

Cipher Pharmaceuticals Inc.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

and

MANAGEMENT INFORMATION CIRCULAR

March 31, 2017

CIPHER PHARMACEUTICALS INC.

March 31, 2017

Dear Shareholders:

It is my great pleasure to invite you to the Annual Meeting (the “**Meeting**”) of Cipher Pharmaceuticals Inc. (the “**Corporation**”) to be held on Thursday, May 11, 2017 at the offices of Goodmans LLP, Bay Adelaide Centre, 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7 at 11:00 a.m. (Toronto time).

The items of business to be considered and voted upon at this Meeting are described in the Notice of Annual Meeting and the accompanying Management Information Circular.

You may find further information concerning the Corporation on our website: www.cipherpharma.com. We encourage you to visit our website before attending the Meeting.

Your participation at this Meeting is important. We encourage you to exercise your right to vote, which can easily be done by following the instructions provided in the Management Information Circular and form of proxy, or a voting instruction form if you are not a registered shareholder.

At the Meeting, a report on the Corporation’s affairs will be provided by senior management. You will also have the opportunity to ask questions and to meet the Corporation’s Board of Directors.

We look forward to seeing you on May 11, 2017.

Yours very truly,

“Dr. John D. Mull” (signed)

Dr. John D. Mull
Chair of the Board of Directors
Cipher Pharmaceuticals Inc.

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**CIPHER PHARMACEUTICALS INC.
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 11, 2017**

NOTICE IS HEREBY GIVEN that the Annual Meeting (the “**Meeting**”) of the common shareholders of Cipher Pharmaceuticals Inc. (“**Cipher**” or the “**Corporation**”) will be held on Thursday, May 11, 2017 at the offices of Goodmans LLP, Bay Adelaide Centre, 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7, at 11:00 a.m. (Toronto time), for the following purposes:

- (a) to receive and consider the consolidated financial statements of the Corporation for the year ended December 31, 2016, together with the report of the auditor thereon;
- (b) to elect directors for the ensuing year;
- (c) to appoint the auditor for the ensuing year and to authorize the directors to fix the auditor’s remuneration; and
- (d) to transact such other business as may properly come before the Meeting or any adjournments or postponements thereof.

Only holders (“**Shareholders**”) of record at the close of business on Friday, March 24, 2017 (the “**Record Date**”) of common shares of the Corporation are entitled to notice of and to attend the Meeting or any adjournments or postponements thereof and to vote thereat.

Shareholders may vote in person at the Meeting or any adjournments or postponements thereof, or they may appoint another person (who need not be a Shareholder) as their proxy to attend and vote in their place.

Shareholders unable to be present at the Meeting are requested to date and sign the enclosed form of proxy and return it to Computershare Investor Services Inc., attention: Proxy Department, 100 University Ave., 8th Floor, Toronto, Ontario, M5J 2Y1, or by fax (1-866-249-7775 or 416-263-9524) not later than 5:00 p.m. (Toronto time) on May 9, 2017, or with the Chair of the Meeting before the commencement of the Meeting, or, if the Meeting is adjourned or postponed, not less than 24 hours, excluding Saturdays, Sundays and statutory holidays in Toronto, Ontario, preceding the time of such adjourned or postponed Meeting or with the Chair of the Meeting before the commencement of such adjourned or postponed Meeting. Voting can also be done by phone or internet as described in the accompanying Management Information Circular.

A Management Information Circular relating to the business to be conducted at the Meeting and an Annual Report containing the audited consolidated financial statements of the Corporation for the fiscal year ended December 31, 2016 (as applicable) accompany this Notice.

DATED at Toronto, Ontario this 31st day of March, 2017.

BY ORDER OF THE BOARD OF DIRECTORS

“Dr. John D. Mull” (signed)
Chair of the Board of Directors

MANAGEMENT INFORMATION CIRCULAR

This Management Information Circular (the “**Circular**”) is furnished to shareholders of Cipher Pharmaceuticals Inc. (the “**Corporation**” or “**Cipher**”) in connection with the solicitation by and on behalf of the management of the Corporation of proxies to be used at the Annual Meeting of Shareholders (the “**Meeting**”) of the Corporation to be held on Thursday, May 11, 2017 at the offices of Goodmans LLP, Bay Adelaide Centre, 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7, at 11:00 a.m. (Toronto time), and at any adjournment(s) or postponement(s) thereof, for the purposes set forth in the attached Notice of Annual Meeting of Shareholders (the “**Notice**”).

This Circular, the Notice, the accompanying form of proxy and the Corporation’s Annual Report (as applicable) are being mailed on or before April 20, 2017 to shareholders of record of the Corporation as of the close of business on March 24, 2017. The Corporation will bear all costs associated with the preparation and mailing of this Circular, the Notice, the accompanying form of proxy and the Corporation’s Annual Report, as well as the cost of the solicitation of proxies. The solicitation will be primarily by mail; however, officers and regular employees of the Corporation may also directly solicit proxies (but not for additional compensation) personally, by telephone, by telefax or by other means of electronic transmission. Banks, brokerage houses and other custodians and nominees or fiduciaries will be requested to forward proxy solicitation material to their principals and to obtain authorizations for the execution of proxies and will be reimbursed for their reasonable expenses in doing so.

All amounts referred to in this Circular are presented in Canadian dollars, unless otherwise noted.

HOW TO VOTE YOUR SHARES

Your vote is important. Please read the information below to ensure your shares are properly voted.

Registered Shareholders and Non-Registered Shareholders

How you vote your shares depends on whether you are a registered shareholder or a non-registered shareholder. In either case, there are two ways you can vote at the Meeting – by appointing a proxyholder or by attending in person.

Registered Shareholder:

You are a registered shareholder if you hold one or more share certificates which indicate your name and the number of shares which you own. As a registered shareholder, you will receive a form of proxy from Computershare Investor Services Inc. (“**Computershare**”) representing the shares you hold. If you are a registered shareholder refer to “How to Vote – Registered Shareholders” below.

Non-Registered Shareholder:





You are a non-registered shareholder if an intermediary such as a securities dealer, broker, bank, trust company or other nominee holds your shares for you, or for someone else on your behalf, registered in the name of the nominee. In accordance with applicable securities laws, the Corporation distributes copies of its Meeting materials to non-registered shareholders directly or to intermediaries for onward distribution to non-registered shareholders. As a non-registered shareholder, you will most likely receive a Voting Instruction Form from either Computershare on behalf of Cipher (if you are a non-objecting beneficial owner of shares willing to have your nominee disclose your ownership information to Cipher) or Broadridge Investor Communications Corporation (“**Broadridge**”) on behalf of intermediaries (if you are an objecting beneficial owner of shares not willing to have your nominee disclose your ownership information to Cipher), although in some cases you may receive a form of proxy from the securities dealer, broker, bank, trust company or other nominee holding your shares. If you are a non-registered shareholder, refer to “How to Vote - Non-Registered Shareholders” below.

How to Vote – Registered Shareholders

If you are a registered shareholder you may either vote by proxy or in person at the Meeting.

Submitting Votes by Proxy

There are four ways to submit your vote by proxy:

-  phone
-  internet
-  mail
-  fax

in accordance with the instructions on the form of proxy.

If you are voting by phone or internet, you will need the pre-printed Control Number, Holder Account Number and Access Number on your form of proxy.

A proxy submitted by mail or fax must be in writing, dated the date on which you signed it and be signed by you (or your authorized attorney). If a proxy submitted by mail or fax is not dated, it will be deemed to bear the date on which it was sent to you. If such a proxy is being submitted on behalf of a corporate shareholder, the proxy must be signed by an authorized officer or attorney of that corporation, whose title should be indicated. Documentation evidencing power to sign the proxy may be required. A form of proxy executed by a person acting as attorney or in some other representative capacity should state such person's capacity following his or her signature. Documentation evidencing power to sign the proxy may be required.

If you are voting your shares by proxy, you must ensure that your completed and signed proxy form or your phone or internet vote is received by Computershare not later than 5:00 p.m. (Toronto time) on May 9, 2017 or, if the Meeting is adjourned or postponed, not less than 24 hours excluding Saturdays, Sundays and statutory holidays in Toronto, Ontario, preceding the time of such adjourned or postponed Meeting, or is provided to the Chair of the Meeting before the commencement of the Meeting or any adjourned or postponed Meeting.

Appointment of Proxyholder

Unless you specify a different proxyholder or specify how you want your shares to be voted, the Cipher representatives whose names are pre-printed on the form of proxy (who are directors or officers of the Corporation) will vote your shares:

- **FOR** the election as directors each of the nominees named in this Circular; and
- **FOR** the re-appointment of PricewaterhouseCoopers LLP as auditor and authorizing the directors to fix the auditor's remuneration;

You have the right to appoint someone else (who need not be a shareholder) as your proxyholder; however, if you do, that person must vote your shares in person on your behalf at the Meeting. To appoint someone else your proxyholder, insert the person's name in the blank space provided on the form of proxy or complete, sign, date and submit another proper form of proxy naming that person as your proxyholder.

If you choose to vote by proxy, you are giving the person (referred as a "**proxyholder**") or people named on your form of proxy the authority to vote your shares on your behalf at the Meeting.

You may indicate on the form of proxy how you want your proxyholder to vote your shares, or you can let your proxyholder decide for you. If you do not specify on the form of proxy how you want your shares to be voted, your proxyholder will have the discretion to vote your shares as they see fit.

The form of proxy accompanying this Circular gives the proxyholder discretion with respect to any amendments or changes to matters described in the Notice of Annual Meeting and with respect to any other matters which may properly come before the Meeting. As of the date of this Circular, the Company is not aware of any amendments, changes or other matters to be addressed at the Meeting.

Voting in Person

If you attend in person, you do not need to complete or return your form of proxy. When you arrive at the Meeting, a Computershare representative will register your attendance before you enter the Meeting.

If you vote in person at the Meeting and had previously completed and returned your form of proxy, your proxy will be automatically revoked and any votes you cast at the Meeting will count.

Revoking a Vote Made by Proxy

You have the right to revoke a proxy as to any matter on which a vote has not already been cast pursuant to its authority by one of the following methods:





- Vote again by phone or internet not later than the deadline described above under “How to Vote – Registered Shareholders – Submitting Votes by Proxy”;
- Deliver another completed and signed form of proxy, dated later than the first form of proxy, by mail or fax such that it is received by Computershare not later than the deadline described above under “How to Vote – Registered Shareholders – Submitting Votes by Proxy”;
- Personally attend the Meeting and vote your shares; or
- In any other manner permitted by law.

How to Vote – Non-Registered Shareholders

If you are a non-registered shareholder and Computershare has sent these materials directly to you on behalf of Cipher, your name, address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these materials directly to you, Cipher (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you and (ii) executing your proper voting instructions.

Submitting Voting Instructions

There are four ways to submit your vote by Voting Instruction Form:

-  phone
-  internet
-  mail
-  fax

in accordance with the instructions on the Voting Instruction Form.

If you are a non-registered shareholder and have received a Voting Instruction Form from Computershare, you must complete and submit your vote by phone, internet, mail or fax, in accordance with the instructions on the Voting Instruction Form. On receipt of a properly completed and submitted form, a legal form of proxy will be submitted on your behalf.

You must ensure your completed, signed and dated Voting Instruction Form or your phone or internet vote is received by Computershare not later than 5:00 p.m. (Toronto time) on May 9, 2017 or, if the Meeting is adjourned or postponed, not less than 24 hours, excluding Saturdays, Sundays and statutory holidays in Toronto, Ontario, preceding the time of such adjourned or postponed Meeting. If a Voting Instruction Form submitted by mail or fax is not dated, it will be deemed to bear the date on which it was sent to you.

If you are a non-registered shareholder and have received a Voting Instruction Form from Broadridge, please complete and submit your vote by phone, internet or mail in accordance with the instructions provided to you on the form prior to the deadline specified by Broadridge. Voting by fax is not available in this instance.

In some cases, you may have received a form of proxy instead of a Voting Instruction Form, even though you are a non-registered shareholder. Such a form of proxy will likely be stamped by the securities dealer, broker, bank, trust company or other nominee or intermediary holding your shares and be restricted as to the number of shares to which it relates. In this case, you must complete the form of proxy and submit it to Computershare as described above under “How to Vote – Registered Shareholders – Submitting Votes by Proxy”.

Voting in Person

If you have received a Voting Instruction Form and wish to attend the Meeting in person or have someone else (who need not be a shareholder) attend on your behalf, you must complete, sign and return the Voting Instruction Form in accordance with the instructions on the form in that regard. Unless prohibited by law, the person you designate to attend the Meeting will have full authority to present matters to the Meeting and vote all matters presented at the Meeting, even if those matters are not set out in the Voting Instruction Form or this Information Circular. You, or such other designated person if applicable, must then vote your shares in person at the Meeting.

If you have received a form of proxy instead of a Voting Instruction Form and wish to attend the Meeting in person or have someone else attend on your behalf, you must insert your name, or the name of the person you wish to attend on your behalf, in the blank space provided on the form of proxy. You must ensure that your completed and signed proxy form is received by Computershare not later than 5:00 p.m. (Toronto time) on May 9, 2017 or, if the Meeting is adjourned or postponed, not less than 24 hours, excluding Saturdays, Sunday and statutory holidays, in Toronto, Ontario, preceding the time of such adjourned or postponed Meeting. You, or such other designated person if applicable, must then vote your shares in person at the Meeting.

When you or your designated person arrive at the Meeting, a Computershare representative will register such attendance before you or your designated person enter the Meeting.

Revoking a Voting Instruction Form or Proxy

If you wish to revoke a Voting Instruction Form or a form of proxy as to any matter on which a vote has not already been cast pursuant to its authority and you received your Voting Instruction Form from Computershare, you may vote again by phone or internet, or by delivering another completed and signed Voting Instruction Form dated later than the first Voting Instruction Form by mail or fax to Computershare, not later in any case than the deadline described above under “How to Vote – Non-Registered Shareholders – Submitting Voting Instructions”. If you received your Voting Instruction Form from Broadridge, and voted by phone or internet, you may vote again by phone or internet prior to the deadline specified by Broadridge. If you received your Voting Instruction Form from Broadridge and voted by mail, please contact your account service provider at your intermediary for instructions should you wish to revoke your Voting Instruction Form. If you received a form of proxy from your securities dealer, broker, bank, trust company or other nominee or intermediary, please refer to “How to Vote – Registered Shareholders – Revoking a Vote Made by Proxy” above. In any case you must comply with any applicable requirements relating to the revocation of votes made by Voting Instruction Form or proxy.

RECORD DATE

The Board has fixed the close of business on March 24, 2017 as the record date (the “**Record Date**”) for the Meeting. Only holders of record of common shares at the close of business on the Record Date are entitled to receive notice of and to attend and vote at the Meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

As at March 31, 2017, there were issued and outstanding 26,507,661 common shares. Holders of common shares as at the time of taking any vote on the date of the Meeting are entitled to cast one vote per common share held by them on each matter to be acted on at the Meeting.

The following table sets forth information with respect to the only shareholder known to the directors or officers of the Corporation to own beneficially, or exercise control or direction over, directly or indirectly, more than ten percent of the issued and outstanding common shares of the Corporation (the “**common shares**”), as at March 31, 2017:

	<u>Number of Shares</u>	<u>Percentage of Common Shares</u>
Dr. John D. Mull	9,751,265 ⁽¹⁾	36.8%

(1) 9,386,150 of these shares are held by 1207407 Ontario Limited, all of the shares of which are held by Dr. Mull.

The Corporation has been advised that 1207407 Ontario Limited and Dr. John D. Mull intend to vote their common shares for the election of the management nominees named in this Circular as directors of the Corporation and for the re-appointment of PricewaterhouseCoopers LLP as auditor and to authorize the directors to fix the auditor’s remuneration.

MATTERS TO BE CONSIDERED AT THE MEETING

Financial Statements and Auditor’s Report

Management, on behalf of the Board of Directors of the Corporation (the “**Board**”), will submit to the shareholders at the Meeting the Financial Statements of the Corporation for the fiscal year ended December 31, 2016 and the Auditor’s Report thereon, but no vote by the shareholders with respect thereto is required or proposed to be taken. The Financial Statements and Auditor’s Report are included in the Corporation’s 2016 Annual Report.

Election of Directors

Under the Articles of Incorporation of the Corporation, the Board is to consist of a minimum of one and a maximum of ten directors. The directors are authorized to determine from time to time, by resolution, the number of directors of the Corporation and the number of directors to be elected at the annual meeting of the shareholders of the Corporation, such number being within the minimum and maximum numbers provided for in the Corporation’s articles. The number of directors currently is set at eight, subject to a decrease to six effective as of the Meeting. The term of office of each director expires at the time of the Meeting unless successors are not elected, in which case the directors remain in office until their successors are elected or appointed in accordance with applicable law and the Corporation’s by-laws.

Management proposes to nominate, and the persons named in the accompanying form of proxy, in the absence of specifications or instructions to withhold from voting on the proxy, will vote for the election of the six persons whose names are set forth below, four of whom are now and have been directors for the periods indicated, but will not vote for a greater number of persons than the number of nominees named in the form of proxy. Management does not contemplate that any of the nominees will be unable to serve as a director. If, as a result of circumstances not now contemplated, any nominee is unavailable to serve as a director, the proxy will be voted for the election of such other person or persons as management may select. Each director elected will hold office until the next annual

meeting of shareholders of the Corporation, or until his/her respective successor is elected or appointed in accordance with applicable law and the Corporation's by-laws.

The Board has adopted a policy regarding majority voting in the election of directors. For details regarding this policy see "Majority Voting in Director Elections" in Appendix B hereto. The Corporation has adopted an Advance Notice By-law with respect to the nomination of directors by shareholders as described in the Management Information Circular dated March 31, 2015.

The following table sets forth information with respect to each of the six management nominees for director, including the number of common shares of the Corporation, beneficially owned, directly or indirectly, or over which control or direction is exercised by each such nominee, as at March 31, 2017:

Name and Province or State of Residence of Nominee	Director Since	Other Positions and Offices Presently Held With Corporation	Principal Occupation	Cipher Common Shares
Dr. John D. Mull ⁽¹⁾ <i>Ontario, Canada</i>	Jan. 9, 2004	Chair	Chief Executive Officer, Typhon Group Limited	9,751,265 ⁽²⁾
Harold Wolkin ⁽³⁾ <i>Ontario, Canada</i>	August 9, 2016	--	Retired. Former Executive Vice-President and Head of Investment Banking of Dundee Capital Markets and former Managing Director of BMO Capital Markets	20,518
Christian Godin ⁽⁴⁾ <i>Quebec, Canada</i>	August 9, 2016	--	Head of Equities, Montrusco Bolton Investments Inc.	3,169 ⁽⁵⁾
Mark Beaudet ⁽⁶⁾ <i>Quebec, Canada</i>	August 9, 2016	--	Retired. Founder and former interim President and Chief Executive Officer of Paladin Labs Inc.	27,617
Arthur M. Deboeck <i>Gurabo, Puerto Rico</i>	--	--	Vice-President and General Manager of Galephar Pharmaceutical Research, Inc.	102,800
Robert D. Tessarolo <i>Ontario, Canada</i>	--	President and Chief Executive Officer (as of April 17, 2017)	President and Chief Executive Officer of the Corporation	32,500

(1) Dr. Mull is the Chair of the Board.

(2) An associate of Dr. Mull owns and controls an additional 17,700 common shares.

(3) Mr. Wolkin is Chair of the Audit Committee and a member of the Nominating and Governance Committee

(4) Mr. Godin is a member of the Compensation Committee

(5) Montrusco Bolton Investments Inc. controls on behalf of its clients 2,208,210 common shares.

(6) Mr. Beaudet is Chair of the Nominating and Governance Committee and a member of the Audit Committee.

The following are brief biographies of each of the nominees for director:

Dr. John D. Mull (Age 84): Dr. Mull is Chief Executive Officer of Typhon Group Limited, a private equity capital corporation. Dr. Mull is the founder and former Chief Executive Officer of Cipher, as well as CML HealthCare Inc. ("CML"), Pharma Medica Research Inc. ("Pharma Medica") and Starplex Scientific, Inc. In those capacities, he has been involved in more than 30 merger and acquisition transactions. Cipher and Pharma Medica were subsidiaries of CML prior to CML's conversion to an income trust in 2004. At the time, CML was one of the largest operators of medical diagnostic and medical imaging facilities in Canada and the United States. Its peak market capitalization exceeded \$1.4 billion. CML merged with LifeLabs Medical Laboratory Services in 2013. Dr. Mull is a graduate of the

Faculty of Medicine, University of Toronto, and completed his training in Anatomic and Clinical Pathology at the University of Michigan (Ann Arbor). He is certified in Pathology by the Royal College of Physicians and Surgeons and in Anatomic and Clinical Pathology by the American College of Physicians and Surgeons. His original investigative research work in those fields involved publication of 15 papers in various medical journals. Dr. Mull's experience in practice as a staff pathologist at hospitals in South Western Ontario convinced him that healthcare providers required high-quality medical diagnostic services not then available. He founded CML in 1971 to address that need.

Harold Wolkin (Age 65): Mr. Wolkin is an accomplished investment banker and financial analyst with over 30 years of experience. Mr. Wolkin joined BMO Nesbitt Burns as a senior research analyst in 1983. He went on to serve as managing director in the Diversified Industries Group of BMO Capital Markets until January 2008. Most recently, Mr. Wolkin served as Executive Vice-President and Head of Investment Banking for Dundee Capital Markets. Mr. Wolkin has served on a number of public company and not-for-profit boards and currently serves as a director of Diamond Estates Wines & Spirits and Baylin Technologies Inc. He was the past President of the CFA Society Toronto and has been a member of the Chartered Financial Institute since 1980. He is a member of the Institute of Corporate Directors.

Christian Godin (Age 55): Mr. Godin is Head of Equities at Montrusco Bolton Investments Inc. (“**Montrusco**”) and sits on its board of directors. He is also a member of the Management Committee of Montrusco. Montrusco is a Montreal-based investment firm that has approximately \$6.0 billion in assets under management. Prior to joining Montrusco in 2001, Mr. Godin worked for Merrill Lynch Canada where he was a director and senior equity research analyst. He also worked for Midland Walwyn Capital and CTI Capital. Christian holds a Bachelor of Business Administration from Université du Québec à Montréal and a Master of Science in Administration specialized in Finance from HEC Montréal.

Mark Beaudet (Age 49): Mr. Beaudet is a co-founder of Paladin Labs Inc. (“**Paladin**”), a specialty pharmaceutical company focused on acquiring or in-licensing innovative pharmaceutical products, which was acquired by Endo International plc (“**Endo**”) in 2014 for approximately \$3.0 billion. Since Paladin's founding in 1996, Mr. Beaudet served as a member of its board of directors and as the company's Vice President of Sales and Marketing until 2011 when he became interim President and Chief Executive Officer. Following Endo's acquisition of Paladin, Mr. Beaudet joined Endo's executive leadership team and continued to lead the Paladin team until his departure in June 2016. Prior to his work with Paladin, Mr. Beaudet held marketing management positions at Procter & Gamble Canada and Pizza Hut Canada. Mr. Beaudet is a member of the board of directors of the McGill University Health Center Foundation, Loyola High School and the Loyola High School Foundation. Mr. Beaudet is the Chairman of Ilkos Therapeutic Inc and also serves on the board of Altus Formulations Inc., both privately held drug development companies. He is a former member of the board and former Chair of the Regulatory Affairs Committee of Innovative Medicines Canada (formerly Rx&D - Canada's Research Based Pharmaceutical Industry Association). Mr. Beaudet holds a B.Comm in Marketing and Entrepreneurship from McGill University and is recognized as a Certified Market Research Professional (CMRP) by the Canadian Market Research and Intelligence Association and as an Accredited Pharmaceutical Manufacturer's Representative by the Council for Continuing Pharmaceutical Education (CCPE).

Arthur M. Deboeck (Age 70): Mr. Deboeck is currently the Founder, Vice-President and General Manager of Galephar Pharmaceutical Research, Inc. and President and Principal Investigator of Galephar Research, Inc. (collectively, “**Galephar**”). Galephar is a Puerto Rico-based pharmaceutical research company with oral and pulmonary drug delivery technology, formulation, and manufacturing expertise. Galephar has developed and licensed to CIPHER various pharmaceutical products and manufactures products for CIPHER. Mr. Deboeck has more than 45 years of experience in the pharmaceutical field of drug delivery. He received his education as a chemical engineer from the Institut Meurice Chimie, Brussels, Belgium and a Galenic Pharmacy degree from the University of Liege, Belgium.

Robert D. Tessarolo (Age 49): Mr. Tessarolo has been appointed President and Chief Executive Officer of CIPHER effective April 17, 2017. Mr. Tessarolo most recently held the position of Vice President & General Manager with Celgene Corporation until March 31, 2017, where he was responsible for leading their U.S. Inflammation & Immunology business. He contributed to the substantial expansion of the U.S. business in 2016, which was led by the rapid growth of Otezla for plaque psoriasis and psoriatic arthritis. Prior to joining Celgene in September, 2015, Mr. Tessarolo led the launch of Actavis, plc's Canadian Specialty Pharmaceutical Division, serving as President & General Manager – Canada of Actavis Specialty Pharmaceuticals Co. Under his leadership, Mr. Tessarolo established a Canadian business of over 140 employees and \$190 million in revenues, leading his team through several new product

launches and the successful integration of multiple company acquisitions, including Warner Chilcott, Forest Labs and Allergan. Prior to joining Actavis in 2011, Mr. Tessarolo held a number of positions of increasing responsibility with Biovail Pharmaceuticals Canada, culminating in his appointment to the position of Vice President and General Manager. Mr. Tessarolo had direct oversight and accountability for country strategy, operations, business development and financial responsibilities for each of the Canadian entities he has led. Mr. Tessarolo received his B.A. in Economics at Carleton University and has attended the Advanced Management Program for General Management at the Ross School of Business, University of Michigan.

There are no contracts, arrangements or understandings between any management nominee and any other person (other than the directors and officers of the Corporation acting solely in such capacity) pursuant to which the nominee has been or is to be elected as a director.

The current directors and officers of the Corporation as a group (seven persons) owned beneficially or exercised control or direction over 9,866,017 common shares, or approximately 37%, of the common shares, as at March 31, 2017. See also “Voting Securities and Principal Holders of Voting Securities”.

Skills Matrix

The skills matrix set out below with respect to the functional expertise of each of the independent directors of Cipher, including the nominee independent director, is used to assess the overall strength and diversity of the Board.

FUNCTIONAL EXPERTISE	BEAUDET	DEBOECK	GODIN	MULL	TESSAROLO	WOLKIN
Public Company Board Experience	✓			✓	✓	✓
Public Company CEO Experience	✓			✓		
General Management / Business Operations	✓	✓	✓	✓	✓	✓
Finance / Public Company CFO						✓
Recent US Commercial Experience					✓	
Strategy & Business Development	✓	✓	✓		✓	
Clinical Development / Regulatory	✓	✓			✓	
Government Affairs / Policy	✓				✓	
Manufacturing / Supply Chain	✓	✓			✓	
Legal / Compliance	✓	✓			✓	
Transactions / Investment Expertise	✓	✓	✓	✓	✓	✓
Science / Technology (PhD / MD / PharmD)		✓		✓		
Corporate Governance	✓		✓		✓	✓

Re-Appointment of Auditor

At the Meeting, the shareholders will be asked to re-appoint PricewaterhouseCoopers LLP as the auditor of the Corporation until the next annual meeting of shareholders, based on the recommendation of the Audit Committee and the Board, and to authorize the directors to fix the remuneration of the auditor. PricewaterhouseCoopers LLP has been the auditor of the Corporation since the Corporation became a public company in February 2004. The persons named in the accompanying form of proxy, in the absence of specifications or instructions to withhold from voting on the form of proxy, will vote for the re-appointment of PricewaterhouseCoopers LLP as the auditor of the Corporation and to authorize the directors to fix the remuneration of the auditor. Representatives of PricewaterhouseCoopers LLP are expected to attend the Meeting.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Corporation's executive compensation program is designed to provide short and long-term rewards to the Named Executive Officers (as defined herein) that are consistent with individual and corporate performance and their contribution to Cipher's objectives. The objectives of the Corporation with respect to compensation of executive officers are to provide compensation levels necessary to attract and retain high quality executives and to motivate key executives to contribute to the interests of the Corporation. These objectives are to be met by the principal components of the Corporation's executive compensation program, as set out in greater detail below.

Periodically, the Compensation Committee receives professional advice from external independent compensation experts with respect to the compensation levels for the Corporation's executive officers. Cipher's compensation program for executives was updated in 2016. As part of this review, an external consulting firm was retained and the professional fees related to this review were \$12,937. During 2015 fees of \$42,704 were paid to the same consulting firm for advice on the design of compensation programs. Total compensation of executive officers is established based on prevailing market rates in the industry and/or rates prevailing from time to time to attract executives with particular skills considered necessary by the Corporation.

The total compensation plan for senior executives of the Corporation includes four components: base salary, annual discretionary cash bonus, annual benefits and a long-term component based on stock options, restricted share units and performance share units.

Base Salary

Base salary is reflective of responsibilities and annual increases should, at a minimum, reflect inflationary pressures and changes in duties. At the date of hire, base salary is determined using a number of factors including industry comparators and relevant experience and is set out in the employment agreement. Annual increases are determined based upon reference to data on compensation levels of executives in comparable companies (i.e. public companies in the drug development/specialty pharmaceutical/health care sector) as well as the annual performance evaluation and underlying economic circumstances. The Compensation Committee recommends the annual base salary increases for the Chief Executive Officer and the direct reports of the Chief Executive Officer to the Board for approval.

Annual Incentive Plans and Benefits

Cash bonuses are awarded to recognize the achievement of annual corporate objectives and to recognize contributions that enhance the intrinsic value of the Corporation. Benefits commensurate with those paid to senior officers of companies of similar size and scope to Cipher are paid to Cipher's executive officers.

The annual incentive plan is a cash performance plan under which a payment is made to executives following the end of the Corporation's fiscal year, based on the achievement of established corporate and individual goals and objectives. For the Chief Executive Officer, only corporate goals and objectives are considered in the determination of incentive plan achievement. The annual objectives of the Corporation are presented to the Compensation Committee early in the fiscal year and regular updates are provided to the Compensation Committee by the Chief Executive Officer during the year. Following the completion of the fiscal year, the Chief Executive Officer presents an evaluation of corporate performance versus objectives to the Compensation Committee. The Chief Executive Officer also presents the recommended incentive plan payments for each of his direct reports to the Compensation Committee, including their achievement of individual objectives. The Board, on recommendation from the Compensation Committee, has final approval of the amounts paid to the Chief Executive Officer and his direct reports under the annual incentive plan.

In 2016, corporate objectives related to five areas; first, objectives related to financial performance and the commercial performance of existing products and new product launches, second, corporate development objectives, primarily establishing an over-the-counter presence in Canada and the U.S., third, regulatory, quality and supply chain

objectives related to new and existing products, fourth, business development objectives related to acquiring and in-licensing new products, and fifth, research and development objectives related to advancing the development of pipeline products. Respectively, these comprised 42%, 17%, 12%, 17% and 12% of potential bonus achievement levels. The objectives related to product portfolio expansion included in-licensing late-stage or approved products for the North American market as well as enhancing the Corporation's commercial presence in Canada, included the achievement of specified revenue growth targets for new and existing products. With regard to financial performance and existing product objectives, the focus was on the achievement of net revenue and EBITDA targets and continuity of supply for existing products. Personal objectives for the executive direct reports of the President and Chief Executive Officer are aligned with the corporate objectives and include objectives for each of their areas of responsibility.

Stock Options, Restricted Share Units (“RSUs”) and Performance Share Units (“PSUs”)

The long-term component of compensation for executive officers, including the Chief Executive Officer, is based on stock options, RSUs and PSUs. This component of compensation is intended to reinforce management's commitment to long term improvements in Cipher's performance and shareholder value. The Stock Option Plan of the Corporation includes initial option grants upon hire and executives are eligible for an annual award of stock options. Executives are also eligible for an annual grant of RSUs and PSUs. Thereafter, options, RSUs and PSUs may be granted on an annual basis based upon guidelines set by the Compensation Committee. The Chief Executive Officer recommends the amount of annual option, RSU and PSU grants for each of his direct reports which is then presented to the Compensation Committee for review. The Compensation Committee will then, after making any revisions deemed necessary, recommend the annual grants to the Board for approval. The annual grant of options, RSUs and PSUs for the Chief Executive Officer is determined by the Compensation Committee based upon pre-determined guidelines. Annual awards are made during the first quarter of the fiscal year following the completion of the annual audit and the determination of financial performance for the preceding year. The amount of options, RSUs and PSUs previously granted to an executive is not a factor in determining the amount of the annual award.

Compensation of the Chief Executive Officer

The total compensation package available for the Chief Executive Officer of Cipher includes a base salary, a discretionary bonus component, benefits and a long-term component based on stock options and RSUs. Compensation is based upon the factors outlined above, including a comparison with compensation of senior officers of companies of similar size and scope to Cipher and the performance of Cipher.

Share Ownership Requirements for the Chief Executive Officer

The Board believes that the economic interest of the Chief Executive Officer should be aligned with those of shareholders. In that regard, the Board has adopted a Chief Executive Officer Share Ownership Policy. The policy provides within five years of appointment as Chief Executive Officer, the Chief Executive Officer must own common shares with a value equal to a minimum of three times his or her annual base salary. Share ownership for this purpose includes shares issuable under any incentive plan of the Corporation but excluding stock options. The Compensation Committee of the Corporation has the authority to permit exceptions from the policy from time to time.

If the Chief Executive Officer's share ownership falls below the minimum guidelines due a decline in the price of the common shares or an increase in the Chief Executive Officer's base salary, the Chief Executive Officer will have a period of one year to acquire additional common shares to comply with the policy.

Risk Management

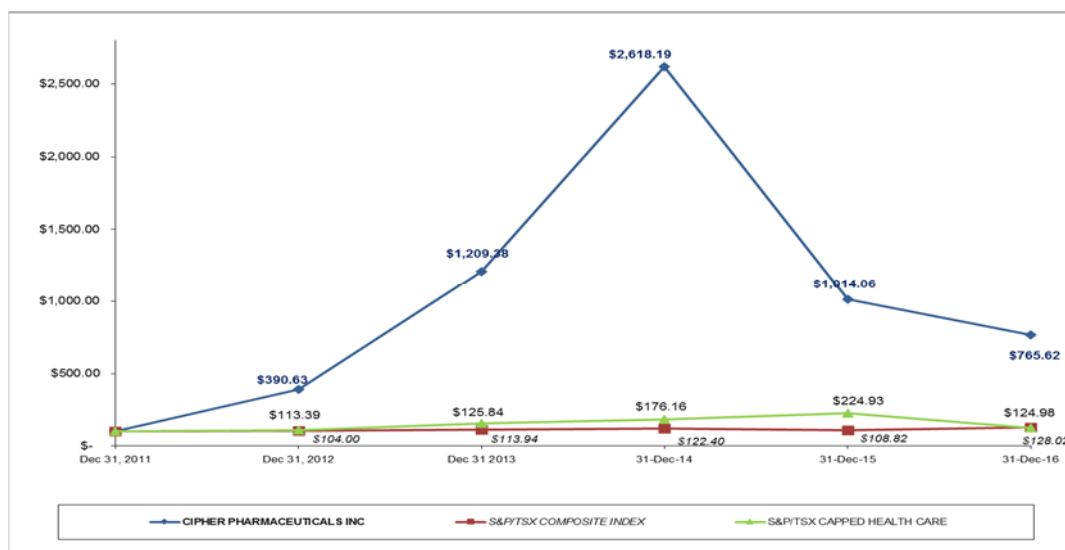
The Compensation Committee reviews the performance objectives associated with annual incentive plans to ensure that they do not result in any undue risks for the Corporation. The balance between short and long term objectives is taken into account by the Corporation in the design of compensation plans and in the annual evaluation of the achievement of objectives when deciding on the amounts of annual incentive awards. The Corporation has implemented a “claw-back” arrangements related to the executive compensation programs, pursuant to the Compensation Recoupment Policy, as described below.

Compensation policies and practices and the design of the Corporation’s incentive plans for executives take into account risk elements, including the following: (i) incentive plan awards do not vary significantly from the overall compensation structure of the Corporation; and (ii) incentive plans are designed so they do not provide for rewards for the accomplishment of tasks while the risk to the Corporation extends over a significantly longer period of time.

Performance Graph

The following graph compares the total cumulative shareholder return for \$100 invested in common shares of the Corporation on January 1, 2012 with the cumulative return of the S&P/TSX Composite Index and the S&P/TSX Capped Health Care Index for the five most recently completed fiscal years.

Cumulative Total Return
Value of \$100 Invested on January 1, 2012



The total cumulative shareholder return from January 1, 2012 to December 31, 2016 for \$100 invested in common shares of the Corporation was \$665.62, compared to \$24.98 for the S&P/TSX Composite Index over the same period and \$28.02 for the S&P/TSX Capped Health Care Index over the same period. The shareholder return for the Corporation generally followed the same pattern as the two comparator indexes prior to 2012. In 2012, the FDA approval of CIP-ISOTRETINOIN in Q2 2012, followed by the U.S. launch of the product in Q4 2012, as well as improved financial performance throughout the year, contributed to an improvement in share price performance. In 2013, the performance of Absorica™, the trade name for CIP-ISOTRETINOIN in the U.S., was the primary contributor to strong financial results over the course of 2013 and that performance continued in 2014. In 2015, the Corporation’s profitability declined as a result of investments in new initiatives, including the Innocutis Holdings, LLC (“Innocutis”) acquisition. In 2016, the return on investment continued to decline as a result of the Innocutis acquisition. During the year, the Corporation commenced a strategic review process focused on improving the profitability of the business. Changes were made to the Board and the management team.

The trend in executive compensation over the five-year period shows the following:

- The Corporation’s goal is to remunerate executives at the 50th percentile level based on a comparison group of biotech and specialty pharmaceutical companies of comparable size and market capitalization. A review of executive compensation was carried out in 2014 and the recommended adjustments to remuneration levels were implemented over a two year period.
- Bonuses awarded in the five year period have reflected the degree of achievement of the Corporation’s objectives during the period.

The primary factors considered by the Board in reviewing executive compensation are described in the Compensation Discussion and Analysis section of this document. Annual base salary increases are determined based upon comparison to data on compensation levels of executives in comparable companies. The cash bonus element of the annual incentive plan is based on the degree of achievement of annual corporate objectives and to recognize contributions that enhance the intrinsic value of the Corporation.

Summary Compensation Table

The following table sets forth a summary of all compensation earned during the last three financial years for the individuals who served as Chief Executive Officer or Chief Financial Officer during 2016 and the three additional executive officers of the Corporation whose total compensation exceeded \$150,000 for 2016 (collectively the “**Named Executive Officers**”). Mr. Rosenberger and Mr. Bohrer receive their compensation in U.S. dollars. Their compensation has been converted to Canadian dollars using the average annual exchange rate of CDN \$1.2787 for 2015 and \$1.3252 for 2016.

Name and Principal Position	Year	Salary (\$)	Share-based Awards (\$) ⁽⁶⁾	Option-based Awards (\$) ⁽⁷⁾	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$) ⁽⁹⁾	Total Compensation (\$)
					Annual Incentive Plans ⁽⁸⁾	Long-term Incentive Plans			
Stephen Lemieux, Interim Chief Executive Officer and Chief Financial Officer and Secretary ⁽¹⁾	2016	89,045	111,329	115,681	54,949	Nil	Nil	5,860	376,864
Shawn O’Brien, ⁽²⁾ Former President and Chief Executive Officer	2016	474,904	360,807	276,018	68,884	Nil	Nil	1,275,383	2,455,996
	2015	470,000	146,883	526,200	270,133	Nil	Nil	73,373	1,486,589
	2014	187,500	Nil	1,655,000	155,245	Nil	Nil	5,625	2,003,370
Norman Evans, ⁽³⁾ Former Chief Financial Officer and Secretary	2016	216,042	128,059	97,960	30,000	Nil	Nil	87,764	556,075
	2015	275,000	54,993	197,325	116,160	Nil	Nil	20,250	663,728
	2014	243,865	Nil	182,700	131,476	Nil	Nil	7,316	565,357
Joan Chyphyha, President & General Manager, Canada	2016	300,000	125,955	108,644	40,235	Nil	Nil	21,000	595,834
	2015	270,000	53,990	197,325	109,728	Nil	Nil	20,100	651,143
	2014	238,050	Nil	182,700	128,232	Nil	Nil	7,171	556,123
Brian Rosenberger, ⁽⁴⁾ Vice President, Alliance & Strategic Portfolio Management	2016	331,078	142,441	108,644	6,892	Nil	Nil	226,510	815,565
	2015	197,706	38,359	Nil	65,060	Nil	Nil	11,992	313,117
Ralph Bohrer ⁽⁵⁾ President & General Manager, US	2016	351,162	137,853	138,601	6,214	Nil	Nil	19,491	653,321

(1) Mr. Lemieux has served as Chief Financial Officer and Secretary of the Corporation since September 12, 2016 and additionally as Interim Chief Executive Officer since November 11, 2016. Compensation amounts shown for fiscal 2016 are for the period September 12, 2016 to December 31, 2016. “Annual Incentive Plans” includes \$20,000 of compensation for serving as Interim Chief Executive Officer for the period from November 11, 2016 to December 31, 2016.

- (2) Mr. O'Brien served as President and Chief Executive Officer of the Corporation from June 30, 2014 to November 11, 2016. Compensation amounts shown for fiscal 2014 are for the period June 30, 2014 to December 31, 2014 and amounts shown for fiscal 2016 are for the period January 1, 2016 to November 11, 2016. "All Other Compensation" includes \$1,086,533 offered by the Corporation to Mr. O'Brien as severance pursuant to his employment agreement. As of the date hereof Mr. O'Brien has not accepted the offer.
- (3) Mr. Evans served as Chief Financial Officer and Secretary of the Corporation from March 1, 2007 to September 12, 2016. Compensation amounts shown for fiscal 2016 are for the period January 1, 2016 to September 12, 2016. "All Other Compensation" includes severance benefits paid as salary continuance through to December 31, 2016.
- (4) Mr. Rosenberger commenced employment with the Corporation on May 1, 2015. Compensation amounts shown for fiscal 2015 are for the period May 1, 2015 to December 31, 2015. He left the Corporation on January 16, 2017. In connection with his departure from the Company, Mr. Rosenberger received a severance in the amount of six months base salary. A total of US\$140,875 is included under "All Other Compensation", to be paid out as salary continuance in 2017.
- (5) Mr. Bohrer commenced employment with the Corporation on March 1, 2016. Compensation amounts shown for fiscal 2016 are for the period March 1, 2016 to December 31, 2016.
- (6) Represents the value at the date of grant for RSUs and PSUs granted to each Named Executive Officer. The value of the grant is allocated between RSUs and PSUs and is based on a percentage of the salary for each Named Executive Officer. The unit price for the number of RSUs and PSUs granted is determined based on market value at the end of the calendar quarter immediately preceding the grant date. For the grants included herein, the market values were \$6.79, \$5.18, US\$4.93 and US\$4.65.
- (7) The options granted vest over a four year period and expire after ten years. The grants for 2016 (other than the grants for Mr. Bohrer and Mr. Lemieux) were made on February 26, 2016 and the dollar value is based upon the share price of \$6.79, US\$4.93 and Black-Scholes value of \$3.79, US\$2.75. The options granted to Mr. Bohrer on joining the Corporation were made on March 24, 2016 and the dollar value is based upon the share price of US\$4.65 and a Black-Scholes value of US\$2.49. The options granted to Mr. Lemieux on joining the company were made on September 12, 2016 and the dollar value is based upon the share price of \$5.18 and a Black-Scholes value of \$3.07. The grants for 2015 (other than the grants for Mr. Rosenberger) were made on February 24, 2015 and the dollar value is based upon the share price of \$13.88 and a Black-Scholes value of \$8.77. The options granted to Mr. Rosenberger on joining the Corporation were made on May 15, 2015 and the dollar value is based upon the share price of US\$10.06 and a Black-Scholes value of US\$6.38. The grants for 2014 (other than the grant for Mr. O'Brien) were made on February 28, 2014 and the dollar value is based upon the share price of \$8.13 and a Black-Scholes value of \$6.09. The options granted to Mr. O'Brien on joining the Corporation were made on June 27, 2014 and the dollar value is based upon the share price of \$8.76 and a Black-Scholes value of \$6.62.
- (8) The value represents the annual discretionary bonus paid to the Named Executive Officers for the associated fiscal year. The bonus is paid in the first half of the subsequent year, following review and approval by the Board.
- (9) Perquisites for the former President and Chief Executive Officer includes the following; relocation \$104,605, payments for U.S. private health insurance coverage \$36,408 automobile lease and insurance \$28,772, amounts paid by the Corporation into retirement savings plan \$16,500 and professional tax services \$2,565. For the other Named Executive Officers, the perquisites and other personal benefits did not exceed the lesser of \$50,000 and 10% of the total annual salary and bonus. For these Named Executive Officers, the value represents the amount paid by the Corporation into retirement savings plans on behalf of each Named Executive Officers as well as automobile allowances. Under the terms of the retirement savings plans, the Corporation matches the contribution of the executive up to a maximum of 3% of base salary in Canada and up to 4% of base salary in the U.S.

Executive Employment Agreements

Robert Tessarolo has entered into a written employment agreement with the Corporation, for the position of President and Chief Executive Officer, commencing April 17, 2017. The agreement provides for a base salary of \$395,000 per year, and an annual performance bonus, with targets to be set annually by the Board. In addition, Mr. Tessarolo will also receive an initial grant of 90,000 options. The agreement has an indefinite term, but may be terminated by the Corporation at any time, for cause or without cause. In the event Mr. Tessarolo is terminated without cause, the agreement provides for a severance payment equal to Mr. Tessarolo's Compensation (defined in the employment agreement as base salary from that year, plus the average of the performance bonuses paid or payable for the two previous fiscal years) plus an amount equal to one-twelfth of Mr. Tessarolo's Compensation, multiplied by the number of completed years of employment (to a maximum of twelve years) by Mr. Tessarolo with the Corporation since his initial hire date of April 17, 2017. The agreement also provides for enhanced severance benefits in the event of a change of control event for the Corporation, to a maximum of 24 months. Additionally, Mr. Tessarolo is bound by certain restrictive covenants, including a covenant not to compete for a period of 12 months in Canada or the U.S.

Stephen Lemieux has a written employment agreement with the Corporation. The agreement provides for a base salary of \$290,000 per year, as at December 31, 2016, and an annual performance bonus, with targets to be set annually by the Board. The agreement has an indefinite term, but may be terminated by the Corporation at any time, for cause or without cause. In the event Mr. Lemieux is terminated without cause, the agreement provides for a severance payment equal to one half of Mr. Lemieux's Severance Compensation (defined in the employment agreement as base salary from that year, plus the average of the performance bonuses paid or payable for the two previous fiscal years) plus an amount equal to one-twelfth of Mr. Lemieux's Severance Compensation, multiplied by

the number of completed years of employment (to a maximum of six years) by Mr. Lemieux with the Corporation since his initial hire date of September 12, 2016. The agreement also provides for enhanced severance benefits in the event of a change of control event for the Corporation, to a maximum 18 months. Additionally, Mr. Lemieux is bound by certain restrictive covenants, including a covenant not to compete for a period of up to 12 months in Canada or the U.S.

Joan Chypyha has a written employment agreement with the Corporation. The agreement provides for a base salary of \$300,000 per year, as at December 31, 2016, and an annual performance bonus, with targets to be set annually by the Board. The agreement has an indefinite term, but may be terminated by the Corporation at any time, for cause or without cause. In the event Ms. Chypyha is terminated without cause, the agreement provides for a severance payment equal to one half of Ms. Chypyha's Compensation (defined in the employment agreement as base salary from that year, plus the average of the performance bonuses paid or payable for the two previous fiscal years) plus an amount equal to one-twelfth of Ms. Chypyha's Compensation, multiplied by the number of completed years of employment (to a maximum of six years) by Ms. Chypyha with the Corporation since her initial hire date of March 4, 2013. The agreement also provides for enhanced severance benefits in the event of a change of control event for the Corporation, to a maximum 18 months. Additionally, Ms. Chypyha is bound by certain restrictive covenants, including a covenant not to compete for a period of up to 12 months in Canada or the U.S.

Ralph Bohrer has a written employment agreement with the Corporation. The agreement provides for a base salary of US\$265,000 per year, as at December 31, 2016, and an annual performance bonus, with targets to be set annually by the Board. The agreement has an indefinite term, but may be terminated by the Corporation at any time, for cause or without cause. In the event Mr. Bohrer is terminated without cause, the agreement provides for a severance payment equal to one half of Mr. Bohrer's Compensation (defined in the employment agreement as base salary from that year, plus the average of the performance bonuses paid or payable for the two previous fiscal years) plus an amount equal to one-twelfth of Mr. Bohrer's Compensation, multiplied by the number of completed years of employment (to a maximum of six years) by Mr. Bohrer with the Corporation since his initial hire date of March 1, 2016. The agreement also provides for enhanced severance benefits in the event of a change of control event for the Corporation, to a maximum 18 months. Additionally, Mr. Bohrer is bound by certain restrictive covenants, including a covenant not to compete for a period of up to 12 months in Canada or the U.S.

Shawn Patrick O'Brien had a written employment agreement with the Corporation. He ceased serving as President and Chief Executive Officer on November 11, 2016. In the event of termination without cause, the agreement provided for a severance payment equal to Mr. O'Brien's Compensation (defined in the employment agreement as base salary from that year, plus the average of the performance bonuses paid or payable for the two previous fiscal years) plus an amount equal to one-twelfth of Mr. O'Brien's Compensation, multiplied by the number of completed years of employment (to a maximum of twelve years) by Mr. O'Brien with the Corporation since his initial hire date of June 30, 2014. Pursuant to the agreement, the Corporation offered \$1,086,533 to Mr. O'Brien as severance. As of the date hereof Mr. O'Brien has not accepted the offer.

Norman Evans had a written employment agreement with the Corporation. He ceased serving as Chief Financial Officer and Secretary on September 12, 2016. Mr. Evans received payments as described in note 3 to the Summary Compensation Table above in connection with his departure from the Corporation.

Brian Rosenberger had a written employment agreement with the Corporation. He left the Corporation on January 16, 2017. Pursuant to the agreement Mr. Rosenberger received a severance payment of US\$146,076.

Incentive Plan Awards

Outstanding Option-Based Awards

The following table sets forth the details of all outstanding option-based awards for the Named Executive Officers at December 31, 2016:

Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-Money Options (\$)
Stephen Lemieux ⁽¹⁾	37,681	5.18	Sept. 12, 2026	Nil
Shawn O'Brien ⁽²⁾	220,707	8.76	May 10, 2017	Nil
	15,000	13.88	May 10, 2017	Nil
Norman Evans ⁽³⁾	15,000	1.20	Sept. 30, 2017	55,500
	175,000	3.90	Sept. 30, 2017	175,000
	30,000	2.88	Sept. 30, 2017	60,600
	30,000	8.13	Sept. 30, 2017	Nil
	22,500	13.88	Sept. 30, 2017	Nil
	25,847	6.79	Sept. 30, 2017	Nil
Joan Chypyha	75,000	2.88	March 6, 2023	151,500
	30,000	8.13	Feb. 28, 2024	Nil
	22,500	13.88	Feb. 24, 2025	Nil
	25,424	6.79	Feb. 26, 2026	Nil
Brian Rosenberger ⁽⁴⁾	8,500	12.86	July 12, 2017	Nil
Ralph Bohrer	33,805	6.09	March 24, 2026	Nil

- (1) Mr. Lemieux has served as Chief Financial Officer and Secretary of the Corporation since September 12, 2016 and as Interim Chief Executive Officer since November 11, 2016.
- (2) Mr. O'Brien served as President and Chief Executive Officer of the Corporation from June 30, 2014 to November 11, 2016.
- (3) Mr. Evans served as Chief Financial Officer and Secretary of the Corporation from March 1, 2007 to September 12, 2016.
- (4) Mr. Rosenberger left the Corporation on January 16, 2017.

Outstanding Share-Based Awards

The following table sets forth the details of all outstanding share-based awards for the Named Executive Officers at December 31, 2016:

Name	Number of Shares or Units of Shares That Have Not Vested (#)	Market or Payout Value of Share-based Awards That Have Not Vested (\$)	Market or Payout Value of Vested Share-based Awards Not Paid Out or Distributed (\$)
Stephen Lemieux ⁽¹⁾	21,492	105,311	Nil
Shawn O'Brien ⁽²⁾	Nil	Nil	Nil
Norman Evans ⁽³⁾	Nil	Nil	Nil
Joan Chypyha	22,767	111,558	Nil
Brian Rosenberger ⁽⁴⁾	Nil	Nil	Nil
Ralph Bohrer	21,492	105,311	Nil

- (1) Mr. Lemieux has served as Chief Financial Officer and Secretary of the Corporation since September 12, 2016 and as Interim Chief Executive Officer since November 11, 2016.
- (2) Mr. O'Brien served as President and Chief Executive Officer of the Corporation from June 30, 2014 to November 11, 2016.
- (3) Mr. Evans served as Chief Financial Officer and Secretary of the Corporation from March 1, 2007 to September 12, 2016.
- (4) Mr. Rosenberger left the Corporation on January 16, 2017.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value of option-based awards that vested and the value of non-equity incentive plans for the year ended December 31, 2016:

Name	Option-Based Awards – Value Vested During the Year (\$)	Share-based Awards – Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)
Stephen Lemieux ⁽¹⁾	Nil	Nil	54,959
Shawn O'Brien ⁽²⁾	Nil	14,411	80,072
Norman Evans ⁽³⁾	69,350	61,359	Nil
Joan Chypyha	83,000	5,296	40,235
Brian Rosenberger ⁽⁴⁾	Nil	3,625	6,892
Ralph Bohrer	Nil	110,916	6,214

- (1) Mr. Lemieux has served as Chief Financial Officer and Secretary of the Corporation since September 12, 2016 and as Interim Chief Executive Officer since November 11, 2016.
- (2) Mr. O'Brien served as President and Chief Executive Officer of the Corporation from June 30, 2014 to November 11, 2016.
- (3) Mr. Evans served as Chief Financial Officer and Secretary of the Corporation from March 1, 2007 to September 12, 2016.
- (4) Mr. Rosenberger left the Corporation on January 16, 2017.

Description of the Stock Option Plan

The Stock Option Plan provides that the Board may, from time to time, at its discretion, grant to directors, officers, employees and certain other service providers of the Corporation (a “**Participant**”), in connection with their employment or position, options to purchase common shares. The purchase price for any optioned common shares is fixed by the Board, which purchase price will not be less than the “fair market value” of a common share on the date the option is granted, being the closing price of the common shares on the TSX, on the last trading day on which the common shares traded prior to the grant date.

The Stock Option Plan currently provides that the number of common shares which may be issued under the plan upon the exercise of options which have been granted and are outstanding under the Stock Option Plan, together with common shares that are issuable pursuant to outstanding awards or grants under the Corporation's other security-based compensation arrangements shall not at any time exceed 15% of the Corporation's common shares then issued and outstanding. As an "evergreen" plan, the TSX will require that the Stock Option Plan be approved by shareholders on a periodic basis, each approval being effective for a period of three years.

The aggregate number of common shares reserved for issuance pursuant to options granted under the Stock Option Plan and options or other entitlements granted under any other share compensation arrangement of the Corporation to any Participant under the Stock Option Plan cannot exceed 5% of the aggregate number of common shares outstanding (on a non-diluted basis) on the date of grant.

The aggregate number of common shares reserved for issuance pursuant to options granted under the Stock Option Plan and options or other entitlements granted under any other share compensation arrangement of the Corporation to insiders, as such term is defined in the *Securities Act* (Ontario), or any Associates of such persons, cannot exceed 10% of the aggregate number of common shares outstanding (on a non-diluted basis) on the date of grant. Within any one-year period, the aggregate number of common shares issued to insiders pursuant to options granted under the Stock Option Plan or options or other entitlements granted under any other share compensation arrangement cannot exceed 10% of the aggregate number of common shares outstanding (on a non-diluted basis) on the date of grant and the number of common shares issued to any one insider, and his or her associates, cannot exceed 5% of the aggregate number of common shares outstanding (on a non-diluted basis) on the date of grant.

Options granted under the Stock Option Plan have a maximum term of 10 years from the date of grant. Options will become available for purchase by a Participant on a date or dates to be determined by the Board on the date of grant. Vested options may be exercised by a Participant either by (a) the purchase of any number of whole common shares which are then available for purchase, provided that no partial exercise may be for less than 100 whole common shares, at the exercise price specified for such option, or (b) the receipt, without payment by a Participant, of an amount per option equal to the difference between the exercise price of the option and the "market price" of the common shares (the "**Growth Amount**"), which Growth Amount will be payable by the issuance by the Corporation to the Participant of that number of common shares calculated by dividing the Growth Amount by the "market price" of the common shares. For the purposes of the Stock Option Plan, "market price" means the closing price of the common shares on the TSX on the date of exercise.

In the event (a) an offer is made to purchase outstanding voting shares of the Corporation and if accepted by a sufficient number of holders of such shares to constitute the offeror being entitled to exercise more than 50% of the voting rights attached to the outstanding voting shares of the Corporation (provided that prior to the offer, the offeror was not entitled to exercise more than 50% of the voting rights attached to the outstanding voting shares) or (b) if there is a consolidation, merger or amalgamation of the Corporation with or into any other corporation whereby the voting shareholders of the Corporation immediately prior to the consolidation, merger or amalgamation receive less than 50% of the voting rights attaching to the voting shares of the consolidated, merged or amalgamated corporation, including a sale whereby all or substantially all of the Corporation's undertakings and assets become the property of any other corporation, then a Participant will be entitled to exercise his or her options with respect to all of the common shares subject to the options and not yet purchased thereunder. In addition, if an offer is made to purchase 50% or more of the outstanding voting shares of the Corporation, a Participant will be entitled to exercise his or her options with respect to all of the common shares subject to the options and not yet purchased thereunder and tender such common shares into such offer, conditional upon the take-up of common shares under such offer.

Options may not be transferred, assigned or otherwise encumbered, unless they are transferred under the succession laws applicable at the time of death of the option holder.

Description of the Performance and Restricted Share Unit Plan

The purposes of the PR Plan are to (i) promote a significant alignment between employees and directors of the Corporation and the growth objectives of the Corporation, (ii) associate a portion of participating employees' and directors' compensation with the performance of the Corporation over the long term and (iii) retain critical personnel

to drive the business success of the Corporation. Grants may be made under the PR Plan to executives, other employees or directors of the Corporation or of any subsidiary of the Corporation.

PSU and RSU awards will be paid in common shares issued from treasury. The aggregate number of common shares that are issuable under the PR Plan to pay awards which have been granted and are outstanding, together with common shares that are issuable pursuant to outstanding awards or grants under the Corporation's other security-based compensation arrangements shall not at any time exceed 15% of the Corporation's common shares then issued and outstanding. As an "evergreen" plan, the TSX will require that the PR Plan be approved by shareholders on a periodic basis, each approval being effective for a period of three years. Issuances of common shares to pay awards will be issued at a price equal to the Market Value on the date of issuance.

Awards granted under the PR Plan will be made with a specified dollar value (the "**Award Value**") as of the date of grant, as determined by the Board or by the grant of specific amounts of PSUs or RSUs. In the case of PSUs, the Committee may determine any performance criteria applicable to the PSU.

If applicable, the number of PSUs granted to a participant for a performance period will be determined by dividing the Award Value for the award to such participant divided by the Market Value of the common shares as at the end of the calendar quarter immediately preceding the date of the award, rounded down to the next whole number (with currency conversion if necessary).

If applicable, the number of RSUs granted to a participant is determined by dividing the Award Value of the award provided to the participant in the form of RSUs by the Market Value of the Common shares as at the end of the calendar quarter immediately preceding the date of the award, rounded down to the next whole number (with currency conversion if necessary).

The "Market Value" for purposes of the PR Plan is (i) the volume-weighted average trading price of the common shares on the TSX (or such other stock exchange on which the common shares are traded) for the five trading days preceding the date in question, or (ii) if the common shares are not traded on a stock exchange, the fair market value of the common shares as determined by the Board.

Each whole PSU and RSU will give a participant the right to receive common shares in accordance with the terms of the PR Plan and the applicable Award Agreement. A participant will have no right to receive Common shares with respect to any PSUs or RSUs that do not become vested.

On the first day immediately following the end of a performance period in respect of a PSU grant, the relevant PSUs (including Dividend PSUs as described in the PR Plan) in the participant's PSU account maintained by the Corporation will vest in an amount equal to the number of relevant PSUs multiplied by a performance adjustment factor, as determined by the Board in accordance with the participant's Award Agreement. Where the performance adjustment factor is zero, no such PSUs will vest. Any PSUs that do not become vested are forfeited by the participant.

RSUs will vest on the vesting dates specified in the relevant Award Agreement, in such proportion as may be determined in accordance with the Award Agreement. Any RSUs that do not become vested are forfeited by the participant.

On vesting, the participant will receive a number of common shares equal to (i) the number of vested PSUs as of the last day of the relevant performance period or (ii) the number of RSUs that have vested on the vesting date.

Subject to the terms of the relevant Award Agreement, in the event of a change of control of the Corporation, the PSUs and RSUs credited to the account of the participant as at the date of the change of control, will become vested PSUs and RSUs on a one-for-one basis on the date of change of control, unless otherwise determined by the Board. As soon as practical following the change of control, the participant will receive a payment in common shares equal to the number of vested RSUs or PSUs, as applicable, multiplied by the price at which the common shares are valued for the purposes of the transactions giving rise to the change of control.

Description of the Employee and Director Share Purchase Plan

The Corporation implemented the Share Purchase Plan in 2011 and amended the Share Purchase Plan in 2016. The purpose of the Share Purchase Plan is to encourage employees and directors of the Corporation to participate in the growth and development of the Corporation by providing such persons with the opportunity, through share purchases, to acquire an increased proprietary interest in the Corporation. Shares subject to the plan are issued from treasury and delivered to the administrative agent.

Each fiscal year, employees who have been employed by the Corporation for not less than three consecutive months may contribute up to 20% of the aggregate base compensation received by such participant from the Corporation in the previous fiscal year to the Share Purchase Plan. Participants who are directors of the Corporation may contribute an amount up to (but not exceeding) 100% of the aggregate director fees received by such director from the Corporation in the previous fiscal year.

Pursuant to the Share Purchase Plan, common shares are issued from treasury to the administrative agent on behalf of the participants at the market price, which is defined in the Share Purchase Plan as the volume weighted average trading price of the common shares on the TSX for the five trading days preceding the date on which common shares are issued, less a discount of 15%.

No Shares shall be issued on behalf of a participant under the Share Purchase Plan if such issuance could result, at any time, in: (a) the number of common shares issuable (pursuant to the Share Purchase Plan and any other share compensation arrangement of the Corporation) to “insiders” (as defined in the *Securities Act* (Ontario)) exceeding, at any time, 10% of the issued and outstanding common shares; (b) the number of common shares issued (pursuant to the Share Purchase Plan and any other share compensation arrangement of the Corporation) to insiders exceeding, within any one-year period, 10% of the issued and outstanding common shares; or (c) the number of common shares issuable (under the Share Purchase Plan and any other share compensation agreement of the Corporation) to any one participant and such participant’s “associates” (as defined in the *Securities Act* (Ontario)), exceeding, within any one-year period, 5% of the issued and outstanding common shares.

Participation in the Share Purchase Plan terminates automatically if, in the case of a director, the term of appointment of such director expires or the director resigns, and in the case of a person employed by the Corporation, the employment of the participant by the Corporation is terminated for any reason whatsoever (including without limitation, the death or retirement of the participant).

The Board reserves the right at any time, subject to any regulatory or stock exchange approval that may be required, to amend the Share Purchase Plan, without prior notice to or approval by the shareholders, provided that no amendment shall adversely affect the rights and interests of a participant’s shares allocated to his or her account under the Share Purchase Plan prior to the date of such amendment. The Board may terminate the Share Purchase Plan at any time, provided that the common shares of the participants and any monies held by the administrative agent on behalf of participants shall be transferred and delivered to such participants at the time of termination.

The maximum number of common shares available for issuance under the Share Purchase Plan, together with common shares that are issuable pursuant to outstanding awards or grants under the Corporation’s other security-based compensation arrangements shall not at any time exceed 15% of the Corporation’s common shares then issued and outstanding.

Pension Plan Benefits

The Corporation does not maintain any defined benefit pension plans or defined contribution pension plans.

Termination and Change of Control Benefits

The termination benefits for the Named Executive Officers are set out in the “Executive Employment Agreements” section above. The following are the amounts of severance payments that would have been made to each of the Named Executive Officers who remain with the Corporation as of the date hereof in the event of a termination

without cause by the Corporation as of December 31, 2016, respectively: Stephen Lemieux \$199,949, Joan Chypyha \$324,982 and Ralph Bohrer US\$160,797 (or \$435,000, \$450,000 and US\$503,500 respectively in the event of a change of control event). In addition, a change in control event results in the early vesting of incentive securities for the Named Executive Officers, as set out above.

Compensation Committee

The Compensation Committee is comprised of the following two directors: Stefan Aigner and Christian Godin. The Committee's responsibilities with respect to compensation matters include: (i) reviewing and making recommendations to the Board with respect to compensation of the Chief Executive Officer and (ii) making recommendations to the Board with respect to non-CEO compensation, incentive compensation plans and equity-based plans. All of the members of the Compensation Committee are independent directors.

The current members of the Compensation Committee have all been members of the committee since they joined the Board. The experience of the members of the committee is summarized in the "Election of Directors" section. Each member has had significant experience in dealing with compensation matters in companies with a level of complexity at least as great as the Corporation.

Role of Consultants

In 2016, the Compensation Committee retained the services of Mercer (Canada) Ltd. to provide independent advice on matters relating to executive relocation costs, share-based arrangements and executive compensation review. The professional fees for these services in 2016 were \$12,937. In 2015 the fees for these services were \$42,704.

Director Compensation

Director Compensation Table

The following table presents the details of all compensation provided to directors of the Corporation for the year ended December 31, 2016:

Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	All Other Compensation (\$)	Total (\$)
Gerald McDole ⁽¹⁾	78,605	10,185	18,950	Nil	107,740
John Mull	69,839	10,185	18,950	Nil	98,974
Stephen Wiseman	117,151	10,185	18,950	Nil	146,286
Stefan Aigner	79,895	10,185	18,950	Nil	109,030
William Claypool ⁽²⁾	71,105	10,185	18,950	Nil	100,240
Thomas Wellner	88,125	10,185	18,950	Nil	117,260
Rene Tannenbaum ⁽³⁾	15,224	11,385	87,200	Nil	113,809
Rosemary Crane ⁽⁴⁾	13,622	11,385	87,200	Nil	112,207
Harold Wolkin ⁽⁵⁾	22,794	9,285	68,000	Nil	100,079
Mark Beaudet ⁽⁶⁾	19,597	9,285	68,000	Nil	96,882
Christian Godin ⁽⁷⁾	16,754	9,285	68,000	Nil	94,039

- (1) Mr. McDole resigned as a director of the Corporation on August 9, 2016. Compensation amounts shown for fiscal 2016 are for the period January 1, 2016 to August 9, 2016.
- (2) Mr. Claypool resigned as a director of the Corporation on August 9, 2016. Compensation amounts shown for fiscal 2016 are for the period January 1, 2016 to August 9, 2016.
- (3) Ms. Tannenbaum resigned as a director of the Corporation on August 9, 2016. Compensation amounts shown for fiscal 2016 are for the period May 5, 2016 to August 9, 2016.
- (4) Ms. Crane resigned as a director of the Corporation on August 9, 2016. Compensation amounts shown for fiscal 2016 are for the period May 5, 2016 to August 9, 2016.
- (5) Mr. Wolkin was appointed a director of the Corporation on August 9, 2016. Compensation amounts shown for fiscal 2016 are for the period August 9, 2016 to December 31, 2016.
- (6) Mr. Beaudet was appointed a director of the Corporation on August 9, 2016. Compensation amounts shown for fiscal 2016 are for the period August 9, 2016 to December 31, 2016.
- (7) Mr. Godin was appointed a director of the Corporation on August 9, 2016. Compensation amounts shown for fiscal 2016 are for the period August 9, 2016 to December 31, 2016.

The compensation paid to directors of the Corporation is \$40,000 per year plus \$2,500 per year for serving on a committee. No attendance fees are paid to directors.. In addition to the foregoing, the Corporation pays annual retainers to the Audit Committee chair of \$15,000, the Compensation Committee chair of \$10,000 and the Nominating and Governance Committee chair of \$5,000. An annual retainer of \$40,000 is paid to the Chair of the Board.

The Corporation reimburses directors for out-of-pocket expenses for attending meetings. Directors and officers of the Corporation are covered by insurance in respect of liability that may be incurred by them acting in such capacity, unless the liability arises because such director or officer fails to act honestly and in good faith with a view to the best interests of the Corporation. See “Directors’ and Officers’ Liability Insurance”.

Outstanding Option-Based Awards

The following table sets forth the details of all outstanding option-based awards for the directors of the Corporation, including directors who resigned during 2016, at December 31, 2016:

Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-Money Options (\$)
John Mull	3,500	1.60	Feb. 19, 2020	11,550
	3,500	1.16	Mar. 11, 2021	13,090
	3,500	1.20	Feb. 24, 2022	12,950
	3,500	2.88	Mar. 6, 2023	7,070
	3,500	8.13	Feb. 28, 2024	Nil
	3,500	13.88	Feb. 24, 2025	Nil
	5,000	6.79	Feb.26,2026	Nil
Gerald McDole ⁽¹⁾	3,500	1.60	Feb. 5, 2017	11,550
	3,500	1.16	Feb. 5, 2017	13,090
	3,500	1.20	Feb. 5, 2017	12,950
	3,001	2.88	Feb. 5, 2017	6,062
	2,527	8.13	Feb. 5, 2017	Nil
	3,500	13.88	Feb. 5, 2017	Nil

Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-Money Options (\$)
Stephen Wiseman	875	1.60	Feb. 19, 2020	2,888
	1,750	1.16	Mar. 11, 2021	6,545
	2,625	1.20	Feb. 24, 2022	9,713
	3,500	2.88	Mar. 6, 2023	7,070
	3,500	8.13	Feb. 28, 2024	Nil
	3,500	13.88	Feb. 24, 2025	Nil
	5,000	6.79	Feb. 26,2026	Nil
Stefan Aigner	20,000	1.05	Feb. 28, 2018	77,000
	3,500	1.60	Feb. 19, 2020	11,550
	3,500	1.16	Mar. 11, 2021	13,090
	3,500	1.20	Feb. 24, 2022	12,950
	3,500	2.88	Mar. 6, 2023	7,070
	3,500	8.13	Feb. 28, 2024	Nil
	3,500	13.88	Feb. 24, 2025	Nil
William Claypool ⁽²⁾	3,500	1.16	Feb. 5, 2017	13,090
	3,500	1.20	Feb. 5, 2017	12,950
	3,001	2.88	Feb. 5, 2017	6,062
	2,557	8.13	Feb. 5, 2017	Nil
	3,500	13.88	Feb. 5, 2017	Nil
Thomas Wellner	20,000	7.43	Mar. 18, 2024	Nil
	3,500	13.88	Feb. 24, 2025	Nil
	5,000	6.79	Feb. 26, 2026	Nil
Harold Wolkin ⁽³⁾	20,000	6.19	Aug. 15, 2026	Nil
Mark Beaudet ⁽⁴⁾	20,000	6.19	Aug. 15, 2026	Nil
Christian Godin ⁽⁵⁾	20,000	6.19	Aug. 15, 2026	Nil

(1) Mr. McDole resigned as a director of the Corporation on August 9, 2016.

(2) Mr. Claypool resigned as a director of the Corporation on August 9, 2016.

(3) Mr. Wolkin was appointed a director of the Corporation on August 9, 2016.

(4) Mr. Beaudet was appointed a director of the Corporation on August 9, 2016.

(5) Mr. Godin was appointed a director of the Corporation on August 9, 2016.

Outstanding Share-Based Awards

The following table sets forth the details of all outstanding share-based awards for the directors of the Corporation at December 31, 2016:

Name	Number of Shares or Units of Shares that have not Vested (#)	Market or Payout Value of Share-based awards that have not Vested (\$)	Market or Payout Value of Vested Share-based awards not paid out or distributed (\$)
John Mull	1,500	7,350	Nil
Stephen Wiseman	1,500	7,350	Nil
Stefan Aigner	1,500	7,350	Nil
Thomas Wellner	1,500	7,350	Nil
Harold Wolkin ⁽¹⁾	1,500	7,350	Nil
Mark Beaudet ⁽²⁾	1,500	7,350	Nil
Christian Godin ⁽³⁾	1,500	7,350	Nil

(1) Mr. Wolkin was appointed a director of the Corporation on August 9, 2016.

(2) Mr. Beaudet was appointed a director of the Corporation on August 9, 2016.

(3) Mr. Godin was appointed a director of the Corporation on August 9, 2016.

Share Ownership Requirements for Directors

The Board believes that economic interest of directors should be aligned with those of shareholders. In that regard, the Board has adopted a director/share ownership policy. By the time a director has served on the Board for five years, he or she must own common shares with a value equal to a minimum of three times the annual base cash retainer, including chairmanships and committee participation as applicable for the particular director. Share ownership for this purpose includes shares issuable to a director under any incentive plan of the Corporation but excluding stock options. The Compensation Committee of the Corporation has the authority to permit exceptions from the policy from time to time.

If a director share ownership falls below the minimum guidelines due a decline in the price of the common shares or an increase in the particular directors' annual retainer, the director will have a period of one year to acquire additional common shares to comply with the policy.

Currently, each of the directors of the Corporation who has served as a director for five years is in compliance with the share ownership requirements of the policy.

Hedging

The Corporation does not allow its Named Executive Officers or directors to hedge against declines in the market value of their equity-based compensation or equity securities held by them through the purchase of financial instruments designed to offset such risk. The prohibition extends to all officers and employees. Directors, officers and employees are also prohibited from selling securities of the Corporation they do not own (a short sale) and from using securities of the Corporation as collateral in any financial transaction, including margin loan arrangements. The Board may determine to permit exceptions to these prohibitions in exceptional circumstances to further the best interests of the Corporation.

Compensation Recoupment Policy

The Board approved on February 24, 2015 a Compensation Recoupment Policy (“claw-back” policy). Under this policy, where there has been a restatement of the Corporation’s financial statements or the financial results are found to be inaccurate in a manner that materially affects the calculation of compensation for senior executives, the Board can require the reimbursement of incentive-based compensation that exceeds such compensation that would have been awarded on the basis of the restated or corrected financial statements. The Board can recover compensation from current or former senior executives for the three year period preceding the restatement or correction of the financial statements.

In addition, if the Board determines that a current or former senior executive has engaged in embezzlement, fraud or theft on or after February 24, 2015, the Board may require the reimbursement of incentive-based compensation from the senior officer granted during the three year period preceding the discovery by the Corporation of the misconduct.

Securities Authorized for Issuance Under Equity Compensation Plans

The Stock Option Plan, the PR Plan and the Share Purchase Plan are security-based compensation arrangements of the Corporation under which securities are authorized for issuance from treasury. The following table sets forth the details of the securities authorized for issuance under these plans as at December 31, 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)) (c)
Equity compensation plans approved by Shareholders	2,072,714	4.49	1,874,241
Equity compensation plans not approved by Shareholders	N/A	N/A	N/A
Total	2,072,714	4.49	1,874,241

As at March 31, 2017, 1,299,589 options to purchase common shares were outstanding and unexercised under the Stock Option Plan, being approximately 4.9% of the shares outstanding at such date.

Options to purchase 1,905,543 common shares have been exercised as at December 31, 2016. As noted in the table above, common shares remain available for future issuance under the Corporation’s equity compensation plans as at December 31, 2016. During 2016, options were granted to purchase 687,740 common shares, being 2.6% of the shares outstanding as at December 31, 2016.

As at March 31, 2017, 112,221 RSUs and 78,343 PSUs were outstanding under the PR Plan, being approximately 0.7% of the shares outstanding at such date.

The Corporation also has a Share Purchase Plan, described above. As at December 31, 2016, 485,354 common shares have been issued under the Share Purchase Plan.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

None of the directors, executive officers or senior officers of the Corporation or their respective associates was indebted at any time during fiscal 2016 to the Corporation in connection with the purchase of the Corporation's securities or otherwise, excluding routine indebtedness or indebtedness that has been entirely repaid as of March 31, 2017. There was no indebtedness as at March 31, 2017 to the Corporation, excluding routine indebtedness, owing by present and former officers, directors and employees of the Corporation.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No director or executive officer of the Corporation, or any associate or affiliate thereof, has any material interest, direct or indirect in any transaction since January 1, 2016, or in any proposed transaction which has materially affected or would materially affect Cipher.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Corporation has adopted certain practices and procedures, including the creation of a Nominating and Governance Committee, to ensure that effective corporate governance practices are followed and to ensure that the Board functions independently of management. Appendix A sets forth the Corporation's statement of corporate governance practices. Appendix A sets out the Charter of the Board of Directors of the Corporation.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Cipher provides insurance for the directors and officers of the Corporation against liability incurred by them in their capacity as directors or officers of the Corporation. The insurance policy provides coverage to a total limit of \$50,000,000 for the protection of the personal liability of the directors and officers and includes insurance to reimburse the Corporation for its indemnity of its directors and officers up to a limit of \$40,000,000 per loss. In addition, the Corporation maintains a Side A policy in the amount of \$10,000,000 which is reserved solely for the directors and officers. Each loss or claim for which the Corporation seeks reimbursement is subject to a \$100,000 deductible for non-securities claims, \$250,000 deductible for non-US securities claims, and \$500,000 deductible for US securities claims, which are payable by the Corporation. The total annual premium for the directors and officers liability policy is \$289,325, which is paid in full by the Corporation.

OTHER MATTERS

Management is not aware of any amendments or variations to matters identified in the Notice or of any other matters that are to be presented for action to the Meeting other than those described in the Notice. Information stated in this Circular is dated as at March 31, 2017 except where otherwise indicated.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.SEDAR.com and financial information relating to the Corporation is provided in the Corporation's financial statements and Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2016. To request copies of the Corporation's financial statements and MD&A, security holders may contact the Corporation directly:

Cipher Pharmaceuticals Inc.
2345 Argentia Road, Suite 100A
Mississauga, ON L5N 8K4
Telephone: 905-602-5840
Facsimile: 905-602-0628
Email: info@cipherpharma.com

CERTIFICATE

The contents of this Circular and the sending thereof to the shareholders has been approved by the Board of Directors.

Dated: March 31, 2017

BY ORDER OF THE BOARD OF DIRECTORS

“Stephen Lemieux” (signed)
Secretary

APPENDIX A

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

In general, the Board of Directors of the Corporation (the “**Board**”) is responsible for the stewardship of the Corporation. The Board oversees the business and affairs of the Corporation, supervises senior management’s day-to-day conduct of business, establishes or approves overall corporate policies where required and involves itself jointly with management in ensuring the creation of shareholder value and the preservation and protection of the Corporation’s assets as well as in establishing the Corporation’s strategic direction. The Board acts through regularly scheduled Board meetings, which are held on a quarterly basis, with additional meetings being scheduled when required. In addition, there is continued communication between senior management and Board members between meetings both on an informal basis and through committee meetings.

To assist in the discharge of its responsibilities, the Board has established an Audit Committee, a Nominating and Governance Committee and a Compensation Committee. All of the members of the committees are “independent” under Multilateral Instrument 52-110 – Audit Committees and under National Instrument 58-101 – Disclosure of Corporate Governance Practices of the Canadian Securities Administrators. The committees operate pursuant to written mandates (charters). Other committees may be established by the Board from time to time as circumstances require.

The Board believes that sound corporate governance practices are in the interest of shareholders and contribute to prudent and effective decision-making. As such, directors of the Corporation are committed to thorough and effective corporate governance arrangements. The Canadian Securities Administrators established various guidelines, which came into force on June 30, 2005, and which require listed companies to disclose their corporate governance practices on an annual basis with reference to these guidelines.

Since becoming a public company in February 2004, management of the Corporation has monitored ongoing developments in the area of corporate governance best practices with a view to making appropriate changes to the Corporation’s corporate governance structures and procedures, as described below.

1. Board of Directors

The importance of the independence of the directors from management is fully endorsed by the Corporation. The Charter of the Board provides that at least a majority of the directors must be “independent” for the purposes of all applicable regulatory requirements. Dr. Mull, Mr. Wolkin, Mr. Beaudet and Mr. Godin have all been determined by the Board to be “independent” as of the date of the Circular. Proposed new director Mr. Deboeck will be a “non-independent” director as a result of the commercial relationship between the Corporation and Galephar Pharmaceuticals Research Inc. and its affiliates. Mr. Tessarolo, as a member of the Corporation’s management, will be a “non-independent” director. The Audit Committee, the Nominating and Governance Committee and the Compensation Committee are each presently composed entirely of “independent” directors.

In addition to their roles as directors of the Corporation, the following individuals also hold positions as directors of the following reporting issuers: Mr. Wolkin is a director of Baylin Technologies Inc. and Diamond Estates Wines & Spirits Ltd.

The Board may meet independently of management as needed. The Charter of the Board of Directors provides for *in camera* sessions of independent directors before, during an adjournment of, or following the conclusion of each meeting of the Board, without any non-independent directors or management being present.

Dr. Mull, who is an independent director, was appointed Chair of the Board in August 2016. The Chair provides leadership to directors in discharging their mandate as set out in the Board Charter, including, by: (a) promoting a thorough understanding by the directors and management of the duties and responsibilities of the directors and the distinctions between the role of the directors and the role of management; (b) promoting cohesiveness among the directors; and (c) ensuring processes are in place to monitor legislation and best practices relating to the responsibilities of the Board, and reviewing the effectiveness of the Board, its committees and individual directors on a regular basis.

The following table sets forth the number of Board and committee meetings held and attendance by directors for the fiscal year ended December 31, 2016:

Attendance of Directors <i>(in person or by telephone)</i>				
<i>Director</i>	<i>Board Meetings Attended</i>	<i>Audit Committee Meetings Attended</i>	<i>Nominating and Governance Committee Meetings Attended</i>	<i>Compensation Committee Meetings Attended</i>
Gerald McDole ⁽¹⁾	10 of 10	2 of 2	3 of 3	3 of 3
John Mull	22 of 25	1 of 1	2 of 3	1 of 1
Stephen Wiseman ⁽²⁾	25 of 25	4 of 4	3 of 3	3 of 3
Stefan Aigner ⁽³⁾	24 of 25	2 of 2	3 of 3	3 of 3
William Claypool ⁽⁴⁾	9 of 10	2 of 2	2 of 3	2 of 3
Thomas Wellner ⁽⁵⁾	23 of 25	3 of 3	0 of 0	N/A
Rene Tannenbaum ⁽⁶⁾	6 of 6	N/A	0 of 0	N/A
Rosemary Crane ⁽⁷⁾	6 of 6	1 of 1	N/A	N/A
Harold Wolkin ⁽⁸⁾	15 of 15	1 of 1	0 of 0	N/A
Mark Beaudet ⁽⁹⁾	13 of 15	1 of 1	0 of 0	N/A
Christian Godin ⁽¹⁰⁾	15 of 15	N/A	N/A	0 of 0

(1) Mr. McDole resigned as a director of the Corporation on August 9, 2016.

(2) Mr. Wiseman is not standing for re-election at the Meeting.

(3) Mr. Aigner is not standing for re-election at the Meeting.

(4) Mr. Claypool resigned as a director of the Corporation on August 9, 2016.

(5) Mr. Wellner is not standing for re-election at the Meeting.

(6) Ms. Tannenbaum was appointed a director of the Corporation on May 5, 2016 and resigned as a director of the Corporation on August 9, 2016.

(7) Ms. Crane was appointed a director of the Corporation on May 5, 2016 and resigned as a director of the Corporation on August 9, 2016.

(8) Mr. Wolkin was appointed a director of the Corporation on August 9, 2016.

(9) Mr. Beaudet was appointed a director of the Corporation on August 9, 2016.

(10) Mr. Godin was appointed a director of the Corporation on August 9, 2016.

2. Board Mandate

The Board, either directly or through its committees, supervises the business and affairs of the Corporation.

The Board is kept informed of the Corporation's operations at Board meetings, committee meetings and through reports and discussions with management of the Corporation, as necessary. Each of the Board and the Audit Committee meet on a quarterly basis, with additional meetings scheduled when required. In addition, there is continued communication between senior management of the Corporation and the Board on an informal basis.

The duties and responsibilities of the Board are set out in the Charter of the Board of Directors attached as Appendix B to this circular.

3. Position Descriptions and Chief Executive Officer Succession Planning

The Corporation has developed and implemented written position descriptions for the Chief Executive Officer, Chief Financial Officer, Chair of the Board, Chair of the Audit Committee, Chair of the Nominating and Governance Committee and Chair of the Compensation Committee. Position descriptions are reviewed periodically. In addition, as a matter of succession planning with respect to the Corporation's Chief Executive Officer, the Board has identified specific criteria to be considered in the appointment of the Chief Executive Officer which the Board is to review annually and update as necessary.

4. Orientation and Continuing Education of New Directors

The Board is responsible for developing and implementing, on recommendation of the Nominating and Governance Committee, a comprehensive orientation program for new directors. The Nominating and Governance Committee develops the comprehensive orientation programs with a goal of assisting new directors in understanding: (a) the role of the Board and its committees; (b) the contribution individual directors are expected to make (including the commitment of time and energy that the Corporation expects from its directors); and (c) the nature and operation of the Corporation's business. The Nominating and Governance Committee's continuing education program assists directors to maintain or enhance their skills and abilities as directors and in ensuring that their knowledge and understanding of the Corporation's business remains current. In regard to these matters the Board has adopted a Director Education and Continuing Education Policy whereby the Corporation will maintain a membership for each director in an organization dedicated to corporate governance and ongoing director education. The Corporation will also annually fund the attendance of each director at seminars or conferences of interest and relevance, the annual allowance in this regard to be set by the Board from time to time.

5. Ethical Business Conduct

The Corporation has a strong commitment to the conduct of business in a lawful and ethical manner. The Board has adopted a written Code of Business Conduct and Ethics (the "Code") for directors, officers and employees which may be obtained by contacting the Secretary of the Corporation, Stephen Lemieux, at (905) 602-5840. The Code describes confidential reporting procedures which may be used by personnel to communicate good faith concerns about any violation of the Code or related policies and guidelines directly to the Chair of the Nominating and Governance Committee. The Chair maintains a log of all reports that are received, tracking their receipt, investigation and resolution.

The Charter of the Board describes the requirement and procedure by which each director must disclose, in writing to the Corporation or by requesting to have entered in the minutes of meetings of the Board or a committee of Directors, the nature and extent of any interest that such director has in a material contract or material transaction, whether made or proposed, with the Corporation, if the director: (a) is a party to the contract or transaction; (b) is a director or officer, or an individual acting in a similar capacity, of a party to the contract or transaction; or (c) has a material interest in a party to the contract or transaction. Directors are to disclose such interest to the Board at the first opportunity and if a material contract or material transaction, whether entered into or proposed, is one that, in the ordinary course of the Corporation's business, would not require approval by the directors, a director must disclose, in writing to the Corporation or request to have entered in the minutes of a meeting of the Board or a committee, the nature and extent of such director's interest immediately after he or she becomes aware of the contract or transaction. A director required to make such disclosure shall not vote on any resolution to approve the contract or transaction unless the contract or transaction: (a) relates primarily to his or her remuneration as a director, officer, employee or agent of the Corporation or an affiliate; (b) is for indemnity or insurance; or (c) is with an affiliate.

The Code, the Charter of the Board, as well as a number of other policies implemented by the Corporation, including insider trading and whistleblowing policies, serve to promote and encourage a culture of ethical business conduct within the Corporation.

6. Nomination of Directors

The Nominating and Governance Committee, composed entirely of independent directors has the responsibility of identifying individuals qualified to become new directors of the Corporation and recommending to the Board the directors to be nominated for election at annual meetings of shareholders. External advisors may be retained to assist in this process.

In evaluating the competencies and skills of potential new directors, the Nominating and Governance Committee considers: (a) the competencies and skills the Board, as a whole, should possess; (b) the competencies and skills each existing director possesses; and (c) the personality and skills each new nominee would bring to the Board. A skills matrix of the functional expertise of existing and potential new directors is used in this regard. The Nominating and Governance Committee is also guided by the principles set out in the Board Diversity Policy as described in item 11 below.

7. Majority Voting in Director Elections

The Board has adopted a Majority Voting in Directors Elections Policy that will apply at any meeting of shareholders where an uncontested election of directors is held. Pursuant to this policy, if the number of proxy votes withheld for a particular director nominee is greater than the votes for such director, the director nominee will be required to submit his or her resignation to the Chair of the Board promptly following the meeting of shareholders. Following receipt of the resignation, the Board will consider whether or not to accept the offer of resignation. With the exception of special circumstances, the Board will be expected to accept the resignation. Within 90 days following the applicable meeting of shareholders, the Board will make its decision and disclose it by a press release, such press release to include the reasons for rejecting the resignation, if applicable. The policy is set out in Appendix B to this Circular.

8. Compensation

The Board approves the compensation of the Chief Executive Officer and considers recommendations of the Chief Executive Officer with respect to the compensation of other members of senior management. The Board has directed the Compensation Committee to consider matters related to executive compensation and to report and make recommendations to the Board with respect to such matters.

The Compensation Committee, composed entirely of independent directors, assists the Board in its oversight of executive and director compensation and undertakes the responsibility for: (a) reviewing and making recommendations to the Board with respect to compensation of the Chief Executive Officer; (b) making recommendations to the Board with respect to non-CEO officer compensation, incentive compensation plans and equity-based plans; and (c) reviewing the Corporation's compensation disclosure in public documents and preparing the annual report on executive compensation for inclusion in the Corporation's information circulars.

The Compensation Committee also monitors the administration of the Corporation's executive officer incentive and other compensation related plans and reports to the Board annually on whether incentives and bonuses awarded or paid to the Chief Executive Officer and each of the other executive officers have been awarded or paid in accordance with the applicable plans.

The consulting firm of Mercer (Canada) Ltd. ("**Mercer**") was retained in 2014 to perform compensation reviews for the key executive positions as well as the level of compensation paid to directors. The fees paid to Mercer in 2016 totalled \$14,607 for such services. During 2015, fees of \$42,704 were paid to Mercer for advice on the design of compensation programs.

9. Assessments

The Nominating and Governance Committee is charged with developing and recommending to the Board a process for reviewing the performance and effectiveness of the Board as a whole, the committees of the Board and the contributions of individual directors on an annual basis, such process to consider: (a) input from directors, as appropriate; (b) attendance of directors at meetings of the Board and any committee; (c) the Board's written charter; (d) the charter of each committee of the Board; (e) applicable position description(s) for each individual director and for the chairs of the Board and of each committee of the Board; and (f) the competencies and skills each individual Director is expected to bring to the Board. The Committee is responsible for overseeing the execution of the review process as approved by the Board.

A peer evaluation process is included as part of the assessment process for feedback on the effectiveness of individual directors. Every director assesses the contribution of each of his or her peers. The results are compiled confidentially by an outside third party. The Chair of the Board receives the results of each director's peer assessment which are then discussed by the third party with each director on an individual confidential basis.

The Nominating and Governance Committee also reviews the Board's committee structure on an annual basis and recommends to the Board any changes it considers necessary or desirable with respect to the committee structure, including: (a) the charters of each committee; (b) the criteria for membership on any committee; (c) the composition

of each committee; (d) the appointment and removal of members from any committee; (e) the operations of each committee, including the ability of any committee to delegate any or all of its responsibilities to a sub-committee of that committee; and the process by which each committee reports to the Board.

Each of the Board as a whole, the Audit Committee, the Nominating and Governance Committee and Compensation Committee are to review performance and effectiveness annually in accordance with the approved review process.

Due to the changes to the composition of the Board in August 2016 and the proposed further changes to be considered at the Meeting, the assessments described above were not carried out in 2016.

10. Director Term Contracts

As a mechanism for renewal of the Board, the Charter of the Board of Directors provides that a person may serve as a director for a maximum of 15 years, whether or not consecutive, subject to the Board determining to recommend a director for re-election beyond the 15 years in exceptional circumstances and to further the best interests of the Corporation.

11. Policies Regarding the Representation of Women on the Board

The Corporation adopted on December 17, 2014 a written policy with respect to the Diversity of the Board of Directors (the “**Board Diversity Policy**”). Pursuant to the Board Diversity Policy, the Nominating and Governance Committee, when identifying candidates for election or appointment to the Board, is guided by principles which include consideration of diversity criteria by seeking directors who represent both genders and various ages, cultural communities and geographic areas. The Nominating and Governance Committee and the Board may engage external advisors to conduct a search for Board candidates to help achieve Board diversity as above described. The effectiveness of the policy and progress thereunder will be monitored by the Nominating and Governance Committee on an ongoing basis.

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

Pursuant to the Board Diversity Policy, the Nominating and Governance Committee is to consider the level of representation of women on the Board in identifying and nominating candidates for election to the Board.

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

The Corporation adopted on December 17, 2014 a written Policy with respect to the Diversity of Executive Officers (the “**Executive Officer Diversity Policy**”). Pursuant to this policy, when identifying candidates for appointment as executive officers of the Corporation, the Board is guided by principles which include consideration of diversity criteria by seeking executive officers who represent both genders and various cultural communities. The Board may engage external advisors to conduct a search for candidates to help achieve executive officer diversity as above described.

14. Targets Regarding the Representation of Women on the Board and in Executive Officer Positions

The Board Diversity Policy provides that the Board aspires toward a composition of the Board in which each gender comprises at least one-quarter of the directors by 2020. The Executive Officer Diversity Policy provides that it is the Corporation’s intention that senior management be such that each gender comprises at least one-third of the executive officers of the Corporation through 2017.

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

There are presently no women on the Board. The Corporation is reducing the size of the Board at the present time and in that context no women are proposed for election as directors at the Meeting. There is one female executive officer of the Corporation, being 33% (one out of three) of the Corporation’s executive officers. .

APPENDIX B

CHARTER OF THE BOARD OF DIRECTORS OF CIPHER PHARMACEUTICALS INC.

GENERAL

1. PURPOSE AND RESPONSIBILITY OF THE BOARD

The Board of Directors is responsible for supervising the activities and managing the investments and affairs of the Corporation. By approving this Charter, the Board confirms its responsibility for the stewardship of the Corporation and its business. This stewardship function includes responsibility for the matters set out in this Charter. The responsibilities of the Directors described herein are pursuant to, and subject to, the Act and do not impose any additional responsibilities or liabilities on the Directors at law or otherwise.

2. REVIEW OF CHARTER

The Board shall review and assess the adequacy of this Charter annually and at such other times as it considers appropriate and shall make such changes as it considers necessary or appropriate.

3. DEFINITIONS AND INTERPRETATION

3.1 Definitions

In this Mandate:

- (a) “**Act**” means the *Business Corporations Act* (Ontario), as amended;
- (b) “**Applicable Laws**” means all applicable provisions of law, domestic or foreign, including, without limitation, the Act; the *Securities Act* (Ontario) as amended, together with all regulations, rules, policy statements, rulings, notices, orders or other instruments promulgated thereunder; and the applicable rules and policies of any stock exchange on which the Corporation is listed;
- (c) “**Board**” means the Board of Directors of the Corporation;
- (d) “**CEO**” means the chief executive officer of the Corporation;
- (e) “**Chair**” means the chair of the Board;
- (f) “**Charter**” means this charter, as amended from time to time;
- (g) “**Corporation**” means Cipher Pharmaceuticals Inc.;
- (h) “**Directors**” means the directors of the Corporation;
- (i) “**Residents**” means “resident Canadians” for purposes of the Act; and
- (j) “**Vice Chair & Lead Director**” means the lead director of the Corporation.

3.2 Interpretation

This Charter is subject to and shall be interpreted in a manner consistent with the Act and any other applicable legislation.

CONSTITUTION OF THE BOARD

4. ELECTION AND REMOVAL OF DIRECTORS

4.1 Number of Directors

The Corporation shall have a minimum of one Director and a maximum of ten Directors, with the number of Directors from time to time within such range being fixed by resolution of the Directors.

4.2 Election of Directors

Directors shall be elected (including the re-election of incumbent Directors) at each annual meeting of the shareholders, and may be elected at a special meeting of the shareholders, in each case to hold office, subject to Section 4.4, for a term expiring at the close of the next annual meeting of the shareholders following such an election.

4.3 Vacancies

A quorum of Directors may fill a vacancy among the Directors, to the extent permitted under the Act.

4.4 Ceasing to Be a Director

A Director shall cease to hold office when:

- (a) he or she dies or resigns;
- (b) he or she is removed in accordance with the provisions of the Act; or
- (c) he or she ceases to be duly qualified to act as a Director as specified in the Act.

4.5 Majority Voting in Director Elections

The Majority Voting in Director Elections Policy set out in Schedule B to this Charter shall apply with respect to an uncontested election of Directors.

5. CRITERIA FOR DIRECTORS

5.1 Qualifications of Directors

Every Director shall be an individual who is at least 18 years of age, has not been found under the *Substitute Directors Act, 1992* (Ontario) or under the *Mental Health Act* (Ontario) to be incapable of managing property or found to be incapable by a court in Canada or elsewhere.

5.2 Residency

At least 25% of the Directors shall be Residents.

5.3 Independence of Directors

At least a majority of the Directors shall be independent as defined under Applicable Laws.

5.4 Tenure

A person may serve as a director for a maximum of 15 years, whether or not consecutive, subject to the Board determining to recommend a Director for re-election beyond the 15 years in exceptional circumstances and to further the best interests of the Corporation

5.5 Other Criteria

The Board may establish other criteria for Directors as contemplated in this Charter.

6. BOARD CHAIR

6.1 Board to Appoint Chair

The Board shall appoint an independent Director to act as Chair, or alternatively, shall appoint a Director who is not independent to act as Chair and shall also appoint an independent Director to act as Vice Chair & Lead Director.

6.2 Chair to Be Appointed Annually

The Board shall appoint the Chair annually at the first meeting of the Board after a meeting of the members at which Directors are elected. If the Board does not so appoint a Chair, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

7. INFORMATION, ADVICE AND REMUNERATION OF DIRECTORS AND RETAINING ADVISORS

7.1 Remuneration

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

7.2 Retaining and Compensating Advisors

Each Director shall have the authority to retain at the expense of the Corporation outside counsel and any other external advisors from time to time as appropriate with the approval of the chair of the Nominating and Governance Committee.

7.3 Information

The Board shall have the authority to request from management of the Corporation, and from other sources, such information as the Board considers necessary in order to discharge its oversight responsibilities.

MEETINGS OF THE BOARD

8. MEETINGS OF THE BOARD

8.1 Time and Place of Meetings

Meetings of the Board shall be held in Canada and shall be called in the manner and at the location contemplated in the by-laws of the Corporation.

8.2 Frequency of Board Meetings

The Board shall meet at least four times per year on a quarterly basis.

8.3 Quorum

The quorum for the transaction of business at any meeting of the Directors shall consist of a majority of the number of Directors fixed in accordance with Section 4.1.

8.4 Secretary of the Meeting

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

8.5 Right to Vote

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

8.6 Invitees

The Board may invite any of the Corporation's officers, employees, advisors or consultants or any other person to attend meetings of the Board to assist in the discussion and examination of the matters under consideration by the Board.

9. CONFLICTS OF INTEREST

9.1 Disclosure of Interest

Each Director shall disclose, in writing to the Corporation or by requesting to have entered in the minutes of meetings of the Board or a committee of Directors, the nature and extent of any interest that such Director has in a material contract or material transaction, whether made or proposed, with the Corporation, if the Director:

- (a) is a party to the contract or transaction;
- (b) is a director or officer, or an individual acting in a similar capacity, of a party to the contract or transaction; or
- (c) has a material interest in a party to the contract or transaction.

9.2 Time of Disclosure

- (a) Each Director shall disclose such interest to the Board at the first opportunity to disclose such interest. For example, the Director shall disclose such interest at the meeting at which the contract or transaction is first considered or, if the Director becomes interested at a later time, at the first meeting after which the Director becomes so interested or, if an interested individual later becomes a Director, at the first meeting after he or she becomes a Director.
- (b) If a material contract or material transaction, whether entered into or proposed, is one that, in the ordinary course of the Corporation's business, would not require approval by the Directors, a Director shall disclose, in writing to the Corporation or request to have entered in the minutes of meetings of the Board or a committee of Directors, the nature and extent of such Director's interest immediately after he or she becomes aware of the contract or transaction.

9.3 Voting

A Director required to make a disclosure under paragraph 9.2(a) above shall not vote on any resolution to approve the contract or transaction unless the contract or transaction:

- (a) relates primarily to his or her remuneration as a Director, officer, employee or agent of the Corporation or an affiliate;
- (b) is for indemnity or insurance; or
- (c) is with an affiliate.

9.4 Continuing Disclosure

A Director may declare his or her interest in relation to a contract or transaction by a general notice to the Directors declaring that a Director is to be regarded as interested, for any of the following reasons, in a contract or transaction made with a party:

- (a) the Director is a director or officer, or an individual acting in a similar capacity, of a party referred to in paragraphs 9.1(b)-(c) above;
- (b) the Director has a material interest in the party; or
- (c) there has been a material change in the nature of the Director's interest in the party.

9.5 Avoidance Standards and Shareholder Confirmation

A contract or transaction for which disclosure is required under Section 9.1 above is not invalid, and the Director is not accountable to the Corporation or its shareholders for any profit realized from such contract or transaction, because of the Director's interest in the contract or transaction or because the Director was counted to determine whether a quorum existed at the meeting of the Board or a committee of the Board that considered the contract or transaction, if:

- (a) disclosure of the interest was made as described in this Section 9, the Directors approved the contract or transaction, and the contract or transaction was reasonable and fair to the Corporation when it was approved; or
- (b) the contract or transaction is approved or confirmed by special resolution at a meeting of shareholders, disclosure of the interest was made to shareholders in a manner sufficient to indicate its nature before such approval or confirmation, and the contract or transaction was reasonable and fair to the Corporation when it was approved or confirmed.

10. IN CAMERA SESSIONS

10.1 In Camera Sessions of Independent Directors

Before, during an adjournment of, or following the conclusion of each meeting of the Board, the independent Directors shall meet without the non-independent Directors and any member of management being present, provided that any failure to do so shall not invalidate business transacted at a duly convened meeting of the Board.

10.2 Business Transacted at In Camera Sessions

The Directors shall not transact business of the Board at an in camera session of Directors.

DELEGATION OF DUTIES AND RESPONSIBILITIES

11. DELEGATION AND RELIANCE

11.1 Delegation of Powers

The Directors may establish one or more committees and may, subject to Applicable Laws, delegate to such committees any of the powers of the Directors. The Directors may also, subject to Applicable Laws, delegate such powers to such of the officers of the Corporation (or to other persons as the Directors may deem appropriate) as they, in their sole discretion, may deem necessary or desirable, and define the scope of and manner in which such powers shall be exercised by such persons as they may deem appropriate, without regard to whether such authority is normally granted or delegated by directors, subject, however, to the overall supervision and control of the Directors.

11.2 Requirement for Certain Committees

The Board shall establish and maintain the following committees of the Board, each having mandates that incorporate all applicable legal and stock exchange listing requirements and with such recommendations of relevant securities regulatory authorities and stock exchanges as the Board may consider appropriate:

- (a) Audit Committee;
- (b) Nominating and Governance Committee; and
- (c) Compensation Committee.

11.3 Composition of Committees

The Board shall appoint and maintain in office members of each of its committees such that the composition of each such committee is in compliance with all applicable legal and stock exchange listing requirements and with such recommendations of relevant securities regulatory authorities and stock exchanges as the Board may consider appropriate.

11.4 Review of Charters

On an annual basis, the Board shall review the recommendations of the Nominating and Governance Committee with respect to the charters of each committee of the Board. The Board shall approve those changes to the charters that it determines are appropriate.

11.5 Reliance on Management

The Board is entitled to rely in good faith on the information and advice provided to it by the Corporation's management.

11.6 Reliance on Others

The Board is entitled to rely in good faith on information and advice provided to it by advisors, consultants and such other persons as the Board considers appropriate.

11.7 Oversight

The Board retains responsibility for oversight of any matters delegated to any Director(s) or any committee of the Board, to management or to other persons.

DUTIES AND RESPONSIBILITIES

12. RESPONSIBILITY FOR SPECIFIC MATTERS

12.1 Responsibility for Specific Matters

The Directors explicitly assume responsibility for the matters set out below, recognizing that these matters represent in part responsibilities reflected in requirements and recommendations adopted by applicable securities regulators and stock exchanges and do not limit the Directors' responsibilities under the Act.

12.2 Delegation to Committees

Whether or not specific reference is made to committees of the Board in connection with any of the matters referred to below, the Board may direct any committee of the Board to consider such matters and to report and make recommendations to the Board with respect to these matters.

13. CORPORATE GOVERNANCE GENERALLY

13.1 Governance Practices and Principles

The Board shall be responsible for developing the Corporation's approach to corporate governance, including, if deemed appropriate, a set of corporate governance principles and guidelines that are specifically applicable to the Corporation.

13.2 Governance Disclosure

- (a) *Approval of Disclosure.* The Board shall approve disclosure about the Corporation's governance practices in any document before it is delivered to the Corporation's shareholders or filed with applicable securities regulators or with the stock exchanges.
- (b) *Determination that Differences Are Appropriate.* If the Corporation's governance practices differ from those recommended by applicable securities regulators or the stock exchanges, the Board shall consider these differences and why the Board considers them to be appropriate.

13.3 Delegation to Nominating and Governance Committee

The Board may direct the Nominating and Governance Committee to consider the matters contemplated in this Section 13 and to report and make recommendations to the Board with respect to these matters.

14. RESPONSIBILITIES RELATING TO MANAGEMENT

14.1 Integrity of Management

The Board shall, to the extent feasible, reasonably satisfy itself:

- (a) as to the integrity of the CEO and other executive officers of the Corporation; and
- (b) that the CEO and other executive officers of the Corporation create a culture of integrity throughout the organization.

14.2 Succession Planning

The Board shall be responsible for succession planning, including appointing, training and monitoring senior management. In discharging this responsibility, the Board may:

- (a) consider recommendations of the Nominating and Governance Committee; and
- (b) consider recommendations of management and review and approve (as appropriate) succession plans developed by the CEO for senior management positions.

14.3 Executive Compensation Policy

- (a) *Board Approval.* The Board shall approve the compensation of the CEO and shall consider and, if appropriate, approve the recommendations of the CEO with respect to the compensation of other members of senior management.
- (b) *Delegation to Compensation Committee.* The Board may direct the Compensation Committee to consider the matters contemplated in this Section 14.3 and to report and make recommendations to the Board with respect to these matters.

15. OVERSIGHT OF THE OPERATION OF THE BUSINESS

15.1 Risk Management

Taking into account the reports of management and such other persons as the Board may consider appropriate, the Board shall identify the principal risks of the Corporation's business and satisfy itself as to the implementation of appropriate systems to manage these risks.

15.2 Strategic Planning Process

The Board shall adopt a strategic planning process and shall approve, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the Corporation's business.

15.3 Internal Control and Management Information Systems

The Board shall review the reports of management and the Audit Committee concerning the integrity of the Corporation's internal control and management information systems. Where appropriate, the Board shall require management and the Audit Committee to implement changes to such systems to ensure integrity of such systems.

15.4 Communications Policies

The Board shall review and, if determined appropriate, approve a corporate disclosure policy and such other policies as may be necessary or desirable for communicating with shareholders, the investment community, the media, governments and their agencies, employees and the general public. All publicly disseminated materials of the Corporation shall provide for a mechanism for feedback of stakeholders. Persons designated to receive such information shall be required to provide a summary of the feedback to the Directors on a semi-annual basis or at such other more frequent intervals as the Directors require. The Board shall consider, among other things, the recommendations of management and the Nominating and Governance Committee with respect to such policies.

15.5 Whistleblowing Policy

The Board shall review and approve a whistleblowing policy for the Corporation. In adopting the whistleblowing policy, the Board shall consider the recommendations of the Audit Committee concerning its compliance with applicable legal and stock exchange listing requirements and with such recommendations of relevant securities regulatory authorities and stock exchanges as the Board may consider appropriate.

15.6 Financial Statements

The Board shall review the recommendation of the Audit Committee with respect to the annual financial statements of the Corporation to be delivered to shareholders. If in agreement with the Audit Committee, the Board shall approve such financial statements. The Board shall also review the recommendation of the Audit Committee with respect to the interim financial statements or other material financial disclosure of the Corporation prior to its release to the public and, if in agreement with the Audit Committee, shall approve such financial statements or other material financial disclosure.

15.7 Pension Plan Matters

The Board shall receive and review reports from management and from the Nominating and Governance Committee covering administration, investment performance, funding, financial impact, actuarial reports and any pension plan related matters.

15.8 Code of Business Conduct and Ethics

The Board shall review and approve a Code of Business Conduct and Ethics for the Corporation. In adopting this Code, the Board shall consider the recommendations of the Nominating and Governance Committee concerning

its compliance with applicable legal and stock exchange listing requirements and with such recommendations of relevant securities regulatory authorities and stock exchanges as the Board may consider appropriate.

15.9 Compliance and Disclosure

The Board shall direct the Nominating and Governance Committee to monitor compliance with the Code of Business Conduct and Ethics and recommend disclosures with respect thereto. The Board shall consider any report of the Nominating and Governance Committee concerning these matters, and shall approve, if determined appropriate, the disclosure of the Code of Business Conduct and Ethics and of any waiver granted to a Director or executive officer of the Corporation from complying with the Code of Business Conduct and Ethics.

15.10 Legal Counsel

- (a) The Board shall approve any change in the Corporation's regular external legal counsel and any retention by the Corporation of other external counsel as lead counsel for material transactions or matters.
- (b) The Board may delegate to one or more members of the Board the authority to pre-approve the retention by the Corporation of other external counsel as lead counsel for material transactions or matters in satisfaction of the requirement in Section 15.10(a), provided that such member or members must present any such retention to the full Board at its first scheduled meeting following such pre-approval.

16. NOMINATION OF DIRECTORS

16.1 Nomination and Appointment of Directors

- (a) The Board shall nominate individuals for election as Directors by the shareholders and shall require the Nominating and Governance Committee to make recommendations to it with respect to such nominations.
- (b) In selecting candidates for nomination as Directors, the Board shall:
 - (i) consider what competencies and skills the Board, as a whole, should possess;
 - (ii) assess what competencies and skills each existing and proposed new Director possesses; and
 - (iii) consider whether each nominee can devote sufficient time and resources to his or her duties as a Director.
- (c) The Board shall consider recommendations made to it by the Nominating and Governance Committee with respect to the size and composition of the Board.

17. BOARD EFFECTIVENESS

17.1 Position Descriptions

The Board shall review and, if determined appropriate, approve the recommendations of the Nominating and Governance Committee concerning formal position descriptions for:

- (a) the Chair of the Board, the Vice Chair & Lead Director (if any) and for the Chair of each committee of the Board, and
- (b) the CEO,

provided that in approving a position description for the CEO, the Board shall consider the input of the CEO and shall develop and approve corporate goals and objectives that the CEO is responsible for meeting (which may include goals and objectives relevant to the CEO's compensation, as recommended by the Nominating and Governance Committee).

17.2 Director Orientation and Continuing Education

The Board shall review and, if determined appropriate, approve the recommendations of the Nominating and Governance Committee concerning:

- (a) a comprehensive orientation program for new Directors; and
- (b) a continuing education program for all Directors.

17.3 Board, Committee and Director Review

The Board shall review and, if determined appropriate, adopt a process recommended by the Nominating and Governance Committee for reviewing the performance and effectiveness of the Board as a whole, the committees of the Board and the contributions of individual Directors on an annual basis.

18. ANNUAL REVIEW OF THE BOARD

Each year, the Board shall review its performance and effectiveness in accordance with the process established by the Nominating and Governance Committee.

19. POLICY OF PRACTICES FOR DIRECTORS

Directors are expected to carry out their duties in accordance with the Policy of Practices for Directors set out in Schedule A to this Charter.

December 28, 2005 and amended August 3, 2006, July 23, 2007, February 28, 2013 and December 17, 2014, March 30, 2015 and May 4, 2016.

SCHEDULE A

POLICY OF PRACTICES FOR DIRECTORS

Attendance at Meetings

Each Director is expected to have a very high record of attendance at meetings of the Board of Directors, and at meetings of each committee on which the Director sits. A Director is expected to:

- (i) advise the Chair as to planned attendance at Board and committee meetings shortly after meeting schedules for the year have been distributed;
- (ii) advise the Chair as soon as possible after becoming aware that he or she shall not be able to attend a meeting; and
- (iii) attend a meeting by telephone conference if unable to attend in person.

Preparation for Meetings

Directors are expected to carefully review and consider the materials distributed in advance of a meeting of the Board of Directors or a committee of the Board of Directors. Directors are also encouraged to contact the Chair, the Chief Executive Officer and any other appropriate officers to ask questions and discuss agenda items prior to meetings.

The Chair shall ensure that all meeting materials are provided to the members of the Board in a timely manner to enable the members to conduct a careful review and consideration of the meeting materials.

Conduct at Meetings

Directors are expected to ask questions and participate in discussions at meetings, and to contribute relevant insights and experience. In discussions at meetings, a Director should:

- (i) be candid and forthright;
- (ii) not be reluctant to express contrary views;
- (iii) be concise and respect the time constraints of a meeting;
- (iv) be courteous to and respectful of other Directors and guests in attendance; and
- (v) openly conduct discussions in a manner which shall foster a consensus amongst the members of the Board.

Knowledge of the Corporation's Business

Directors are expected to be knowledgeable with respect to the various fields and divisions of business. Although management has a duty to keep the Board of Directors informed about developments in the Corporation's business, Directors have a primary duty of care and diligence, which includes a duty of inquiry. Directors should:

- ask questions of management and other directors, at meetings and otherwise, to increase their knowledge of the business of the Corporation;
- familiarize themselves with the risks and challenges facing the business of the Corporation;

- read all internal memoranda and other documents circulated to the directors, and all reports and other documents issued by the Corporation for external purposes;
- insist on receiving adequate information from management with respect to a proposal before Board approval is requested;
- familiarize themselves with the Corporation's competitors; and
- familiarize themselves with the legal and regulatory framework within which the Corporation carries on its business.

Personal Conduct

Directors are expected to:

- (i) exhibit high standards of personal integrity, honesty and loyalty to the Corporation;
- (ii) project a positive image of the Corporation to news media, the financial community, governments and their agencies, shareholders and employees;
- (iii) be willing to contribute extra efforts, from time to time as may be necessary including, among other things, being willing to serve on committees of the Board; and
- (iv) disclose any potential conflict of interest that may arise with the business or affairs of the Corporation and, generally, avoid entering into situations where such conflicts could arise or could reasonably be perceived to arise.

SCHEDULE B

MAJORITY VOTING IN DIRECTOR ELECTIONS POLICY

In an uncontested election of Directors of the Corporation at a meeting of shareholders of the Corporation, any nominee for Director who receives a greater number of votes “withheld” from his or her election than votes “for” such election (a “**Majority Withheld Vote**”) shall promptly tender his or her resignation to the Chair of the Board of Directors (the “**Board**”) following the meeting of shareholders. In this policy, an “uncontested election” shall mean an election where the number of nominees for Director shall be equal to the number of Directors to be elected.

The Board shall consider the resignation offer and whether or not to accept it. The Board shall be expected to accept the resignation except in situations where extenuating circumstances would warrant that the applicable Director continue to serve on the Board. In considering whether or not to accept the resignation, the Board will consider all factors deemed relevant including, without limitation, the stated reasons why shareholders “withheld” votes from the election of that nominee, the length of service and the qualifications of the Director whose resignation has been tendered, such Director’s contributions to the Corporation and the Corporation’s corporate governance policies.

The Board shall act within 90 days following the applicable meeting of shareholders. Following the decision of the Board on the resignation, the Board shall promptly disclose, via press release, the decision whether to accept the Director’s resignation offer including the reasons for rejecting the resignation offer, if applicable. The Corporation shall provide a copy of the press release to the Toronto Stock Exchange. If a resignation is accepted, the Board may, in accordance with applicable law, appoint a new Director to fill any vacancy created by resignation.

Subject to the following, any Director who tenders his or her resignation pursuant to this policy shall not participate in any meeting of the Board to consider whether his or her resignation shall be accepted. If the Directors who did not receive a Majority Withheld Vote in the same uncontested election do not constitute a majority of the Board, then (i) the independent Directors shall appoint a committee amongst themselves to consider resignation offers and recommend to the Board whether to accept them, which committee shall include at a minimum any independent directors who did not receive a Majority Withheld Vote; and (ii) all Directors will participate in the subsequent determinations of the Board as to whether to accept resignations.

In the event that any Director who received a Majority Withheld Vote does not tender his or her resignation in accordance with this policy, he or she will not be re-nominated by the Board.

The Board may adopt such procedures as it sees fit to assist it in its determinations with respect to this policy.