



# **Critical Outcome**

Technologies Inc.

**Letter to Shareholders**

**Notice of the  
2016 ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS  
to be held on Thursday, October 13, 2016**

**and**

**the MANAGEMENT INFORMATION CIRCULAR  
dated September 16, 2016**

**IMPORTANT INFORMATION FOR SHAREHOLDERS**



September 16, 2016

Dear Fellow Shareholder:

It is my pleasure on behalf of the management team and the Board of Directors, to invite you to attend this year's Annual General and Special Meeting of Shareholders (the "Meeting") of Critical Outcome Technologies Inc., which will be held on Thursday, October 13, 2016 at 9:30 a.m. Eastern time at Windermere Manor Hotel and Conference Centre, North Meeting Room, 200 Collip Circle, London, Ontario, N6G 4X8.

Fiscal year 2016 was an exciting year for Critical Outcome Technologies Inc. on a number of fronts. We became a clinical stage company during the year as we moved COTI-2, our lead oncology compound, into a Phase 1 clinical trial in patients afflicted with gynecological cancers. At the year end, this trial had advanced into the second cohort of patients and we are eager to move this successfully forward during fiscal 2017. In our preclinical work, we were able to advance the development of a number of molecules with the goal of determining the next clinical candidate to follow COTI-2 during fiscal 2017. We were also very pleased to introduce our ROSALIND™ service offering designed to provide more precise oncology drug treatment recommendations to physicians based on the genetic profile of each individual patient's specific cancer. This collaborative validation project which we opened up to oncologists in March 2016 holds exciting possibilities for improving patient treatment outcomes.

We are also pleased by the confidence you as investors have shown in the potential of our programs as we experienced excellent take up of warrants and stock options during the year, which combined with a couple of private placements, has put us in our best financial position in several years and will enable us to execute our plans for fiscal 2017.

Enclosed are the Notice of the Meeting, the Management Information Circular, a Proxy or Voting Instruction form and an NI card as applicable. Agenda items for the Meeting are detailed in the Notice of this our Tenth Annual General and Special Meeting of Shareholders.

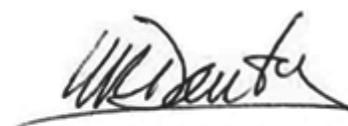
We encourage you to exercise your right to vote and would appreciate you returning the signed Proxy or Voting Instruction form to ensure that your vote is counted.

On behalf of our Board of Directors, we would like to express our gratitude for your continued support as our shareholders. We would also like to thank our employees for their hard work and support. We hope that we will have an opportunity to welcome you at the Meeting.

Sincerely,



**Mr. John C. Drake**  
Chairman of the Board



**Dr. Wayne R. Danter**  
Chief Executive Officer

## Notes

**CRITICAL OUTCOME TECHNOLOGIES INC.**

Registered Office – London, Ontario

**NOTICE OF THE 2016 ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS**

Notice is hereby given that the 2016 Annual General and Special Meeting of Shareholders of Critical Outcome Technologies Inc. (the “Company” or “COTI”) will be held in London, Ontario on Thursday, October 13, 2016 at 9:30 a.m. Eastern time for the following purposes:

- (1) to receive the financial statements for the year ended April 30, 2016 and the report of the auditor thereon;
- (2) to appoint the auditor for the ensuing year and to authorize the directors of the Company to fix their remuneration;
- (3) to fix the number of members of the Board of Directors (the “Board”) to be elected at the Meeting at eight (8) and thereafter empower the directors of the Company to determine from time to time the number of directors of the Company within the minimum and maximum numbers provided for in the Articles of the Company;
- (4) to elect directors of the Company for the ensuing year;
- (5) to consider and, if deemed appropriate, pass a special resolution authorizing the Board to consolidate the common shares of the Company on the basis of one (1) post-consolidation common share for up to ten (10) pre-consolidation common shares at their discretion as to an appropriate time and to amend the Company’s articles accordingly at such time;
- (6) to consider and, if deemed advisable, to pass an ordinary resolution approving amendments to the Company’s organizational by-law to separate the offices of President and Chief Executive Officer and other housekeeping amendments;
- (7) to consider and, if deemed advisable, to pass an ordinary resolution approving an amended shareholder rights plan, which would replace the current plan;
- (8) to consider and, if deemed advisable, to pass an ordinary resolution approving amendments to the Company’s Stock Option Plan;
- (9) to consider and, if deemed advisable, to pass an ordinary resolution approving the continuation of the Company’s Stock Option Plan as a rolling stock option plan; and,
- (10) to transact such other business as may be properly brought before the meeting or any adjournment thereof.

Particulars of the matters referred to above are set forth in the accompanying Management Information Circular.

By Order of the Board of Directors



London, Ontario  
September 16, 2016

Dr. Wayne R. Danter  
Chief Executive Officer

**HOLDERS OF COMMON SHARES WHO DO NOT EXPECT TO BE PRESENT AT THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS ARE REQUESTED TO COMPLETE, DATE AND SIGN THE ACCOMPANYING FORM OF PROXY AND TO RETURN IT TO COMPUTERSHARE INVESTOR SERVICES INC. IN THE POSTAGE PAID ENVELOPE ENCLOSED FOR THAT PURPOSE. IN ORDER TO BE VOTED AT THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS OR AT ANY ADJOURNMENT THEREOF, THE COMPLETED FORM OF PROXY MUST BE RECEIVED BY COMPUTERSHARE INVESTOR SERVICES INC., 8TH FLOOR, 100 UNIVERSITY AVENUE, TORONTO, ONTARIO, M5J 2Y1, ATTENTION: PROXY DEPARTMENT, NOT LATER THAN 9:30 A.M. EASTERN TIME ON TUESDAY, OCTOBER 11, 2016. YOU MAY ALSO VOTE YOUR SHARES USING THE TELEPHONE OR INTERNET BY FOLLOWING THE INSTRUCTIONS AS OUTLINED IN THE FORM OF PROXY.**

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**CRITICAL OUTCOME TECHNOLOGIES INC.**  
**(herein referred to as “COTI” or the “Company”)**  
**Management Information Circular**  
**Dated September 16, 2016**  
**For the Annual General and Special Meeting of**  
**Shareholders to be held on Thursday, October 13, 2016**

**A. VOTING INFORMATION AND PROXIES**

1. Solicitation of Proxies

This Management Information Circular (the “Information Circular”) is furnished in connection with the solicitation of proxies by or on behalf of management for use at the 2016 Annual General and Special Meeting of Shareholders (the “Meeting”) to be held at Windermere Manor Hotel and Conference Centre, North Meeting Room, 200 Collip Circle , London, Ontario, N6G 4X8 on Thursday, October 13, 2016 at 9:30 a.m. Eastern time and any adjournment thereof for the purposes set forth in the accompanying Notice of the 2016 Annual and Special Meeting of Shareholders. The directors have fixed Thursday, September 8, 2016 as the record date for determining shareholders entitled to receive notice of the Meeting.

2. Who is soliciting my proxy?

This solicitation is made on behalf of management. The Company will bear the costs incurred in the preparation and mailing of this Information Circular, the Form of Proxy, and the Notice of Annual General and Special Meeting of Shareholders. In addition to mailing forms of proxy, proxies may be solicited by personal interviews or by other means of communication by our directors, officers, and employees who will not be remunerated for this activity.

3. Who can vote?

If you are a shareholder of record at the close of business on September 8, 2016, you are entitled to vote the common shares of the Company (“Common Shares”) registered in your name on the record date, except to the extent that you have transferred the ownership of any of your Common Shares after September 8, 2016 and the transferee of those Common Shares produces properly endorsed share certificates or otherwise establishes that they own such Common Shares and demands, not later than 10 days before the Meeting, that their name be included on the list of shareholders entitled to receive notice of the Meeting, in which event the transferee shall be entitled to vote such Common Shares at the Meeting.

4. How do I vote?

a) Registered Shareholders

If you are a registered shareholder you may vote in person at the Meeting. Alternatively, you may sign the enclosed form of proxy appointing the named persons, who are officers of the Company, or some other person you choose, who need not be a shareholder, to represent you as proxyholder at the Meeting and vote your shares. To exercise this right you should insert the name of the desired representative in the blank space provided in the form of proxy and strike out the other names or submit another appropriate proxy. The alternative document appointing a proxy must be executed and

authorized by you or your attorney in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation. In order to be effective, the proxy must be deposited with our Corporate Secretary in care of Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department, not later than 9:30 a.m. Eastern time on October 11, 2016.

b) Non-registered Shareholders

The information set forth in this section is of significant importance to you if you do not hold your Common Shares in your own name. Only proxies deposited by shareholders whose names appear in our records as registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in your brokerage account statement, then in almost all cases those Common Shares will not be registered in your name in our records. Such Common Shares will likely be registered under the name of your broker or an agent of that broker. Common Shares held by your broker or their agent can only be voted upon your instructions. Applicable regulatory policy requires your broker to seek voting instructions from you in advance of the Meeting. Without specific instructions, your broker or their agent is prohibited from voting your shares.

Every broker has its own mailing procedures and provides its own voting instructions, which you should carefully follow in order to ensure that your shares are voted at the Meeting. Often the form of proxy supplied by your broker is identical to the form of proxy provided to registered shareholders; however, its purpose is limited to instructing the registered shareholder how to vote on your behalf. The majority of brokers now delegate responsibility for obtaining instructions from their clients to Broadridge Financial Solutions, Inc. ("Broadridge") or another intermediary. If you receive a voting instruction form from Broadridge, or another intermediary, it cannot be used as a proxy to vote shares directly at the Meeting as the proxy must be returned as described in the voting instruction form well in advance of the Meeting in order to have the shares voted.

5. How will my proxyholder vote?

On the form of proxy, you may indicate either how you want your proxyholder to vote your Common Shares, or you can let your proxyholder decide for you. If you have specified on the form of proxy how you want your shares to be voted on a particular issue (by marking FOR or AGAINST, or, FOR or WITHHOLD, as applicable), then your proxy must vote your Common Shares accordingly. If you have not specified on the form of proxy how you want your Common Shares to be voted on a particular issue, then your proxyholder will vote in favour of the matters to be acted upon as set out in Section C: Business to be Transacted at the Meeting.

6. As a non-registered shareholder, how do I vote in person at the Meeting?

Although you may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of your broker (or broker's agent), you may attend the Meeting as a proxyholder for the registered shareholder and vote Common Shares in that capacity. If you wish to attend the Meeting and vote your Common Shares as proxyholder for the registered shareholder, you should enter your own name in the blank space on the form of proxy provided to you and return the same to your broker (or broker's agent) in accordance with the instructions provided by your broker (or broker's agent), well in advance of the Meeting.

7. Can I revoke my proxy?

Yes, you may revoke your proxy at any time prior to a vote. If you or the person to whom you give your proxy attends personally at the Meeting, you may revoke the proxy and you may vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of your company. To be effective, the instrument in writing must be deposited at our registered office, Suite 213, 700 Collip Circle, London, Ontario, N6G 4X8 at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof.

8. What will I be voting on?

Shareholders are voting on the number of directors of the Company, the election of the directors of the Company, the appointment of KPMG LLP as the external auditor of the Company, a special resolution to amend the articles of amalgamation of the Company to provide for a stock consolidation, the ratification of amendments to the Company's organizational by-law, amendments to the Company's shareholder rights plan, amendments to the Stock Option Plan and the continuation of the Stock Option Plan as a rolling plan. For detailed information on each of the above listed items, please refer to Section C: Business to Be Transacted at the Meeting.

9. How will these matters be decided?

A simple majority of the votes cast by proxy or in person will constitute approval of each of the matters specified in Section C: Business to Be Transacted at the Meeting except for the stock consolidation matter which must be passed by two-thirds of the votes cast.

10. What if amendments are made to these matters or if other matters are brought before the Meeting?

The person named in the form of proxy will have discretionary authority with respect to amendments or variations to matters identified in the Notice of the 2016 Annual General and Special Meeting of Shareholders and with respect to other matters that may properly come before the Meeting. At the time of printing this Information Circular, management of COTI knows of no such amendment, variation, or other matter expected to come before the Meeting. If any other matters properly come before the Meeting, the person named in the form of proxy will vote on them in accordance with their best judgment.

11. Who counts the votes?

Proxies are counted by a representative of McKenzie Lake Lawyers LLP who has been appointed scrutineer for the Meeting. McKenzie Lake Lawyers LLP is the corporate counsel to the Company.

12. How many votes do I have?

As a holder of Common Shares, you are entitled to one vote on a ballot at the Meeting for each Common Share you own.

## **B. VOTING SHARES AND PRINCIPAL SHAREHOLDERS**

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value, which may be issued for such consideration as may be determined by resolution of the Board. As at September 16, 2016, there were 148,699,782 Common Shares issued and outstanding. The Company is also authorized to issue an unlimited number of preferred shares, issuable in series. Each series is issuable upon the terms and conditions as set by the Board at the time of creation, subject to class priorities. As at September 16, 2016, there were no preferred shares issued and outstanding.

A quorum for the transaction of business at the Meeting is at least two persons present, holding or representing not less than 5% of the Common Shares entitled to vote at the Meeting.

To the knowledge of the directors and executive officers of the Company, as of September 16, 2016, no person beneficially owns, directly or indirectly or exercises control or direction over Common Shares carrying more than 10% of the votes attached to the Common Shares of the Company.

## **C. BUSINESS TO BE TRANSACTED AT THE MEETING**

### **1. Financial Statements**

The audited financial statements for the years ended April 30, 2016 and 2015 were filed on SEDAR on August 2, 2016 and can be found at [www.sedar.com](http://www.sedar.com). They may also be found on the Company's website at [www.criticaloutcome.com](http://www.criticaloutcome.com). Copies of the audited financial statements together with the Management Discussion and Analysis of these statements were sent on August 3, 2016 to those shareholders who opted to receive them as advised to Computershare Investor Services Inc. as share registrar or as advised directly to the Company. The audited financial statements will be presented to the shareholders at the Meeting and no vote is required respecting these financial statements.

### **2. Number of Directors**

According to the Articles of the Company, COTI may have between three and twelve directors. Management intends to place before the Meeting, for approval, with or without modification, a resolution fixing the Board at eight (8) members and thereafter empowering the Board to determine from time to time the number of directors of the Company within the minimum and maximum numbers.

**In the absence of a contrary instruction, the persons designated by management of the Company in the enclosed form of proxy intend to vote FOR the resolution fixing the number of directors of the Company within the minimum and maximum numbers of directors provided for in the Articles of the Company at eight (8) and thereafter empower the Board to determine from time to time the number of directors of the Company within the minimum and maximum numbers provided for in the Articles of the Company.**

### 3. Election of Directors

Proxies solicited will be voted for the following proposed nominees (or for substitute nominees in the event of contingencies not known at present) who will, subject to the by-laws of the Company and applicable corporate law, hold office until the next Annual General and Special Meeting of Shareholders or until their successor is duly elected or appointed, unless their office is vacated in accordance with the by-laws. The nominees for election as directors of the Company are:

Douglas S. Alexander	Bharatt Chowrira	Wayne R. Danter
John C. Drake	Bruno Maruzzo	David Sanderson
Alison Silva	John Yoo	

All of the persons named above are currently members of the Board. The term of office of each of the current directors will expire at the close of the Meeting, or any adjournment thereof. Management of the Company does not contemplate that any of the persons named above will, for any reason, become unable or unwilling to serve as a director. However, if that should occur prior to the election, the nominee designated in the accompanying form of proxy reserves the right to vote for the election of such other person as such nominee in their discretion determines.

The information as to shares beneficially owned, directly or indirectly, or over which control or direction was exercised is set forth in the biographical tables below as at September 16, 2016 and, not being within the knowledge of the Company, has been furnished by the respective nominees individually.

**In the absence of a contrary instruction, the persons designated by management of the Company in the enclosed form of proxy intend to vote FOR the election of the following persons as directors of the Company: Douglas S. Alexander, Bharatt Chowrira, Wayne R. Danter, John C. Drake, Bruno Maruzzo, David Sanderson, Alison Silva, and John Yoo.**

The following are the standing committees of the Board: the Audit Committee, the Executive Search Committee and the Compensation and Governance Committee. Directors who are members of committees are identified in the biographical tables below.

<u>Douglas S. Alexander</u> CPA, CA  London, Ontario, Canada  Professional Corporate Director  Director effective: September 18, 2008  Independent Director	Mr. Alexander is a Professional Corporate Director and prior to this role, served as Chief Financial Officer of various Canadian public companies for 15 years, the most recent being from 1999 to 2004 as Executive Vice President and Chief Financial Officer of Trojan Technologies Inc., an international environmental technology company. Mr. Alexander is a Chartered Accountant and a Chartered Director, having graduated in 2009 from the Director's College, a joint venture between McMaster University and the Conference Board of Canada.			
	<b>Other Public Company Directorships in the Past Five Years</b>			
	<ul style="list-style-type: none"> <li>• 2005 to present, Hydrogenics Corporation, a NASDAQ and TSX-listed company – Chairman of the Board since March 2009.</li> <li>• 2010 to June 2012, Biorem Inc., a TSXV-listed company.</li> </ul>			
	<b>Board/Committee Membership</b> <sup>(5)</sup>		<b>Meeting Attendance</b>	
	Audit (Chair)		4 of 4	100%
	Board		6 of 7	86%
	Combined Total		10 of 11	91%
<b>Equity Ownership</b> <sup>(1)</sup>				
Common Shares	Stock Options	Warrants	% Ownership <sup>(2)</sup>	
286,540	1,080,273	-	0.19%	

<p><u>Bharatt Chowrira</u> Ph.D., J.D.</p> <p>Weston, Massachusetts, United States</p> <p>President, Synlogic Inc.</p> <p>Independent Director</p> <p>Director effective: September 12, 2016</p>	<p>Dr. Bharatt Chowrira is the President of Synlogic Inc., a privately held, Cambridge, MA-based biotechnology company focused on developing synthetic biotic therapies. In this role, Dr. Chowrira oversees corporate and business development, alliance management, and financial and legal operations. Dr. Chowrira brings over twenty years of experience and success in the biopharmaceutical industry, with expertise in key areas including research, financing, operations, corporate development, legal affairs, and licensing. Prior to joining Synlogic Inc., Dr. Chowrira was Chief Operating Officer of Auspex Pharmaceuticals (acquired by Teva Pharmaceuticals). Previously, he served as President and CEO of Addex Therapeutics, Ltd., a biotechnology company publicly traded on the SIX Swiss Exchange. Earlier in his career, Dr. Chowrira held various leadership and management positions in Nektar Therapeutics, Merck &amp; Co., Sirna Therapeutics (acquired by Merck &amp; Co.) and Ribozyme Pharmaceuticals. A registered patent attorney, Dr. Chowrira holds memberships with the Colorado Bar Association, and the American Corporate Counsel Association. Dr. Chowrira received a J.D. from the University of Denver's Sturm College of Law and earned a Ph.D. in Microbiology and Molecular Genetics from the University of Vermont College of Medicine. In addition, he holds a M.S. in Molecular Virology from Illinois State University and a B.S. in Microbiology from the University of Agricultural Sciences in Bangalore, India.</p>		
<b>Other Public Company Directorships in the past five years</b>			
None			
<b>Board/Committee Membership</b> <sup>(8)</sup>			
Board	-		
<b>Equity Ownership</b> <sup>(1)</sup>			
Common Shares	Stock Options	Warrants	% Ownership <sup>(2)</sup>
-	-	-	-

<p><u>Wayne R. Danter</u> MD, FRCPC</p> <p>London, Ontario, Canada</p> <p>Chief Executive Officer and Chief Scientific Officer<sup>(4)</sup></p> <p>Director effective: October 13, 2006</p> <p>Non-independent Director</p>	<p>Dr. Danter is one of the founders of COTI and the inventor of the Company's platform drug discovery process, CHEMSAS<sup>®</sup>. He trained at Western University in Internal Medicine and Clinical Pharmacology. Dr. Danter is responsible for the discovery and profiling of the Company's small molecule portfolios, collaboration projects with pharmaceutical partners, and continued development of CHEMSAS<sup>®</sup>. He also plays a significant role in developing new business applications of COTI's proprietary technologies. Prior to full time employment with COTI in 2005, Dr. Danter was an Associate Professor of Medicine at Western University and maintained a medical practice.</p>		
<b>Other Public Company Directorships in the Past Five Years</b>			
None			
<b>Board/Committee Membership</b> <sup>(6) (7)</sup>			
Board	7 of 7	100%	
<b>Equity Ownership</b> <sup>(1)</sup>			
Common Shares	Stock Options	Warrants	% Ownership <sup>(2)</sup>
6,443,005	2,566,685	-	4.33%

<p><u>John C. Drake</u> LLB</p> <p>London, Ontario, Canada</p> <p>Chairman Whippoorwill Holdings Limited, a family investment company</p> <p>Director effective: February 20, 2007</p> <p>Independent Director</p>	<p>Mr. Drake was the President and a Founding Partner of Drake Goodwin Corporation, a London, ON private investment firm with diverse interests from April 1985 to November 2014. Mr. Drake is also a partner in Cassandra Capital L.P., a private venture capital firm specializing in early stage technology investments. During his business career, he has served on the Board of many public and private companies. Until July 2013, he was Vice Chairman of Children’s Choice Learning Centers, a private company and a leading provider of corporate childcare in the United States. He is also co-owner of Redtail Golf Course, an exclusive private golf course located outside of Port Stanley, ON. Mr. Drake has provided extensive support to community events and was appointed an Honorary Colonel of the 1st Hussars of the Royal Canadian Armoured Corps in 1999. Mr. Drake obtained his BA and LLB degrees from Western University and was a member of the Law Society of Upper Canada from 1973-2012.</p>			
	<b>Other Public Company Directorships in the Past Five Years</b>			
	<ul style="list-style-type: none"> <li>• 2009 to present, iLOOKABOUT Corp., a TSXV-listed company.</li> <li>• 2011 to present, Lexam VG Gold Inc., a company listed on the TSX, FWB and OTCQX.</li> </ul>			
	<b>Board/Committee Membership</b> <sup>(6) (7)</sup>		<b>Meeting Attendance</b>	
	Board (Chair)		7 of 7	100%
	<b>Equity Ownership</b> <sup>(1)</sup>			
	Common Shares	Stock Options	Warrants	% Ownership <sup>(2)</sup>
	9,961,852	911,398	-	6.70%

<p><u>Bruno Maruzzo</u> MASc, MBA</p> <p>Toronto, Ontario, Canada</p> <p>President of TechnoVenture Inc.</p> <p>Director effective: October 13, 2006</p> <p>Independent Director</p>	<p>Mr. Maruzzo has worked with a variety of public and private technology companies in the computer and life science sectors, where he has held positions in a range of areas including business development, corporate development, investor relations, engineering and general management. He also worked in the venture capital field sourcing, assessing, and making investments in early-stage, technology-based companies in Canada and the U.S. He holds Masters Degrees in Biomedical Engineering and Business Administration from the University of Toronto.</p>			
	<b>Other Public Company Directorships in the past five years</b>			
	<ul style="list-style-type: none"> <li>• 2003 to May 2015, Pinetree Capital Ltd., a TSX-listed company.</li> <li>• 2007 to present, Hamilton Thorne Limited (formerly Calotto Capital), a TSXV-listed company.</li> <li>• 2008 to present, Strike Graphite Corp (formerly Minati Capital), a TSXV-listed company.</li> <li>• 2008 to present, Sintana Energy Inc. (formerly Drift Lake Resources), a TSXV-listed company.</li> <li>• March 2010 to August 2014, Diagnos Inc., a TSXV-listed company.</li> <li>• November 2012 to present, Aim Explorations Ltd., a TSXV-listed company.</li> </ul>			
	<b>Board/Committee Membership</b> <sup>(5) (7)</sup>		<b>Meeting Attendance</b>	
	Audit		4 of 4	100%
	Board		7 of 7	100%
	Combined Total		11 of 11	100%
	<b>Equity Ownership</b> <sup>(1)</sup>			
Common Shares	Stock Options	Warrants	% Ownership <sup>(2)</sup>	
272,719	771,431	-	0.18%	

<p><u>David Sanderson</u> LLB</p> <p>London, Ontario, Canada</p> <p>President and CEO, KFL Investment Management Inc.</p> <p>Director effective: December 5, 2013</p> <p>Non- Independent Director <sup>(3)</sup></p>	<p>Mr. Sanderson is the President, CEO, and a co-founder of KFL Investment Management Inc. (“KFL”), an algorithmic hedge fund and proprietary trading firm based in Waterloo and London, ON. He is an active private investor and co-founded Entertech Systems Inc. and Actual ID, involved in biometric access, control and time and attendance technology and software. Mr. Sanderson is also a General Partner in a small venture fund investing in the medical device and security equipment industries. Prior to KFL, Mr. Sanderson spent 15 years in the financial services industry with his most recent roles as a Managing Director at BMO Nesbitt Burns where he managed one of the largest retail brokerage offices in Canada, at TD Waterhouse in retail brokerage and at AIM Trimark Investments in distribution. Mr. Sanderson has a business degree from The Richard Ivey School of Business at Western University and a law degree from Queen’s University. He was called to the Ontario Bar in 1992 and practiced at Stikeman, Elliott in Toronto, ON for seven years as a corporate, commercial, and insolvency litigator. Mr. Sanderson has also been active in the community serving on the Board of Directors of London Health Sciences Centre and the Fowler Kennedy Sports Injury Clinic from 2009-2012.</p>		
<p><b>Other Public Company Directorships in the Past Five Years</b></p>			
<p>None</p>			
<p><b>Board/Committee Membership <sup>(5)(6)</sup></b></p>			
<p>Audit</p>	<p>4 of 4</p>		
<p>Board</p>	<p>6 of 7</p>		
<p>Combined Total</p>	<p>10 of 11</p>		
<p><b>Meeting Attendance</b></p>			
<p>100%</p>	<p>86%</p>		
<p>91%</p>	<p></p>		
<p><b>Equity Ownership <sup>(1)</sup></b></p>			
<p>Common Shares</p>	<p>Stock Options</p>	<p>Warrants</p>	<p>% Ownership <sup>(2)</sup></p>
<p>809,109</p>	<p>703,464</p>	<p>553,610</p>	<p>0.55%</p>

<p><u>Alison Silva</u> MS</p> <p>Charlestown, Massachusetts, United States</p> <p>President <sup>(4)</sup></p> <p>Co-founder, Executive Vice President, and Chief Operating Officer Synlogic</p> <p>Co-founder &amp; Principal, The Orphan Group</p> <p>Director effective: May 14, 2015</p> <p>Non-Independent Director <sup>(4)</sup></p>	<p>Ms. Silva was appointed President of COTI in July 2016, with responsibility for overseeing public and investor relations, business development, finance, clinical development, and operations. She has served the Company as a Board Member since 2015 and as a consultant since 2013. Prior to joining COTI, she was EVP, COO and a co-founder of Synlogic Inc., a Boston based synthetic biology company backed by Atlas Venture, NEA and the Bill &amp; Melinda Gates Foundation. There, she led the regulatory strategy, drug development, and operational focus of the company’s discovery and development of engineered therapeutic microbes. She is also a Principal and Co-founder of The Orphan Group, a specialty consulting firm that assists companies with their orphan drug development strategy, implementation, and lifecycle product management. Prior to founding TOG, Ms. Silva held the position of COO at SLA Pharma, a GI-oncology focused biotech, where she was primarily responsible for their U.S. corporate and clinical pipeline operations for orphan drug candidates. Before joining SLA Pharma, Ms. Silva was Vice President, Drug Development of Marina Biotech following its acquisition of Cequent Pharmaceuticals in 2010 where she held the same role. Ms. Silva began her drug development career in clinical operations at Pfizer, Massachusetts General Hospital and the University of Massachusetts. Ms. Silva holds a BA in Biology and Mathematics from Clark University, and a MS from Clark University and UMass Medical Center.</p>		
<p><b>Other Public Company Directorships in the past five years</b></p>			
<p>None</p>			
<p><b>Board/Committee Membership <sup>(7)</sup></b></p>			
<p>Board</p>	<p>6 of 7</p>		
<p>86%</p>	<p></p>		
<p><b>Equity Ownership <sup>(1)</sup></b></p>			
<p>Common Shares</p>	<p>Stock Options</p>	<p>Warrants</p>	<p>% Ownership <sup>(2)</sup></p>
<p>60,000</p>	<p>1,752,199</p>	<p>30,000</p>	<p>0.04%</p>

<p><u>John Yoo</u> MD, FRCPC</p> <p>London, Ontario, Canada</p> <p>Professor, Chairman, and City-wide Chief of Otolaryngology-Head and Neck Surgery at Western University</p> <p>Director effective: October 15, 2015</p> <p>Independent Director</p>	Dr. Yoo, in addition to his executive administration and research roles at Western University, is a surgical oncologist and reconstructive surgeon specializing in cancers of the head and neck, thyroid, and skin. Dr. Yoo has served in numerous leadership positions nationally and internationally and is the current Chair of the Head and Neck Disease Site for Cancer Care Ontario. He also serves as a consultant and special advisor to several companies in the health care sector. Dr. Yoo was educated at the University of Toronto where he completed his medical degree, surgical residency, and advanced training in Head and Neck Cancer. He is a fellow of the American College of Surgeons and the Royal College of Surgeons of Canada.			
	<b>Other Public Company Directorships in the past five years</b>			
	None			
	<b>Board/Committee Membership</b> <sup>(6) (7)</sup>		<b>Meeting Attendance</b>	
	Board		7 of 7	100%
	<b>Equity Ownership</b> <sup>(1)</sup>			
	Common Shares	Stock Options	Warrants	% Ownership <sup>(2)</sup>
144,200	295,699	-	0.10%	

Notes:

- (1) Represents the number of common shares, stock options, and warrants beneficially owned, directly or indirectly, or controlled or directed.
- (2) % ownership was calculated on a non-diluted basis as common shares divided by total common shares outstanding at the date of record of September 8, 2016.
- (3) Mr. Sanderson's spouse is the President of a company that provides human resources consulting services to the Company and accordingly Mr. Sanderson is deemed under the regulations to be a non-independent director.
- (4) Dr. Danter served as the Company's President until July 5, 2016 at which date he resigned from this position, and Alison Silva was appointed President on the same date.
- (5) Member of the Audit Committee.
- (6) Member of the Executive Search Committee.
- (7) Member of the Compensation and Governance Committee.
- (8) Dr. Chowrira became a Board member on September 12, 2016 and accordingly was not an eligible participant as a director in meetings of the Board or its Committees prior to this date.

To the knowledge of the Company, no proposed director is, or has been within the last ten years, 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.

To the knowledge of the Company, no proposed director has been, within the last ten years, a director or executive officer of any company that was subject to an order that was issued while the proposed director was acting in that capacity or an order that was issued after the proposed director ceased to be a director or executive officer which resulted from an event that occurred when that person was acting in that capacity.

#### 4. Appointment of Auditor

Management and the Board propose that KPMG LLP be reappointed as auditor of the Company. KPMG LLP has been the auditor of the Company since the Company became a public company in October 2006.

Management proposes that the shareholders authorize the directors to fix the remuneration of the auditor in accordance with prior year's practice. Such remuneration has been based upon the complexity of the matters dealt with and time spent in providing services to the Company. Management feels that the remuneration negotiated in the past with the auditor of the Company has been reasonable under the circumstances and would be comparable to fees charged by another auditor providing similar services.

**In the absence of a contrary instruction, the persons designated by management of the Company in the enclosed form of proxy intend to vote FOR the appointment of KPMG LLP as auditor of the Company and authorize the directors to fix their remuneration.**

#### 5. Share Consolidation

At the 2014 Annual General and Special Meeting, the shareholders approved a share consolidation on the basis of one (1) post-consolidation Common Share for up to ten (10) pre-consolidation Common Shares (the "Prior Consolidation"). The effective date of Prior Consolidation was to be the date shown on the Certificate of Amendment issued by the Director appointed under the Act or such other date indicated in the Articles of Amendment provided that, in any event such date shall be prior to 24 months from the date of that meeting. The resolution further provided that the board of directors of the Company may, in its sole discretion, determine not to act upon the resolution.

The circumstances which would have been conducive to acting on the resolution authorizing the Prior Consolidation did not, in the opinion of the Board, arise within the 24 month period and accordingly the Board did not act on the resolution. However, in the opinion of the Board, it remains in the best interests of the Company to authorize a share consolidation.

Therefore, the Board proposes to reduce the number of Common Shares of the Company in order to increase its flexibility with respect to potential business transactions, including any equity financings, if it is determined by the Company to be necessary. At the Meeting, the shareholders will be asked to consider and, if deemed advisable, pass a special resolution (the "Share Consolidation Resolution") authorizing a share consolidation of the Company's Common Shares on the basis of a range of one (1) post-consolidation Common Share for up to ten (10) pre-consolidation Common Shares (the "Share Consolidation"). Notwithstanding approval of the Share Consolidation by shareholders, the Board may, in its sole discretion, revoke this special resolution, and abandon the Share Consolidation without further approval or action by or prior notice to shareholders.

##### *Reasons for the Consolidation*

The Board continues to believe that it is in the best interests of the Company to be in a position to reduce the number of outstanding Common Shares by way of the Share Consolidation. The potential benefits of the Share Consolidation continue to include:

- (a) *Attracting greater investor interest* – the current share structure of the Company makes it more difficult to attract the additional equity financing required to maintain the Company with certain

investors. A share consolidation may have the effect of raising, on a proportionate basis, the price of the Company's Common Shares, which could appeal to certain investors that find shares valued above certain prices to be more attractive from an investment perspective;

- (b) *Listing on another stock exchange* – the qualifications for listing on certain stock exchanges includes criteria as to the quoted market price of a company's shares. The Company may determine that obtaining such a listing is in the best interests of the Company and a consolidation of the Company's Common Shares would facilitate meeting such criteria and obtaining and maintaining such a listing; and,
- (c) *Improving the prospects of raising additional capital at a higher price per share* – the higher anticipated price of the post consolidation Common Shares will allow the Company to raise additional capital through the sale of additional Common Shares at a higher price per Common Share than would be possible in the absence of the Share Consolidation.

Prior to making any amendment to effect the consolidation of Common Shares, the Company shall first be required to obtain any and all applicable regulatory and relevant TSX Venture Exchange (the "TSXV") approvals. The Board believes shareholder approval of a maximum potential Consolidation ratio (rather than a single consolidation ratio) of one (1) post-consolidation Common Share for up to ten (10) pre-consolidation Common Shares provides the Board with flexibility to achieve the desired results of the Consolidation, and to ensure that the Company remains in compliance with applicable shareholder distribution requirements of the TSXV.

If the Share Consolidation Resolution is approved, the Share Consolidation would be implemented, if at all, only upon a determination by the Board that the Consolidation is in the best interests of the Company at the appropriate time. In connection with any determination to implement a Share Consolidation, the Company's Board will set the timing for such a Share Consolidation and select the specific ratio from within the range for a ratio set forth in the Share Consolidation Resolution. No further action on the part of shareholders would be required in order for the Board to implement the Share Consolidation.

#### *Certain Risks Associated with the Consolidation*

Implementation of the Share Consolidation is not likely to have an effect on the actual or intrinsic value of the business of the Company, the Common Shares, or on a shareholder's proportional ownership in the Company. However, there can be no assurance that the total market capitalization of the Company's Common Shares (the aggregate value of all Common Shares at the then market price) immediately after the Share Consolidation will be equal to or greater than the total market capitalization immediately before the Share Consolidation. In addition, there can be no assurance that the per-share market price of the Common Shares following the Share Consolidation will be higher than the per share market price immediately before the Share Consolidation or equal or exceed the direct arithmetical result of the Share Consolidation. In addition, a decline in the market price of the Common Shares after the Share Consolidation may result in a greater percentage decline than would occur in the absence of a Share Consolidation and the liquidity of the Common Shares could be adversely affected.

The Board expects that no shareholders will be eliminated as a result of the Share Consolidation. However, the Share Consolidation may result in some shareholders owning "odd lots" of less than 100 Common Shares on a post-consolidation basis. Odd lots may be more difficult to sell, or require greater

transaction costs per Common Share to sell, than Common Shares in “board lots” of even multiples of 100 Common Shares.

*Principal Effects of the Consolidation*

As of September 8, 2016, the Company had 148,699,782 Common Shares issued and outstanding. Following the completion of the proposed Share Consolidation, the number of Common Shares of the Company issued and outstanding will depend on the ratio selected by the Board. The following table sets out the approximate number of Common Shares that would be outstanding as a result of the Share Consolidation at different suggested ratios. As outlined in the special resolution below, the final ratio of post-consolidation Common Shares that are issued in exchange for pre-consolidation Common Shares will be determined by the Board.

<b>Proposed Consolidation Ratio <sup>[1]</sup></b>	<b>Approximate Number of Outstanding Shares (Post Consolidation) <sup>[2]</sup></b>
2:1	74,349,891
3:1	49,566,594
5:1	29,739,956
10:1	14,869,978

Notes:

- (1) The ratios above are for illustrative purposes only and are not indicative of the actual ratio that may be adopted by the Board to effect a Share Consolidation.
- (2) Based on the outstanding number of Common Shares as at September 8, 2016.

If approved and implemented, the Share Consolidation will occur simultaneously for all of the Common Shares and the consolidation ratio will be the same for all of such Common Shares. Except for any variances attributable to fractional shares, the change in the number of issued and outstanding Common Shares that will result from the Share Consolidation will cause no change in the capital attributable to the Common Shares and will not materially affect any shareholder's percentage ownership in the Company, even though such ownership will be represented by a smaller number of Common Shares.

The Share Consolidation will not materially affect any shareholder's proportionate voting rights. Each Common Share outstanding after the Share Consolidation will be entitled to one vote, and will be fully paid and non-assessable.

The implementation of the Share Consolidation would not affect the total shareholders' equity of the Company or any components of shareholders' equity as reflected on the Company's financial statements except: (i) to change the number of issued and outstanding Common Shares; and (ii) to change the stated capital of the Common Shares to reflect the Share Consolidation.

Each warrant, right, or other security of the Company convertible into pre-consolidation Common Shares (“Pre-Consolidation Convertible Securities”) that has not been exchanged or cancelled prior to the effective date of the implementation of the Consolidation will be adjusted pursuant to the terms thereof on the same exchange ratio as described above, and each holder of Pre-Consolidation

Convertible Securities will become entitled to receive post-consolidation Common Shares pursuant to such adjusted terms.

#### *No Fractional Shares to be Issued*

No fractional Common Shares of the Company will be issued upon the Share Consolidation. All fractional post-Consolidation shares will be rounded to the next lowest whole number if the first decimal place is less than five and rounded to the next highest whole number if the first decimal place is five or greater.

#### *Implementation*

The implementation of the special resolution is conditional upon the Company obtaining the necessary regulatory consents. The special resolution provides that the Board is authorized, in its sole discretion, to determine not to proceed with the proposed Share Consolidation without further approval of the Company's shareholders. In particular, the Board may determine not to present the special resolution to the Meeting or, if the special resolution is presented to the Meeting and approved, may determine after the Meeting not to proceed with completion of the proposed Share Consolidation and filing the articles of amendment. If the Board does not implement the Share Consolidation within 24 months of the Meeting, the authority granted by the special resolution to implement the Share Consolidation on approved terms would lapse and be of no further force or effect.

#### *Effect on Non-registered Shareholders*

Non-registered shareholders holding their Common Shares through a bank, broker, or other nominee should be aware that such banks, brokers, or other nominees may have different procedures for processing the Share Consolidation than those that will be put in place by the Company for registered shareholders. If you hold your Common Shares with such a bank, broker, or other nominee and if you have any questions in this regard, you are encouraged to contact your nominee at the appropriate time.

#### *Resolution*

At the Meeting, shareholders will be asked to consider and, if deemed appropriate, to approve, with or without variation, a special resolution in the form set out below (the "Share Consolidation Resolution"), subject to such amendments, variations or additions as may be approved at the Meeting, in relation to the Share Consolidation. The Board recommends that shareholders vote FOR the Share Consolidation Resolution.

The text of the Share Consolidation Resolution to be submitted to shareholders at the Meeting is set forth below:

"BE IT RESOLVED THAT:

- (1) the Company's Articles of Amalgamation be amended pursuant to Section 168(1)(h) of the *Business Corporations Act* (Ontario) (the "Act") to effect a consolidation of all of the issued and outstanding Common Shares of the Company (the "Common Shares") on a basis of a range of one (1) post- consolidation Common Share for up to ten (10) pre-consolidation Common Shares, which basis shall be determined by the Company's board of directors (the "Consolidation");
- (2) no fractional post-consolidation Common Shares will be issued and no cash will be paid in lieu of fractional post consolidation Common Shares, such that fractional post-Consolidation shares will

be rounded to the next lowest whole number if the first decimal place is less than five and rounded to the next highest whole number if the first decimal place is five or greater;

- (3) the effective date of such Consolidation shall be the date shown in the certificate of amendment issued by the Director appointed under the Act or such other date indicated in the Articles of Amendment provided that, in any event, such date shall be prior to 24 months from the date of the Meeting and if not implemented within such 24 month period the authority granted by this special resolution to implement the Share Consolidation on these terms will lapse and be of no further force or effect;
- (4) any officer or director of the Company is hereby authorized and directed on behalf of the Company to execute or cause to be executed, and to deliver or cause to be delivered, all certificates, notices and other documents, including filing Articles of Amendment pursuant to the Act, and to do or cause to be done all such acts and things, as such officer or director may determine to be necessary, desirable, or useful for the purpose of giving effect to the foregoing resolutions, including, without limitation, make any changes required by the TSX Venture Exchange or applicable securities regulatory authorities with respect to the Consolidation, such determination to be conclusively evidenced by the execution and delivery of such documents, or the doing of any such act or thing; and,
- (5) notwithstanding the passing of this special resolution by the shareholders of the Company, the board of directors of the Company may, in its sole discretion, determine not to act upon this special resolution and not file articles of amendment giving effect to the Consolidation, without further approval of the shareholders of the Company or to revoke this resolution at any time prior to the Consolidation becoming effective.”

In order to be approved, the resolution must be passed by not less than two-thirds of the votes cast collectively by the shareholders who vote in person or are represented by proxy at the Meeting.

**In the absence of a contrary instruction, the persons designated by management of the Company in the enclosed form of proxy intend to vote FOR the special resolution approving the Consolidation.**

## **6. Amendments to the Company’s Organizational By-law**

The Board passed a number of resolutions amending its organizational by-law.

- (a) The Board passed the following resolutions amending the organizational by-law of the Company to separate the offices of Chief Executive Officer and President:

“By-law No. 1 of the Corporation be and the same is hereby amended by deleting Sections 6.03 and 6.04 in their entirety and replacing the same with the following:

6.03 The Board may by resolution from time to time appoint a Chief Executive Officer and the Board may from time to time by resolution rescind any such appointment and designate another officer or person as the Chief Executive Officer of the Corporation. If appointed, the Chief Executive Officer shall, subject to the authority of the Board, exercise general supervision over the affairs of the Corporation and he or she shall, subject to the provisions of the Act, have such other powers and duties as the Board may specify.

- 6.04 If appointed, the President shall, subject to the authority of the Board, have such powers and duties as the Board or the Chief Executive Officer may specify. During the absence or disability of the Chief Executive Officer, or if no Chief Executive Officer has been appointed, the President shall also have the powers and duties of that office.”
- (b) The Board also passed the following resolutions amending the organizational by-law of the Company to deal with a number of changes of a housekeeping nature:
- i. In Section 2.02 the reference to managing director is replaced with a reference to chief executive officer.
  - ii. In Section 4.02 deleted the last sentence and replaced with “At least one-quarter of the directors shall be resident Canadians”.
  - iii. In Section 4.08 replaced the reference to “half” with “25%”.
  - iv. Section 4.08(b) replaced the reference to “half” with “25%”. Also corrected the typo “is” to “his” in line 2.
  - v. In Sections 4.11, 4.16, 10.01, and 10.02 replaced the reference to managing director with chief executive officer.
  - vi. In Section 5.01 deleted the last sentence.
  - vii. In Section 6.01 added a reference to chief executive officer.
  - viii. In Section 6.02 replaced the first sentence with “The Board may from time to time also appoint a chair of the Board who shall be a director”.
  - ix. In Section 9.02 corrected the typo in the third line “prep aid”.
  - x. In Section 10.07 replaced the reference to Alberta with Ontario.
  - xi. In Section 10.08 replaced with reference to managing director with chief executive officer and reordered the offices to read “chair of the Board, chief executive officer, president”.

The full text of the organizational by-law is available upon request or can be found at [www.sedar.ca](http://www.sedar.ca).

In order for the by-law amendments to be approved, the resolution must be passed by a simple majority of the votes cast by shareholders who vote in person or are represented by proxy at the Meeting.

**In the absence of a contrary instruction, the persons designated by management of the Company in the enclosed form of proxy intend to vote FOR the resolution approving the amendments to the Company’s by-law.**

## **7. Amendments to the Company’s Shareholder Rights Plan**

At the AGM held on October 21, 2014 the shareholder rights plan dated September 25, 2014 (the “Existing Rights Plan”) was ratified and approved by the shareholders of the Company.

Subject to obtaining the requisite shareholder approval and TSXV acceptance, the Board is proposing certain amendments to the Existing Rights Plan (the “Rights Plan Amendments”), which are detailed below:

If the Rights Plan Amendments are not approved by the shareholders, the Existing Rights Plan will continue in effect until its expiration under its terms.

### *Introduction to Rights Plan Amendments*

The Rights Plan Amendments are being proposed as a result of the new take-over bid rules the Canadian Securities Administrators adopted in May 2016, and in particular, the adoption of National Instrument 62-104 Take-Over Bids and Issuer Bids (“NI 62-104”). As a result of these new rules, among other requirements, all take-over bids must remain open for acceptance for at least 105 days, subject to the ability of the target issuer to voluntarily reduce that period.

### *Proposed Amendments*

The Board is proposing the following amendments to the Existing Rights Plan, which will be adopted upon shareholder approval of the Rights Plan Amendments at the Meeting:

- The definition of a “Permitted Bid” has been amended to mean a “Take-over Bid” made by an Offeror by means of a take-over bid circular pursuant to and in compliance with NI 62-104 and made to all holders of Voting Shares other than the Offeror.
- The definition and concept of a “Competing Permitted Bid” has been removed in its entirety.

In changing the definition of “Permitted Bid” and removing the defined term “Competing Permitted Bid”, other consequential and related amendments have also been made. In addition, certain other amendments of a non-substantive, “house-keeping” nature have been made to provide for greater clarity and consistency.

Other than the amendments described above, the revised shareholder rights plan that incorporates the Rights Plan Amendments (the “Rights Plan”) is identical to the Existing Rights Plan. A copy of the Existing Rights Plan is available under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com) or can be obtained without charge by writing to the Company to the attention of the Chief Financial Officer of the Company at Suite 213, 700 Collip Circle, London, Ontario, N6G 4X8.

The following sections are a summary of the key terms of the “Rights Plan”. Capitalized terms used in this summary without definition have the meanings attributed to them in the Rights Plan unless otherwise indicated.

### *Issue of Rights*

Pursuant to the terms of the Rights Plan, the Company shall issue, effective at the close of business (Toronto time) on the Effective Date, one right (a “Right”) in respect of each Common Share of the Company outstanding as at the Record Time. One Right will also be issued for each additional Common Share issued after the Record Time and prior to the earlier of the Separation Time and the Expiration Time. The Company will also issue Rights Certificates to holders of Rights pursuant to the terms and conditions of the Rights Plan. The Rights will initially trade together with the Common Shares and are represented by the certificates representing such Common Shares (including certificates that are issued and outstanding at the Record Time). Until such time as the Rights separate from the Common Shares and become exercisable, certificates representing the Rights will not be distributed to shareholders of the Company.

### *Permitted Bid*

A Permitted Bid is a Take-over Bid that is made by an Offeror by means of a take-over bid circular pursuant to and in compliance with NI 62-104 and is made to all holders of Voting Shares other than the Offeror. Among other things, a Take-over Bid made in compliance with NI 62-104 means that the deposit period must remain open for a minimum of 105 days, the Offeror must receive tenders of at least 50% of the outstanding securities subject to the bid, and the Offeror must extend the deposit period for a minimum of 10 days once the 50% tender condition has been met. A Permitted Bid will cease to be a Permitted Bid at any time when such bid ceases to meet any of the provisions of the definition in the Rights Plan, and provided that, at such time, any acquisition of Voting Shares made pursuant to such Permitted Bid, including any acquisition of Voting Shares theretofore made, will cease to be a Permitted Bid Acquisition.

### *Flip-In Event and Exercise Price*

If an Acquiring Person acquires (other than pursuant to an exemption available under the Rights Plan, one of which is a Permitted Bid) beneficial ownership of 20% or more of the Common Shares of the Company (a "Flip-in Event"), including Common Shares held by persons related to or acting jointly or in concert with such Acquiring Person, the Rights (other than those held by such Acquiring Person and any persons related to or acting jointly or in concert with such Acquiring Person which become void under the terms of the Rights Plan) will separate from the Common Shares and permit the holder thereof to purchase Common Shares of the Company at a 50% discount to the then prevailing market price of such shares. The Rights are not exercisable until the Separation Time.

In the event that, prior to the Expiration Time, a Flip-in Event which has not been waived by the Board occurs, each Right (except for Rights Beneficially Owned or which may thereafter be Beneficially Owned by an Acquiring Person, an Affiliate or Associate of an Acquiring Person or a Joint Actor or a transferee of any such Person, which Rights will become null and void) shall constitute the right to purchase from the Company, upon exercise thereof in accordance with the terms of the Rights Plan, that number of Common Shares having an aggregate Market Price on the date of the Flip-in Event equal to twice the Exercise Price (such Right being subject to anti-dilution adjustments).

### *Resolution*

At the Meeting, shareholders will be asked to consider and, if deemed appropriate, to approve, with or without variation, an ordinary resolution in the form set out below (the "Rights Plan Resolution"), subject to such amendments, variations or additions as may be approved at the Meeting, in relation to the Rights Plan Amendments. The Board recommends that shareholders vote FOR the Rights Plan Resolution.

The text of the Rights Plan Resolution to be submitted to shareholders at the Meeting is set forth below:

"BE IT RESOLVED THAT:

- (1) The Rights Plan Amendments, which are substantially described in the management information circular of the Company dated September 16, 2016, are hereby ratified and approved; and,
- (2) any director or officer of the Company is hereby authorized and directed, on behalf of the Company to execute and deliver such other documents and instruments and take such other actions as such director or officer may determine to be necessary or advisable to implement this

resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of any such action.”

In order for the Rights Plan Amendments to be approved, the resolution must be passed by a simple majority of the votes cast by the shareholders who vote in person or are represented by proxy at the Meeting.

**In the absence of a contrary instruction, the persons designated by management of the Company in the enclosed form of proxy intend to vote FOR the resolution approving the Rights Plan Amendments to the Existing Rights Plan of the Company.**

## **8. Amendments to the Company’s Stock Option Plan**

The Company currently maintains a stock option plan (the “SOP”) to grant options to purchase Common Shares of the Company. The number of Common Shares, the exercise price per stock option, the vesting period, and any other terms and conditions of the options granted pursuant to the SOP, from time to time, are determined by the Board at the time of the grant, subject to the defined parameters of the SOP.

The SOP is administered by the Compensation Committee of the Board, or by the Board itself. Participation is limited to directors, officers, employees, and consultants providing services to the Company.

The SOP provides an incentive to certain executives, employees, and consultants of the Company to further the development, growth, and profitability of the Company and assists the Company in retaining and attracting personnel with experience and ability. Pursuant to the SOP, selected executives, employees, and consultants of the Company may be granted options to acquire Common Shares.

Subject to obtaining the requisite shareholder approval and TSXV acceptance, the Board is proposing certain amendments to the SOP (the “Proposed Amendments”), in order that options can be granted under the SOP to directors, officers, employees and qualifying consultants who are in the United States or who are U.S. persons. The Proposed Amendments are to the schedules to the SOP being the Stock Option Plan Certificate (Schedule A), the Notice of Exercise of Option (Schedule B) and a new Schedule C – Stock Option Plan – Form of Declaration for Removal of Legend.

The following sections are a summary of the Proposed Amendments:

### Schedule A – Stock Option Plan – Option Certificate

The Option Certificate to the SOP is amended to provide for a new legend for Options granted to an Option Holder who is in the United States or who is a U.S. person. The Option Certificate is also amended to provide acknowledgements and agreements of the Option Holder in relation to U.S. Securities laws.

### Schedule B – Stock Option Plan – Notice of Exercise of Option

The Notice of Exercise of Option is amended to add representations and warranties from an Option Holder who is in the United States or who is a U.S. person in compliance with U.S. Securities laws. There

is also added to this Schedule a U.S. Accredited Investor Status Certificate to confirm that the Option Holder satisfies one or more categories of Accredited Investor described in the Certificate.

#### Schedule C – Stock Option Plan – Form of Declaration for Removal of Legend

A new Schedule C is added to the SOP under which the seller of securities makes certain declarations in reliance on Rule 904 of Regulation S of the U.S. Securities Act in order to remove the legend set out in Schedule A where the Corporation is a foreign issuer as defined in Regulation S of the U.S. Securities Act.

The full text of the amendments to the SOP is available on request.

#### *Resolution*

At the Meeting, shareholders will be asked to consider and, if deemed appropriate, to approve, with or without variation, an ordinary resolution in the form set out below (the “SOP Resolution”), subject to such amendments, variations or additions as may be approved at the Meeting, in relation to the Proposed Amendments. The Board recommends that shareholders vote FOR the SOP Resolution.

The text of the SOP Resolution to be submitted to shareholders at the Meeting is set forth below:

“BE IT RESOLVED THAT:

- (1) Subject to final acceptance by the TSX Venture Exchange, the amended stock option plan of the Company as tabled at the Meeting and the proposed amendments contained therein as substantially described in the management information circular of the Company dated September 16, 2016 are approved; and,
- (2) any director or officer of the Company is hereby authorized and directed, on behalf of the Company to execute and deliver such other documents and instruments and take such other actions as such director or officer may determine to be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of any such action.”

In order for the SOP Resolution to be approved, it must be passed by a simple majority of the votes cast by shareholders who vote in person or are represented by proxy at the Meeting.

**In the absence of a contrary instruction, the persons designated by management of the Company in the enclosed form of proxy intend to vote FOR the resolution approving the Proposed Amendments to the SOP of the Company.**

#### **9. Resolution Relating to Company’s Stock Option Plan**

The holders of the Common Shares will also be asked at the Meeting, or any adjournment thereof, to consider and, if deemed advisable, to pass the following resolution:

RESOLVED that the continuation of the Stock Option Plan as a rolling plan (that is, the Plan provides that the number of shares available for purchase pursuant to options granted in accordance with the Plan shall not exceed 10% of the outstanding shares from time to time) be approved.

At September 16, 2016, there are 9,964,661 options granted and outstanding, and 4,905,317 available for grant under the Plan.

The Board recommends that holders of Common Shares vote in favour of this resolution.

In order for the Stock Option Plan to be approved, the resolution must be passed by a simple majority of the votes cast collectively by shareholders present in person or represented by proxy at the Meeting.

**In the absence of a contrary instruction, the persons designated by management of the Company in the enclosed form of proxy intend to vote FOR the resolution approving the Stock Option Plan as a rolling plan.**

#### **D. DIRECTOR AND NAMED EXECUTIVE OFFICER COMPENSATION**

The Company is a venture issuer and is disclosing its executive compensation in accordance with Form 51-102F6V, Statement of Executive Compensation – Venture Issuers.

The following persons are considered the “Named Executive Officers or “NEOs” for the purposes of the disclosure:

- (a) the Company’s CEO, including an individual performing functions similar to a chief executive officer;
- (b) the Company’s CFO, including an individual performing functions similar to a chief financial officer;
- (c) the most highly compensated executive officer, other than the CEO or the CFO, at the end of the most recently completed financial year whose total compensation was more than \$150,000, as determined in accordance with subsection 1.3(5) of Form 51-102F6V, for that financial year; and,
- (d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the Company, and was not acting in a similar capacity, at the end of that financial year.

#### **1. Director and Named Executive Officer Compensation, Excluding Compensation Securities**

The following table sets forth the compensation paid by the Company to the Named Executive Officers and Directors for the two most recently completed financial years of the Company, excluding compensation securities (see Stock Options and Other Compensation Securities).

**Table of Compensation excluding Compensation Securities**

Name and Position	Year	Salary, consulting fees, or commissions (\$)	Bonus (\$)	Board retainer, committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Wayne Danter, President, CEO and Director <sup>(1)</sup>	2016	201,330	-	13,750	-	1,262	216,342
	2015	179,662	-	-	-	1,476	181,138
Alison Silva, President and Director <sup>(2) (3)</sup>	2016	27,505	-	13,750	-	-	41,255
	2015	46,129	-	-	-	-	46,129

Name and Position	Year	Salary, consulting fees, or commissions (\$)	Bonus (\$)	Board retainer, committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Gene Kelly, CFO	2016	151,968	-	-	-	1,900	153,868
	2015	137,332	13,487	-	-	1,950	152,769
John Drake, Chairman of the Board of Directors	2016	19,500	-	38,750	-	-	58,250
	2015	30,750	-	6,500	-	-	37,250
Bruno Maruzzo, Director	2016	-	-	23,750	-	-	23,750
	2015	-	-	20,750	-	-	20,750
Douglas Alexander, Director <sup>(4)</sup>	2016	-	-	-	-	-	-
	2015	-	-	10,750	-	-	10,750
David Sanderson, Director	2016	9,000	-	-	-	-	9,000
	2015	4,500	-	10,750	-	-	15,250
Alison Silva, Director <sup>(2)(3)</sup>	2016	27,505	-	13,750	-	-	41,255
	2015	46,129	-	-	-	-	46,129
John Yoo, Director <sup>(4)(5)</sup>	2016	-	-	-	-	-	-
	2015	-	-	-	-	-	-
Bharatt Chowrira, Director <sup>(6)</sup>	2016	-	-	-	-	-	-
	2015	-	-	-	-	-	-
Totals	2016	409,303	-	90,000	-	3,162	502,465
	2015	398,373	13,487	48,750	-	3,426	464,036

Notes:

- (1) Dr. Danter resigned as President on July 5, 2016.
- (2) Ms. Silva became a director on May 14, 2015 and President of the Company on July 5, 2016.
- (3) Ms. Silva provided consulting services to the Company from her consulting firm, The Orphan Group, during 2015 and 2016.
- (4) No cash compensation was received in 2016 as the director elected to receive their retainer compensation entirely in Compensation Securities.
- (5) Dr. Yoo became a director on October 15, 2015 and accordingly did not receive any compensation related to 2015.
- (6) Dr. Chowrira became a director on September 12, 2016, and accordingly did not receive any cash compensation in 2015 or 2016.

## 2. Stock Options and Other Compensation Securities

The following table sets forth information in respect of all compensation securities granted or issued by the Company or its subsidiaries, directly or indirectly, to each of the Named Executive Officers and directors at the end of the Company's most recently completed financial year ended April 30, 2016.

**Table of Compensation Securities Issued to NEO and Directors**

Name and Position	Type of Compensation Security	Number of Compensation Securities, Number of Underlying Securities, and Percentage of Class (#)	Date of Issue or Grant	Issue, Conversion or Exercise Price (\$)	Closing Price of Security or Underlying Security on Date of Grant (\$)	Closing Price of Security or Underlying Security at Year End (\$)	Expiry Date
Wayne Danter, President, CEO and Director <sup>(1)</sup>	Stock Options	85,366	Sep 27/11	\$0.30	\$0.29	\$0.49	Sept 26/16
		15,385	Oct 18/11	\$0.25	\$0.25		Oct 17/16
		250,000	Sep 25/12	\$0.16	\$0.16		Sept 24/17
		63,934	Sep 25/12	\$0.16	\$0.16		Sept 24/17
		127,737	Dec 5/13	\$0.18	\$0.19		Dec 4/18

Name and Position	Type of Compensation Security	Number of Compensation Securities, Number of Underlying Securities, and Percentage of Class (#)	Date of Issue or Grant	Issue, Conversion or Exercise Price (\$)	Closing Price of Security or Underlying Security on Date of Grant (\$)	Closing Price of Security or Underlying Security at Year End (\$)	Expiry Date
		261,780	Oct 22/14	\$0.29	\$0.27		Oct 21/19
		200,000	Oct 22/14	\$0.29	\$0.27		Oct 21/19
		147,849	Oct 15/15	\$0.305	\$0.30		Oct 14/20
		1,152,051					
Alison Silva, President and Director <sup>(1)</sup>	Stock Options	104,350	May 13/15	\$0.29	\$0.27	\$0.49	May 12/20
		147,849	Oct 15/15	\$0.305	\$0.30		Oct 14/20
		252,199					
Gene Kelly, CFO	Stock Options	11,765	Oct 18/11	\$0.25	\$0.25	\$0.49	Oct 17/16
		200,000	Sep 10/12	\$0.14	\$0.14		Sept 9/17
		150,000	Dec 5/13	\$0.18	\$0.19		Dec 4/18
		150,000	Oct 22/14	\$0.29	\$0.27		Oct 21/19
		511,765					
John Drake, Chairman of the Board of Directors	Stock Options	146,342	Sep 27/11	\$0.30	\$0.29	\$0.49	Sept 26/16
		281,031	Sep 25/12	\$0.16	\$0.16		Sept 24/17
		218,978	Dec 5/13	\$0.18	\$0.19		Dec 4/18
		196,335	Oct 22/14	\$0.29	\$0.27		Oct 21/19
		215,054	Oct 15/15	\$0.305	\$0.30		Oct 14/20
		1,057,740					
Douglas Alexander, Director	Stock Options	121,951	Sep 27/11	\$0.30	\$0.29	\$0.49	Sept 26/16
		234,193	Sep 25/12	\$0.16	\$0.16		Sept 24/17
		182,482	Dec 5/13	\$0.18	\$0.19		Dec 4/18
		314,136	Oct 22/14	\$0.29	\$0.27		Oct 21/19
		349,462	Oct 15/15	\$0.305	\$0.30		Oct 14/20
		1,202,224					
Bruno Maruzzo, Director	Stock Options	109,756	Sep 27/11	\$0.30	\$0.29	\$0.49	Sept 26/16
		210,773	Sep 25/12	\$0.16	\$0.16		Sept 24/17
		145,985	Dec 5/13	\$0.18	\$0.19		Dec 4/18
		157,068	Oct 22/14	\$0.29	\$0.27		Oct 21/19
		147,849	Oct 15/15	\$0.305	\$0.30		Oct 14/20
		771,431					
David Sanderson, Director	Stock Options	145,985	Dec 5/13	\$0.18	\$0.19	\$0.49	Dec 4/18
		261,780	Oct 22/14	\$0.29	\$0.27		Oct 21/19
		295,699	Oct 15/15	\$0.305	\$0.30		Oct 14/20
		703,464					
John Yoo, Director	Stock Options	147,849	Oct 15/15	\$0.305	\$0.30	\$0.49	Oct 14/20
		147,850	Jan 8/16	\$0.305	\$0.275		Oct 14/20
		295,699					
Bharatt Chowrira, Director <sup>(2)</sup>	Stock Options	-	-	-	-	-	-
Grand Total		5,926,568					

Note:

- (1) Dr. Danter resigned as President on July 5, 2016 and Ms. Silva concurrently became President of the Company.
- (2) Dr. Chowrira became a director on September 12, 2016, and accordingly did not receive any stock option compensation in 2015 or 2016.

### 3. Exercise of Compensation Securities by Directors and NEOs

The following table sets forth each exercise by a director or Named Executive Officer of compensation securities during the most recently completed financial year.

Name and position	Type of compensation security	Number of underlying securities exercised	Exercise price per security (\$)	Date of Exercise	Closing price per security on date of exercise (\$)	Difference between exercise price and closing price on date of exercise (\$)	Total Value on exercise date (\$)
Wayne Danter, President, CEO and Director	Stock options	100,000	\$0.160	Nov 30/15	\$0.285	\$0.120	\$28,500.00
John Drake, Chairman of the Board of Directors	Stock options	232,558	0.165	Oct 26/15	0.300	0.135	69,767.40
Douglas Alexander, Director	Stock options	155,039	0.165	Oct 26/15	0.300	0.135	46,511.70
Bruno Maruzzo, Director	Stock options	174,419	\$0.165	Oct 27/15	\$0.285	\$0.120	\$49,709.42
Totals		662,016					

### 4. Stock Option Plan and Other Incentives

The Company's shareholders initially approved the Stock Option Plan ("SOP") at the Company's AGM held on June 23, 2006 and the SOP has been approved at each AGM since then. The SOP was last amended by the shareholders of the Company on October 21, 2014.

The SOP was designed to advance the interests of the Company by aligning the interests of its directors, officers, employees, and consultants with the success of the Company through equity participation in the Company. In determining the terms of each grant of share options, consideration is given to the participant's present and potential contribution to the success of the Company. The aggregate maximum number of Common Shares that may be reserved for issuance under the SOP is 10% of the number of outstanding Common Shares. As of September 16, 2016, options to purchase an aggregate of 9,964,661 Common Shares, representing approximately 6.7% of the issued and outstanding Common Shares are outstanding under the SOP.

There were 662,016 shares issued during fiscal 2016 from the exercise of options granted under the SOP. Options granted under the SOP, which have been cancelled or terminated in accordance with the terms of the SOP without exercise, are available for re-granting under the SOP.

The exercise period for each share option is not to be more than five years. Share options are always granted subject to vesting requirements. The SOP allows the expiry date of share options granted thereunder to be the tenth day following the end of a Company imposed blackout period on trading securities of the Company in the event that the share option grant would otherwise expire during or soon after such a blackout.

The exercise price per share shall not be less than the market value of the Common Shares as of the grant date. The market value of Common Shares for a particular grant is the closing trading price of the Common Shares on the day immediately preceding the grant date and may be less than this price if it is

within the discounts permitted by the applicable regulatory authorities. The Common Shares are currently listed for trading on the TSX Venture Exchange (“TSXV”) and are also listed over the counter in the United States on the OTCQB.

The SOP is administered by the Board. Under the SOP, the Board may from time to time amend or revise the terms of the SOP or may discontinue the SOP at any time. The Board cannot reduce the exercise price of any outstanding options. The Company has never re-priced any of the share options it has granted under the SOP. Subject to receipt of requisite regulatory approval, where required, and without further shareholder approval, the Board may make the following amendments to the SOP: (a) housekeeping changes; (b) a change to the termination provisions of the SOP or of a share option as long as the change does not permit the Company to grant a share option with a termination date of more than five years from the date of the grant or to extend an outstanding share option’s termination date beyond such date; and, (c) a change deemed necessary or desirable to comply with applicable law or regulatory requirements other than those specifically requiring shareholder approval as provided in the SOP.

## 5. Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information in respect of compensation plans under which equity securities of the Company are authorized for issuance at the Company’s financial year ended April 30, 2016.

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	7,268,320	\$0.26	6,995,410
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	7,268,320		6,995,410

Currently, the Company can grant no more than 4,905,317 stock options under the Company’s current Stock Option Plan, being 10% of the issued and outstanding Common Shares as at the date hereof.

## 6. Employment, Consulting and Management Agreements

Details of the contractual and non-contractual arrangements with the NEO are set out below. All amounts paid, calculated, or disclosed are in Canadian dollars unless otherwise stated.

### Chief Executive Officer

Dr. Wayne Danter, one of the Company’s founders, has been employed with the Company as President since May 1, 2005 and as Chief Executive Officer since July 1, 2010. The Company entered into an

employment agreement with Dr. Danter dated May 1, 2012 as amended by agreement dated October 22, 2014 that has an indefinite term subject to the termination privileges of the agreement. The significant compensation terms of the employment agreement are as follows:

- an annual base salary of \$200,000 exclusive of bonuses, benefits, and other compensation to which he might become entitled;
- a grant of 250,000 common share options during fiscal 2013 with terms in accordance with the parameters of the Company's share option plan;
- a vacation entitlement of six (6) weeks;
- a cash bonus each year upon successful attainment of the milestones or objectives established for each respective fiscal year by the Board;
- participation in all benefit plans that COTI provides to its employees; and,
- participation in any bonus plans and share option plans to purchase shares of COTI as may be provided by the Board in its discretion.

Effective July 5, 2016 Dr. Danter resigned as President of the Company and Alison Silva was appointed as President. The Company entered into an employment agreement with Ms. Silva the terms of which are as follows:

- a term of two years;
- an annual base salary of \$230,000 USD, exclusive of bonuses, benefits and other compensation to which she might become entitled, and increasing to \$280,000 USD effective July 1, 2017;
- a grant of 1,500,000 common share options effective July 5, 2016 with terms in accordance with the parameters of the Company's share option plan 50% of which vest in three tranches on February 28, 2016, October 31, 2017 and June 30, 2017, respectively and the remaining 50% of the stock options vest on achievement of established performance milestones;
- vacation entitlement of four (4) weeks;
- a cash bonus each year upon successful attainment of the milestones and objectives established for each respective fiscal year by the Board; and,
- reimbursement of up to \$850 USD per month for uninsured dental, vision, and medical expenses.

At the same time amendments were made to the compensation package of the CEO as follows:

- the annual base salary was increased to \$300,000 effective July 5, 2016 and to \$350,000 effective July 1, 2017; and,
- a grant of 1,500,000 common share options effective July 5, 2016 with terms in accordance with the parameters of the Company's share option plan, 50% of which vest in three tranches on February 28, 2017, October 31, 2017 and June 30, 2018, respectively and the remaining 50% of the stock options vest on achievement of established performance milestones.

#### Chief Financial Officer

Mr. Gene Kelly commenced employment as Chief Financial Officer on a full-time basis effective January 2, 2007. Mr. Kelly's salary was established by the President at the time.

The Company entered into an employment agreement with Mr. Kelly effective May 1, 2012 as amended by agreement dated October 22, 2014 that has an indefinite term subject to the termination privileges of the agreement. The significant compensation terms of the employment agreement are as follows:

- an annual base salary of \$150,000 exclusive of bonuses, benefits, and other compensation to which he might become entitled;
- a vacation entitlement of four (4) weeks;
- a cash bonus each year upon successful attainment of the milestones or objectives established for each respective fiscal year by the Board;
- participation in all benefit plans that COTI provides to its employees; and,
- participation in any bonus plans and share option plans to purchase shares of COTI as may be provided by the Board in its discretion.

## **7. Oversight and Description of Director and NEO Compensation**

The Company has not historically had a formal compensation program or strategy related to the compensation earned by the President and Chief Executive Officer and the Chief Financial Officer, both considered “Employee NEO”, and the only executive officers of the Company at the financial year ended April 30, 2016 (the “Named Executive Officers” or “NEO”). Executive compensation decisions were historically recommended by management directly to the Board.

The Company endorses the concept that executive compensation should meet the following objectives:

- align the interests of executive officers with the short and long term interests of shareholders;
- link executive compensation to the performance of the Company and the individual; and,
- compensate executive officers at a level and in a manner that ensures the Company is capable of attracting, motivating, retaining, and inspiring individuals with exceptional skills.

The context within which the Company’s executive compensation was established is relevant to understanding the lack of a historic formal compensation program:

- the Company remains in the commercial validation stage of its development having not yet achieved a material commercial transaction since becoming a reporting issuer in October 2006;
- the Company has generated minimal commercial revenues to date;
- the Company has not historically had a significant number of employees with a complement of 7 employees at April 30, 2016; and,
- the Company has limited resources to expend on typical compensation elements.

Compensation of the NEO to the end of fiscal 2016 was made up of the following elements: (1) base salary (2) share options granted either as prescribed under an employment contract or on a discretionary basis by the Board, and (3) participation in the Company’s group benefits plan.

The Board has determined that the salary levels are in the lower range of salaries provided to the NEO of companies at a similar stage of development within the Canadian biotech industry based upon a review of similar companies’ NEO as disclosed in their management information circulars and based upon the directors’ knowledge, and experience with the job descriptions and skill sets required for these roles.

The Company's group benefits plan ("GBP") was established in October 2007 by a quotation process and offers health care, dental care, vision care, and life insurance benefits paid by the Company as well as short and long term disability paid by the employee. The GBP is reviewed on an annual basis to ensure it meets the needs of its employees on a competitive basis. Employee NEO participate in the GBP on the same basis as all employees in the Company. This plan is not available to the Company's directors or consultants.

The Company does not offer its NEO any perquisites or personal benefits.

Neither NEO nor directors are permitted to purchase financial instruments designed to hedge or offset a decrease in market value of equity securities granted as compensation to the NEO or directors.

## **8. Pension Plan Benefits**

The Company does not currently have a pension plan, retirement plan, or deferred compensation plan for its NEO or directors.

## **9. Directors' and Officers' Insurance**

The Company maintains an executive and organization liability insurance policy that covers directors and officers for costs incurred to defend and settle claims against directors and officers of the Company to an annual limit of \$5,000,000 with retention of \$50,000 on securities and oppressive conduct claims and \$25,000 on all other claims. The cost of coverage for 2016 was approximately \$26,600. Directors and officers do not pay any portion of the premiums and no indemnity claims were made or became payable during 2016.

## **10. Indebtedness of Directors and Executive Officers**

The Company does not make personal loans or extensions of credit to its directors or executive officers. No director or executive officer is currently indebted to the Company respecting the purchase of securities or otherwise.

## **11. Interest of Informed Persons in Material Transactions**

No director or executive officer had any material interest, direct or indirect, in any transaction during the Company's most recently completed financial year ending April 30, 2016, or in any proposed transaction, which has materially affected or would materially affect the Company subsequent to the year-end except that on April 22, 2015, prior to the 2015 year end, the Company submitted an investigational new drug ("IND") application for COTI-2, the Company's lead oncology compound, to the U.S. Food and Drug Administration ("FDA") for a Phase 1 trial in gynecologic cancers. On May 22, 2015, subsequent to the 2015 year-end, the FDA advised the Company that it had completed its review of the Company's application and the IND was granted enabling the Company to proceed with its proposed clinical investigation. This grant satisfied the second milestone for COTI-2 related to contingent consideration arising from the purchase of a library of compounds in November 2007 of which COTI-2 was one of the compounds. Accordingly, the Company issued 715,720 common shares to the former owners of the library (which included two directors, the Company's current Chairman, Mr. John Drake, and the current CEO, Dr. Wayne Danter) as final payment of the contingent share consideration that arose on the acquisition. This consideration had a fair value of \$250,502 based upon the closing market

price of the Company's shares on May 22, 2015, the date of the IND grant of which \$109,656 and \$27,440 related to the value of the shares issued to the respective directors.

## **12. Retirement Policy for Directors**

The Company does not have a retirement policy for its directors.

## **E. STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

Corporate governance relates to the activities of the Board, whose members are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day-to-day management of the Company. The Board is committed to sound corporate governance practices, which are both in the interest of its shareholders and contribute to effective and efficient decision making. The Board is of the view that the Company's general approach to corporate governance, summarized below as required by applicable securities legislation, is appropriate and substantially consistent with practices reflected in National Policy 58-201 Corporate Governance Guidelines (the "Guidelines").

### **1. Board Membership**

The Guidelines recommend that the Board of every listed company should be constituted by a majority of individuals who qualify as "independent" directors. An "independent" director is a director who has no direct or indirect material relationship with the issuer. A "material relationship" is defined as a relationship, which could, in the view of the issuer's Board, reasonably interfere with the exercise of a director's independent judgment.

The Board is currently composed of eight directors, two of whom, Dr. Danter and Ms. Alison Silva, are executive officers of the Company and are thus considered to have a material relationship with it. A third director, Mr. David Sanderson, is deemed not to be independent as his spouse is the President of a company which provides human resource consulting services to the Company. The remaining five directors are independent. Accordingly, the majority (62.5%) of the current directors are independent.

### **2. Directorships**

Details of directorships held by directors of the Company in other reporting issuers in Ontario or other jurisdictions are set out in the directors' biographies.

### **3. Meetings of Independent Directors**

The Audit Committee, whose members are comprised entirely of directors who are independent or have been deemed to be independent within the meaning of the Guidelines, has since inception held "in camera" sessions without management present as part of its regular Audit Committee meeting program. The independent directors of the Board hold "in camera" sessions of the independent directors as a regular part of Board meetings.

### **4. Chairman of the Board**

The Chairman of the Board, Mr. Drake, is an independent director as it has been more than three years since he was the Chief Executive Officer.

## 5. Orientation and Continuing Education

Currently, management performs orientation for new Board members. This consists of the following:

- (a) during the initial assessment process prior to becoming a Board member, the candidate is directed to the Company's web site and to the SEDAR site for a review of the Company's public documents;
- (b) based upon the significant amount of information available from these sources, management fields questions based upon the candidate's review;
- (c) once a candidate becomes a director and has signed a confidential disclosure agreement, management provides an in depth review of the science and technology of the Company to the extent the director desires; and,
- (d) management provides on-going distribution of relevant materials in a number of areas; for example, audit committee members are directed to enroll in the auditor's e-mail service where they can subscribe to various publications of interest as it relates to audit committees and new accounting pronouncements. The CFO supplements this by providing copies of particularly relevant materials and analysis of their applicability to the Company throughout the year. Further, all directors receive materials of general industry information of importance and relevance to the Company on a periodic basis.

## 6. Ethical Business Conduct

The Board prescribes a high standard of ethical business conduct in all dealings related to the affairs of the Company. The Governance and Nominating Committee developed, and the Board approved a code of ethics and business conduct (the "Code") in fiscal 2007 that applies to all directors, officers and employees, a copy of which is attached as Schedule "A". Each new director and employee of the Company is provided a copy of this Code upon joining the Company and must complete a certificate of compliance with respect to the Code as part of their orientation. The Code is reviewed periodically by the Board and any change to the Code is communicated to the directors and employees of the Company by issuance of a copy of the new Code highlighting such change. Management obtains a compliance certificate from all directors and employees on an annual basis related to the Code.

## 7. Board Committees

The Board currently has three standing committees:

- (a) Audit Committee;
- (b) Executive Search Committee; and,
- (c) Compensation and Governance Committee.

## 8. Board Assessments

The Board is responsible for monitoring the adequacy of information given to Directors, communication between the Board and management and the strategic direction and processes of the Board and its committees. There was no formal Board assessment conducted in the past year.

## F. AUDIT COMMITTEE DISCLOSURE

A summary of the membership, responsibilities and activities of the Audit Committee is set out below as required by applicable legislation. The Company has adopted a Charter for the Audit Committee, a copy of which is attached as Schedule “B”.

### 1. Composition of the Audit Committee

The following table sets out the members of the Audit Committee and their qualification as being independent members and financially literate as defined under National Instrument 52-110 - Audit Committees:

Director	Relationship	Financially Literate
Douglas Alexander, CPA, CA - Chair	Independent	Yes
Bruno Maruzzo, MBA	Independent	Yes
Dave Sanderson, LLB	Not Independent <sup>(1)</sup>	Yes

Note:

(1) Considered not to be independent by reason of his spouse’s company providing human resource consulting services to the Company.

A majority of the members of the Audit Committee are independent.

### 2. Relevant Education and Experience

The members of the Audit Committee are each experienced senior business executives. Mr. Alexander, the Chair of the Committee, is a member of the Chartered Professional Accountants of Ontario. Neither Mr. Maruzzo nor Mr. Sanderson have a formal accounting designation, however, each of them has many years of experience in evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’s financial statements. Based on such experience, each member has an understanding of the accounting principles used by the Company to prepare its financial statements, the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves by the Company and an understanding of internal controls and procedures for financial reporting. Each of the members of the Committee have been involved actively at a supervisory level in the financial and accounting management of small companies and have demonstrated ability to address financial and accounting issues.

Mr. Sanderson is considered not independent by reason of the fact that his spouse’s company provides human resource consulting services to the Company. However, the Board has determined, in its reasonable judgement, that Mr. Sanderson is able to exercise the impartial judgement necessary to fulfill his responsibilities as an audit committee member, and the appointment of Mr. Sanderson is required in the best interests of the Company and its shareholders.

### 3. Audit Committee Oversight

At no time since the commencement of the Company’s most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

#### 4. Non-Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (de minimus Non-audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

#### 5. Pre-Approval Policies and Procedures

The Committee has established an Auditor Engagement Services Policy (the "Policy") setting out the services the independent auditor is permitted to perform and which are accordingly pre-approved by the Audit Committee in accordance with the Policy. Any service not covered under the Policy must receive specific pre-approval prior to such service being provided to the Company by the independent auditor. The Policy also sets out those specific services or activities that the auditor is not permitted to perform and for which approval would not be granted.

#### 6. External Auditor Service Fees

The aggregate fees billed by the Company's external auditor in each of the last three fiscal years are as follows:

Financial Year Ending	Audit	Audit Related	Tax Services	All Other	Total Fees
April 30, 2016	\$ 60,500	\$ 5,445	\$ 4,884	\$ 3,200	\$74,029
April 30, 2015	58,000	1,160	4,800	15,275	79,235
April 30, 2014	\$ 59,325	\$ 6,995	\$ 5,400	\$ 7,850	\$ 79,570

The Audit Related Fees in each year include the Canadian Public Accounting Board ("CPAB") audit participation fee of 2% that all audited companies are required to pay as collected by the auditor on behalf of CPAB. In fiscal 2016, these fees also include the Auditor's 7% administration overhead fee implemented in that year.

Tax Services relate to sundry income tax inquiries and support for the filing of the Company's annual income tax and investment tax credit returns.

All Other costs in fiscal 2016 related to sundry questions on non-income tax inquiries. In fiscal 2015, these costs primarily related to a review of the tax consequences of the Company's increasing U.S. presence, as well as alternative tax effective organizational structures for developing certain Company assets. In fiscal 2014, these costs related to accounting and tax support on two potential transactions considered by the Company during that year.

#### 7. Exemption

The Company is relying, in part, on the exemption for full compliance with NI 52-110 granted for all Venture Issuers under Part 6 of NI 52-110.

## G. OTHER

Unless otherwise specified, the information contained herein is as of September 16, 2016. The management of the Company knows of no other matters to come before the Meeting other than the matters referred to in the Notice of the Meeting. If any matters not now known should properly come before the Meeting, the accompanying proxy instrument will be voted on such matters in accordance with the best judgment of the person voting it.

The Company's Financial Statements and Management Discussion and Analysis for the fiscal year ended April 30, 2016 were filed on August 2, 2016 and contain additional financial information. These documents and other additional information about the Company are available at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.criticaloutcome.com](http://www.criticaloutcome.com). Copies of the information referred to above can also be obtained upon request in writing to the: Chief Financial Officer, Critical Outcome Technologies Inc., Suite 213, 700 Collip Circle, London, Ontario, N6G 4X8.

## H. APPROVAL OF INFORMATION CIRCULAR

The content and the sending of this Information Circular have been approved by the directors of the Company.

Dated at London, Ontario, the 16th day of September 2016.



Dr. Wayne R. Danter  
Chief Executive Officer

## **SCHEDULE "A"**

### **CODE OF ETHICS AND BUSINESS CONDUCT**

The Board of Directors of COTI has adopted this Code of Conduct to guide the Directors and the Company's Employees in recognizing and addressing ethical issues and in ensuring that their activities are consistent with the Company's values of:

- Respect
- Uncompromising integrity
- Trust
- Credibility
- Continuous improvement and personal renewal
- Recognition and celebration
- Transparency

The Code is intended to be a source of guiding principles since no code or policy can anticipate every situation that may arise. Directors or Employees with questions about the Code's application to particular circumstances are encouraged to discuss the issue with the Chair of the Audit Committee of the Board of Directors.

#### **1. Compliance with Laws and Company Policies**

Directors and Employees are expected to comply with applicable laws and Company policies, and to monitor legal and ethical compliance by the Company's Directors, Officers, and other Employees.

#### **2. Conflicts of Interest**

Directors and Employees must avoid any conflicts of interest with the Company. A "conflict of interest" exists when a Director or Employee's personal or professional interest is adverse to, or may appear to be adverse to, the interests of the Company. Conflicts of interest may also arise when a Director or Employee, or members of his or her family, or an organization with which the Director or Employee is affiliated, receives improper benefits as a result of the Director's or Employee's position. Any situation that involves, or may involve, a conflict of interest must be promptly disclosed to the Chair of the Audit Committee.

#### **3. Corporate Opportunities**

Directors and Employees owe a duty to the Company to advance its legitimate interests. Directors and Employees may not take for themselves personally, or for other organizations with which they are affiliated, opportunities discovered using Company property, information, or position. No Director or Employee may compete with the Company, or use Company property, information, or position for improper personal gain.

#### **4. Competition and Fair Dealing**

Directors and Employees shall endeavor to deal fairly with the Company's customers, suppliers, and competitors. The Board shall oversee fair business dealing by the Company's Officers and Employees. No Director or Employee should take unfair business advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other

intentional unfair-dealing.

The purpose of business entertainment and gifts in a commercial setting is to create goodwill and sound working relationships, not to gain unfair advantage with customers. Directors, Employees, and members of their immediate families may not accept gifts from outside persons or entities when the gifts are made in order to influence the Director's or the Employee's actions, or where acceptance of the gifts could create the appearance of impropriety.

## **5. Confidentiality**

Directors and Employees must maintain the confidentiality of information entrusted to them by the Company or its customers, and any other information that comes to them about the Company, except when disclosure is authorized or legally required. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company if disclosed.

## **6. Protection and Proper Use of Company Assets**

Directors and Employees must protect the Company's assets and ensure their efficient use. Directors and Employees must not use Company time, employees, supplies, equipment, buildings, or other assets for personal benefit, unless the use is approved in advance by the Chair of the Audit Committee or is part of a compensation or expense reimbursement program available to all Directors and Employees.

## **7. Encouraging the Reporting of any Illegal or Unethical Behavior**

Directors and Employees should promote ethical behavior and take steps to ensure that the Company; (a) encourages Directors and Employees to talk to supervisors, managers, and other appropriate personnel when in doubt about the best course of action in a particular situation; (b) encourages Directors and Employees to report violations of laws, rules, or regulations; (c) informs Directors and Employees that the Company will not permit retaliation for reports made in good faith.

## **8. Enforcement**

The Board shall determine appropriate actions to be taken in the event of violations of this Code. Directors and Employees should communicate any suspected violations of this Code promptly to the Chair of the Audit Committee. The Audit Committee or the Board, or their designee, will investigate violations, and will ensure that appropriate remedial action is taken.

## **9. Waivers of the Code of Business Conduct**

Only the Board or the Audit Committee may waive a Company business conduct policy for a COTI Director or Employee, and the waiver must be disclosed to shareholders in accordance with COTI's disclosure policy.

## **10. Annual Review**

The policy has been reviewed and authorized by the Board. The Board shall review and reassess the adequacy of this Policy annually, and make any amendments that it deems appropriate. All Directors and Employees are provided with a copy of this official policy.

**SCHEDULE "B"**  
**AUDIT COMMITTEE CHARTER**  
**AMENDED JULY 24, 2012**

**1. PURPOSE**

The Audit Committee is a committee of the Board of Directors of Critical Outcome Technologies Inc. (the "**Corporation**") established to assist the Board of Directors in fulfilling its oversight responsibilities for the accounting and financial reporting processes of the Corporation and audit of the Corporation's financial statements by carrying out the activities described in this Charter in the manner detailed by this Charter.

**2. COMMITTEE MEMBERSHIP**

- (a) The Board of Directors, immediately upon their election by the shareholders of the Corporation, shall appoint an Audit Committee to serve for the forthcoming year. Each member of the Audit Committee shall serve at the pleasure of the Board of Directors until the member resigns, is removed or ceases to be a director of the Corporation.
- (b) The Audit Committee shall consist of not less than three directors, none of whom shall be officers or employees of the Corporation or any of its affiliates.
- (c) The Board of Directors shall designate a member of the Audit Committee to serve as Chairman.
- (d) Each member of the Audit Committee shall:
  - (i) be a member of the Board of Directors of the Corporation;
  - (ii) be independent according to the definition of independence applicable to members of audit committees under National Instrument 52-110 ("NI 52-110") entitled "Audit Committees" of the Canadian Securities Administrators, unless otherwise approved by the Board of Directors in accordance with NI 52-110; and,
  - (iii) have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements, unless the financial statements are otherwise approved by the Board of Directors in accordance with NI 52-110.
- (e) The Chief Financial Officer of the Corporation shall act as secretary of the Audit Committee.

**3. MEETINGS**

- (a) Meetings of the Audit Committee shall be held at least four times a year. The meetings will be scheduled to permit timely review of the Corporation's interim and annual financial statements.
- (b) Additional meetings of the Audit Committee may be called by the Chairman, any member of the Committee or the external auditor of the Corporation.

- (c) Not less than 72 hours' notice of meetings of the Audit Committee shall be given by the Chief Financial Officer together with any meeting materials, unless waived by all members of the Audit Committee.
- (d) Meetings of the Audit Committee may be held by means of conference telephone.
- (e) A resolution signed by all members of the Audit Committee shall be as effective as if passed at a meeting of the Audit Committee that was duly called and held.

#### **4. REPORTING**

- (a) The Chief Financial Officer will arrange for the preparation of minutes of the meetings of the Audit Committee in sufficient detail to convey the substance of all discussions held.
- (b) The Chairman may report orally to the Board on any matter in his/her view requiring the immediate attention of the Board.

#### **5. RESPONSIBILITIES**

In fulfilling its responsibilities, the Audit Committee shall:

- (a) review the Corporation's annual and interim financial statements and Management Discussion and Analysis prior to public disclosure of such information by the Corporation;
- (b) review the annual and interim earnings press releases, and any other press releases containing financial information related to earnings, prior to public disclosure of such information by the Corporation;
- (c) satisfy itself, on behalf of the Board of Directors, that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements (other than the public disclosure referred to in (a) above) and periodically assess the adequacy of such procedures;
- (d) satisfy itself, on behalf of the Board of Directors, that the Corporation's annual financial statements are fairly presented in accordance with International Financial Reporting Standards (IFRS), and recommend to the Board whether the annual financial statements should be approved;
- (e) satisfy itself, on behalf of the Board of Directors, that the Corporation's interim financial statements are fairly presented in accordance with IFRS and, approve such interim financial statements on behalf of the Board of Directors as appropriate;
- (f) satisfy itself, on behalf of the Board of Directors, that the information contained in the Corporation's Annual Report to Shareholders, if any, and other financial publications such as Management Discussion and Analysis, the Annual Information Form, if applicable, and the information contained therein is fairly presented in all material respects;
- (g) satisfy itself, on behalf of the Board of Directors, that the Corporation has implemented

appropriate systems to identify, assess and mitigate significant business risks;

- (h) satisfy itself, on behalf of the Board of Directors, that the Corporation has implemented appropriate systems of internal control over financial reporting (which may include an internal audit function) and that these are operating effectively;
- (i) satisfy itself, on behalf of the Board of Directors, that the Corporation has implemented appropriate systems of internal control to ensure compliance with legal, regulatory and ethical requirements;
- (j) establish procedures, for the receipt, retention and treatment of complaints received by the Corporation, if any, regarding accounting, internal accounting controls or auditing matters;
- (k) establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns, if any, regarding questionable accounting or auditing matters;
- (l) satisfy itself, on behalf of the Board of Directors, that the external audit function has been effectively carried out and that any matter which the independent auditor wishes to bring to the attention of the Board has been addressed; and
- (m) at least once per year, meet with the external auditor and management in separate sessions to discuss any matters that these groups believe should be discussed with the Audit Committee or that the Audit Committee believes should be discussed with these groups.

## **6. RELATIONSHIP WITH THE AUDITOR**

- (a) The Audit Committee shall recommend to the Board of Directors the external auditor to be nominated for appointment at the Corporation's annual meeting for preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation.
- (b) The Audit Committee shall satisfy itself, on behalf of the Board of Directors, that the external auditor is "independent" in accordance with applicable laws and regulatory requirements.
- (c) The Audit Committee shall recommend to the Board of Directors the compensation of the external auditor.
- (d) The external auditor is required to report directly to the Audit Committee and the Audit Committee has the authority to communicate directly with the external auditor.
- (e) The Audit Committee shall be directly responsible for overseeing the work of the external auditor engaged for preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- (f) The Audit Committee shall review and approve the Corporation's hiring policies regarding current and former partners, and employees of the current, and any former, external auditor of the Corporation.

## **7. PRE-APPROVAL OF NON-AUDIT SERVICES**

- (a) The Audit Committee shall pre-approve all services to be provided to the Corporation or its subsidiaries by the external auditor at a cost to the Corporation, individually or in aggregate, of \$25,000 or more, other than the professional services rendered by the external auditor for the audit and review of the Corporation's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements.
- (b) In addition to the Pre-approval threshold amount noted in (a), the pre-approval requirement is also satisfied where:
  - (i) the Audit Committee delegates authority to pre-approve non-audit services to one or more members, which pre-approval must be presented by the member(s) to the full Audit Committee at its next scheduled meeting; or,
  - (ii) the Audit Committee adopts specific policies and procedures for the engagement of non-audit services provided that: (i) the pre-approval policies and procedures are detailed as to the particular service, (ii) the Audit Committee is informed of each non-audit service, and (iii) the procedures do not include delegation of the Audit Committee's responsibilities to management.

## **8. AUTHORITY TO ENGAGE EXTERNAL ADVISORS**

The Audit Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set and have the Corporation pay the compensation for such advisors.

## Notes

