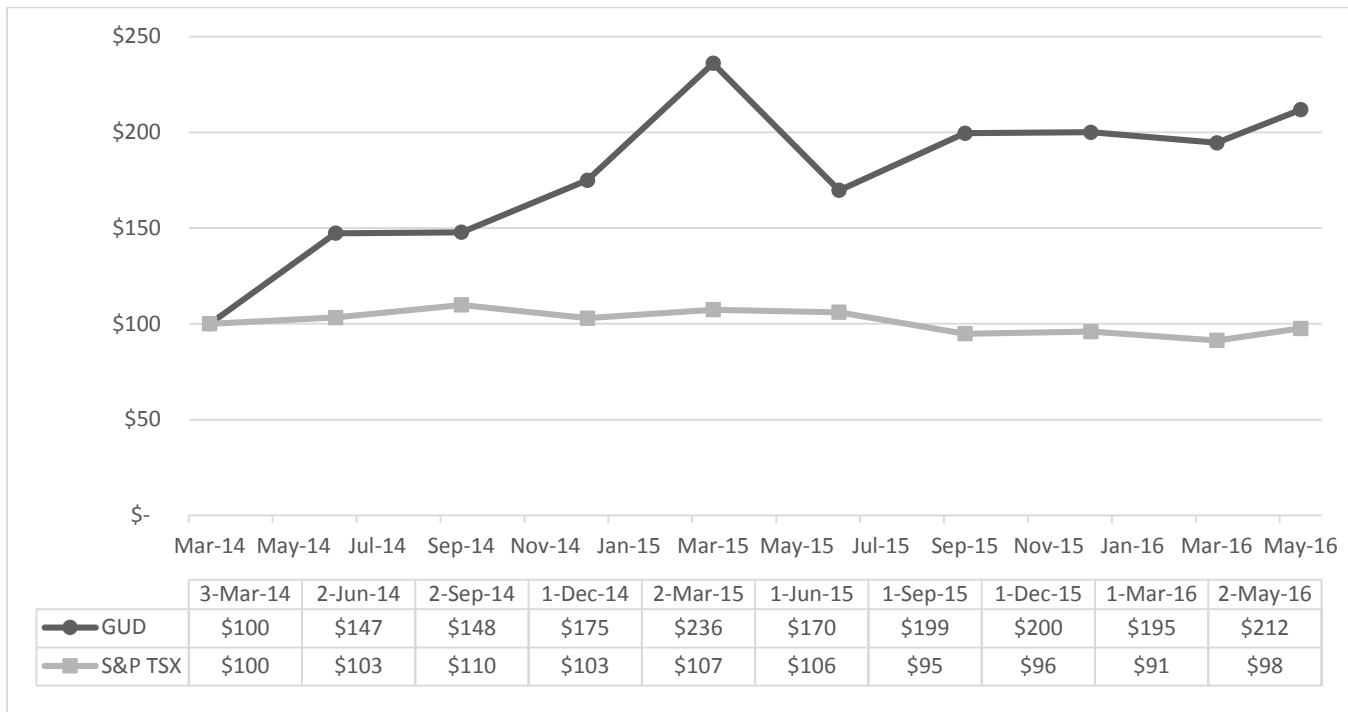
(3) Includes \$26,800 of value vested related to 20,000 stock options granted to Mr. Goodman in his capacity as Director of the Corporation

The following table indicates for each NEO the number of options vested and the number of options exercised during the 2015 financial year as well as the aggregate value realized for such options and their expiry date:

Name	Options Vested during the Year (#)	Options Exercised During the Year (#)	Aggregate value realized (\$)	Expiry Date
Jonathan Ross Goodman	408,823 20,000	-	-	Jun. 2, 2021 Mar. 24, 2022
Jeffrey Kadanoff	23,333	-	-	Jun. 2, 2021
Amal Khouri	23,333	-	-	Aug 25, 2021
Tanya Radhakrishna	8,333	-	-	Jun. 2, 2021
Jody Engel	6,667	-	-	Sep 10, 2021

PERFORMANCE GRAPH

The performance graph below compares the cumulative total shareholder return for \$100 invested in the Common Shares on March 3, 2014 up to May 2, 2016, with that of the S&P TSX Index.



On February 28, 2014, the Common Shares were listed on the TSX Venture Exchange (“TSX-V”) under the trading symbol GUD. From March 3, 2014 until April 28, 2014, the Common Shares were posted for trading on the TSX-V. On April 29, 2014, the Corporation was listed for trading on the TSX under the trading symbol GUD and de-listed from the TSX-V. The trend shown by the above performance graph indicates significant shareholder return in the initial 12 month period followed by stability. Given the early stage of the Corporation’s development, the trend on the Corporation’s compensation to the NEOs is not correlated with the trend in the performance graph.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Stock Option Plan

The Corporation has in place a stock option plan (the “Option Plan”). The Option Plan is a rolling stock option plan that sets the number of Common Shares issuable thereunder at up to a maximum of 10% of the Common Shares issued and outstanding at the time of any grant under the Option Plan. As at May 11, 2016, there were 2,850,863 options issued and outstanding under the Option Plan (representing 2.8% of the total number of outstanding Common Shares as at the same date). As at May 11, 2016, there were 4,925,601 options to purchase Common Shares remaining available for future grants (representing 4.8% of the currently issued and outstanding Common Shares).

Stock options to purchase Common Shares may be granted from time to time to directors, senior officers, key employees and service providers of the Corporation and its affiliates and to eligible charitable organizations pursuant to the Option Plan in order to incentivize and sustain a commitment to long-term profitability and to maximize shareholder value. Grants of stock options are based on a variety of factors, such as the need to attract or retain the individual, competitive market conditions and internal equity, among other things. The amounts and terms of outstanding options are taken into account when determining whether and how many new option grants are made. In addition, consideration is given to the performance of past option grants including whether options are forfeited without being exercised due to the exercise price being above the market price. The Option Plan is administered by the Board and the

Corporate Governance and Compensation Committee of the Corporation (such committee is hereinafter referred to for the purposes of this section as the “**Committee**”).

The aggregate number of Common Shares issuable pursuant to the Option Plan may not exceed 10% of the Corporation’s issued and outstanding Common Shares at the time of any particular grant. The aggregate number of Common Shares reserved for issuance pursuant to options granted to insiders of the Corporation at any given time, or within a 12-month period, may not exceed 10% of the issued and outstanding Common Shares on a non-diluted basis, unless “Disinterested Shareholder Approval” (as defined below) is obtained. The aggregate number of Common Shares reserved for issuance pursuant to options granted to any one person or entity within any 12-month period may not exceed 5% of the issued and outstanding Common Shares on a non-diluted basis, unless Disinterested Shareholder Approval is obtained. “Disinterested Shareholder Approval” means approval by a majority of the votes cast by all of the shareholders of the Corporation at a duly constituted shareholders’ meeting, excluding votes attached to shares beneficially owned by insiders of the Corporation to whom options may be granted under the Option Plan and their associates. In addition, the aggregate number of options granted and outstanding to eligible charitable organizations may not at any time exceed 1% of the issued and outstanding Common Shares, as calculated immediately subsequent to the grant of any options to eligible charitable organizations.

Under the terms of the Option Plan, the Committee may establish the exercise price of an option at the time each option is granted provided that the exercise price shall not be less than the minimum prevailing price permitted by the rules of the TSX.

All options granted under the Option Plan are to be granted under agreements which provide that the options may be exercised over a maximum term of 10 years (subject to an extension of the scheduled expiry date for a further 10 business days if the option would otherwise expire during a blackout period) and such options are personal to the optionee and are non-assignable. An option granted to a director who is not an employee terminates on the earliest of: (a) if such director is removed or is not re-elected, the date that such director is removed or is not re-elected as a director, or (b) if such director resigns, the date that is the earlier of (i) the expiry date of the option and (ii) the date that is 30 days after the effective date of such director’s resignation. The right to exercise the options granted under any agreements terminate immediately upon the termination of employment of the optionee (including termination of employment of the optionee for cause) unless, before the expiry of an option, the employment of an optionee has been terminated for any reason whatsoever (other than (a) termination by the Corporation for cause, (b) death, or (c) retirement), in which case such option may be exercised, to the extent vested and unexercised at the date such employment ceased and, subject to the terms of the Option Plan, at any time within 30 days following the day when the optionee ceased to be employed but in no event after the expiry of the option, and any such option expires and terminates to the extent that it remains unvested or unexercised at the end of such period. If, before the expiry of an option, the employment of the optionee has terminated by reason of retirement, such option may be exercised by the optionee, to the extent vested and unexercised at the date such employment ceased and, subject to the terms of the Option Plan, at any time within the 30 days following the day when the optionee ceased to be employed but in no event after the expiry of the option, and any such option expires and terminates to the extent that it remains unvested or unexercised at the end of such period. If, before the expiry of an option, the employment of the optionee has terminated by reason of death, such option may be exercised by the legal personal representatives, heirs, executors or administrators of the optionee, to the extent vested and unexercised at the date such employment ceased and, subject to the terms of the Option Plan, at any time within the six months following the death of the optionee but in no event after the expiry of the option, and any such option expires and terminates to the extent that it remains unvested or unexercised at the end of such period. Generally, options vest equally on an annual basis over a period of three to four years for employees and executives and over a period of one year for directors, or at such other times and on such other terms as the Committee may determine and the Board of Directors may approve in their discretion.

The Committee may amend or terminate the Option Plan at any time if and when it is deemed advisable, in its absolute discretion, provided, however that no such amendment or termination may adversely affect any outstanding options granted under the Option Plan without the consent of the affected optionees. Any amendment to the Option Plan is also subject to acceptance of such amendment for filing by TSX, and, where required by TSX, the approval of the shareholders of the Corporation. By its current terms, the Option Plan and any option granted thereunder may be amended by the Board of Directors without the consent of the shareholders generally to: (a) fix typographical errors; and (b) clarify existing provisions of the Option Plan that do not have the effect of altering the scope, nature and intent of such provisions. In addition to such amendments as may require shareholder approval under applicable laws, the amendments to any of the following provisions of the Option Plan may be subject to shareholder approval: (a) persons eligible to be granted options under the Option Plan; (b) the maximum number or percentage, as the case may be, of Common Shares that may be reserved under the Option Plan for issuance pursuant to the exercise of stock options; (c) the limitations under the Option Plan on the number of options that may be granted to any one person or any category of persons (such as, for

example, insiders of the Corporation); (d) the method for determining the exercise price of options; (e) the maximum term of options; and (f) the expiry and termination provisions applicable to options.

The Committee may amend any outstanding option granted under the Option Plan with the consent of the affected optionee(s) and TSX, if required, subject to the following conditions: (a) if the optionee is an insider of the Corporation at the time of the amendment, the Corporation may be required to obtain Disinterested Shareholder Approval, unless the amendment relates to extending the length of the term of the option; (b) where an amendment is made to reduce the exercise price of an outstanding option, (i) if the exercise price is reduced to less than the discounted market price, the four-month hold period commencing on the grant date of such option shall apply from the date of amendment and (ii) at least six months shall have elapsed since the later of (A) the commencement of the term of the option; and (B) the date the option exercise price was last amended; and (c) if the length of the exercise period of any option is extended, any such extension shall be treated as a grant of a new option and must comply with the pricing and other requirements of the TSX and the option must have been outstanding for at least one year prior to the extension of the exercise period.

Under the terms of the Option Plan, options do not automatically vest upon the occurrence of a change of control. Rather, the Option Plan provides that upon the occurrence of a “Change of Control” or if a take-over bid is made for any or all of the outstanding Common Shares, the Board of Directors may, in its sole and absolute discretion and if permitted by applicable securities laws, determine by resolution that all outstanding options shall immediately become exercisable in full by the holders thereof, notwithstanding any vesting provisions or other restrictions or conditions that would otherwise attach to such options, provided, however that the expiry date of any outstanding option may not be extended beyond the 10-year maximum term. A “Change of Control” means either of the following: (a) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Corporation or any of its affiliates and another corporation or entity, as a result of which the holders of Common Shares prior to the completion of the transaction hold less than 50% of the outstanding shares or interests of the successor entity after completion of the transaction; (b) the sale, lease, exchange or other disposition, in a single transaction or a series of related transactions, of assets, rights or property of the Corporation and/or any of its subsidiaries which have an aggregate book value greater than 50% of the book value of the assets, rights and property of the Corporation and its subsidiaries on a consolidated basis to any other person or entity, other than a disposition to a wholly-owned subsidiary of the Corporation in the course of a reorganization of the assets of the Corporation and its subsidiaries; (c) a resolution is adopted to wind up, dissolve or liquidate the Corporation; (d) any person, entity or group of persons or entities acting jointly or in concert, other than an insider of the Corporation (an “Acquiror”) acquires, or acquires control of (including, without limitation, the right to vote or direct the voting of) voting securities of the Corporation which, when added to the voting securities owned of record or beneficially by the Acquiror or which the Acquiror has the right to vote or in respect of which the Acquiror has the right to direct the voting, would entitle the Acquiror (or its associates or affiliates) to cast or to direct the casting of 50% or more of the votes attached to all of the Corporation’s outstanding voting securities which may be cast to elect directors of the Corporation or the successor corporation (regardless of whether a meeting has been called to elect directors); (e) as a result of in connection with: (i) a contested election of directors; (ii) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Corporation or any of its affiliates and another corporation or entity, the nominees named in the most recent management information circular of the Corporation for election to the Board of Directors shall not constitute a majority of the Board of Directors; or (f) the Board of Directors adopts a resolution to the effect that a Change of Control has occurred or is imminent.

Employee Share Purchase Plan

The Corporation has in place an ESPP for the benefit of full-time employees and members of the Board, as designated by the Board or any appropriate committee thereof to purchase Common Shares to a maximum of 1% of the Common Shares issued and outstanding from time to time. As at May 11, 2016, there were 18,189 shares issued under the ESPP (representing 0.02% of total number of outstanding Common Shares) leaving 894,549 shares available for future purchase.

The ESPP provides that the subscription price per share for shares which are the subject of any purchase under the ESPP shall be the weighted trading average price of the Common Shares for the 5 trading days immediately preceding the applicable purchase date (“**Market Price**”). The Corporation shall contribute, in cash, an amount equal to 25% of the contributions made by participants towards the purchase of Common Shares pursuant to the ESPP, subject to certain conditions. Employees under the plan receive at least the number of shares that such employees would have received had the Corporation contributed on the date of the employee’s contribution. As such, if the Market Price of the Common Shares on the date of the Corporation’s contribution is higher than on the date the participant contributed, the Corporation will contribute such amount that is sufficient to purchase 25% of the number of Common Shares purchased by the participant during the relevant contribution period. Conversely, if the Market Price of the Common Shares on the date of the Corporation’s contribution is lower than on the date the participant contributed, the Corporation will

contribute such amount that is 25% of the amount that was contributed for the relevant contribution period by the participant (the **“Corporate Contribution Amount”**). No Common Shares will be purchased on behalf of a participating employee under the ESPP if such purchase could result, at any time, in (a) the issuance to insiders, within a one-year period, of a number of Common Shares exceeding 10% of the issued and outstanding Common Shares; or (b) the issuance to any one insider and such insider’s associates, within a one-year period, of a number of Common Shares exceeding 5% of the issued and outstanding Common Shares. In addition, the maximum number of Common Shares issuable to insiders at any time under the ESPP and any other share compensation arrangements shall be 10% of the outstanding Common Shares of the Corporation. The ESPP limits the yearly participation amount at 10% of the employee’s annual income. For non-independent members of the Board, the yearly participation amount cannot exceed \$10,000. Rights under the ESPP are non-assignable.

In the event that a participant, while remaining an employee, is no longer being paid by the Corporation due to an authorized period of absence, the contributions of such participant will be suspended until the participant resumes employment with the Corporation. In the event of the death or termination of employment of a participant and in the event a participant ceases to be a participant, participation in the ESPP will automatically terminate and the plan administrator will, unless otherwise instructed, remit to the estate of the deceased participant, to the participant or to the former participant, as the case may be, a certificate representing the number of whole Common Shares standing to the credit of such participant or former participant.

Enrolments are allowed four times per year and the threshold before which employees can subscribe to the plan is three months.

The Board may amend or modify the ESPP at any time without the consent of the participants, provided, however, that such amendment shall (a) subject to certain exceptions, not adversely alter or impair any ESPP Common Shares; (b) be subject to any regulatory approvals including, where required, the approval of the TSX; and (c) be subject to shareholder approval, where required by law or the requirements of the TSX, provided that shareholder approval shall not be required for the following amendments and the Board may make any changes which may include but are not limited to (i) amendments of a “housekeeping” nature, such as those of a typographical, clerical or grammatical nature; (ii) the addition of a form of financial assistance and any amendment to a financial assistance provision which is adopted; (iii) a change to the eligible participants of the ESPP. Any suspension, termination, material amendment or material modification to the ESPP (including an increase in the maximum number of Common Shares issuable under the ESPP) or a reduction in the Market Price of a Common Share (other than for standard anti-dilution purposes), shall be approved by the holders of a majority of the Common Shares present and voting in person or by proxy at a meeting of shareholders of the Corporation. In addition to the foregoing, any material amendment to an entitlement granted under the ESPP to an insider or an associate of an insider, including a change in the Market Price, shall be approved by a majority of votes cast at a meeting of shareholders, other than votes attaching to shares beneficially owned by participants or former participants. In the event that an amendment is made, other than on a non-isolated basis, to an entitlement under the ESPP granted to a non-insider, the approval of a majority of votes cast at a meeting of shareholders shall be obtained only if required by the TSX.

At the 2015 Meeting, the shareholders voted in favour of an ordinary resolution proposed by the Corporation to amend the ESPP to provide for the following:

- to change the maximum number of common shares reserved for issuance thereunder from a maximum of 200,000 Common Shares to a maximum of 1% of the Common Shares issued and outstanding from time to time;
- to reflect the listing of the Common Shares on the TSX rather than on the TSX Venture Exchange;
- to extend the time periods under which shares may be subscribed for and purchased under the ESPP in circumstances where such delays fall within the Corporation’s blackout period;
- to remove the discretion of the Board and the Committee to allow a participant to change the amount of or terminate his or her contributions, other than in accordance with the terms of the ESPP; and
- other clerical changes of a housekeeping nature.

EQUITY COMPENSATION PLAN INFORMATION

The following tables provides the number of securities to be issued upon the exercise of options under the Option Plan and the shares issued under the ESPP at December 31, 2015. The Option Plan was approved by the shareholders of the Corporation. The Corporation does not have an equity compensation plan that has not been approved by security holders.

Plan Category	Number of Common Shares to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of Common Shares remaining available for future issuance under the Option Plan (excluding securities reflected in the first column)
Stock option compensation plans approved by security holders	2,815,483	\$6.89	4,960,981
Stock option compensation plans not approved by security holders	-	-	-
Total	2,815,483	\$6.89	4,960,981

Plan Category	Number of Common Shares issued pursuant to the ESPP	Weighted-average exercise issue price of Common Shares issued pursuant to the ESPP	Number of Common Shares remaining available for future issuance under the ESPP (excluding securities reflected in the first column)
ESPP compensation plan approved by security holders	14,493	\$7.35	898,245
ESPP compensation plans not approved by security holders	-	-	-
Total	14,493	\$7.35	898,245

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

The following table indicates aggregate outstanding indebtedness to the Corporation of its Directors and NEOs as at May 11, 2016:

Nature of indebtedness	Indebtedness to the Corporation or any of its subsidiaries	Indebtedness to another entity which is guaranteed by the Corporation
Purchase of securities	595,000	-
All other indebtedness	-	-
Total	595,000	-

The following table details the indebtedness to the Corporation of its Directors and NEOs with respect to the 2015 financial year:

Borrower	Lender	Largest indebtedness outstanding during 2015 financial year (\$) ⁽¹⁾	Aggregate indebtedness outstanding as at May 11, 2016 (\$) ⁽¹⁾	Number of Common Shares purchased with the financial assistance (#)	Security for the indebtedness	Indebtedness forgiven during the 2015 financial year (\$)
Jeffrey Kadanoff <i>CFO</i>	The Corporation	225,000	225,000	64,286	Underlying Shares	-
Amal Khouri <i>VP, Business Development</i>	The Corporation	225,000	225,000	64,286	Underlying Shares	-
Jody Engel <i>Director, Business Development</i>	The Corporation	145,000	145,000	21,481	Underlying Shares	-

⁽¹⁾ Indebtedness does not include interest on the indebtedness which was charged at 1% per annum throughout the 2015 financial year.

The indebtedness to the Corporation listed in the table above arose as part of the Corporation's "bought deal" private placements of special warrants that took place on March 19, 2014 and December 22, 2014.

Mr. Kadanoff and Ms. Khouri each borrowed \$225,000 to purchase 64,286 special warrants at a price of \$3.50 per warrant, while Ms. Engel borrowed \$145,000 to purchase 21,481 special warrants at a price of \$6.75 per warrant (collectively, the "Loans" and the "Borrowers".) Each special warrant entitled the Borrowers to acquire an equivalent number of Common Shares (the "Underlying Shares"). The Loans bear interest at the prescribed rate established by the Canada Revenue Agency pursuant to the Income Tax Act (Canada) used to calculate taxable benefits for employees from low interest loans. The effective interest rate on the Loans for the 2015 financial year was 1%. The Loans must be repaid at the earlier of when the Borrowers sell their respective Underlying Shares or within 90 days following the termination of the Borrowers' employment with the Corporation. The Loans are secured against the Underlying Shares. Recourse against the respective Borrowers' assets, other than the Underlying Shares, is limited to 50% of the indebtedness, plus any unpaid interest.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation has liability insurance for its directors and officers. The aggregate annual premium for that insurance is \$25,200 no part of which is payable by the directors and officers of the Corporation. The insurance coverage under the policy for each loss is limited to \$5,000,000 for each policy year. The policy provides for a \$25,000 deductible for any claim made by the Corporation and there shall be no deductible for any claim made by a director or officer.

CORPORATE GOVERNANCE

The Board and executive officers of the Corporation regard good corporate governance practices as being of the highest importance.

The Board monitors the changes made to corporate governance practices and regulatory requirements. Under National Instrument 58-101 - *Disclosure of Corporate Governance Practices* (“**NI 58-101**”) and National Policy 58-201 - *Corporate Governance Guidelines* (“**NP 58-201**”), the Corporation is required to disclose certain information regarding its corporate governance practices. The comments of the Board regarding compliance with such policies can be found in Schedule “A” to this Information Circular.

In addition to the information set forth in Schedule “A” to this Information Circular, the following sets forth certain information regarding the Committees of the Board. The Board has established an Audit Committee, a Corporate Governance and Compensation Committee, and a Nominating Committee.

Audit Committee

The Audit Committee is presently comprised of three independent directors. The current members of the Committee are Robert N. Lande, James C. Gale and Ed Schutter. The Audit Committee meets on a quarterly basis. The primary responsibilities of the Committee are to review and monitor the Corporation’s accounting policies and financial controls, its financial statement presentation, the Corporation’s ongoing financial disclosure and the Corporation’s principal business risks. The members of the audit committee confer with Ernst & Young LLP, the Corporation’s external auditors, as they believe is appropriate in the course of a given year.

Corporate Governance and Compensation Committee

The CGCC is presently comprised of two independent directors. The current members of the CGCC are James C. Gale and Robert N. Lande. The CGCC met once with respect to the financial year ended December 31, 2015 to discuss compensation levels for NEOs. The principal function of the CGCC is to address matters of corporate governance and to review and approve the compensation of the senior management of the Corporation, to review management’s development of the compensation philosophy and then to independently monitor the Corporation’s compensation systems and practices to ensure they encourage and reward behavior which supports the achievement of the Corporation’s strategic goals. The CGCC’s role is also to make recommendations to the Board as to which directors and fulltime employees should be granted stock options pursuant to the Option Plan.

Nominating Committee

The Nominating Committee is presently comprised of two independent directors. The current members of the Nominating Committee of the Board (the “**Nominating Committee**”) are James C. Gale and Sylvie Tendler. The Nominating Committee met once to discuss Board nominations for the upcoming Meeting. The principal duties of the Nominating Committee are to evaluate the size of the Board; identify the skill sets currently available and skill sets that may be required; assess the performance of the Board, its committees and the contributions of individual directors; and recommend to the Board the director nominees to be put before the shareholders at the annual meetings.

AUDIT COMMITTEE INFORMATION

Reference is made to Annual Information Form (Schedule “B”) of the Corporation for the year ended December 31, 2015 for disclosure of the information relating to the Audit Committee required under Form 52-110F1. A copy of this document can be found on SEDAR at www.sedar.com.

APPOINTMENT OF AUDITORS

Unless such authority is withheld, the proxies hereby solicited will be voted to reappoint Ernst & Young LLP as auditors of the Corporation, to hold office until the next Annual Meeting of Shareholders and to authorize the Board of Directors of the Corporation to determine their remuneration. Ernst & Young LLP was first appointed in the 2014 financial year.

Fees billed by Ernst & Young LLP for the years ended December 31, 2014 and December 31, 2015 are summarized below:

Category	2015 \$	2014 \$
Audit fees	214,705	185,274
Audit-related fees	-	-
Tax Fees	128,511	22,716
All other fees	8,500	5,000
Total Fees	351,716	212,990

ADDITIONAL INFORMATION

Financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis thereon for its most recently completed financial year. Copies of these documents and additional information relating to the Corporation are available on SEDAR at www.sedar.com. Additional copies may be obtained without charge upon request to the Corporation's Secretary at 376 Victoria Ave. Suite 220, Westmount QC H3Z 1C3 - (514) 484-4483.

OTHER MATTERS

The management of the Corporation knows of no matters to come before the Meeting other than as set forth in the notice of Annual Meeting of the Shareholders of the Corporation (the "Notice"). However, if any amendment or other business should properly be brought before the Meeting, the accompanying form of proxy confers discretionary authority upon the persons named therein to vote upon any such amendment of the matters referred to in the Notice or on such other business in accordance with their best judgment.

DIRECTORS' APPROVAL

The Board of the Corporation has approved the contents of this Information Circular and its sending to holders of its Common Shares.

(s) James C. Gale

James C. Gale
Chairman of the Board of Directors
Director
New York, New York
May 12, 2016

(s) Jonathan Ross Goodman

Jonathan Ross Goodman, B.A. LL.B., M.B.A.
President and Chief Executive Officer
Director
Montreal, Quebec
May 12, 2016

SCHEDULE "A"

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Corporation holds the view that effective corporate governance practices are key to the overall success of a business corporation. National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("NI 58-101") and National Policy 58-201 - *Corporate Governance Guidelines* ("NP 58-201") which require that the Corporation disclose information about its corporate governance practices. This Schedule is intended to comply with such requirement. The Corporation is also complying with the provisions of National Instrument 52-110 - *Audit Committees* ("NI 52-110"), as discussed under "Audit Committee Information" on page 18.

Disclosure Requirements under Regulation 58-101

1) Board of Directors

a) Disclose the identity of directors who are independent.

The Board of Directors (the "Board") has reviewed the independence of each director as defined in NI 58-101. A director who is independent has no direct or indirect material relationship with the Corporation, including a relationship which in the view of the Board could reasonably interfere with the director's exercise of independent judgment. After having reviewed the role and relationships of each director, the Board has determined that the majority of the directors nominated by management for election to the Board are independent, namely:

James C. Gale
Robert N. Lande
Ed Schutter
Sylvie Tendler

b) Disclose the identity of directors who are not independent, and describe the basis for that determination.

The Board has determined, after reviewing the role and relationships of each director, that the following directors nominated by management for election are not independent, namely:

Jonathan Ross Goodman, President and CEO, on the basis that he is an executive officer of the Corporation.

Meir Jakobsohn, Director, on the basis that he has a material relationship with the Corporation by virtue of the Corporation's strategic partnership and reciprocal investment with Medison.

c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the Board of Directors does to facilitate its exercise of independent judgement in carrying out its responsibilities.

The majority of (four of six) directors nominated by management for election to the Board, are independent.

d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

James C. Gale is a Director of Teligent, Inc.

Jonathan Goodman is a Director of Profound Medical Corp.

e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.

The Board is of the view that appropriate structures and procedures are in place to ensure that it can function independently of the management. Independent directors have the ability to meet in the absence of members of management to the extent they deem appropriate. The independent directors met in the absence of members of management, on a formal basis, one time with respect to the

financial year ended December 31, 2015.

- f) **Disclose whether or not the Chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.**

Mr. Gale acts as Chairman of the Board and is an independent Director.

- g) **Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.**

The attendance record of each director for the Board meetings held from January 1, 2015 to the date of this circular is as follows:

James C. Gale	11 of 11 meetings
Jonathan Ross Goodman	11 of 11 meetings
Meir Jakobsohn ⁽¹⁾	6 of 11 meetings
Robert N. Lande	11 of 11 meetings
Hillel Rosen ⁽²⁾	0 of 11 meetings
Ed Schutter ⁽³⁾	9 of 11 meetings
Sylvie Tandler	11 of 11 meetings

⁽¹⁾ Mr. Jakobsohn attended all meetings that took place after he joined the Board

⁽²⁾ Mr. Rosen resigned from the Board in January 2015, prior to any meetings having taken place

⁽³⁾ Mr. Schutter did not attend two meetings due to a possible conflict of interest

2) Board Mandate

- a) **Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.**

The Board has the overall responsibility for the strategic planning and general management of the business and affairs of the Corporation. In fulfilling its responsibilities, the Board is responsible for, among other things:

- adoption of a strategic planning process for the Corporation;
- the approval of the annual operating and capital expenditure budgets;
- identification of the principal risks of the Corporation's business and ensuring the implementation of the appropriate systems to manage these risks;
- succession planning for the Corporation including appointing and monitoring senior management;
- a communications policy for the Corporation;
- the approval of acquisitions, dispositions, investments and financings which exceed certain thresholds of materiality; and the integrity of the Corporation's internal controls and management information systems.

The Board discharges its responsibilities directly and through committees of the Board which have specific areas of responsibility. In addition to these matters, management is required to seek Board approval for major transactions including those that involve strategic investments, as well as capital and operating expenditures exceeding a certain threshold of materiality. The frequency of meetings, as well as the nature of items discussed, depends upon the opportunities or risks which the Corporation faces.

3) Position Descriptions

- a) **Disclose whether or not the Board has developed written position descriptions for the Chair and the Chair of each Board committee. If the Board has not developed written position descriptions for the Chair and/or the Chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.**

The Board has developed position descriptions for the Chairman of the Board and for the Chair of each Board committee.

- b) **Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the Board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.**

The Board has developed a position description for the CEO.

4) **Orientation and Continuing Education**

- a) **Briefly describe what measures the Board takes to orient new directors regarding:**

- i) **the role of the Board, its committees and its directors, and**
- ii) **the nature and operation of the issuer's business**

Nominees for the Board are selected based on their experience in business management and corporate governance and with a particular emphasis on potential nominees who have special expertise in an area of strategic interest to the Corporation. New directors are oriented to the business and affairs of the Corporation as well as to the role of the Board, its committees and its directors through discussions with management and other directors and through periodic presentations from management on major business, industry and competitive issues. In addition, at each quarterly Board meeting, directors have the opportunity to hear presentations by management on various topics concerning the Corporation's operations.

- b) **Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.**

Directors attend presentations held from time to time to keep them apprised of changes within the Corporation and the regulatory and industry requirements and standards.

5) **Ethical Business Conduct**

- a) **Disclose whether or not the Board has adopted a written code for the directors, officers and employees.**

The Board has adopted a written code of business conduct and ethics for the directors, officers and employees. A copy of the policy is available on SEDAR.

- b) **Describe any steps the Board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.**

A member of management is not permitted to negotiate transactions where he or she may have a material interest, either actual or perceived. In addition, Board members must declare if they have a conflict of interest considering transactions and agreements. Should a Board member have a conflict, actual or perceived, he or she may not vote on the transaction or agreement presented.

- c) **Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.**

The promotion of a culture of integrity is part of the Board mandate. The Board requires that all officers have a special duty to uphold the Corporation's reputation for integrity, honesty and ethical conduct by setting an example of compliance and by creating a work environment that encourages ethical behavior. Furthermore, one of the principal duties of the President and CEO in his position description is to "promote a corporate culture that fosters a corporate culture that promotes ethical practices and encourages individual integrity".

The Board has adopted whistleblower procedures which allow employees to raise concerns regarding accounting, internal accounting controls or auditing matters on a confidential and anonymous basis. The complaints are forwarded directly to the Chair of the Audit Committee.

6) **Nomination of Directors**

- a) **Describe the process by which the Board identifies new candidates for Board nomination.**

The Nominating Committee objectively considers the independence of candidates, their financial acumen, competencies and other skills and the time which candidates have available to devote to the duties of the Board of Directors in making their recommendations for nomination to the Board.

- b) **Disclose whether or not the Board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the Board takes to encourage an objective nomination process**

The Board has a nominating committee, each member of which is “independent” within the meaning of NI 52-110.

- c) **If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.**

The principal duties of the Nominating Committee are to evaluate the size of the Board of Directors, identify the skill sets currently available and skill sets that may be required, assess the performance of the Board of Directors, its committees and committee chairs, and the contributions of individual directors on an annual basis, and recommend to the Board of Directors the director nominees to be put before the shareholders at the annual meetings of the Corporation. The Nominating Committee is responsible for identifying qualified new candidates to join the Board of Directors.

7) **Compensation**

- a) **Describe the process by which the Board determines the compensation for the issuer’s directors and officers.**
- b) **Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.**
- c) **If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.**

The Board has a CGCC which is composed entirely of independent directors.

The CGCC is responsible for setting and reviewing the compensation paid to the Corporation’s officers and for selecting and administering the Corporation’s short and long-term incentive plans for such officers. The CGCC is responsible for reviewing and recommending a plan of succession for the Corporation’s senior management. The CGCC is also responsible for setting and reviewing the compensation paid to the directors and for evaluating each director’s contribution to the performance of the Board. The Corporation has not used the services of a consultant or a specialized compensation advisor to help establish the Corporation’s executive compensation or any other compensation related services during the financial year ended December 31, 2015.

8) **Other Board Committees**

- a) **If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.**

The Board has no other standing committees.

9) **Assessments**

- a) **Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.**

While the Board has not implemented a formal process for evaluating its performance or the performance of individual Directors, the Board informally reviews its role on an ongoing basis. In addition, the Directors are encouraged to discuss any issues and to raise specific matters with the Chairman or with each other. To this end, certain Board members hold *in camera* meetings to discuss the effectiveness and contribution of the other directors.

The Board believes that its informal performance review process sufficiently monitors the effectiveness and contribution of the Board, its committees and individual directors. No specific matters were raised during the financial year ended December 31, 2015.

10) Director Term Limits and Other Mechanisms for Board Renewal

- a) **Disclose whether or not the issuer has adopted term limits for the directors on its Board or other mechanisms of Board renewal and, if so, include a description of those director term limits or other mechanisms of Board renewal. If the issuer has not adopted director term limits or other mechanisms of Board renewal, disclose why it has not done so.**

The Corporation has not adopted term limits for its directors or other mechanisms of Board renewal. The Corporation is aware of the positive impacts of bringing new perspectives to the Board, and therefore does occasionally add new members, however, it values continuity on its Board of Directors and the in-depth knowledge of Corporation held by those members who have a long standing relationship with the Corporation.

11) Policies Regarding the Representation of Women on the Board

- a) **Disclose whether the issuer has adopted a written policy relating to the identification and nomination of women directors. If the issuer has not adopted such a policy, disclose why it has not done so.**

The Corporation does not currently have a written policy relating to the identification and nomination of women directors. The Corporation does not currently feel that such a policy is needed. However, the Corporation will consider the adoption of such a policy on a go-forward basis.

12) Consideration of the Representation of Women in the Director Identification and Selection Process

- a) **Disclose whether and, if so, how the Board or nominating committee considers the level of representation of women on the Board in identifying and nominating candidates for election or re-election to the Board. If the issuer does not consider the level of representation of women on the Board in identifying and nominating candidates for election or re-election to the Board, disclose the issuer's reasons for not doing so.**

When the Board and CEO recommend candidates for director positions, they consider not only the qualifications, personal qualities, business background and experience of the candidates. They also consider the composition of the group of nominees, to best bring together a selection of candidates allowing the Board to perform efficiently and act in the best interest of the Corporation and its stakeholders. The Corporation is aware of the benefits of diversity both on the Board and at the executive level, and therefore female representation is one of the factors taken into consideration during the search process to fill leadership roles within the Corporation.

13) Consideration Given to the Representation of Women in Executive Officer Appointments

- a) **Disclose whether and, if so, how the issuer considers the level of representation of women in executive officer positions when making executive officer appointments. If the issuer does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the issuer's reasons for not doing so.**

When the Board selects candidates for executive officer positions, it considers not only the qualifications, personal qualities, business background and experience of the candidates. It also considers the composition of the group of nominees, to best bring together a selection of candidates allowing the Board to perform efficiently and act in the best interest of the Corporation and its stakeholders. The Corporation is aware of the benefits of diversity both on the Board and at the executive level, and therefore female representation is one of the factors taken into consideration during the search process to fill leadership roles within the Corporation.

14) Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions

- a) **For purposes of this Item, a "target" means a number or percentage, or a range of numbers or percentages, adopted by the issuer of women on the issuer's board or in executive officer positions of the issuer by a specific date.**
- b) **Disclose whether the issuer has adopted a target regarding women on the issuer's Board. If the issuer has not adopted a target, disclose why it has not done so.**

The Corporation considers candidates based on their qualifications, personal qualities, business background and experience, and does not feel that targets necessarily result in the identification or selection of the best candidates.

- c) **Disclose whether the issuer has adopted a target regarding women in executive officer positions of the issuer. If the issuer has not adopted a target, disclose why it has not done so.**

See (b) above

15) Number of Women on the Board and in Executive Officer Positions

- a) **Disclose the number and proportion (in percentage terms) of Directors on the issuer's Board who are women.**

Currently, one out of six members of the Board of Directors is a woman (17%).

- b) **Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are women.**

Currently, one out of four of the executive officers is a woman (25%).



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