SPECTRAL DIAGNOSTICS INC.

and

BIRCH HILL EQUITY PARTNERS IV, LP, BIRCH HILL EQUITY PARTNERS (US) IV, LP AND BIRCH HILL EQUITY PARTNERS (ENTREPRENEURS) IV, LP

PRIVATE PLACEMENT AGREEMENT

June 10, 2014

TABLE OF CONTENTS

ARTICLE 1
INTERPRETATION

ARTICLE 2
ISSUE AND SALE

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF THE INVESTORS

ARTICLE 5
ACKNOWLEDGEMENTS OF THE INVESTORS

ARTICLE 6
COVENANTS OF THE PARTIES

ARTICLE 7
CONDITIONS OF EACH CLOSING

ARTICLE 8
CLOSING

ARTICLE 9
TERMINATION

ARTICLE 10
CONFIDENTIALITY AND NON-DISCLOSURE

ARTICLE 11
BIRCH HILL BOARD REPRESENTATION

ARTICLE 12
ANTI-DILUTION RIGHTS

ARTICLE 13
MISCELLANEOUS

SCHEDULES

PRIVATE PLACEMENT AGREEMENT

Private Placement Agreement dated June 10, 2014 between Spectral Diagnostics Inc. (the "**Corporation**") and Birch Hill Equity Partners IV, LP, Birch Hill Equity Partners (US) IV, LP and Birch Hill Equity Partners (Entrepreneurs) IV, LP (collectively, the "**Investors**").

WHEREAS the Investors own in the aggregate 9,679,053 common shares in the capital of the Corporation ("**Common Shares**");

AND WHEREAS, in addition, the Investors own approximately 44.7% of the outstanding common shares of Medwell Capital Corp. ("**Medwell**") and Medwell owns a further 15,287,500 Common Shares;

AND WHEREAS the Corporation wishes to sell and the Investors wish to purchase an additional 15,358,360 Common Shares for aggregate proceeds of $4,500,000 to the Corporation pursuant to Section 2.1 of this Agreement in connection with a Tranche A offering of the Corporation of $13,200,000**;**

AND WHEREAS the Corporation may enter into certain other subscription agreements with certain other subscribers for the subscription, purchase and sale of an additional 29,692,827 Common Shares, for additional proceeds of $8,700,000 to the Corporation in connection with the Tranche A offering of the Corporation;

AND WHEREAS the Corporation may sell and Toray may subscribe for certain additional Common Shares upon the exercise by the Corporation of the Toray Call Right (as defined below) for additional proceeds of up to $5,000,000 in connection with the Tranche B offering of the Corporation.

NOW THEREFORE THIS AGREEMENT WITNESSES that, in consideration of the foregoing and the mutual agreements contained herein (the receipt and adequacy of which are acknowledged), the Parties agree as follows:

ARTICLE 1
INTERPRETATION

Section 1.1 Defined Terms.

Capitalized terms used in this Agreement and not otherwise defined have the meanings given to them in Schedule 1.1, unless there is something in the subject matter or context inconsistent therewith.

Section 1.2 Headings, etc.

The provision of a Table of Contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and do not affect its interpretation.

Section 1.3 Gender and Number.

Any reference in this Agreement to gender includes all genders. Words importing the singular number only include the plural and *vice versa*.

Section 1.4 Currency.

All references in this Agreement to dollars or to "$" are expressed in Canadian currency unless otherwise specifically indicated.

Section 1.5 Numerical Expressions.

Numerical expressions in this Agreement follow the international convention whereby a comma (,) separates the thousands and a full stop (.) separates the decimals.

Section 1.6 Certain Phrases.

In this Agreement, (i) the words "**including**", "**includes**" and "**include**" mean "**including (or includes or include) without limitation**", and (ii) the words "**the aggregate of**", "**the total of**", "**the sum of**", or a phrase of similar meaning means "**the aggregate (or total or sum), without duplication, of**". The expressions "**Article**", "**Section**" and other subdivision followed by a number mean and refer to the specified Article, Section or other subdivision of the Agreement. In the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word "**from**" means "**from and including**" and the words "**to**" and "**until**" each mean "**to but excluding**".

Section 1.7 Statutory References.

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules and regulations made under it as they may have been or may from time to time be amended, re-enacted or superseded.

Section 1.8 Schedules.

The schedules attached to this Agreement form an integral part of it for all purposes of it.

Section 1.9 Knowledge

For the purposes of this Agreement, with respect to any matter, the knowledge of the Corporation shall mean (a) the actual knowledge of Anthony Businskas and Dr. Paul M. Walker, and (b) all information which ought to have been known by such persons after making all reasonable inquiries of the directors, officers and employees of and consultants to the Corporation and the subsidiaries concerning the matters in question, whether or not any such inquiry was actually made.

ARTICLE 2
ISSUE AND SALE

Section 2.1 Purchase and Sale.

(1) Subject to the terms and conditions of this Agreement, the Investors hereby subscribe for and agree to purchase from the Corporation, and the Corporation

agrees to sell to the Investors, at the Closing, 15,358,360 Common Shares (the "**Subscription Shares**") for a subscription price of $0.293 per Common Share (the "**Subscription Price**"), for aggregate subscription proceeds of $4,500,000 (the "**Subscription Proceeds**").

(2) Each Investor shall pay a price per Subscription Share equal to the Subscription Price, for aggregate proceeds equal to the Subscription Proceeds. Set forth in Schedule 2.1 is each Investor's proportionate share of the Subscription Shares and the Subscription Proceeds.

(3) Subject to the terms and conditions of this Agreement, certificates representing the Subscription Shares, or a Direct Registration Statement in lieu of a physical share certificate, as directed by the Investors, will be issued by the Corporation to the Investors at the Closing in accordance with Article 8, upon the satisfaction or waiver of the conditions of Closing set forth in Article 7.

(4) On the Closing Date, upon the satisfaction or waiver of the conditions of Closing set forth in Article 7, each Investor shall pay, or cause to be paid, to the Corporation its proportionate share of the Subscription Proceeds as set out in Schedule 2.1 by certified cheque, bank draft or wire transfer in immediately available funds. (the "**Closing Payment**").

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

Section 3.1 Representations and Warranties of the Corporation.

The Corporation represents and warrants to the Investors as to those matters set forth in Schedule 3.1 and acknowledges and confirms that the Investors are relying upon such representations and warranties in connection with the offer and sale of the Subscription Shares to the Investors.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF THE INVESTORS

Section 4.1 Representations and Warranties of the Investors.

Each Investor represents and warrants to the Corporation as to those matters set forth in Schedule 4.1 and acknowledges and confirms that the Corporation is relying on such representations and warranties in connection with the offer and sale of the Subscription Shares to such Investor.

ARTICLE 5
ACKNOWLEDGEMENTS OF THE INVESTORS

Section 5.1 **Acknowledgments.**The Investors acknowledge and agree that:

(a) The subscription for the Subscription Shares pursuant to Section 2.1(1) is being made at the same time as a proposed private placement of an additional 29,692,827 Common Shares in Tranche A, for proceeds of an additional $8,700,000 to the Corporation. Prior to the Closing, the Corporation will provide the Investors with copies of all subscription agreements entered into with such other subscribers for the Tranche A offering.

(b) The Corporation may complete additional financings in the future in order to develop the business of the Corporation and fund its ongoing development, and such future financings may have a dilutive effect on current securityholders of the Corporation, including securities of the Corporation held by the Investors but there is no assurance that such financing will be available, on reasonable terms or at all, and if not available, the Corporation may be unable to fund its ongoing development;

(c) No prospectus has been filed with any Securities Regulatory Authority in connection with the Offering and no Securities Regulatory Authority has made any finding or determination as to the merit for investment in, or made any recommendation or endorsement with respect to, the Subscription Shares;

(d) The offer, sale and issuance of the Subscription Shares is exempt from the prospectus requirements of Applicable Securities Laws and, as a result: (i) the Investors may not receive information that would otherwise be required under Applicable Securities Laws or be contained in a prospectus prepared in accordance with Applicable Securities Laws, (ii) the Investors are restricted from using certain protections, rights and remedies available under Applicable Securities Laws, including statutory rights of rescission or damages, and (iii) the Corporation is relieved from certain obligations that would otherwise apply under Applicable Securities Laws;

(e) The Subscription Shares have not been and will not be registered under the U.S. Securities Act, or any state securities laws and the Subscription Shares may not be offered or sold in the United States or to a U.S. person except in compliance with the requirements of an exemption from registration under the U.S. Securities Act and any applicable state securities laws;

(f) The Corporation is required to file a report of trade with all applicable Securities Regulatory Authorities containing certain personal information about the Investors. By completing this Agreement, each Investor authorizes the indirect collection of the information described in this Section 5.1(f) by all applicable Securities Regulatory Authorities and consents to the disclosure of such information to the public through the filing of a report of trade with all applicable Securities Regulatory Authorities;

(g) The Subscription Shares are being offered on a "private placement" basis and will be subject to resale restrictions under Applicable Securities Laws and the Corporation may make a notation on its records or give instructions to any transfer agent of the Common Shares in order to implement such resale restrictions;

(h) Applicable Securities Laws generally prohibit any person who has material, non-public information about an issuer from purchasing or selling securities of that issuer or communicating such information except in the necessary course of business;

(i) The certificates or Direct Registration Statement representing the Subscription Shares (and any replacement certificate or Direct Registration Statement issued prior to the expiration of the applicable hold periods), if any, will bear the following legend in accordance with Applicable Securities Laws:

> "UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE [INSERT THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE DISTRIBUTION DATE].

(j) The Subscription Shares cannot be traded through the facilities of the TSX since the certificates representing the Subscription Shares are not freely transferable and consequently are not "good delivery" in settlement of transactions on the TSX. The certificates or Direct Registration Statement representing the Subscription Shares (and any replacement certificate issued prior to the expiration of the applicable hold periods) will bear a legend substantially in the form of the following legend as required by the TSX:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE LISTED ON THE TORONTO STOCK EXCHANGE; HOWEVER, THE SAID SECURITIES CAN NOT BE TRADED THROUGH THE FACILITIES OF THE TSX SINCE THEY ARE NOT FREELY TRANSFERABLE, AND CONSEQUENTLY ANY CERTIFICATE REPRESENTING SUCH SECURITIES IS NOT 'GOOD DELIVERY' IN SETTLEMENT OF TRANSACTIONS ON THE TSX."

(k) No Governmental Entity has made any finding or determination as to the merit for investment of, nor has any Governmental Entity made any recommendation or endorsement with respect to the Subscription Shares or the offering thereof and there is no government or other insurance covering the Subscription Shares; and

(l) There are certain risks inherent in an investment in the Subscription Shares and in the activities of the Corporation as well as certain other legal matters that the Investors should carefully consider before investing in the Subscription Shares. Reference is made to the section entitled “Risk Factors” in the Annual Information Form of the Corporation dated March 26, 2014, and the section entitled “Business Risks” in the Management’s Discussion and Analysis of the Corporation’s financial condition and operations for the year ended December 31, 2013, each of which are filed on SEDAR, for a discussion of the risks inherent in an investment in the Subscription Shares. If any of the events or circumstances contemplated by the risk factors referenced therein occur, the Corporation’s financial performance and financial condition could be materially harmed which may adversely affect the value and trading price of the Subscription Shares. The Investors could lose all or part of their investment in the Subscription Shares.

ARTICLE 6
COVENANTS OF THE PARTIES

Section 6.1 Compliance with Applicable Laws.

Each Party will comply with Applicable Securities Laws applicable to it concerning the subscription, purchase, holding and resale of the Subscription Shares and the Investors will consult with legal advisers with respect to complying with resale restrictions under Applicable Securities Laws with respect to the Subscription Shares.

Section 6.2 Due Diligence.

Prior to the Closing, the Corporation shall permit the Investors and their representatives access during normal business hours to all locations where materials relevant to the business of the Corporation is stored, to executive officers of the Corporation, and to all the books and records, properties and assets used by the Corporation to enable the Investors to conduct any due diligence investigations to enable confirmation of the matters represented and warranted by the Corporation in this Agreement. Such rights of access shall be exercised in a manner that does not unreasonably interfere with the operations of the Corporation.

Section 6.3 Execution, Delivery and Filing of Documents.

Each Investor will execute, deliver, file and otherwise reasonably assist the Corporation in filing any reports, undertakings and other documents required to be filed by such Investor under Applicable Securities Laws in connection with the offer, sale and issuance of the Subscription Shares in accordance with the terms hereof.

Section 6.4 Prompt Notification.

(1) During the Interim Period, the Corporation will promptly inform the Investors of the full particulars of: (i) any request of any Securities Regulatory Authority for any information which may be material to the distribution of the Common Shares; (ii) the issuance by any Securities Regulatory Authority or any other competent authority of any order to cease or suspend trading of any securities of the Corporation or of the

institution or threat of institution of any proceedings for that purpose; and (iii) the receipt by the Corporation of any communication from any Securities Regulatory Authority or any other competent authority relating to any part of the Public Record or the distribution of the Common Shares.

(2) During the Interim Period, the Corporation shall promptly:

(a) Notify the Investors in writing of any representation or warranty made by the Corporation being no longer true and correct;

(b) Notify the Investors in writing of any Material Adverse Change; and

(c) Comply with all applicable continuous disclosure filing and other requirements under Applicable Securities Laws as a result of such change noted in subparagraph (b) above or otherwise.

Section 6.5 Actions to Satisfy Closing Conditions.

(1) Subject to the terms and conditions of this Agreement, the Corporation shall take all such actions as are within its power to control, and use its commercially reasonable efforts to cause other actions to be taken which are not within its power to control, so as to ensure compliance with all of the conditions set forth in Schedule 7.1 and Schedule 7.2 including ensuring that during the Interim Period and on the Closing Date, there is no breach of any of its representations and warranties.

(2) Subject to the terms and conditions of this Agreement, each Investor shall take all such actions as are within its power to control, and use its commercially reasonable efforts to cause other actions to be taken which are not within its power to control, so as to ensure compliance with all of the conditions set forth in Schedule 7.3 including ensuring that during the Interim Period and on the Closing Date, there is no breach of any of its representations and warranties.

Section 6.6 Additional Covenants.

(1) Subject to the terms and conditions of this Agreement, the Corporation shall perform all obligations required, or reasonably desirable, to be performed by it under this Agreement, co-operate with the Investors in connection therewith, and do all such other acts and things as may be necessary or reasonably desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated in this Agreement and, without limiting the generality of the foregoing, the Corporation shall, in consultation with the Investors:

(a) use commercially reasonable efforts to defend all lawsuits or other legal, regulatory or other proceedings to which it is a party challenging or affecting this Agreement or the consummation of the transactions contemplated hereby;

(b) use commercially reasonable efforts to have lifted or rescinded any injunction or restraining order relating to the Corporation or other order which may adversely affect the ability of the Parties to consummate the transactions contemplated hereby;

(c) comply, in all material respects, promptly with all requirements which applicable Laws may impose on the Corporation with respect to the transactions contemplated hereby;

(d) call and hold the Special Meeting;

(e) provide the Investors with a draft of the circular or any other material (the "**Shareholder Documents**") to be sent to the Shareholders in connection with the Special Meeting, and provide to the Investors a reasonable opportunity to review and comment on drafts of the Shareholder Documents, including the final drafts of such Shareholder Documents. The Investors shall have the right to consent, such consent not to be unreasonably withheld, to any disclosure in the Shareholder Documents relating to the Investors or any of their Affiliates, associates or related parties (including the Birch Hill Representative) prior to the printing of such Shareholder Documents and mailing thereof to the Shareholders; and

(f) take all steps as may be necessary to elect or appoint the Birch Hill Representative to the Board effective as of the Closing Date.

Section 6.7 Conduct Prior to Closing

(1) Without in any way limiting any other obligations of the Corporation hereunder, during the Interim Period, the Corporation shall, and shall cause its subsidiaries to,:

(a) use all commercially reasonable efforts to preserve intact its business and the property, assets, operations and affairs of the Corporation and each subsidiary and to carry on its business and the affairs of the Corporation and each subsidiary in the ordinary course of business;

(b) pay and discharge the liabilities of the Corporation and each subsidiary in the ordinary course of business;

(c) not establish any new employee stock option plan or make any amendments or commitments to improve or otherwise amend any employee stock option plan;

(d) not amend its constating documents or split, consolidate or reclassify any of the Common Shares in the capital of the Corporation nor undertake any other capital reorganization;

(e) not issue any securities of the Corporation, other than in accordance with the terms hereof;

(f) not redeem, purchase or arrange to purchase any securities of the Corporation; and

(g) not enter into any transaction or refrain from doing any action which, if effected before the date of this Agreement, would constitute a breach of any representation, warranty, covenant or other obligation of the Corporation hereunder.

ARTICLE 7
CONDITIONS OF EACH CLOSING

Section 7.1 Mutual Conditions.

The obligation of each Investor to purchase its proportionate share of the Subscription Shares from the Corporation at the Closing and the Corporation's obligation to sell the Subscription Shares to each Investor at the Closing, are subject to the conditions set forth in Schedule 7.1 being satisfied at or prior to the Closing, which conditions are for the mutual benefit of the Corporation and the Investors, each of which may only be waived by the mutual consent of the Corporation and the Investors.

Section 7.2 Conditions for the Benefit of the Investors.

The obligation of each Investor to purchase its proportionate share of the Subscription Shares from the Corporation at the Closing is also subject to the conditions set forth in Schedule 7.2 being satisfied at or prior to the Closing, which conditions are for the exclusive benefit of the Investors and may be waived, in whole or in part, by the Investors, acting together, in their sole discretion.

Section 7.3 Conditions for the Benefit of the Corporation.

The Corporation's obligation to sell the Subscription Shares to the Investors at the Closing is also subject to the conditions set forth in Schedule 7.3 being satisfied at or prior to the Closing, which conditions are for the exclusive benefit of the Corporation and may be waived, in whole or in part, by the Corporation in its sole discretion.

ARTICLE 8
CLOSING

Section 8.1 Date, Time and Place of Closing.

The Closing shall take place at the Closing Place at the Closing Time on the Closing Date or at such other place, on such other date and at such other time as may be agreed upon in writing between the Corporation and the Investors.

Section 8.2 Closing Procedures.

Subject to satisfaction or waiver by the relevant Party of the conditions of Closing set forth in Article 7, at the Closing, (i) the Corporation shall duly and validly deliver one or more certificates registered in such name(s) or a Direct Registration Statement, as directed by the Investors not less than 48 hours prior to the Closing Time, and endorsed by the Corporation representing the Subscription Shares subscribed for hereunder, to the Investors and (iii) each Investor shall deliver its proportionate share of the Closing Payment to the Corporation.

ARTICLE 9
TERMINATION

Section 9.1 Termination Rights.

(1) The Investors' obligations to purchase, and the Corporation's obligation to issue, the Subscription Shares at the Closing Time may, by notice in writing given prior to the Closing Time and in respect of the Closing, be terminated:

(a) by either the Corporation or the Investors if any of the conditions in Schedule 7.1 have not been satisfied at or prior to the Closing and the Corporation and the Investors have not jointly waived such condition at or prior to the Closing;

(b) by the Investors if any of the conditions in Schedule 7.2 have not been satisfied at or prior to the Closing and the Investors have not waived such condition at or prior to the Closing;

(c) by the Investors by notice in writing that, in their opinion, a Material Adverse Change shall have occurred in the Corporation since the date of execution of this Agreement; and

(d) by the Corporation if any of the conditions in Schedule 7.3 have not been satisfied at or prior to the Closing and the Corporation has not waived such condition at or prior to the Closing.

(2) This Agreement may also be terminated, by notice in writing:

(a) by mutual consent of the Corporation and the Investors; and

(b) by either the Corporation or the Investors after the Outside Date.

(3) If this Agreement is terminated, all of the Parties shall be released from all of their obligations under this Agreement, other than the obligations of the Investors contained in Article 10, which shall continue and are binding for a period of 5 years from the date hereof.

ARTICLE 10
CONFIDENTIALITY AND NON-DISCLOSURE

Section 10.1 Confidentiality.

(1) Subject to this Section 10.1, the Investors will keep the Confidential Information strictly confidential, will only use the Confidential Information in connection with the transactions contemplated herein and not directly or indirectly for any other

purpose, and will not disclose the Confidential Information to any other Person, except as permitted herein.

(2) The Investors recognize that Confidential Information includes "personal information" (as such term is defined in the *Personal Information Protection and Electronic Documents Act* (Canada)) and acknowledges that in addition to the foregoing general rules and covenants with respect to Confidential Information, the Investors and their representatives are bound by all applicable privacy legislation with respect to any personal information disclosed under this Agreement.

(3) The restrictions set out in Section 10.1(1) do not apply to Confidential Information that:

(a) is required to be disclosed by law, unless such law permits the Investors to refrain from making such disclosure for confidentiality or other reasons; or

(b) is permitted by the Corporation in writing to be disclosed by the Investors.

(4) The Investors may disclose Confidential Information to their representatives but only to the extent that such representatives have been informed of the confidential nature of the Confidential Information.

(5) The Investors are responsible for any breach by their representatives of any of the provisions of this Article 10 whether or not they have agreed in writing to be bound by such provisions.

(6) If an Investor is required to make disclosure pursuant to Law it will, to the extent permitted pursuant to Law and practicable:

(a) give the Corporation immediate written notice of the requirement and the proposed content of any disclosure;

(b) co-operate with the Corporation in limiting the extent of the disclosure and in obtaining an appropriate protective order or pursuing such legal action, remedy or assurance as the Corporation deems necessary to preserve the confidentiality of the Confidential Information; and

(c) in the event that a protective order or other remedy is not obtained or the Corporation waives compliance with the provisions of this Article 10, disclose only that portion of the Confidential Information that it is legally compelled to disclose and will exercise its reasonable commercial efforts to obtain reliable assurances that confidential treatment will be given to the Confidential Information.

Section 10.2 Handling and Return of Confidential Information.

(1) The Investors shall not remove any proprietary, copyright, trade secret or other legend from any of the Confidential Information.

(2) At any time prior to five (5) years from the Closing Date, upon the written request of the Corporation, the Investors shall, within fourteen (14) Business Days of the request:

(a) return all Confidential Information to the Corporation without retaining any copies; or

(b) destroy or permanently erase all copies of the Confidential Information; and

(c) certify by a senior officer of each Investor to the Corporation in writing that this Section 10.2(2) has been complied with.

Section 10.3 Other Covenants and Agreements.

(1) The Parties share a common legal and commercial interest in all Confidential Information which is and remains subject to all applicable privileges, including solicitor-client privilege, anticipation of litigation privilege, work product privilege and privilege in respect of "without prejudice" communications. No waiver of any privilege is implied by the disclosure of Confidential Information to any Person pursuant to the terms of this Agreement.

(2) To the extent that the Corporation owns any Confidential Information, it will remain the exclusive property of the Corporation. Nothing in this Agreement or in the disclosure of any Confidential Information confers any interest in the Confidential Information on the Investors.

(3) Unless otherwise specified herein, the obligations of the Investors under this Article 10 continue and are binding for a period of 5 years from the date hereof.

Section 10.4 Remedies.

(1) The Investors acknowledge and agree that money damages would not be a sufficient remedy for the Corporation for a breach of this Article 10 and that the Corporation would be irreparably harmed in the event that any of the provisions of this Article 10 were not performed in accordance with their specific terms or were otherwise breached. Accordingly, the Investors agree that the Corporation shall be entitled (without proof of actual damages) to injunctive relief to prevent breaches of this Article 10 and to specifically enforce the terms and provisions hereof, in addition to any other remedy to which the Corporation may be entitled, at law or in equity, and shall not be required to post security therefor. Notwithstanding that damages may be readily quantifiable, the Investors agree not to plead sufficiency of damages as a defence in any such proceeding.

(2) The rights and remedies provided in this Article 10 are cumulative and are in addition to, and not in substitution for, any other rights and remedies available at law or equity. All such rights and remedies may be exercised from time to time, and as often and in such order as the Corporation deems expedient.

(3) In the event of a breach of an Investor's obligations under this Article 10, it shall, immediately following discovery of the breach, give Notice to the Corporation of the nature of the breach and shall immediately take all necessary steps to limit the extent of the breach.

ARTICLE 11
BIRCH HILL BOARD REPRESENTATION

Section 11.1 Birch Hill Board Representative.

(1) Subject to compliance with applicable Laws (including the requirements of the TSX) and the articles and by-laws of the Corporation, from and after the Closing Date, for so long as the Investors own in the aggregate not less than 5% of the Common Shares issued and outstanding from time to time, calculated on a non-diluted basis: (a) the Investors shall be entitled (but not obliged), at any time and from time to time, to collectively nominate one director (the "**Birch Hill Representative**") to the Board; and (b) the size of the Board shall remain at no more than nine directors, unless otherwise consented to by the Investors.

(2) The Birch Hill Representative will be an individual who (i) consents in writing to act as a director of the Corporation, (ii) is approved to act as a director of the Corporation by the TSX, and (iii) is qualified to act as a director of the Corporation pursuant to the OBCA and applicable Laws (including the requirements of the TSX).

(3) The Investors may give written notice to the Corporation at any time and from time to time identifying the individual the Investors intend to nominate as the Birch Hill Representative. In such event, the Corporation shall, following receipt of such notice, subject to compliance with applicable Laws (including the requirements of the TSX) and the articles and by-laws of the Corporation, include such individual as a nominee in its management information circular prepared and delivered in respect of the Corporation's next meeting of Shareholders.

(4) Unless and until the Investors give notice to the Corporation as provided in this Section 11.1 nominating a new individual to replace the incumbent Birch Hill Representative on the Board, the Corporation will continue to include the incumbent Birch Hill Representative among the management nominees for election to the Board at each meeting of Shareholders at which directors are to be elected. In each management information circular prepared and delivered by the Corporation in respect of a meeting of Shareholders at which directors are to be elected, the Corporation shall include no more than nine nominees for election to the Board (including the Birch Hill Representative) as the number of directors to be elected by Shareholders at such meeting.

(5) From and after the Closing Date, for so long as the Investors own in the aggregate not less than 5% of the Common Shares issued and outstanding from time to time, calculated on a non-diluted basis, in the event that the Investors do not have a representative on the Board, the Investors shall be entitled (but not obliged), at any

time and from time to time, to collectively nominate one individual to attend and observe at all meetings of the Board.

(6) The Investors covenant to promptly notify the Corporation in writing if at any time they cease to own in the aggregate 5% or more of the Common Shares issued and outstanding from time to time, calculated on a non-diluted basis.

ARTICLE 12
ANTI-DILUTION RIGHTS

Section 12.1 Notice of Issuances of Common Shares upon Exercise of Warrants.

From the date hereof until the earlier of: (i) the date of exercise or expiry of all of the Warrants; and (ii) the date on which the Investors no longer own in the aggregate 5% or more of the Common Shares issued and outstanding from time to time, calculated on a non-diluted basis, the Corporation shall give the Investors written notice of any issuance of Common Shares upon the exercise of Warrants (each such notice, a "**Warrant Share Issue Notice**").

Section 12.2 Pre-emptive Rights upon Exercise of Warrants.

Each Warrant Share Issue Notice must specify the total number of Common Shares issued on the exercise of the Warrants (the "**Warrant Shares**") and the exercise price of the Warrants exercised. Upon receipt of a Warrant Share Issue Notice, the Investors shall have the right, exercisable for a period of thirty (30) days by written notice to the Corporation, to subscribe for and purchase from the Corporation such number of Common Shares that will allow the Investors to maintain an aggregate percentage ownership interest in the outstanding Common Shares that is the same as the aggregate percentage ownership interest that they had immediately prior to completion of the issuance of the Warrant Shares, subject to compliance with applicable Laws (including the requirements of the TSX) (the "**Warrant Share Pre-Emptive Rights**"). The Investors shall have the right to subscribe for such Common Shares at a price per Common Share equal to the Market Price**.** If the Investors fail to deliver any such notice within such 30 day period, then the Warrant Share Pre-Emptive Rights in respect of such Warrant Share Issue Notice shall be extinguished.

Section 12.3 Notice of Issuances of Common Shares upon Exercise of Options.

From the date hereof until the date on which the Investors no longer own in the aggregate 5%or more of the Common Shares issued and outstanding from time to time, calculated on a non-diluted basis (the "**Pre-Emptive Rights Period**"), the Corporation shall give the Investors written notice on the last Business Day of January of each year of any issuance of Common Shares upon the exercise of Options during the prior year (each such notice, an "**Option Share Issue Notice**").

Section 12.4 Pre-emptive Rights upon Exercise of Options.

Each Option Share Issue Notice must specify the total number of Common Shares issued on the exercise of the Options (the "**Option Shares**") and the respective exercise price of the Options exercised. Upon receipt of an Option Share Issue Notice, the Investors shall have the right, exercisable for a period of thirty (30) days by written notice to the

Corporation, to subscribe for and purchase from the Corporation such number of Common Shares that will allow the Investors to maintain an aggregate percentage ownership interest in the outstanding Common Shares that is the same as the aggregate percentage ownership interest that they had immediately prior to completion of the issuance of the Option Shares, subject to compliance with applicable Laws (including the requirements of the TSX). The Investors shall have the right to subscribe for such Common Shares at a price per Common Share equal to the Market Price (the "**Option Share Pre-Emptive Rights**"). If the Investors fail to deliver any such notice within such 30 day period, then the Option Share Pre-Emptive Rights in respect of such Option Share Issue Notice shall be extinguished.

Section 12.5 Notice of Issuances of Additional Common Shares.

During the Pre-Emptive Rights Period, the Corporation shall give the Investors prior written notice of any proposed issuance of Offered Securities (each, an "**Issuance**") that is not related to the exercise of Warrants or Options (each such notice, an "**Issue Notice**"). The Issue Notice shall be delivered by the Corporation to the Investors as soon as possible after the public announcement of the Issuance, but in any event on the date on which the Company files a preliminary prospectus, registration statement or other offering document in connection with an Issuance that constitutes a public offering of Offered Securities and at least 10 Business Days prior to the expected completion date of any other Issuance.

Section 12.6 Participation Rights upon Issuance of Offered Securities.

Each Issue Notice must specify the total number of Offered Securities issued or to be issued, the terms of the Offered Securities, the issue price of such Offered Securities (the "**Issue Price**") and the expected closing date of the Issuance. Upon receipt of an Issue Notice, the Investors shall have the right to subscribe for and purchase from the Corporation as part of the Issuance, for a price per Offered Security equal to the Issue Price, such number of Offered Securities that will allow the Investors to maintain an aggregate percentage ownership interest that is the same as the aggregate percentage ownership interest that they had immediately prior to completion of the Issuance and, in the case of the issuance of securities convertible into equity securities in connection with the Issuance, assuming all such convertible securities are exercised and the underlying equity securities are issued, and subject to compliance with applicable Laws (including the requirements of the TSX) (the "**Participation Right**"). If an Investor wishes to exercise the Participation Right, the Investor shall give written notice to the Corporation of the exercise of such right and of the number of Offered Securities the Investor wishes to purchase within 10 Business Days after the date of receipt of an Issue Notice, failing which the Investor will not be entitled to exercise the Participation Right in respect of such Issuance.

Section 12.7 Closing Mechanics.

Any completion of a transaction of purchase and sale of Common Shares pursuant to the provisions of Section 12.2, Section 12.4 or Section 12.6 shall occur at a time and place agreed to by the Corporation and the Investors, acting reasonably, but not later than thirty (30) days following the date of the Warrant Share Issue Notice, the Option Share Issue Notice or the Issue Notice, as the case may be, unless all filings, notices, approvals (including shareholder approvals) and authorizations necessary to complete the closing of such transaction have not been made, given or obtained by that date, in which case the closing will be extended for such period as is determined by the Investors to be reasonably necessary to obtain the same. At such closing, the Corporation shall issue and deliver to the Investors definitive certificates or a Direct Registration Statement representing the Common Shares subscribed for, against delivery by the Investors of a certified cheque, bank draft or wire transfer of immediately available funds in the full amount of the purchase price for such Common Shares.

ARTICLE 13
MISCELLANEOUS

Section 13.1 Notice.

(1) Any notice, direction or other communication (each a "**Notice**") given regarding the matters contemplated by this Agreement must be in writing, sent by personal delivery, courier or facsimile (but not by electronic mail) and addressed:

(a) To the Investors at:

Birch Hill Equity Partners
100 Wellington Street West
CP Tower, Suite 2300, P.O. Box 22
Toronto, ON M5K 1A1

Attention: Michael Salamon
Facsimile: 416.360.1688
Email: msalamon@birchhillequity.com

With a copy, which shall not constitute notice, to:

Davies Ward Phillips & Vineberg LLP
Barristers and Solicitors
155 Wellington Street West
Toronto, Ontario, M5V 3J7

Attention: Patrick Barry
Facsimile: 416.863.0871
Email: pbarry@dwpv.com

(b) To the Corporation at:

135 - 2 The West Mall
Toronto, Ontario
M9C 1C2

Attention: Tony Businskas, Chief Financial Officer
Facsimile: 416-626-2739
Email:

With a copy, which shall not constitute notice, to:

Stikeman Elliott LLP
Barristers and Solicitors
199 Bay Street
Toronto, Ontario
M5L 1B9

Attention: Donald Belovich

Facsimile: 416-947-0866
Email:

(2) A Notice is deemed to be delivered and received (i) if sent by personal delivery, on the date of delivery if it is a Business Day and the delivery was made prior to 4:00 p.m. (local time in place of receipt) and otherwise on the next Business Day; (ii) if sent by same-day service courier, on the date of delivery if sent on a Business Day and delivery was made prior to 4:00 p.m. (local time in place of receipt) and otherwise on the next Business Day; (iii) if sent by overnight courier, on the next Business Day; or (iv) if sent by facsimile, on the date of confirmation of transmission by the originating facsimile if it is a Business Day and the delivery was made prior to 4:00 p.m. (local time in place of receipt) and otherwise on the next Business Day. A Party may change its address for service from time to time by providing a Notice in accordance with the foregoing. Any subsequent Notice must be sent to the Party at its changed address. Any element of a Party's address that is not specifically changed in a Notice will be assumed not to be changed.

Section 13.2 Indemnity.

(1) Each Investor agrees to indemnify and hold harmless the Corporation and its directors, officers, employees, agents, advisers, affiliates and Shareholders from and against any and all loss, liability, claim, damage and expense whatsoever (including, but not limited to, any and all fees, costs and expenses whatsoever reasonably incurred in investigating, preparing or defending against any claim, law suit, administrative proceeding or investigation whether commenced or threatened) arising out of or based upon: (i) subject to Section 13.2 any representation or warranty of such Investor contained herein or in any document furnished by such Investor to the Corporation in connection herewith being untrue in any material respect, (ii) any breach or failure by such Investor to comply with any covenant or agreement made by such Investor herein or in any document furnished by such Investor to the Corporation in connection herewith, or (iii) the non-compliance or alleged non-compliance by such Investor with Applicable Securities Laws.

(2) The Corporation agrees to indemnify and hold harmless the Investors and its directors, officers, employees, agents, advisers and affiliates from and against all loss, liability, claim, damage and expense whatsoever (including, but not limited to, any and all fees, costs and expenses whatsoever reasonably incurred in investigating, preparing or defending against any claim, law suit, administrative proceeding or

investigation whether commenced or threatened) arising out of or based upon: (i) subject to Section 13.2, any representation or warranty of the Corporation contained herein or in any document furnished by the Corporation in connection herewith being untrue in any material respect; (ii) any breach or failure by the Corporation to comply with any covenant or agreement made by the Corporation herein or in any document furnished by the Corporation in connection herewith; (iii) the non-compliance or alleged non-compliance by the Corporation with Applicable Securities Laws; or (iv) any order made or enquiry, investigation or proceedings commenced or threatened by any securities commission or other competent authority based upon any failure by the Corporation to comply with Applicable Securities Laws, preventing or restricting the trading in or the sale or distribution of the Common Shares in the Province of Ontario, Québec, British Columbia or Alberta.

(3) If any matter or thing contemplated by Section 13.2(1) or Section 13.2(2) (any such matter or thing being referred to as a "**Claim**") is asserted against any Person in respect of which indemnification is or might reasonably be considered to be provided, such Person (the "**Indemnified Party**") will notify the Party from which it is seeking indemnification (the "**Indemnifying Party**") as soon as possible of the nature of such Claim (but the omission so to notify the Indemnifying Party of any potential Claim shall not relieve the Indemnifying Party from any liability which it may have to any Indemnified Party and any omission so to notify the Indemnifying Party of any actual Claim shall affect the Indemnifying Party's liability only to the extent that the Indemnifying Party is materially prejudiced by that failure). The Indemnifying Party shall assume the defence of any suit brought to enforce such Claim, provided, however, that:

(a) the defence shall be conducted through legal counsel acceptable to the Indemnified Party, acting reasonably, and

(b) no settlement of any such Claim or admission of liability may be made by the Indemnifying Party without the prior written consent of the Indemnified Party, acting reasonably, unless such settlement includes an unconditional release of the Indemnified Party from all liability arising out of such action or claim and does not include a statement as to or an admission of fault, culpability or failure to act, by or on behalf of any Indemnified Party.

(4) With respect to any Indemnified Party who is not a Party to this Agreement, the Corporation or the Investors, as the case may be, shall obtain and hold the rights and benefits of this Section 13.2 in trust for and on behalf of such Indemnified Party.

(5) With respect to any third party claims, an Indemnified Party shall have the right to retain other counsel to act on his, her or its behalf, provided that the fees and disbursements of such counsel shall be paid by such Indemnified Party unless: (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of the other counsel; (ii) the named parties to any such third party claim (including any added third or impleaded party) include both the Indemnifying Party and the Indemnified Party and the representation of both parties by the same counsel would be inappropriate due to the actual or potential differing interests

between them; or (iii) the Indemnifying Party shall not have retained counsel within seven (7) Business Days following receipt by such Indemnifying Party of notice of any such third party claim from the Indemnified Party.

(6) An Indemnified Party is not entitled to double recovery for any claims even though they may have resulted from the breach, inaccuracy or failure to perform of more than one of the representations, warranties, covenants and obligations of the Indemnifying Party in this Agreement.

(7) The remedies provided for in this Section 13.2 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any Party at law or in equity.

Section 13.3 Survival.

The representations and warranties contained in this Agreement and any certificate or document delivered pursuant to or in connection with this Agreement will survive the Closing and continue in full force and effect for a period of two (2) years notwithstanding any subsequent disposition or exchange of the Common Shares.

Section 13.4 Time of the Essence.

Time shall be of the essence of this Agreement.

Section 13.5 Announcements.

The Parties shall consult with each other before issuing any press release, news release or otherwise making any filings or public statements with respect to this Agreement and the transactions contemplated herein and shall not issue such press release without the prior written consent of the other Parties, as applicable, which consent shall not be unreasonably withheld or delayed, in each case, subject to applicable Laws and the exercise of such fiduciary duties, as may be appropriate.

Section 13.6 Third Party Beneficiaries.

The Parties intend that this Agreement will not benefit or create any right or cause of action in favour of any Person, other than the Parties. No Person other than the Parties is entitled to rely on the provisions of this Agreement in any action, suit, proceeding, hearing or other forum. The Parties reserve the right to vary or rescind the rights at any time and in any way whatsoever, if any, granted by or under this Agreement to any Person who is not a Party, without notice to or consent of that Person.

Section 13.7 No Agency or Partnership.

Nothing contained in this Agreement makes or constitutes any Party, or any of its directors, officers or employees, the representative, agent, principal, partner, joint venturer, employer or employee of any other Party. It is understood that no Party has the capacity to make commitments of any kind or incur obligations or liabilities binding upon any other Party.

Section 13.8 Expenses.

Each Party will pay for its own costs and expenses incurred in connection with this Agreement and the transactions contemplated by it. The fees and expenses referred to in this Section 13.8 are those which are incurred in connection with the negotiation, preparation, execution and performance of this Agreement, and the transactions contemplated by this Agreement, including the fees and expenses of legal counsel, investment advisers and accountants.

Section 13.9 Amendments.

This Agreement may only be amended, supplemented or otherwise modified by written agreement signed by all of the Parties.

Section 13.10 Waiver.

(1) No waiver of any of the provisions of this Agreement will constitute a waiver of any other provision (whether or not similar). No waiver will be binding unless executed in writing by the Party to be bound by the waiver. A Party's failure or delay in exercising any right under this Agreement will not operate as a waiver of that right. A single or partial exercise of any right will not preclude a Party from any other or further exercise of that right or the exercise of any other right.

(2) If a Party waives compliance with any of the conditions, obligations or covenants contained in this Agreement, the waiver will be without prejudice to any of its rights of termination in the event of non-fulfilment, non-observance or non-performance of any other condition, obligation or covenant in whole or in part.

Section 13.11 Entire Agreement.

This Agreement constitutes the entire agreement between the Parties with respect to the transactions contemplated herein and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties. There are no representations, warranties, covenants, conditions or other agreements, express or implied, collateral, statutory or otherwise, between the Parties in connection with the subject matter of this Agreement, except as specifically set forth or referred to in this Agreement. The Parties have not relied and are not relying on any other information, discussion or understanding in entering into and completing the transactions contemplated by this Agreement.

Section 13.12 Successors and Assigns.

(1) This Agreement becomes effective only when executed by the Corporation and the Investors. After that time, it is binding on and enures to the benefit of the Parties and their respective successors and permitted assigns.

(2) Neither this Agreement nor any of the rights or obligations under this Agreement are assignable or transferable by the Corporation without the prior written consent of the Investors.

(3) Neither this Agreement nor any of the rights or obligations under this Agreement are assignable or transferable by an Investor without the prior written consent of the Corporation, which consent shall not be unreasonably withheld, provided that the consent of the Corporation shall not be required for an assignment or transfer by an Investor to a Person controlled or managed by Birch Hill Equity Partners Management Inc.

Section 13.13 Further Assurances.

The Parties agree to execute and deliver such further and other papers, cause such meetings to be held, resolutions passed and by-laws enacted, exercise their vote and influence, and do and perform and cause to be done and performed, such further and other acts and things that may be reasonably requested by a Party in order to give full effect to this Agreement and every part thereof.

Section 13.14 Severability.

If any provision of this Agreement is determined to be illegal, invalid or unenforceable by any court of competent jurisdiction from which no appeal exists or is taken, that provision will be severed from this Agreement and the remaining provisions will remain in full force and effect.

Section 13.15 Governing Law.

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Parties irrevocably attorn and submit to the non-exclusive jurisdiction of the courts of the Province of Ontario with respect to any matters arising out of this Agreement and waive objection to the venue of any proceeding in such courts or that such courts provide an inconvenient forum.

Section 13.16 Counterparts.

This Agreement may be executed in any number of counterparts and all such counterparts taken together will be deemed to constitute one and the same document. Receipt of an originally executed counterpart signature page by facsimile or an electronic reproduction of a counterpart signature page by electronic mail is effective execution and delivery of this Agreement.

Section 13.17 Non-Merger.

Except as otherwise expressly provided in this Agreement, the covenants, representations and warranties shall not merge on and shall survive the Closing. Notwithstanding the Closing or any investigation made by or on behalf of any Party, the covenants, representations and warranties shall continue in full force and effect. The Closing shall not prejudice any right of a Party against any other Party in respect of anything done or omitted under this Agreement or in respect of any right to damages or other remedies.

Section 13.18 Limitation.

Notwithstanding any other provision of this Agreement, in no event will any Party have liability for, or an obligation with respect to, any special, indirect, consequential, punitive or aggravated damages, except pursuant to a third party claim.

Section 13.19 Authorship.

The Parties to this Agreement waive the application to this Agreement of any laws or rule of construction providing that ambiguities in any agreement or other document shall be construed against the Party drafting such agreement or other document.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first written above.

BIRCH HILL EQUITY PARTNERS IV, LP, by its general partner, **BIRCH HILL EQUITY PARTNERS MANAGEMENT INC.**

by Signed (Michael Salamon)

Michael Salamon
Executive Vice President

by Signed (John MacIntyre)

John MacIntyre
President

BIRCH HILL EQUITY PARTNERS (US) IV, LP, by its general partner, **BIRCH HILL EQUITY PARTNERS MANAGEMENT INC.**

by Signed (Michael Salamon)

Michael Salamon
Executive Vice President

by Signed (John MacIntyre)

John MacIntyre
President

BIRCH HILL EQUITY PARTNERS (ENTREPRENEURS) IV, LP, by its general partner, **BIRCH HILL EQUITY PARTNERS MANAGEMENT INC.**

by Signed (Michael Salamon)

Michael Salamon
Executive Vice President

by Signed (John MacIntyre)

John MacIntyre
President

SPECTRAL DIAGNOSTICS INC.

By: Signed (Anthony Businskas)

Anthony Businskas
Executive Vice President and Chief Financial Officer

SCHEDULE 1.1
DEFINED TERMS

"**Affiliate**" or "**affiliate**" means, unless otherwise specified, an affiliate within the meaning of Section 1.3 of NI 45-106.

"**Agreement**" means this private placement agreement and all schedules attached to it and the expressions "**Article**" and "**Section**", followed by a number mean and refer to the specified Article or Section of this Agreement.

"**Applicable Securities Laws**" means the Securities Act and all other applicable Canadian securities Laws.

"**Audited Financial Statements**" means the audited comparative financial statements of the Corporation as at and for the year ended December 31, 2013.

"**Birch Hill Representative**" has the meaning set forth in Section 11.1(1).

"**Board**" means the board of directors of the Corporation.

"**Business Day**" means any day of the year, other than a Saturday, a Sunday or any day on which banks are required or authorized to close in Toronto, Ontario.

"**Claim**" has the meaning set forth in Section 13.2(3).

"**Closing**" means the completion of the transaction of issue and sale contemplated in Section 2.1.

"**Closing Date**" means with respect to the completion of the transaction of issue and sale contemplated in Section 2.1, the Business Day on which the last of the conditions in Article 7 is fulfilled (of waived if applicable) or such later day as may be agreed to by the Parties, provided that such conditions have been fulfilled (or waived, if applicable) on or before the Outside Date.

"**Closing Payment**" has the meaning set forth in Section 2.1(4).

"**Closing Place**" means the offices of Stikeman Elliott LLP, 199 Bay Street, Toronto, Ontario, Canada, M5L 1B9.

"**Closing Time**" means 8:00 a.m. (Toronto time) on the applicable Closing Date.

"**Common Shares**" means the common shares in the capital of the Corporation.

"**Confidential Information**" means all information relating to the Corporation's business, operations, assets, liabilities, plans, prospects and affairs, which has been or is disclosed to the Investors by the Corporation in connection with the subscription for Subscription Shares, regardless of whether such information is in oral, visual, electronic, written or other form and whether or not it is identified as "confidential"; provided that Confidential Information does not include any information that:

(a) is or becomes generally available to the public other than as a result of disclosure directly or indirectly by the Investors or any of their representatives;

(b) is or becomes available to the Investors on a non-confidential basis from a source other than the Corporation, unless it is known to the Investors that such source is prohibited from disclosing the information to the Investors by a contractual, fiduciary or other legal obligation; or

(c) is or was independently acquired or developed by the Investors without the use of any Confidential Information and without violating its obligations under this Agreement or any other obligation of confidentiality it may have to the Corporation.

"**Corporation**" means Spectral Diagnostics Inc.

"**Direct Registration Statement**" means a statement issued by the registrar and transfer agent of the Corporation evidencing ownership of Common Shares that are held and registered electronically in the record keeping systems of such registrar and transfer agent.

"**Governmental Entity**" means (i) any international, multinational, national, federal, provincial, state, municipal, local or other governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign; (ii) any subdivision or authority of any of the above; (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, and includes any Securities Regulatory Authority.

"**Governmental Licenses**" has the meaning set forth in paragraph (13) of Schedule 3.1.

"**Indemnified Party**" has the meaning set forth in Section 13.2(3).

"**Indemnifying Party**" has the meaning set forth in Section 13.2(3).

"**Insider**" has the meaning given to it in Section 1(1) of the Securities Act.

"**Intellectual Property**" has the meaning set forth in paragraph (15) of Schedule 3.1.

"**Interim Financial Statements**" means the unaudited interim financial statements of the Corporation for the three-month period ended March 31, 2014.

"**Interim Period**" means the period between the close of business on the date of this Agreement and the Closing Date.

"**Issuance**" has the meaning set forth in Section 12.5.

"**Issue Notice**" has the meaning set forth in Section 12.5.

"**Issue Price**" has the meaning set forth in Section 12.6.

"**Investors**" means, collectively, Birch Hill Equity Partners IV, LP, Birch Hill Equity Partners (US) IV, LP and Birch Hill Equity Partners (Entrepreneurs) IV, LP and includes their successors and permitted assigns;

"**Laws**" means all statutes, regulations, statutory rules, orders, and terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity (including the TSX and a self-regulatory authority), and the term "applicable" with respect to such Laws and in the context that refers to one or more Persons, means that such Laws apply to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Governmental Entity (including the TSX and a self-regulatory authority) having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities.

"**Lien**" means any mortgage, charge, pledge, hypothecation, security interest, assignment, encumbrance, lien (statutory or otherwise), charge, title retention agreement or arrangement, restrictive covenant or other encumbrance of any nature or any other arrangement or condition that in substance secures payment or performance of an obligation.

"**Market Price**" means the volume weighted average trading price of the Common Shares on the TSX for the twenty (20) trading days immediately preceding (a) the date of issuance of any Common Shares pursuant to an exercise of Warrants; or (b) the date of the Option Share Issue Notice, as the case may be.

"**Material Adverse Change**" and "**Material Adverse Effect**" means in respect of the Corporation any change, effect, event, development, occurrence or set of circumstances, individually or in the aggregate, that is materially adverse or is reasonably likely to be materially adverse to the properties, assets, liabilities, businesses, affairs, condition (financial or otherwise), operations or results of operations of the Corporation, in each case, other than any action, change, effect, event, development, occurrence or set of circumstances or facts resulting from: (i) the announcement of the execution of this Agreement or the transactions contemplated herein or the performance of the covenants and obligations herein; (ii) any action taken by the Corporation at the request of the Investors or as required under this Agreement, or the failure to take any action prohibited by this Agreement; (iii) changes in Canadian or U.S. generally accepted accounting principles; (iv) any natural disaster; or (v) any decrease in the market price or any decline in the trading volume of Common Shares on the TSX (it being understood, however, that any event, change or effect causing or contributing to any such decreases in market price may constitute a Material Adverse Effect or Material Adverse Change and may be taken into account in determining whether a Material Adverse Effect or Material Adverse Change has occurred)

"**Medwell**" means Medwell Capital Corp.

"**NI-45-106**" means National Instrument 45-106 – *Prospectus and Registration Exemptions*.

"**Notice**" has the meaning set forth in Section 13.1.

"**OBCA**" means the *Business Corporations Act* (Ontario).

"**Offered Securities**" means any equity securities, or securities convertible into equity securities, of the Corporation, other than Options issued under the Corporation's stock option plan.

"**Offering**" means an offering by the Corporation of up to $18,200,000, comprised of Tranche A and Tranche B.

"**Option**" means an option of the Corporation exercisable for one Common Share pursuant to the Corporation's stock option plan.

"**Option Share Pre-Emptive Rights**" has the meaning set forth in Section 12.4.

"**Option Share Issue Notice**" has the meaning set forth in Section 12.3.

"**Option Shares**" has the meaning set forth in Section 12.4.

"**Outside Date**" means July 31, 2014, or such later date as the Corporation and the Investors may agree in writing prior to July 31, 2014.

"**Participation Right**" has the meaning set forth in Section 12.6.

"**Parties**" means the Corporation and the Investors.

"**PCMLTFA**" has the meaning set forth in paragraph (14) of Schedule 4.1.

"**Person**" means a natural person, partnership, limited partnership, limited liability partnership, limited liability company, unlimited liability company, corporation, joint stock company, trust, unincorporated association, joint venture or other entity or Governmental Entity, and pronouns have a similarly extended meaning.

"**Pre-Emptive Rights Period**" has the meaning set forth in Section 12.3.

"**Public Record**" means information which has been publicly filed at www.SEDAR.com by the Corporation pursuant to a requirement under Applicable Securities Laws.

"**Securities Act**" means the *Securities Act* (Ontario), and all rules, regulations, instruments, orders, notices and policy statements thereunder, as amended from time to time, and any successor legislation.

"**Securities Regulatory Authorities**" means collectively, the provincial securities regulatory authority in each of the provinces and territories of Canada, and the TSX.

"**Shareholder Documents**" has the meaning set forth in Section 6.6(1)(e);

"**Shareholders**" means registered or beneficial holders of Common Shares, as applicable.

"**Special Meeting**" means the special meeting of Shareholders to be called and held on or about July 22, 2014 to approve the issuance of the Common Shares under the Offering, including the Subscription Shares issuable to the Investors under this Agreement, the Common Shares issuable to Toray under the Toray Private Placement Agreement and the Common Shares issuable to any other Insiders of the Corporation participating in the Offering.

"**Subscription Shares**" has the meaning set forth in Section 2.1(1).

"**Subscription Price**" has the meaning set forth in Section 2.1(1).

"**Subscription Proceeds**" has the meaning set forth in Section 2.1(1).

"**Toray**" means Toray Industries, Inc.

"**Toray Call Right**" has the meaning set forth in the Toray Private Placement Agreement.

"**Toray Private Placement Agreement**" means the Private Placement Agreement between the Corporation and Toray dated June 10, 2014.

"**Tranche A**" means the offering by the Corporation of 45,051,187 Common Shares for aggregate proceeds to the Corporation of $13,200,000, of which: (i) 15,358,360 Common Shares for aggregate proceeds of $4,500,000 are proposed to be sold by the Corporation to the Investors pursuant to Section 2.1, subject to the terms and conditions of this Agreement; (ii) 17,064,846 Common Shares for aggregate proceeds of $5,000,000 are proposed to be sold by the Corporation to Toray pursuant to Section 2.1 of the Toray Private Placement Agreement; and (iii) 12,627,981 Common Shares for aggregate proceeds of $3,700,000 is proposed to be sold by the Corporation to other investors pursuant to subscription agreements to be entered into between the Corporation and such other investors.

"**Tranche B**" means the additional Common Shares to be sold to Toray by the Corporation pursuant to exercise by the Corporation of the Toray Call Right for aggregate proceeds to the Corporation of up to $5,000,000, if, as and when the Corporation exercises the Toray Call Right.

"**TSX**" means the Toronto Stock Exchange.

"**U.S. person**" has the meaning set forth in paragraph (8) of Schedule 6.1.

"**U.S. Securities Act**" means the United States *Securities Act of 1933*, as amended.

"**Warrant**" means a Common Share purchase warrant of the Corporation outstanding on the date hereof.

"**Warrant Share Pre-Emptive Rights**" has the meaning set forth in Section 12.2.

"**Warrant Share Issue Notice**" has the meaning set forth in Section 12.1.

"**Warrant Shares**" has the meaning set forth in Section 12.2.

SCHEDULE 2.1
ALLOCATION OF INVESTOR SUBSCRIPTIONS

INVESTOR	SUBSCRIPTION PROCEEDS	NUMBER OF COMMON SHARES
Birch Hill Equity Partners IV, LP	$2,016,396	6,881,897
Birch Hill Equity Partners (US) IV, LP	$2,436,147	8,314,484
Birch Hill Equity Partners (Entrepreneurs) IV, LP	$47,457	161,969
Total	$4,500,000	15,358,360

SCHEDULE 3.1
REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

(1) The Corporation: (a) is a corporation duly incorporated or amalgamated and validly existing under the Laws of the jurisdiction in which it was incorporated or amalgamated, and no steps or proceedings have been taken by any person, voluntary or otherwise, requiring or authorizing its dissolution or winding up, (b) has all requisite power and authority and is duly qualified to carry on its business as now conducted and to own and/or lease its properties and assets, as the case may be, and the Corporation has all requisite power and authority to enter into this Agreement and to carry out its obligations hereunder. The Corporation does not have any material subsidiaries.

(2) This Agreement, and the performance by the Corporation of its obligations under, or in connection with this Agreement, have been duly authorized, and this Agreement has been duly executed and delivered by the Corporation and constitutes a valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other Laws relating to or affecting the rights of creditors generally and except as limited by the application of equitable principles when equitable remedies are sought, and by the fact that rights to indemnity, contribution and waiver, and the ability to sever unenforceable terms, may be limited by applicable Laws.

(3) Except for a breach, violation or default that will not result in a Material Adverse Effect, the execution and delivery of this Agreement, the performance by the Corporation of its obligations hereunder, and the consummation of the transactions contemplated in this Agreement, do not and will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under (whether after notice or lapse of time or both) (A) any applicable Laws; (B) the constating documents, by-laws or resolutions of the Corporation which are in effect at the date hereof; (C) any mortgage, note, indenture, contract, agreement, instrument, lease or other document to which the Corporation is a party or by which it is bound; or (D) any judgment, decree or order binding the Corporation or the property or assets of the Corporation, or result in the creation or imposition of any liability, obligation, mortgage, lien, charge, pledge, security interest, encumbrance, claim, or demand of any nature whatsoever upon the Corporation or any of its property or assets.

(4) The Common Shares are listed and posted for trading on the TSX. The Corporation has not taken any action which would reasonably be expected to result in the delisting or suspension of the Common Shares on or from the TSX.

(5) The Corporation is a reporting issuer (or equivalent) not in default of any Applicable Securities Laws in each of Alberta, British Columbia, Ontario and Québec and is not in material default of any of the rules of the TSX.

(6) All consents, approvals, permits, authorizations or filings as may be required under applicable Laws or otherwise necessary for the execution and delivery of, and the performance by the Corporation of its obligations under this Agreement have been made or obtained or will have been made or obtained, as applicable, on or prior to the Closing Date.

(7) Except as otherwise disclosed in the Public Record, since January 1, 2013: (i) there has been no Material Adverse Change; (ii) there have been no transactions entered into by the Corporation which are material with respect to the Corporation, other than those in the ordinary course of business, (iii) the Corporation has carried on its business in the ordinary course; and (iv) there has been no dividend or distribution of any kind declared, paid or made by the Corporation on any class of its shares.

(8) Since January 1, 2013, the Corporation has complied with its obligations to make timely disclosure of all material changes relating to it and no such disclosure has been made on a confidential basis and there is no material change relating to the Corporation which has occurred and with respect to which the requisite material change statement has not been filed.

(9) Since January 1, 2013, the Corporation has filed on SEDAR all reports, schedules, forms, prospectuses, circulars, proxies and other documents required to be filed by it; as at their respective dates of filing (or, if corrected, the dates of filing of the subsequent disclosure document), each of the disclosure documents comprising the Public Record complied in all material respects with the requirements of Applicable Securities Laws and the TSX and none of the disclosure documents comprising the Public Record contained a misrepresentation (as defined under Applicable Securities Laws) at the date of filing thereof that has not been corrected and described in a subsequently filed disclosure document comprising the Public Record.

(10) The Audited Financial Statements and the Interim Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods involved and present fully, fairly and correctly in all material respects, the financial position of the Corporation as at the dates thereof and the results of its operations and the changes in its financial position for the periods then ended. The Corporation has no liabilities, liquidated or contingent or otherwise, that are not reflected on the Interim Financial Statements, other than liabilities incurred after March 31, 2014 in the ordinary course of business consistent with past practice of the same type as liabilities reflected in the Interim Financial Statements. Except as disclosed in the Public Record, no change has occurred in any of the assets, business, financial condition or results of operations of the Corporation or any subsidiary which has had, will have or would reasonably be expected to have a Material Adverse Effect.

(11) No litigation or legal, governmental or other proceedings are in progress or pending to which the Corporation, or any of its subsidiaries, is a party or to which their respective properties or assets are subject has had, will have or would reasonably be expected to have a Material Adverse Effect and, to the knowledge of the Corporation, no such proceedings have been threatened against or are contemplated

with respect to the Corporation or its subsidiaries or with respect to their respective properties or assets.

(12) The Corporation is not in violation of its constating documents or in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, trust deed, mortgage, loan agreement, note, lease or other agreement or instrument to which it is a party or by which it or its property may be bound and the Corporation has not received any notice or communication alleging same.

(13) Since January 1, 2013, the Corporation has conducted, and is conducting, its business in compliance with all applicable Laws of each jurisdiction in which its business is carried on and is licensed, registered or qualified in all jurisdictions in which it owns, leases or operates its property or carries on business to enable its business to be carried on as now conducted and its property and assets to be owned, leased and operated and all such licences, registrations and qualifications are and will be at each Closing Time valid, subsisting and in good standing, except in each case in respect of matters which would not reasonably be expected to result in a Material Adverse Effect.

(14) Each of the Corporation and its subsidiaries possesses such permits, licences, certificates, approvals, consents and other authorizations (collectively, "**Governmental Licences**") issued by Governmental Entities necessary to conduct the business now owned or operated by them, except where the failure to so possess would not reasonably be expected to have a Material Adverse Effect and all such Governmental Licences are valid and existing and in good standing and the Corporation has not received any notice relating to the revocation or modification of any such Governmental Licence.

(15) No individual or collective labour dispute, grievance, arbitration or legal proceeding is ongoing, pending or, to the knowledge of the Corporation, threatened regarding any employee of the Corporation or its subsidiaries that has had, will have or would reasonably be expected to have a Material Adverse Effect, and, to the knowledge of the Corporation, none has occurred during the past year; no union has been accredited or otherwise designated to represent any employees of the Corporation or any of its subsidiaries and, to the knowledge of the Corporation, no accreditation request or other representation question is pending with respect to the employees of the Corporation or any of its subsidiaries, and no collective agreement or collective bargaining agreement or modification thereof has expired or is in effect in any of the facilities of the Corporation or any of its subsidiaries and none is currently being negotiated by the Corporation or any of its subsidiaries.

(16) The Corporation or one of its subsidiaries owns or has the right to use under license, sub-license or otherwise all material intellectual property used by the Corporation and its subsidiaries in its business, including registered and pending applications for patents, copyrights, industrial designs, and trade marks, as well as trade secrets, know how and other similar proprietary rights (the "**Intellectual Property**"). The Intellectual Property is held free and clear of any Liens. To the knowledge of the

Corporation, none of the Corporation or its subsidiaries are in breach of any material contractual obligations in respect of licensed Intellectual Property. To the knowledge of the Corporation, no employee of the Corporation or its subsidiaries is in violation of any term of any non-disclosure, proprietary rights or similar agreement between such employee and the Corporation or its subsidiaries or between such employee and any former employer. To the Corporation's knowledge, all material trade secrets and other confidential proprietary information owned by the Corporation or its subsidiaries is and remains confidential to the Corporation or its subsidiaries, as the case may be (except for patentable inventions after the filing under applicable Laws of patent applications relating to such inventions and in accordance with such applicable Laws).

(17) There are no material restrictions on the ability of the Corporation or its subsidiaries to use and exploit all rights in the Intellectual Property required in the ordinary course of the Corporation's or its subsidiaries' business. None of the rights of the Corporation or its subsidiaries in the Intellectual Property will be impaired or affected in any material way by the transactions contemplated by this Agreement. To the knowledge of the Corporation, the conduct of the business of each of the Corporation and its subsidiaries and the use of the Intellectual Property owned by the Corporation and its subsidiaries does not infringe, and each of the Corporation and its subsidiaries has not received any notice, complaint, threat or claim alleging infringement of, any patent, trade mark, trade name, copyright, industrial design, trade secret or other Intellectual Property or proprietary right of any other person. Each of the Corporation and its subsidiaries has no notice of any infringements by any third party of the owned Intellectual Property or material claims against the owned Intellectual Property by any third party.

(18) At the Closing Time, all necessary corporate action will have been taken by the Corporation to allot and authorize the issuance of the Subscription Shares to the Investors at such time.

(19) No order, ruling or determination having the effect of suspending the sale or ceasing the trading in any securities of the Corporation has been issued by any Securities Regulatory Authority and is continuing in effect and no proceedings for that purpose have been instituted or, to the knowledge of the Corporation, are pending, contemplated or threatened by any Securities Regulatory Authority.

(20) As of the date hereof: (a) the authorized capital of the Corporation consists of an unlimited number of Common Shares, of which 134,462,607 are issued and outstanding as fully paid and non-assessable; (b) stock options to acquire an aggregate of 5,783,500 Common Shares are outstanding; and (c) warrants to acquire an aggregate of 25,106,204 Common Shares are outstanding.

(21) The Corporation and each of its subsidiaries (where applicable) has on a timely basis filed all necessary federal, provincial, state, local and foreign tax returns and notices and has paid or made provision for all applicable taxes of whatever nature to the extent such taxes have become due or have been alleged to be due and the Corporation is not aware of any material tax deficiencies or material interest or

penalties accrued or accruing, or alleged to be accrued or accruing, thereon which have not otherwise been provided for by the Corporation.

(22) Computershare Trust Company of Canada at its principal offices in the City of Toronto has been duly appointed as registrar and transfer agent for the Common Shares.

(23) The auditors of the Corporation who audited the Audited Financial Statements are independent public accountants as required by Applicable Securities Laws within the meaning of the rules of professional conduct applicable to auditors in the Province of Ontario.

(24) Other than as disclosed in the Public Record, to the knowledge of the Corporation, none of the current or former directors, officers or employees of the Corporation or any associate or Affiliate of any of the foregoing had or has any material interest, direct or indirect, in any material transaction or any proposed material transaction with the Corporation or its subsidiaries which, as the case may be, materially affects, is material to or will materially affect the Corporation or its subsidiaries, on a consolidated basis.

(25) All information which has been prepared by the Corporation relating to the Corporation, the subsidiaries and their respective business, properties and liabilities and either publicly disclosed or provided to the Investors, including all financial, marketing, sales and operational information provided to the Investors and all Public Record documents is, as of the date of such information, true and correct in all material respects, and no fact or facts have been omitted therefrom which would make such information materially misleading.

(26) To the knowledge of the Corporation, there is no matter, thing, information, fact, data or interpretation thereof relative to the Corporation, the subsidiaries, the business or any of their respective property and assets which could reasonably be expected to have a significant effect on the price or value of the Common Shares which has not been disclosed to the Investors.

SCHEDULE 4.1
REPRESENTATIONS AND WARRANTIES OF THE INVESTORS

(1) Each Investor is duly incorporated, continued, amalgamated or formed and validly existing under the Laws of the jurisdiction in which it was incorporated, continued, amalgamated or formed, and no steps or proceedings have been taken by any person, voluntary or otherwise, requiring or authorizing its dissolution or winding up, has all requisite power and authority and is duly qualified to carry on its business as now conducted and to own and/or lease its properties and assets, as the case may be, and has all requisite power and authority to enter into this Agreement and to carry out its obligations hereunder.

(2) This Agreement has been duly authorized, executed and delivered by each Investor and constitutes a valid and binding obligation of such Investor enforceable against it in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other Laws relating to or affecting the rights of creditors generally and except as limited by the application of equitable principles when equitable remedies are sought, and by the fact that rights to indemnity, contribution and waiver, and the ability to sever unenforceable terms, may be limited by applicable Laws.

(3) Except for a breach, violation or default that will not result in material adverse effect on the Investor, the execution and delivery of this Agreement, the performance by such Investor of its obligations hereunder and the consummation of the transactions contemplated in this Agreement, respectively, do not and will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under (whether after notice or lapse of time or both), (A) any applicable Laws; or (B) the constating documents, by-laws or resolutions of the Investor which are in effect at the date hereof.

(4) Each Investor has knowledge in financial and business affairs, is capable of evaluating the merits and risks of an investment in the Common Shares, and is able to bear the economic risk of such investment even if the entire investment is lost.

(5) Each Investor is purchasing the Subscription Shares with the benefit of the prospectus exemption provided by Section 2.3 of NI 45-106, in particular, it is purchasing as principal and is an "accredited investor" within the meaning of Section 1.1 of NI 45-106.

(6) Each Investor has been independently advised as to and is aware of the resale restrictions under Applicable Securities Laws with respect to the Subscription Shares.

(7) No person has made any oral or written representations to such Investor: (i) that any person will resell or repurchase any of the Subscription Shares; (ii) that any person will refund the purchase price of the Subscription Shares; or (iii) as to the future value or price of any of the Subscription Shares.

(8) Each Investor has obtained such legal and tax advice as it considers appropriate in connection with the offer, sale and issuance of the Subscription Shares and the execution, delivery and performance by it of this Agreement and the transactions contemplated by this Agreement and is not relying on the Corporation or its Affiliates or counsel to any of them in this regard;

(9) None of the funds that the Investor is using to purchase the Subscription Shares are to the knowledge of the Investor, proceeds obtained or derived, directly or indirectly, as a result of illegal activities; and

(10) The funds representing the aggregate subscription proceeds advanced by the Investor in connection with the Offering are not proceeds of crime as defined in the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada) (the "**PCMLTFA**"). None of the subscription funds to be provided by the Investor (i) have been or will be derived from or related to any activity that is deemed criminal under the laws of Canada or any other applicable jurisdiction, or (ii) are being tendered on behalf of a person or entity who has not been identified to the Investor. Each Investor acknowledges that the Corporation may in the future be required by law to disclose the its name and other information relating to this Agreement and the its subscription hereunder, on a confidential basis, pursuant to the PCMLTFA and shall promptly notify the Corporation if it discovers that any of the foregoing representations ceases to be true, and to provide the Corporation with appropriate information in connection therewith.

SCHEDULE 7.1
MUTUAL CONDITIONS

(1) The TSX shall have approved of the issuance of the Common Shares under the Offering, including the Subscription Shares issuable to the Investors under this Agreement, the Common Shares issuable to Toray under the Toray Private Placement Agreement and the Common Shares issuable to any other Insider of the Corporation participating in the Offering, and the TSX shall have conditionally approved the listing of all such Common Shares on the TSX.

(2) The Shareholders shall have approved the issuance of the Common Shares under the Offering at the Special Meeting, including the Subscription Shares issuable to the Investors under this Agreement, the Common Shares issuable to Toray under the Toray Private Placement Agreement and the Common Shares issuable to any other Insider of the Corporation participating in the Offering.

(3) The offer, sale and issuance of the Common Shares under this Agreement shall be exempt from the prospectus and registration requirements of Applicable Securities Laws.

(4) The Corporation shall have obtained all orders, permits, approvals, waivers, consents, licenses or similar authorizations of applicable Securities Regulatory Authorities necessary to complete the offer, sale and issuance of the Common Shares.

(5) No legal or regulatory action, suit, investigation or other proceedings shall be instituted, announced, pending or threatened by any Governmental Entity which would enjoin, restrict or prohibit the offer, sale, issuance or trading of the Common Shares or any other transactions contemplated hereby.

(6) No legal or regulatory acts nor proceedings shall be pending or threatened by any Person which would enjoin, restrict or prohibit the issuance, sale or purchase of the Common Shares or any other transactions contemplated hereby.

(7) This Agreement shall not have been terminated in accordance with Article 9.

SCHEDULE 7.2
CONDITIONS FOR THE BENEFIT OF THE INVESTORS

(1) The representations and warranties of the Corporation contained in this Agreement shall have been true and correct in all material respects as of the Closing Date with the same force and effect as if such representations and warranties had been made on and as of such date and the Corporation shall have executed and delivered a certificate of a senior officer to that effect.

(2) The Corporation shall have fulfilled or complied with in all material respects all covenants contained in this Agreement to be fulfilled or complied with by it at or prior to the Closing and the Corporation shall have executed and delivered a certificate of a senior officer to that effect.

(3) The Corporation shall have executed and delivered a certificate of a senior officer to that effect there shall not have occurred any Material Adverse Change.

(4) The Birch Hill Representative shall have been elected or appointed to the Board effective and as at the Closing Date;

(5) The Corporation shall have delivered or caused to be delivered to the Investors at the Closing the following in form and substance satisfactory to the Investors:

(a) Certified copies, as applicable, of (i) the articles and by-laws of the Corporation; (ii) resolutions of the Board approving the entering into and completion of the transactions contemplated by this Agreement; and (iii) a list of the directors and officers of the Corporation authorized to sign agreements, together with their specimen signatures;

(b) A certificate of good standing with respect to the Corporation issued by the Ontario Ministry of Government Services;

(c) The certificates referred to in paragraphs (1), (2) and (3) of this Schedule 7.2;

(d) A favourable legal opinion from Stikeman Elliott LLP, counsel for the Corporation, which counsel may rely as to matters of fact, on certificates of auditors, public officials and officers of the Corporation, substantially with respect to the following matters:

(i) as to the incorporation and valid existence of the Corporation under the Laws of the Province of Ontario;

(ii) that the Corporation is a reporting issuer not on the list of defaulting reporting issuers maintained pursuant to Applicable Securities Laws in Alberta, British Columbia, Ontario and Québec;

(iii) that the Corporation has all requisite corporate power and authority under the Laws of the Province of Ontario to carry on its business as presently carried on and to own and lease its properties and assets;

(iv) none of the execution and delivery of this Agreement, the performance by the Corporation of its obligations hereunder, or the sale or issuance of the Common Shares will conflict with or result in any breach of the articles, by-laws, resolutions of the Board or resolutions of the Shareholders;

(v) this Agreement, and the performance by the Corporation of its obligations hereunder, have been duly authorized and this Agreement has been duly executed and delivered by the Corporation, and constitutes a valid and legally binding agreement of the Corporation enforceable against it in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other Laws relating to or affecting the rights of creditors generally and except as limited by the application of equitable principles when equitable remedies are sought, and by the fact that rights to indemnity, contribution and waiver, and the ability to sever unenforceable terms, may be limited by applicable Laws;

(vi) the Subscription Shares issuable pursuant to the Offering have been authorized and allotted for issuance to the Investors and such Subscription Shares will be validly issued as fully paid and non-assessable Common Shares;

(vii) that the forms and terms of the certificates representing the Subscription Shares have been duly approved by the Corporation and comply with the provisions of the articles and by-laws of the Corporation and the requirements of the OBCA and the TSX;

(viii) the issuance and sale by the Corporation of the Common Shares to the Investors is exempt from the prospectus requirements of Applicable Securities Laws and no documents are required to be filed (other than specified forms accompanied by requisite filing fees), proceedings taken or approvals, permits, consents or authorizations obtained under Applicable Securities Laws to permit such issuance and sale;

(ix) the first trade by a holder of the Subscription Shares, will not be subject to the prospectus and registration requirements of Applicable Securities Laws subject to the usual provisos; and

(x) the TSX has conditionally accepted the listing of the Common Shares issuable pursuant to the Offering, subject to compliance with the conditions outlined in such conditional acceptance.

(e) Definitive certificates or a Direct Registration Statement representing the Subscription Shares subscribed for by the Investors.

(f) Evidence satisfactory to the Investors that concurrent with the Closing, the Corporation has or will complete a private placement with Toray in Tranche A of 17,064,846 Common Shares at the Subscription Price and with Medwell of 2,047,781 Common Shares at the Subscription Price.

SCHEDULE 7.3
CONDITIONS FOR THE BENEFIT OF THE CORPORATION

(1) The representations and warranties of the Investors contained in this Agreement shall have been true and correct in all material respects as of the Closing Date with the same force and effect as if such representations and warranties had been made on and as of such date and the Investors shall have executed and delivered a certificate of a senior officer to that effect.

(2) The Investors shall have fulfilled or complied with in all material respects all covenants contained in this Agreement to be fulfilled or complied with by them at or prior to the Closing and the Investors shall have executed and delivered a certificate of a senior officer to that effect.

(3) The Investors shall have executed and delivered to the Corporation all reports, undertakings or other documents required under applicable Laws to be so executed and delivered by them in connection with the offer, sale and issuance of the Subscription Shares to it.

(4) The Investors shall have delivered or caused to be delivered to the Corporation at the Closing the certificates referred to in paragraphs (1) and (2) of this Schedule 7.3.