



KNIGHT THERAPEUTICS INC.

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

March 21, 2017

NOTICE IS HEREBY GIVEN that the Annual Meeting (the “**Meeting**”) of the shareholders of Knight Therapeutics Inc. (the “**Corporation**” or “**Knight**”) will be held at 6111 Royalmount Avenue, Montreal, Quebec H4P 2T4 Canada, on May 9, 2017 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, 2016 together with the auditors’ report thereon;
2. To elect the directors for the ensuing year;
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;
4. To adopt a new stock option plan of the Corporation, as more particularly described in the accompanying Management Information Circular;
5. To amend By-Law One of the Corporation to reduce the quorum for the transaction of business at any meeting of shareholders to two or more persons, present in person or by duly appointed proxy, holding or representing not less than twenty-five percent (25%) of the total number of the issued shares of the Corporation that have voting rights; and,
6. To transact such other business as may properly come before the Meeting or any adjournment thereof.

Montreal, Quebec, March 21, 2017

By order of the Board of Directors,

(s) Jonathan Ross Goodman

(s) James C. Gale

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

James C. Gale

Chief Executive Officer, Director

Chairman of the Board of Directors

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 5:00 p.m. EST on May 5, 2017.**

**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 following address: 1501 McGill College Avenue, 26th Floor, Montreal, Quebec H3A 3N9 to the attention of Knight Therapeutics Inc., care of Davies Ward Phillips & Vineberg LLP, 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

All properly executed forms of proxy, not previously revoked, will be voted or withheld from voting at the Meeting in accordance with the instructions contained therein on any ballot that may be called for. **Forms of proxy containing no instructions regarding the matters specified therein will be voted in favour of such matters. In the event, not presently anticipated, that any other matter is brought before the Meeting and is submitted to a vote, the form of proxy may be voted in accordance with the judgment of the persons named therein.** The form of proxy also confers discretionary authority in respect of amendments to or variations in all matters that may properly come before the Meeting.

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 2018 ANNUAL MEETING

Shareholder proposals intended to be presented at the Corporation's 2018 annual meeting of shareholders must be submitted for inclusion in the Corporation's proxy materials prior to December 21, 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 March 15, 2017 (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 March 21, 2017, 142,759,326 Common Shares were issued and outstanding. 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 March 21, 2017, to the knowledge of the Corporation's management, the only person who owned directly or indirectly, or who exercised control or direction over 10% or more of the Common Shares was:

| Name | Ownership (%) |
|-----------------------|----------------------|
| Jonathan Ross Goodman | 15.3% ⁽¹⁾ |

- (1) Mr. Goodman directly owns 258,010 shares and indirectly owns 21,593,233 shares through Long Zone Holdings Inc., a company controlled by Mr. Goodman and 100 Common Shares owned by his son, Noah Goodman.

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.

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 Compensation, Corporate Governance and Nominating Committee ("CCGNC")¹ 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.

¹ In 2017, the Corporate Governance and Compensation Committee merged with the Nominating Committee to form the CCGNC. Refer to section "Compensation Discussion and Analysis: Merger of Committees" for further details.

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 ⁽³⁾ |
|--|---|----------------|---|
| James C. Gale ⁽¹⁾⁽²⁾ New York, USA | Managing Partner, Signet Healthcare Partners, Chairman of the Corporation | 2014 | 106,053 |
| Dr. Sarit Assouline Quebec, Canada | Associate Director, Clinical Research Unit, Jewish General Hospital | 2017 | 1,100 |
| Jonathan Ross Goodman ⁽⁴⁾ Quebec, Canada | CEO of the Corporation | 2013 | 23,711,031 |
| Meir Jakobsohn ⁽⁵⁾ Israel | President and CEO, Medison Biotech (1995) Ltd. | 2015 | 10,580,884 |
| Robert N. Lande ⁽¹⁾⁽²⁾ New York, USA | CFO, FXCM Inc. | 2014 | 82,348 |
| Samira Sakhia Quebec, Canada | President of the Corporation ⁽⁶⁾ | 2016 | 277,298 |
| Sylvie Tendler ⁽¹⁾⁽²⁾ Quebec, Canada | President, Sylvie Tendler & Associates | 2014 | 61,842 |

(1) Member of the Audit Committee

(2) Member of the CCGNC

(3) Includes number of Common Shares beneficially owned and Common Shares that would be beneficially owned or controlled if all outstanding stock options were exercised, as at March 21, 2017

(4) Includes indirect ownership of 21,593,233 Common Shares by Long Zone Holdings Inc., a company controlled by Jonathan Ross Goodman and 100 Common Shares owned by his son, Noah Goodman

(5) Includes indirect ownership of 5,014,230 Common Shares by Medison Biotech (1995) Ltd. as well as 3,099,097 Common Shares owned by Tzalir Holdings Ltd, each a company controlled by Meir Jakobsohn

(6) Samira Sakhia served in the role of CFO of Paladin Labs Inc. ("**Paladin**") from 2001 to 2015

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 ("**Signet**"). 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 Spepharm BV, Bionpharma Inc., CoreRx, Inc., Leon Nanodrugs GmbH, Pharmaceuticals International, Inc. 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 directors of Paladin from 2008 to 2014.

Dr. Sarit Assouline, Director

Dr. Assouline is the Director of the Chronic Myelogenous Leukemia Clinic of the Jewish General Hospital and, in this capacity, has contributed to epidemiological research into the outcome of patients treated with tyrosine kinase inhibitors. Following her training in hematology and oncology at McGill University, Dr. Assouline completed a Master's program in clinical epidemiology and biostatistics at McGill University, and a CIHR funded drug development fellowship at the National Cancer Institute of Canada Clinical Trials Group. Since 2005, she has been involved in the design and conduct of numerous clinical trials testing novel therapies in patients with leukemia and lymphoma. These therapies include novel targeted monoclonal antibody therapies, proteasome inhibitors, histone deacetylase inhibitors, and drugs targeting protein translation.

Jonathan Ross Goodman, Director, Chief Executive Officer

Mr. Goodman is the CEO and founder of Knight. 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 currently serves on the board of directors of Medimetriks Pharmaceuticals, Inc. and Medison Biotech (1995) Ltd. 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 is the CEO of Israeli-based Medison Pharma Ltd. (“**Medison**”) which he founded in 1996 and spearheaded to becoming 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 directors of Paladin from 1995 to 2014.

Samira Sakhia, Director, President

Ms. Sakhia joined Knight as President effective August 31, 2016. Prior to Knight, Ms. Sakhia served as the CFO at Paladin from 2001 to 2015. At Paladin, Ms. Sakhia was responsible for the finance, operations, human resources and investor relations functions. During her employment with Paladin, Ms. Sakhia was instrumental in executing in-licensing and acquisition transactions of Canadian and international pharmaceutical products and businesses. In addition, Ms. Sakhia led several M&A and strategic lending transactions as well as equity rounds on the Toronto Stock Exchange (“**TSX**”) and completed the sale of Paladin to Endo International for \$3.2 billion. Ms. Sakhia currently serves on the board of directors of Antibe Therapeutics Inc., Crescita Therapeutics Inc., Nuvo Pharmaceuticals Inc. and Profound Medical Corp. Ms. Sakhia holds an M.B.A. and a Bachelors of Commerce degree from McGill University, and is also a Chartered Professional Accountant.

Sylvie Tendler, Director

Sylvie 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 IntrinsiQ 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 U.S., 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.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Cease Trade Orders

To the knowledge of the Directors and officers of the Corporation, none of the Directors is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company 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. For purpose of the foregoing, an “order” means (i) a cease trade order, (ii) an order similar to a cease trade order, or (iii) an order that denied the relevant company access to any exemption under securities legislation.

Bankruptcies

Except as described below, to the knowledge of the Directors and officers of the Corporation, none of the Directors of the Corporation i) is, as at the date of this Circular, or has been within 10 years before the date of this Circular, a director or executive officer of any company 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 ii) has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

On July 16, 2013, Paladin acquired all the issued and outstanding shares of Allon Therapeutics Inc. (“**Allon**”) (TSX: NPC) in accordance with the Order for Reorganization in Allon’s proposal under the *Bankruptcy and Insolvency Act (Canada)* and under the Canada Business Corporations Act, and Paladin became the sole shareholder of Allon. Ms. Sakhia was appointed director of Allon upon closing. Allon ceased to be a reporting issuer subsequent to closing and its shares were delisted from the TSX.

On December 23, 2008, Paladin acquired all the issued and outstanding shares of Virexx Medical Corp. (“**Virexx**”) (TSX: VIR and AMEX: REX) in accordance with the Order for Reorganization in Virexx’s Proposal Proceedings under the *Bankruptcy and Insolvency Act (Canada)* and under the *Alberta Business Corporations Act* and Paladin became the sole shareholder of Virexx. Ms. Sakhia was appointed director of Virexx upon closing. Virexx ceased to be a reporting issuer subsequent to closing and its shares were delisted from the TSX and the AMEX.

Penalties or Sanctions

Except as described below, none of the Directors or executive officers of the Corporation was subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

In 2009, Mr. Gale was named in a class action law suit in connection with his role as a director of Indevus Pharmaceuticals, Inc. (“**Indevus**”). The suit alleged that certain misrepresentations were made by Indevus in connection with certain tender offer documents that were publicly filed. Indevus and its directors named in the suit, including Mr. Gale, maintained that there was no such misrepresentation and the suit was later settled for a nominal amount.

COMPENSATION DISCUSSION AND ANALYSIS

Merger of Committees

In the first quarter of 2017, the Board elected to merge its Nominating Committee and Corporate Governance and Compensation Committee to form the CCGNC. Wherever the CCGNC is referenced herein with respect to compensation matters relating to the 2016 financial year, it represents the pre-merger Corporate Governance and Compensation Committee. Likewise, wherever the CCGNC is referenced herein with respect to nominating matters relating to the 2016 financial year, it represents the pre-merger Nominating Committee. The merger did not have any impact on overall roles and responsibilities of the committees which are now under the CCGNC. Refer to the “Corporate Governance” section for further details.

Objective of the Compensation Program

The Corporation is committed to a compensation program that drives business performance, is competitive and seeks to align the interests of executives with the interests of the Corporation’s shareholders. Knight’s approach to compensation, including Named Executive Officer² (“NEO”) compensation, follows three guiding principles:

1. *Compensation aligns with shareholder interests*
 - Long-term incentives vest and pay out over time, encouraging long term shareholder value creation
 - Accordingly, NEO’s compensation is more weighted towards the issuance of stock options
2. *Compensation enables Knight to attract, engage and retain talent*
 - Talented and motivated employees are essential to building Knight’s business
 - Aim to be competitive within the pharmaceutical industry
3. *Compensation rewards performance*
 - Designed to reward employees for high performance toward achieving corporate objectives

Benchmarking

To ensure that the Corporation’s compensation policy is competitive, Knight annually reviews the compensation program and pay levels of other publicly traded pharmaceutical companies. Given Knight’s unique profile and strategy, there is no other Canadian publicly traded pharmaceutical company that is comparable to Knight in terms of revenues, net income, net assets or market capitalization. Therefore, the group of companies used for benchmarking compensation, referred to herein as the “Comparator Group” was selected by senior management based on two key characteristics:

1. Direct or indirect business competitors as they operate within the pharmaceutical or life sciences industries
2. Primary competitors of talent as Knight and the Comparator Group compete from the same pool of human resources

The Comparator Group was approved by the CCGNC as an appropriate means of benchmarking executive compensation for the 2016 financial year.

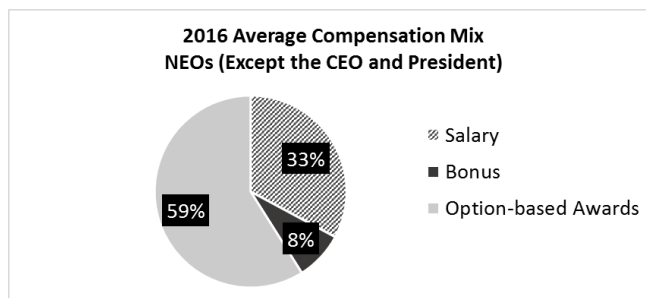
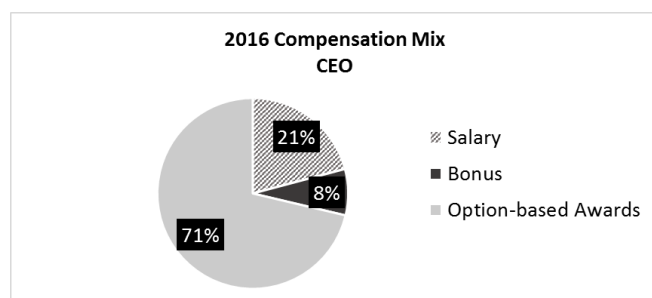
² Refers to the CEO, the CFO and in addition, the three most highly compensated executive officers or individuals acting in a similar capacity

The Comparator Group for the 2016 financial year was as follows:

| Comparator Group |
|--|
| Acerus Pharmaceuticals Corporation |
| Aeterna Zentaris Inc. |
| BioSyent Inc. |
| Cardiome Pharma Corp. |
| Cipher Pharmaceuticals Inc. |
| Concordia Healthcare Corp. |
| Merus Labs International |
| ProMetic Life Sciences Inc. |
| Tribute Pharmaceuticals Canada (now Aralez Pharmaceuticals Inc.) |

Components of 2016 Compensation

The compensation of NEOs consists primarily of three components: base salary, annual bonus and participation in the Corporation’s stock option plan. In addition, NEOs may participate in the Corporation’s employee stock purchase plan (“ESPP”) and Registered Retirement Savings Plan (“RRSP”) matching program on the same terms and conditions as other employees. Knight regularly reviews these components to ensure they align with the three above-mentioned guiding principles and market practices. The graphs below outline the actual compensation mix for the NEOs for the 2016 financial year:



Notes

- The Corporation’s President, Samira Sakhia, joined Knight mid-year (August 31, 2016), as such, her compensation was omitted from the chart above
- Amounts received under the ESPP and RRSP matching represent 1% or less of NEO compensation and is not included in the charts above
- Includes option-based awards granted to NEOs on December 16, 2015 (reflected as 2015 compensation in the Summary Compensation Table below) as this compensation was granted to NEOs in respect of the 2016 financial year

Rationale for each Component and Determination of Amounts

The compensation policies and guidelines for the NEOs are recommended by the CEO, approved by the CCGNC and in the case of the Corporation’s CEO, CFO, President, and VP, Business Development, approved by the Board. The CCGNC oversees and reviews the individual components as well as the overall compensation of the Corporation’s senior executives on an annual basis. The CCGNC is composed of the following independent Directors: James C. Gale, Robert N. Lande and Sylvie Tendler³. All members of the CCGNC have extensive executive management experience in the pharmaceutical industry that is relevant to their roles and that enables the CCGNC to adequately make decisions on the suitability of the Corporation’s compensation policies and practices. Following a review of the CCGNC’s recommendations, the Board approves the compensation of each senior executive on annual basis.

³ Prior to the merger that led to the formation of the CCGNC on March 2, 2017, the members of the Corporate Governance and Compensation Committee were James C. Gale and Robert N. Lande

Base Salary

The objective of the base salary component of NEO compensation is to attract and retain highly qualified executives necessary for the Corporation's long-term success. Base salary levels for NEO's are established based on several factors including experience, responsibility relative to other positions in the Corporation, performance of the Corporation and competitive market conditions. Knight reviews base salaries annually and generally grants an increase when an executive assumes increased responsibilities or significantly deepens knowledge and expertise. Furthermore, an adjustment to the base salary may be made when there is a material change in the compensation levels for comparable roles in the Comparator Group.

Short Term Incentive: Annual Bonus

The Corporation's NEOs are entitled to be considered for an annual cash bonus with the following key features:

| | |
|----------------------------------|--|
| Objective | <ul style="list-style-type: none">• Reward NEOs for Knight's achievements and overall performance |
| Form of award | <ul style="list-style-type: none">• Cash payment |
| Performance Period | <ul style="list-style-type: none">• 12 months |
| Grant/Award determination | <ul style="list-style-type: none">• Target bonus percentage for NEOs ranges from 25% to 37.5% of base salary• Target bonus percentage is approved by the CCGNC and Board in the first quarter of each fiscal year upon approval of annual audited financial statements• CCGNC reviews total compensation including annual bonuses awarded by the Comparator Group in setting target bonus percentage |
| Performance measures | <ul style="list-style-type: none">• Overall performance of Knight, taking into account factors such as revenue growth, advancement of product pipeline and strategic investments |
| Vesting | <ul style="list-style-type: none">• Paid following the end of the fiscal year upon approval of annual audited financial statements• Final payout is discretionary based on overall performance of Knight assessed by CCGNC |

At the end of a fiscal year the final payout of the annual bonus is approved by the CCGNC based on a review of corporate performance achieved during the year. For fiscal year 2016, the annual bonus payout was at 100% of the target based on the following overall corporate achievements:

- Continued commercial advancement with growth of revenues to \$5,940,000 or 473% over prior year
- Completion of two equity financings generating gross proceeds of over \$330 million
- Continued advancement of product pipeline with multiple innovative products in-licensed in the year
- Completion of multiple strategic investments and loan transactions in the year

For further details regarding achievements during the 2016 financial year, refer to the Management's Discussion and Analysis for the year ended December 31, 2016: "Section 2 – 2016 Highlights".

Long Term Incentive: Stock Options

The Corporation has a stock option plan (the "**Legacy Option Plan**") and is proposing to adopt a new option plan to replace the Legacy Option Plan, as further described in this Circular (the "**2017 Option Plan**" and together with the Legacy Option Plan, the "**Option Plans**"). The Legacy Option Plan was developed by the Board along with the assistance of the CEO and the CFO of the Corporation. The 2017 Option Plan was developed by the Board along with the assistance of the CEO, President and the 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 CEO, President and CFO related to the financial and accounting aspects of the Option Plans and option grants thereunder. Stock options under the Option Plans are generally granted to NEOs and other employees, at the discretion of the Board, upon initial employment and annually to sustain a commitment to long-term profitability.

The key features of the long term incentive compensation are as follow:

| | |
|----------------------------------|--|
| Objectives | <ul style="list-style-type: none"> • Reward NEOs for their contribution to long term performance and potential for future contribution • Align management and shareholder interests with long term view of increasing shareholder value |
| Form of award | <ul style="list-style-type: none"> • Stock options with a term ranging from 7 to 10 years |
| Grant/Award determination | <ul style="list-style-type: none"> • Approved by the Board based on the following: <ul style="list-style-type: none"> ○ The number of options already held by an NEO ○ Fair balance between the number of options held by each NEO and other executives of the Corporation based on their responsibilities and objectives ○ Value of the options (determined using the Black-Scholes pricing model) as a component in the NEO's overall compensation package ○ For the 2016 financial year, the grants 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 that organization |
| Vesting | <ul style="list-style-type: none"> • 2014 – 2015 Option Grants <ul style="list-style-type: none"> ○ Vest over three years ○ No performance vesting condition due to infancy stage of Knight's business • 2016 Option Grants <ul style="list-style-type: none"> ○ Vest over three years ○ 200,000 options issued to select NEOs in respect of the 2016 financial year (the "Performance Options") had a performance vesting condition based on the number of new in-licensing agreements signed in the 2016 financial year. The performance vesting condition was met. |
| Exercise Price | <ul style="list-style-type: none"> • Exercise price equal to the closing price of the Common Shares on TSX on the later of: <ul style="list-style-type: none"> ○ Last trading day preceding the day on which the option grant was approved by the Board ○ End of the blackout period if the option grant was made during a blackout period |

Long Term Incentive: Key Changes to 2017 NEO Stock Options Grants

For the 2017 financial year, the Corporation adopted the following key changes related to stock options granted to NEOs on March 21, 2017:

1. **Vesting Period:** Stock options vest 25% annually on the anniversary date of the grant with no performance vesting condition attached due to infancy stage of Knight's business;
2. **Expiry Date:** Stock options will expire 10 years following grant date; and,
3. **Number of options granted:** Total value of option-based compensation determined based on a benchmarking process relative to the Comparator Group. The number of options granted is variable and depends on the Black-Scholes value per option prior to the grant.

Refer to section "Options granted for 2017 financial year" below for further details on the value and number of options granted for the 2017 financial year under this new approach.

ESPP and RRSP Matching

Permanent employees of the Corporation are eligible to participate in the ESPP and RRSP matching program as part of Knight's compensation program. Rights under the ESPP are granted in accordance with the ESPP described below under the Section "Employee Share Purchase Plan". In addition, Knight matches up to 4% of employees' contributions to their RRSPs conditional on the employees' continued employment with the Corporation for a period of two years following the contribution date.

CEO Compensation

A critical function of the CCGNC is to monitor and assess the 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 CCGNC considers the absolute and relative performance of the Corporation as well as the CEO's total compensation relative to that of equivalent roles within the Comparator Group. The CCGNC reviews this information along with the performance of the CEO individually when recommending the CEO's salary and annual incentives for a given year. The following are the key characteristics of the CEO's compensation program for the 2016 financial year:

Base salary

- Annual salary of \$300,000
- Salary falls between the 25th percentile and the median of Comparator Group CEOs

Short Term Incentive: Annual Bonus

- Target bonus equal to 37.5% of base salary or \$112,500
- Target percentage falls between the 25th percentile and the median of Comparator Group CEOs
- Board approved an annual bonus equal to 100% of the target bonus percentage in 2016

Long-Term Incentive: Stock Options

- 250,000 stock options valued at \$1,025,000 using Black-Scholes model granted on December 16, 2015 (reflected as 2015 compensation in the Summary Compensation Table below, as further described in Footnote 2)
- Options granted represent 0.2% of Common Shares outstanding on a non-diluted basis as at March 21, 2017
- The number of stock options granted to the 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 March 21, 2017, a total of 1,859,688 stock options are held by the CEO, representing 1.3% of the aggregate number of Common Shares outstanding on a non-diluted basis

ESPP

- Knight issued 2,720 Common Shares to the CEO in 2016 under the ESPP, including 368 Common Shares contributed by the Corporation

NEOs 2016 Compensation (excluding CEO)

The following are the key characteristics of the NEOs (excluding CEO) compensation program for the 2016 financial year:

Base salary

- Ranged from 25th percentile to the median of the Comparator Group's base salary levels for comparable positions

Short Term Incentive: Annual Bonus

- Target bonus percentage ranged from 25% to 30% of base salary
- Target bonus percentage generally fell below the median of the Comparator Group's short term incentive practices
- Board approved an annual bonus for NEOs (excluding CEO) equal to 100% of the target bonus percentage

Long-Term Incentive: Stock Options

- Aggregate of 487,880 stock options (valued at \$2,162,420 using Black-Scholes model) were issued to NEOs (excluding CEO) representing 0.3% of the number of Common Shares outstanding on a non-diluted basis as at March 21, 2017 (250,000 of these options are reflected as 2015 compensation in the Summary Compensation Table below, as further described in Footnote 2)
- The number of stock options granted to the NEOs (excluding CEO) was benchmarked on a relative basis against the historical number of stock options granted to the NEOs of the Corporation's predecessor, Paladin
- The NEO's (excluding CEO) held a total of 1,157,924 options representing 0.8% of the aggregate number of Common Shares outstanding on a non-diluted basis as at March 21, 2017

ESPP

- Aggregate of 4,258 Common Shares issued under the ESPP in 2016 to NEOs (excluding CEO), including 124 Common Shares contributed by the Corporation

Termination

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 to 2016 financial years by the NEOs is summarized in the table below:

| Name and principal position | Year | Salary (\$) | Share-based Awards (\$) ⁽¹⁾ | Option-based Awards (\$) ⁽⁴⁾ | Non-equity incentive plan compensation (\$) | | Pension value (\$) | All Other Compensation (\$) ⁽⁶⁾ | Total (\$) |
|---|------|------------------------|--|---|---|---------------------------|--------------------|--|------------|
| | | | | | Annual incentive plans ⁽⁵⁾ | Long-term incentive plans | | | |
| Jonathan Ross Goodman <i>CEO</i> | 2016 | 300,000 | 3,651 | - | 112,500 | - | - | 13,005 | 429,156 |
| | 2015 | 300,000 | - | 2,535,900 ⁽²⁾ | 56,250 | - | - | 12,685 | 2,904,835 |
| | 2014 | 1 | - | 3,879,757 | 450,000 | - | - | - | 4,329,758 |
| Jeffrey Kadanoff <i>CFO</i> | 2016 | 225,000 | 1,230 | - | 56,250 | - | - | 9,000 | 291,480 |
| | 2015 | 225,000 | - | 1,215,850 ⁽²⁾ | 28,125 | - | - | 9,000 | 1,477,975 |
| | 2014 | 189,519 ⁽⁷⁾ | - | 277,950 | 84,375 | - | - | 7,131 | 558,975 |
| Samira Sakhia <i>President</i> | 2016 | 73,702 ⁽⁸⁾ | - | 1,086,750 ⁽³⁾ | 26,465 ⁽⁸⁾ | - | - | 57,231 ⁽⁹⁾ | 1,244,148 |
| Amal Khouri <i>VP, Business Development</i> | 2016 | 225,000 | - | - | 56,250 | - | - | 9,000 | 290,250 |
| | 2015 | 225,000 | - | 1,215,850 ⁽²⁾ | 28,125 | - | - | 9,000 | 1,477,975 |
| | 2014 | 84,808 ⁽⁷⁾ | - | 264,350 | 57,868 | - | - | 2,942 | 409,968 |
| Michel Loustric ⁽¹²⁾ <i>President of Knight Barbados⁽¹³⁾</i> | 2016 | 149,040 | - | 50,490 ⁽³⁾ | 37,260 | - | - | - | 236,790 |
| | 2015 | 49,575 ⁽¹⁰⁾ | - | 92,750 | 10,186 | - | - | 24,788 ⁽¹³⁾ | 177,299 |

(1) Relates to the Corporate Contribution Amount received by the NEO. For further details refer to description of ESPP below under the heading "Employee Share Purchase Plan".

(2) On December 16, 2015, the Corporation issued stock options to select NEOs under the Legacy Option Plan in reference to the 2016 year. However, since the options were granted in calendar 2015, they are reflected as compensation for the 2015 financial year in the table above. The split between option-based awards granted to select NEOs in reference to the 2015 and 2016 years is listed below:

| Name | Reference Year | Grant Date | Number of Options | Option-based Awards (\$) |
|-----------------------|----------------|---------------|-------------------|--------------------------|
| Jonathan Ross Goodman | 2015 | Mar. 24, 2015 | 290,000 | 1,510,900 |
| | 2016 | Dec. 16, 2015 | 250,000 | 1,025,000 |
| Jeffrey Kadanoff | 2015 | Mar. 24, 2015 | 135,000 | 703,350 |
| | 2016 | Dec. 16, 2015 | 125,000 | 512,500 |
| Amal Khouri | 2015 | Mar. 24, 2015 | 135,000 | 703,350 |
| | 2016 | Dec. 16, 2015 | 125,000 | 512,500 |

(3) Mr. Loustric was granted 12,880 options on March 30, 2016 and Ms. Sakhia was granted 225,000 options on September 21, 2016

(4) The option-based awards granted to NEOs in respect of the 2016 financial year vest at a rate of one-third per year. The fair values of the option-based awards granted in respect of the 2016 financial year were determined using the Black-Scholes model, an established option pricing methodology, using the following assumptions:

| Grant Date: | Dec. 16, 2015 | Mar. 30, 2016 | Sep. 21, 2016 |
|-------------------------|---------------|---------------|---------------|
| Risk free interest rate | 1.14% | 1.00% | 1.15% |
| Dividend yield | Nil | Nil | Nil |
| Volatility factor | 50% | 50% | 40% |
| Average expected life | 7.25 Years | 7 Years | 10 Years |
| Fair value | \$4.10 | \$3.92 | \$4.83 |

There is no difference between the grant date fair values included above and accounting fair values for purposes of stock-based compensation.

(5) The non-equity annual incentive plan compensation consists entirely of annual bonuses

(6) Includes Knight's contribution under the RRSP matching program. Other perquisites, for any NEO, that do not exceed lesser of \$50,000 on an aggregate basis or 10% of annual cash compensation, are excluded in the summary compensation table

- (7) 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.
- (8) The period of compensation during the 2016 financial year for Ms. Sakhia was less than 12 months. On an annualized basis, her base salary was \$262,500 and her non-equity incentive compensation was \$78,750.
- (9) Includes \$54,000 of consulting fees earned by Ms. Sakhia for services rendered to the Corporation and one of its subsidiaries prior to being appointed as President of Knight on August 31, 2016
- (10) The period of compensation during the 2015 financial year for Mr. Loustric was less than 12 months. On an annualized basis, his base salary was US\$112,500.
- (11) "Knight Barbados" refers to Knight Therapeutics (Barbados) Inc., a wholly-owned subsidiary of Knight Therapeutics Inc.
- (12) Mr. Loustric's salary, bonus and other compensation is paid in U.S. dollars and converted to Canadian dollars at the average exchange rate
- (13) Mr. Loustric earned US\$24,788 of consulting fees for services rendered to Knight Barbados prior to being appointed as President of Knight Barbados

Outstanding Option-based Awards and Share-based Awards

The following table indicates for each NEO all awards outstanding at the end of the 2016 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 | 6,039,132 | 748 | 8,034 | - |
| | 290,000 ⁽³⁾ | 8.75 | Mar. 24, 2022 | 577,100 | | | |
| | 250,000 | 7.76 | Mar. 16, 2023 | 745,000 | | | |
| Jeffrey Kadanoff | 85,000 | 5.65 | Jun. 2, 2021 | 432,650 | 862 | 9,258 | - |
| | 135,000 | 8.75 | Mar. 24, 2022 | 268,650 | | | |
| | 125,000 | 7.76 | Mar. 16, 2023 | 372,500 | | | |
| Samira Sakhia | 225,000 | 9.60 | Sep. 21, 2026 | 256,500 | - | - | - |
| Amal Khouri | 85,000 | 5.20 | Aug. 25, 2021 | 470,900 | 862 | 9,258 | - |
| | 135,000 | 8.75 | Mar. 24, 2022 | 268,650 | | | |
| | 125,000 | 7.76 | Mar. 16, 2023 | 372,500 | | | |
| Michel Loustric | 25,000 | 7.25 | Aug. 17, 2022 | 87,250 | 150 | 1,611 | - |
| | 12,880 | 7.55 | Mar. 30, 2023 | 41,087 | | | |

- (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 30, 2016 on TSX (\$10.74) 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 Plans" section below for further information.
- (2) The amount included for each of the NEOs relates to the Corporate Contribution Amount assuming the NEO remains employed by the Corporation and holds the original shares for two years from the date originally purchased. The Corporate Contribution Amount is calculated based on the closing price on TSX on December 30, 2016, which was \$10.74. See "Employee Share Purchase Plan" section for further details.
- (3) Includes 20,000 stock options earned by Mr. Goodman in his capacity as Director of the Corporation

Options granted for 2017 financial year

On March 21, 2017, the following options were granted to NEOs:

| Name | Number of securities underlying unexercised options (#) | Option exercise price (\$) | Option Expiration Date | Value of Option-based Award (\$) ⁽²⁾ |
|------------------------------|---|----------------------------|------------------------|---|
| Jonathan Ross Goodman | 133,218 | 10.10 | Mar. 21, 2027 | 630,000 |
| Jeffrey Kadanoff | 74,010 | 10.10 | Mar. 21, 2027 | 350,000 |
| Samira Sakhia ⁽¹⁾ | 34,821 | 10.10 | Mar. 21, 2027 | 164,672 |
| Amal Khouri | 74,010 | 10.10 | Mar. 21, 2027 | 350,000 |
| Michel Loustric | 22,203 | 10.10 | Mar. 21, 2027 | 105,000 |

- (1) The value of the option-based award granted to Ms. Sakhia was \$490,000 pro-rated based on her months of service in the 2016 financial year
- (2) The option-based awards granted to NEOs on March 21, 2017 vest at a rate of one-quarter per year. The fair values of the option-based awards granted were determined using the Black-Scholes model, an established option pricing methodology, using the following assumptions:

| Grant Date: | Mar. 21, 2017 |
|-------------------------|---------------|
| Risk free interest rate | 1.45% |
| Dividend yield | Nil |
| Volatility factor | 40% |
| Average expected life | 7.65 Years |
| Fair value (rounded) | \$4.73 |

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

The following table indicates for each NEO the value on vesting of all incentive-plan awards and the value earned during the 2016 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 | 1,147,029 | 3,651 | 112,500 |
| Jeffrey Kadanoff | 68,833 | 1,230 | 56,250 |
| Samira Sakhia | - | - | 26,465 |
| Amal Khouri | 76,300 | - | 56,250 |
| Michel Loustric | 8,917 | - | 37,260 |

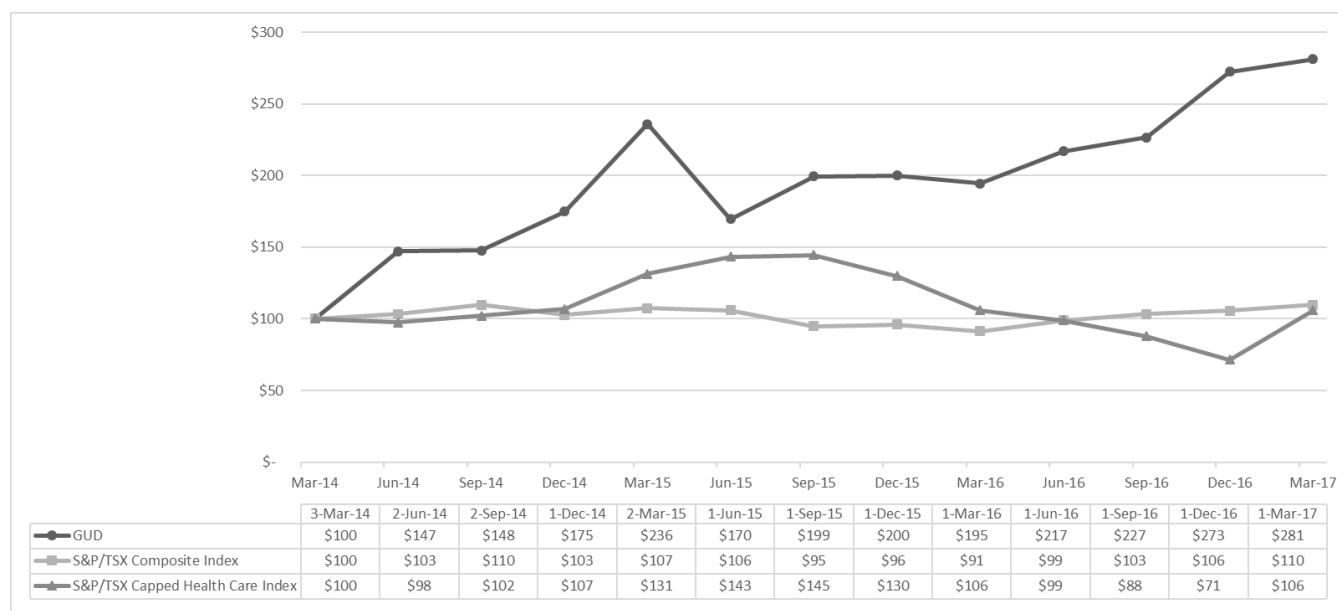
- (1) The option-based awards granted to permanent employees before 2017, including NEOs, pursuant to the Option Plans were generally exercisable in equal portions of 33% per annum and expired 7-10 years following the date of grant (see section below “Stock Option Plans” for further information regarding 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 annual bonus earned 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.

The following table indicates for each NEO the number of options vested and the number of options exercised during the 2016 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 | 388,823 110,000 | - | - | Jun. 2, 2021 Mar. 24, 2022 |
| Jeffrey Kadanoff | 23,333 45,000 | - | - | Jun. 2, 2021 Mar. 24, 2022 |
| Samira Sakhia | - | - | - | - |
| Amal Khouri | 23,333 45,000 | - | - | Aug. 25, 2021 Mar. 24, 2022 |
| Michel Loustric | 8,333 | - | - | Aug. 17, 2022 |

PERFORMANCE GRAPH

The performance graph below compares the cumulative total shareholder return for \$100 invested in the Common Shares of the Corporation on March 3, 2014 up to March 1, 2017, with that of the S&P/TSX Composite Index and S&P/TSX Health Care 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 graph shows that the total shareholder return for the Corporation has grown by 181%, versus 10% for the S&P/TSX index and 6% for the S&P/TSX Health Care Index for the same period. 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.

COMPENSATION OF DIRECTORS

The GCNCC ensures that Knight's Board is comprised of members with the relevant skill set and experience to provide effective guidance and oversight on management. On an annual basis, Knight's management recommends the compensation of the Directors to the CCGNC which upon agreement will obtain final approval from the Board. A key feature of the compensation of Directors includes the issuance of stock options which effectively align the interests of the Directors with those of Knight's shareholders. For the 2016 year, Directors' cash compensation was switched from a "per meeting" basis to a fixed retainer fee basis to reduce the administrative burden of the compensation program, without materially altering the aggregate compensation earned by Directors.

On February 14, 2017, Ed Schutter resigned from the Board of Directors and the CCGNC. Subsequently, Dr. Sarit Assouline was appointed as a member of the Board and Sylvie Tandler was appointed as a member of the Audit Committee and the CCGNC.

During the 2016 financial year, non-independent directors did not receive any form of compensation for being members of the Board. The compensation of independent Directors during the 2016 financial year was as follows:

Cash Compensation

- \$10,000 per independent Director (\$14,000 for Board chair)
- \$3,125 per member of Audit Committee (\$3,750 for committee chair)
- \$1,250 per member of Corporate Governance and Compensation Committee (\$1,500 for committee chair)
- \$625 per member of Nominating Committee (\$750 for committee chair)
- Total cash compensation of \$71,325 was earned by independent Directors
- The average fees earned by the independent directors is below the 25th percentile of the Comparator Group's director cash compensation

Long-Term Incentive: Stock Options

- Compensation of 20,000 options granted on December 16, 2015 (not reflected as 2016 compensation in the Summary Compensation Table below, as further described in Footnote 1)
- The average option-based compensation granted to the independent directors on December 16, 2015 was above the 75th percentile of the Comparator Group's director option-based compensation

ESPP

- For non-executive Directors⁴, the yearly participation amount is a maximum of \$10,000
- Granted in accordance with the ESPP described below under the Section "Employee Share Purchase Plan"

Other

- Directors are reimbursed for travel expenses in relation to Board meetings
- Knight does not have a retirement plan for Directors
- No other arrangements under which Directors were compensated in their capacity as Directors by the Corporation

⁴ Includes all Directors except Mr. Goodman and Ms. Sakhia

Long Term Incentive: Key changes to 2017 Director Stock Options grants

For the 2017 financial year, the Corporation adopted the following key changes related to stock options that will be granted to independent Directors:

2. **Vesting Period:** Stock options vest 50% upon grant and 50% on the anniversary date of the grant
3. **Expiry Date:** Stock options expire 10 years following grant date; and,
4. **Limit:** Option-based awards granted to independent Directors will be subject to an annual maximum value of \$100,000, calculated using the Black-Scholes model, an established option pricing methodology

Summary Compensation Table for Independent Directors

The following table provides details of the compensation earned by the independent Directors of the Corporation during the 2016 financial year:

| Name | Fees earned (\$) | Share-based Awards ⁽¹⁾ (\$) | Option-based Awards ⁽²⁾ (\$) | Non-equity incentive plan compensation (\$) | Pension value (\$) | All Other Compensation (\$) | Total (\$) |
|--------------------------------|------------------|--|---|---|--------------------|-----------------------------|------------|
| James C. Gale | 19,125 | - | - | - | - | - | 19,125 |
| Robert N. Lande ⁽³⁾ | 28,450 | - | - | - | - | - | 28,450 |
| Ed Schutter | 13,125 | - | - | - | - | - | 13,125 |
| Sylvie Tendler | 10,625 | 3,651 | - | - | - | - | 14,276 |

(1) Relates to the Corporate Contribution Amount received by the Director. For further details refer to description of ESPP below under the heading "Employee Share Purchase Plan".

(2) On December 16, 2015, the Corporation issued stock options to Directors under the Legacy Option Plan in reference to the 2016 year. However, since the options were granted in calendar 2015, they have been reflected as compensation for the 2015 financial year and excluded from the table above. The option-based awards granted to Directors on December 16, 2015 in reference to the 2016 years are as follows:

| Name | Number of Options | Option-based Awards (\$) |
|-----------------|-------------------|--------------------------|
| James C. Gale | 20,000 | 82,000 |
| Robert N. Lande | 20,000 | 82,000 |
| Ed Schutter | 20,000 | 82,000 |
| Sylvie Tendler | 20,000 | 82,000 |

(3) Includes US\$10,000 earned in Mr. Lande's capacity as a Director of one of the Corporation's wholly-owned subsidiaries. In the table above, these fees were converted to Canadian dollars at the 2016 average exchange rate

Outstanding Option-based Awards and Share-based Awards

The following table indicates for each independent Director all awards outstanding at the end of the 2016 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 | 101,800 | - | - | - |
| | 20,000 | 8.75 | Mar. 24, 2022 | 39,800 | | | |
| | 20,000 | 7.76 | Mar. 16, 2023 | 59,600 | | | |
| Robert N. Lande | 20,000 | 5.65 | Jun. 2, 2021 | 101,800 | 355 | 3,813 | - |
| | 20,000 | 8.75 | Mar. 24, 2022 | 39,800 | | | |
| | 20,000 | 7.76 | Mar. 16, 2023 | 59,600 | | | |
| Ed Schutter ⁽³⁾ | 20,000 | 8.75 | Mar. 24, 2022 | 39,800 | 301 | 3,233 | - |
| | 20,000 | 7.76 | Mar. 16, 2023 | 59,600 | | | |
| Sylvie Tendler | 20,000 | 5.76 | Sep. 5, 2021 | 99,600 | - | - | - |
| | 20,000 | 8.75 | Mar. 24, 2022 | 39,800 | | | |
| | 20,000 | 7.76 | Mar. 16, 2023 | 59,600 | | | |

(1) The value of the unexercised in-the-money options is the difference between the closing price of the Common Shares on December 30, 2016 on the TSX (\$10.74) and the option exercise prices. This value has not been, and may never be realized by the Directors. 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 Plans" Section below for further information regarding the plan.

(2) The amount included for each of the Directors relates to the Corporate Contribution Amount assuming the Director remains on the Board and holds the original shares for two years from the date originally purchased. The Corporate Contribution Amount is calculated based on the closing price on TSX on December 30, 2016, which was \$10.74. See "Employee Share Purchase Plan" section for further details.

(3) Mr. Schutter resigned from the Board on February 14, 2017 and exercised his 40,000 stock options on March 20, 2017

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

The following table indicates for each independent Director the value on vesting of all incentive-plan awards and the value earned during the 2016 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 | 59,600 | - | - |
| Robert N. Lande | 59,600 | - | - |
| Ed Schutter | 59,600 | - | - |
| Sylvie Tendler | 59,600 | 3,651 | - |

(1) The option-based awards granted to independent Directors under the Option Plan vest at the end of the financial year of which they are granted. The option-based awards granted to all independent Directors on December 16, 2015 vested 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 2016 financial year as well as the aggregate value realized for such options and their expiry dates:

| Name | Options Vested during the Year (#) | Options Exercised During the Year (#) | Aggregate value realized (\$) | Expiry Date |
|----------------------------|---|--|--------------------------------------|--------------------|
| James C. Gale | 20,000 | - | - | Mar. 16, 2023 |
| Robert N. Lande | 20,000 | - | - | Mar. 16, 2023 |
| Ed Schutter ⁽¹⁾ | 20,000 | - | - | Mar. 16, 2023 |
| Sylvie Tendler | 20,000 | - | - | Mar. 16, 2023 |

⁽¹⁾ On March 20, 2017, Mr. Schutter exercised 40,000 stock options and realized aggregate value of \$73,800

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Stock Option Plans

Legacy Option Plan

The Legacy 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 March 21, 2017, there were 3,519,981 options issued and outstanding under the Legacy Option Plan (representing 2.5% of the total number of outstanding Common Shares as at the same date). As at March 21, 2017, there were 10,755,952 options to purchase Common Shares remaining available for future grants (representing 7.5% of the currently issued and outstanding Common Shares).

Under the Legacy Option Plan, 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 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 Legacy Option Plan is administered by the Board and the CCGNC.

The aggregate number of Common Shares issuable pursuant to the Legacy 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 Legacy 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 Legacy Option Plan, the CCGNC 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 Legacy 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 Legacy 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 Legacy 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 Legacy 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 CCGNC may determine and the Board of Directors may approve in their discretion.

The CCGNC may amend or terminate the Legacy 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 Legacy Option Plan without the consent of the affected optionees. Any amendment to the Legacy 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 Legacy 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 Legacy 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 Legacy Option Plan may be subject to shareholder approval: (a) persons eligible to be granted options under the Legacy Option Plan; (b) the maximum number or percentage, as the case may be, of Common Shares that may be reserved under the Legacy Option Plan for issuance pursuant to the exercise of stock options; (c) the limitations under the Legacy 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 CCGNC may amend any outstanding option granted under the Legacy 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 Legacy Option Plan, options do not automatically vest upon the occurrence of a change of control. Rather, the Legacy 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.

In the event that the 2017 Option Plan is approved at the Meeting, it shall replace and supersede the Legacy Option Plan. If approved, subject to the terms set forth in the specific option grant agreements in respect of outstanding options, going forward, the options will be governed by the terms and conditions of the 2017 Option Plan.

2017 Option Plan

On March 21, 2017, the Board adopted a new stock option plan (the “**2017 Option Plan**”) for directors, employees and consultants. The adoption of the 2017 Option Plan is conditional on shareholder approval at the Meeting. If approved, the 2017 Option Plan will replace and supersede the Legacy Option Plan, and no new options will thereafter be able to be granted under the Legacy Option Plan.

Pursuant to the 2017 Option Plan, the Corporation may grant options (“**Options**”) for the purchase of common shares to any employee, director or consultant of the Corporation or any of its affiliates (each, an “**Optionee**”). Consistent with the Legacy Plan, the purpose of the 2017 Option Plan is to attract, retain and reward individuals who are expected to contribute significantly to the success of the Corporation and its affiliates, to incentivize such individuals to perform at the highest level, to strengthen the mutuality of interests between such individuals and the Corporation and, in general, to further the best interests of the Corporation and its shareholders. The number of common shares available for issuance under the 2017 Option Plan shall not exceed 10% of the common shares issued and outstanding from time to time, subject to the “evergreen” features of the 2017 Option Plan described below and the ability of the Board to make appropriate adjustments under the anti-dilution provisions of the 2017 Option Plan. The maximum number of common shares issuable to insiders at any time under the 2017 Option Plan and all other security based compensation arrangements of the Corporation is 10% of the Corporation’s total issued and outstanding common shares, and the number of common shares issued to insiders within any one-year period under the 2017 Option Plan and all other security based compensation arrangements of the Corporation may not exceed 10% of the issued and outstanding common shares of the Corporation. Moreover, the annual grant value of Options to any one Director that is not an employee of the Corporation may not be in excess of \$100,000. As at the date hereof and taking into account the number of common shares subject to outstanding options under the Legacy Option Plan, the total number of common shares presently available for grant under the 2017 Option Plan will be 10,755,952. Every three years after March 21, 2017, all unallocated Options under the 2017 Option Plan will be submitted for approval to the Board and thereafter the shareholders of the Corporation.

Any common shares that are subject to an Option or an option granted under any other security based compensation arrangement of the Corporation that has been exercised, expired, cancelled, forfeited or are otherwise terminated, will again become available for grant under the 2017 Option Plan. As a result of the features described above in this paragraph, the 2017 Option Plan is considered to be an “evergreen” plan.

To the extent permitted by applicable law, the Board may, from time to time, delegate to a committee (the “**Committee**”) of the Board all or any of the powers conferred on the Board under the 2017 Option Plan. The exercise price of the Options is fixed by the Board at the grant date and may not be less than the closing price of the Common Shares on the TSX on the trading day immediately preceding the date of the grant. The exercise price of the Options is stated and payable in Canadian dollars. Options vest at the discretion of the Committee. In the event that no specific determination is made by the Committee with respect to the vesting of any particular Options, all Options shall vest in equal tranches of 25% per annum on each anniversary of grant. Options granted under the 2017 Option Plan may have a term of up to 10 years (subject to an extension

of the scheduled expiry date in the event the option would otherwise expire during a blackout period), such extension not to exceed ten business days following the expiration of such blackout period).

Options granted under the 2017 Option Plan are not transferable or assignable, other than in the case of death as set out in the 2017 Option Plan. The 2017 Option Plan allows for the cashless exercise of Options at the sole discretion of the Committee and in such manner and subject to such terms and conditions as the Committee may deem appropriate.

Unless otherwise permitted by the Board, any Options granted under the 2017 Option Plan shall terminate and shall cease to be exercisable in the following circumstances: (a) in the case of an Optionee who is an officer, employee, or consultant of the Corporation or of an affiliate of the Corporation that is terminated for "Serious Reason", all Options granted to such Optionee, whether vested or unvested, shall immediately terminate and cease to be exercisable on the effective date of such Optionee's Termination. "Serious Reason" means any act or failure to act by the Optionee constituting a "serious reason" under Article 2094 of the Quebec Civil Code; (b) in the case of an Optionee who is an officer, employee, or consultant of the Corporation or of an affiliate of the Corporation that is terminated for "Cause", such Optionee may exercise any Option, to the extent that such Option was exercisable and had vested on the date of termination, until 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 Optionee's termination. "Cause" means a determination by senior management in respect an Optionee, or by the Board in respect of an Optionee that is part of senior management, as the case may be, to terminate an Optionee due to such Optionee's underperformance but which does not constitute Serious Reason as defined above; (c) in the case of an Optionee who is an officer, employee, or consultant of the Corporation or of an affiliate of the Corporation that is terminated for any reason other than Serious Reason, Cause, retirement or death, such Optionee may exercise any Option granted under the 2017 Option Plan, to the extent that such Option was exercisable and had vested (i) on the date of termination or (ii) would have vested within 90 days after the date of such termination, until the date that is the earlier of (1) the expiry date of the Option and (2) the date that is 30 days after the effective date of such Optionee's termination; (d) in the case of an Optionee who is a Director of the Corporation or of an affiliate of the Corporation, such Optionee, is removed or is not re-elected as a Director of the Corporation or of an affiliate of the Corporation, all Options granted to such Optionee, whether vested or unvested, shall immediately terminate and cease to be exercisable on the effective date of such Optionee's removal or failure to be re-elected; (e) the case of an Optionee who is a Director of the Corporation or of an affiliate of the Corporation, such Optionee resigns as a Director of the Corporation or of an affiliate of the Corporation, in which case such Optionee may exercise any Option, to the extent that such Option was exercisable and had vested on the date of resignation, until 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 Optionee's resignation; (f) in the case of an Optionee who is an officer, employee or consultant of the Corporation or of an affiliate of the Corporation and such Optionee retires, such Optionee may exercise any Option, to the extent that such Option was exercisable and had vested on the date of retirement, until 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 Optionee's retirement; or (g) in the case of an Optionee that dies, such Optionee's legal personal representatives, heirs, executors or administrators may exercise any Option, to the extent that such Option was exercisable and had vested on the date of death, until the date that is the earlier of (i) the expiry date of the Option and (ii) the date that is six months after the date of death.

In the event of a "change of control" of the Corporation, the Board may, in its discretion, permit and authorize the accelerated vesting and early exercise of all or any portion of the then outstanding Options in connection with the completion of such change of control. Subject to the foregoing, all rights of the Optionees to exercise any outstanding Options, whether vested or unvested, shall terminate and all such Options shall immediately expire and cease to have any further force or effect, upon and subject to the completion of the relevant change of control. "Change of Control" means any amalgamation, merger or consolidation with any other corporation (otherwise than pursuant to an internal corporate reorganization that would not affect control of the Corporation) or liquidation, dissolution or winding-up, or any sale or conveyance of all or substantially all of the property or assets of the Corporation or any proposed offer to acquire all of the outstanding Shares or any other proposed transaction involving the Corporation having similar effect.

The 2017 Option Plan specifies the types of amendments to the provisions of the 2017 Option Plan and any Option granted thereunder that will and will not require the approval of shareholders in order to be effective. By its terms, the 2017 Option Plan and any Option granted thereunder may be amended by the Board without the consent of shareholders generally to: (i) ensure continuing compliance with applicable laws, regulations, requirements, rules or policies of any governmental or regulatory authority or stock exchange; (ii) amendments of a "housekeeping" nature, including amendments relating to the

administration of the 2017 Option Plan or to eliminate any ambiguity or correct or supplement any provision therein which may be incorrect or incompatible with any other provision thereof; (iii) change the vesting and exercise provisions of the 2017 Option Plan or any Option in a manner which does not entail an extension beyond the originally scheduled expiry date for any applicable Option, including to provide for accelerated vesting and early exercise of any Options deemed necessary or advisable in the Board's discretion; (iv) change the termination provisions of the 2017 Option Plan or any Option which, in the case of an Option, does not entail an extension beyond an Option's originally scheduled expiry date; (v) change the provisions on transferability of Options for normal estate settlement purposes; (vi) change the process by which a Holder who wishes to exercise his or her Option can do so, including the required form of payment for the Common Shares being purchased, the form of exercise notice and the place where such payments and notices must be delivered; and (vii) add a conditional exercise feature which would give participants the ability to conditionally exercise in certain circumstances determined by the Board in its discretion, at any time up to a date determined by the Board in its discretion, all or a portion of those Options granted to such participants which are then vested and exercisable in accordance with their terms, as well as any unvested Options which the Board has determined shall be immediately vested and exercisable in such circumstances.

In addition to such amendments as may require shareholder approval under applicable laws, the approval of shareholders will generally be required for the following amendments, in each case unless the amendment results from the application of the anti-dilution provisions of the 2017 Option Plan: (i) any amendment to the amendment provisions of the 2017 Option Plan which is not an amendment within the nature of paragraphs (i) or (ii) in the preceding paragraph requiring the approval of the Board only; (ii) any amendment to increase the maximum number of common shares issuable under the 2017 Option Plan; (iii) any amendment that would reduce the option price of an outstanding Option (including a cancellation and reissue of an Option constituting a reduction in the option price) or extension of the period during which an Option may be exercised; (iv) any amendment to remove or exceed the plan limits described herein; (v) any amendment to expand the eligibility criteria under the 2017 Option Plan; and (vi) any amendment to the provisions of the 2017 Option Plan that would permit Options to be transferred or assigned other than for normal estate settlement purposes.

Employee Share Purchase Plan (ESPP)

The Corporation has in place an ESPP for the benefit of permanent 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 March 21, 2017, there were 31,659 shares issued under the ESPP (representing 0.02% of total number of outstanding Common Shares) leaving 1,395,934 shares available for future purchase. Enrolments are allowed four times per year and employees can subscribe after three months of employment.

The ESPP provides that the subscription price per share for shares which are the subject of any purchase under the ESPP shall be the lower of i) the weighted trading average price of the Common Shares for the 5 trading days immediately preceding the applicable purchase date or ii) or the price at which the Corporation has agreed to sell Common Shares pursuant to a short form prospectus under applicable Canadian securities laws in the thirty (30) day period preceding the applicable purchase date; ("**Market Price**"). The Corporation shall contribute 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 (the "**Corporate Contribution Amount**"). 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. 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.

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; and (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 Legacy Option Plan and the shares issued under the ESPP at December 31, 2016. The Legacy 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, other than the 2017 Option Plan which was adopted by the Board subject to the approval of shareholders at the Meeting.

| 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 | 3,147,111 | \$7.14 | 11,124,238 |
| Stock option compensation plans not approved by security holders | - | - | - |
| Total | 3,147,111 | \$7.14 | 11,124,238 |

| 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 | 27,489 | \$8.03 | 1,399,646 |
| ESPP compensation plans not approved by security holders | - | - | - |
| Total | 27,489 | \$8.03 | 1,399,646 |

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

The following table indicates aggregate outstanding indebtedness to the Corporation of its Directors and NEOs as at March 21, 2017:

| AGGREGATE INDEBTEDNESS ¹ (\$) | | |
|--|------------------------------------|-------------------|
| Purpose | To the Company of its Subsidiaries | To Another Entity |
| Purchase of securities | 800,000 | - |
| All other indebtedness | - | - |
| Total | 800,000 | - |

⁽¹⁾ Indebtedness does not include interest on the indebtedness which was charged at 1% per annum throughout the 2016 financial year

The following table details the indebtedness to the Corporation of its Directors and NEOs with respect to the 2016 financial year under securities purchase programs:

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS UNDER SECURITIES PROGRAMS

| Borrower's Name and Principal Position | Involvement of Company of Subsidiary | Largest Amount Outstanding During the 2016 Financial Year (\$)⁽¹⁾ | Amount Outstanding as at March 21, 2017 (\$)⁽¹⁾ | Financially Assisted Securities Purchases During the 2016 Financial Year (#) | Security for Indebtedness | Amount Forgiven During the 2016 Financial Year (\$) |
|--|---|---|---|---|----------------------------------|--|
| Jeffrey Kadanoff <i>CFO</i> | Lender | 425,000 | 425,000 | 22,500 | Securities Purchased | - |
| Amal Khouri <i>VP, Business Development</i> | Lender | 375,000 | 375,000 | 17,500 | Securities Purchased | - |

⁽²⁾ Indebtedness does not include interest on the indebtedness which was charged at 1% per annum throughout the 2016 financial year.

The indebtedness to the Corporation listed in the table above (the "Loans") arose as part of the (i) Corporation's bought deal private placements of special warrants that took place on March 19, 2014 and December 22, 2014 (each special warrant entitled the Borrowers to acquire an equivalent number of Common Shares), (ii) the Corporation's bought deal placement of common shares that took place on May 27, 2016, and, (iii) the Corporation's bought deal placement of common shares that took place on December 22, 2016.

| Name | Date | Amount Borrowed (\$) | Unit Price (\$) | Securities Purchased (#) |
|------------------|---------------|-----------------------------|------------------------|---------------------------------|
| Jeffrey Kadanoff | Dec. 22, 2016 | 100,000 | 10.00 | 10,000 |
| | May 27, 2016 | 100,000 | 8.00 | 12,500 |
| | Mar. 19, 2014 | 225,000 | 3.50 | 64,286 |
| Amal Khouri | Dec. 22, 2016 | 50,000 | 10.00 | 5,000 |
| | May 27, 2016 | 100,000 | 8.00 | 12,500 |
| | Mar. 19, 2014 | 225,000 | 3.50 | 64,286 |

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 2016 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 securities purchased. 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 \$57,000 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 \$10,000,000 for each policy year. The policy provides for a \$50,000 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 and a Compensation Corporate Governance and Nominating Committee.

Audit Committee

The Audit Committee is presently comprised of three independent directors. In the 2016 year, the members of the Audit Committee were Robert N. Lande, James C. Gale and Ed Schutter. Following Mr. Schutter’s resignation from the Board in February 2017, Sylvie Tendler was appointed to the Audit Committee. The Audit Committee met five times with respect to the 2016 financial year. The primary responsibilities of the Audit 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. For more information regarding the Audit Committee and its Charter, please refer to the Corporation’s Annual Information Form (Schedule “B”) for the 2016 financial year.

Compensation, Corporate Governance and Nominating Committee

Subsequent to the fiscal year ended December 31, 2016, the Board elected to merge its Nominating Committee and Corporate Governance and Compensation Committees to form the CCGNC.

The CCGNC is presently comprised of three independent directors. The chair of the committee is Jim C. Gale and the other two members are Robert N. Lande and Sylvie Tendler. The principal functions of the CCGNC are as follows:

- a) 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 CCGNC’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.
- b) 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.

Prior to the merger and creation of the CCGNC, the Corporate Governance and Compensation Committee met three times with respect to the financial year ended December 31, 2016 to discuss compensation levels for NEOs and the Nominating Committee met once to discuss Board nominations for the upcoming Meeting.

AUDIT COMMITTEE INFORMATION

Reference is made to Annual Information Form (Schedule “B”) of the Corporation for the year ended December 31, 2016 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 under the Corporation’s profile.

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, 2016 and December 31, 2015 are summarized below:

| Category | 2016 \$ | 2015 \$ |
|--------------------|----------------|----------------|
| Audit fees | 591,950 | 310,375 |
| Audit-related fees | - | - |
| Tax Fees | 146,839 | 128,511 |
| All other fees | 9,500 | 8,500 |
| Total Fees | 748,289 | 447,386 |

PARTICULAR MATTERS TO BE ACTED UPON

Adoption of New Stock Option Plan

Management and the Board are seeking shareholder approval for the adoption of the 2017 Option Plan (defined and discussed above under the section “Securities Authorized for Issuance under Equity Compensation Plans”). The 2017 Option Plan is intended to supersede and replace the Legacy Option Plan (defined and discussed above). Information regarding the 2017 Option Plan and Legacy Stock Option Plan can be found in the section: “Securities Authorized for Issuance Under Equity Compensation Plans – Option Plans” above.

The 2017 Option Plan is a long-term incentive plan intended to enhance the Corporation’s ability to attract and retain high quality employees and to promote a greater alignment of interests between optionholders and the shareholders of the Corporation. Options may be granted to employees, directors or consultants of the Corporation and its affiliates.

The 2017 Option Plan has been adopted by the Board conditional on its approval by the Toronto Stock Exchange and approval by a resolution of a simple majority of the votes cast by shareholders at the Meeting. Accordingly, at the Meeting, shareholders will be asked to consider and, if deemed advisable, approve the following ordinary resolution:

“BE IT RESOLVED, as an ordinary resolution of the shareholders of Knight Therapeutics Inc., that:

1. The 2017 Option Plan, being a 10% rolling option plan, as described in the Management Information Circular of the Corporation dated March 21, 2017, is hereby ratified, confirmed, adopted and approved;
2. The Corporation be and hereby is authorized to issue common shares of the Corporation pursuant to stock options granted under the 2017 Option Plan;
3. The directors of the Corporation are authorized to revoke all or any part of this resolution before it is acted on without further approval of the shareholders; and
4. Any one director or officer of the Corporation be and is hereby authorized and directed, for and in the name of and on behalf of the Corporation, to execute and deliver, whether under the corporate seal of the Corporation or otherwise, all such documents, and to do all such acts or things, as in the opinion of such director or officer, may be necessary or desirable in order to give full force and effect to this resolution.”

Confirmation of Amendment to By-Law One of the Corporation

On March 21, 2017, the Board approved a resolution amending By-Law One of the Corporation to reduce the quorum for the transaction of business at any meeting of shareholders to two or more persons, present in person or by duly appointed proxy, holding or representing not less than twenty-five percent (25%) of the total number of the issued shares of the Corporation that have voting rights.

Accordingly, at the Meeting, the shareholders will be asked to consider and, if deemed advisable, approve the following ordinary resolution:

“BE IT RESOLVED THAT:

1. The Corporation is hereby authorized to amend By-Law One to reduce the quorum for the transaction of business at any meeting of shareholders to two or more persons, present in person or by duly appointed proxy, holding or representing not less than twenty-five percent (25%) of the total number of the issued shares of the Corporation that have voting rights; and,
2. Any one director or officer of the Corporation be and is hereby authorized and directed, for and in the name of and on behalf of the Corporation, to execute and deliver, whether under the corporate seal of the Corporation or otherwise, all such documents, and to do all such acts or things, as in the opinion of such director or officer, may be necessary or desirable in order to give full force and effect to this resolution.”

ADDITIONAL INFORMATION

Additional financial and other information is provided in the Corporation’s comparative financial statements, management’s discussion and analysis thereon, and in the Corporation’s annual information form 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 under the Corporation’s profile. Additional copies may be obtained without charge upon request to the Corporation’s Secretary at 3400 De Maisonneuve Blvd. W., Suite 1055 Montreal, Quebec H3Z 3B8 - (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 directors of the Corporation has approved the contents of this Information Circular and its sending to holders of its Common Shares.

(s) Jonathan Ross Goodman

Jonathan Ross Goodman, B.A. LL.B., M.B.A.
Chief Executive Officer
Director
Montreal, Quebec
March 21, 2017

(s) James C. Gale

James C. Gale
Chairman of the Board of Directors
Director
New York, New York
March 21, 2017

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" above.

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
Sarit Assouline
Robert N. Lande
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, CEO, on the basis that he is an executive officer of the Corporation.

Samira Sakhia, President, on the basis that she 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 seven) 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.

Samira Sakhia is a Director of Antibe Therapeutics Inc., Crescita Therapeutics Inc., Nuvo Pharmaceuticals Inc., and 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, two times with respect to the financial year 2016.

- 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, 2016 to the date of this circular is as follows:

| | |
|--------------------------------|-------------------|
| James C. Gale | 10 of 10 meetings |
| Sarit Assouline ⁽¹⁾ | 1 of 10 meetings |
| Jonathan Ross Goodman | 10 of 10 meetings |
| Meir Jakobsohn | 10 of 10 meetings |
| Robert N. Lande | 10 of 10 meetings |
| Samira Sakhia ⁽²⁾ | 4 of 10 meetings |
| Ed Schutter ⁽³⁾ | 7 of 10 meetings |
| Sylvie Tandler | 10 of 10 meetings |

⁽¹⁾ Dr. Assouline attended all meetings that took place after she joined the Board

⁽²⁾ Ms. Sakhia attended all meetings that took place after she joined the Board

⁽³⁾ Mr. Schutter resigned on February 14, 2017. He did not attend two meetings prior to his resignation 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 CCGNC 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

Each member of the Board's CCGNC 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 function of the CCGNC include: evaluating the size of the Board of Directors, identifying the skill sets currently available and skill sets that may be required, assessing the performance of the Board of Directors, its committees and committee chairs, and the contributions of individual directors on an annual basis, and recommending to the Board of Directors the director nominees to be put before the shareholders at the annual meetings of the Corporation. The CCGNC 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.

Each member of the Board's CCGNC is "independent" within the meaning of NI 52-110.

The CCGNC 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 CCGNC is responsible for reviewing and recommending a plan of succession for the Corporation's senior management. The CCGNC 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, 2016.

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, 2016.

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, three out of seven members of the Board of Directors are women (43%).

- 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, two out of five of the executive officers are woman (40%).



3400 De Maisonneuve W., Suite 1055, Montreal, Quebec H3Z 3B8
www.gudknight.com