



HLS Therapeutics®

**HLS THERAPEUTICS INC.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON JUNE 22, 2018**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**Dated: May 24, 2018**

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# HLS Therapeutics®

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that the annual meeting (the “**Meeting**”) of the holders (“**Shareholders**”) of common shares (“**Common Shares**”) of HLS Therapeutics Inc. (the “**Company**”) will be held at the offices of Blake, Cassels & Graydon LLP, 199 Bay Street, Commerce Court West, Suite 4000, Toronto, Ontario M5L 1A9, on Friday June 22, 2018 at 10:00 a.m. (Toronto time) for the following purposes:

- (a) to receive the audited consolidated financial statements of each of HLS Therapeutics Inc. and Automodular Corporation, the predecessor corporations to the Company, in each case as at and for the year ended December 31, 2017, together with the auditors’ reports thereon;
- (b) to elect directors of the Company for the ensuing year;
- (c) to appoint auditors of the Company for the ensuing year and authorize the directors of the Company to fix such auditors’ remuneration;
- (d) to consider and, if thought advisable, to pass, with or without variation, an ordinary resolution, the full text of which is set out in Schedule A of the accompanying management information circular (the “**Circular**”), approving the Amended and Restated Stock Option Plan of the Company; and
- (e) to transact such other business as may properly be brought before the Meeting or any adjournment(s) thereof.

The accompanying Circular provides additional information relating to the matters to be dealt with at the Meeting. The directors of the Company have fixed May 18, 2018 as the record date for determining those Shareholders entitled to receive notice of and vote at the Meeting. The directors of the Company have fixed May 18, 2018 as the record date for determining those holders of Class A preferred shares of the Company (“**Preferred Shares**”) entitled to receive notice of and attend the Meeting. Holders of Preferred Shares are not entitled to vote at the Meeting.

If you are a registered Shareholder (i.e., you hold a physical certificate representing your Common Shares in your name) and are unable to attend the Meeting in person, please exercise your right to vote by dating, signing and returning the accompanying form of proxy to Computershare Investor Services Inc., the Company’s transfer agent. **You may also vote your Common Shares by proxy by appointing another person to attend the Meeting and vote your Common Shares for you.** To be valid, completed proxy forms must be dated, completed, signed and deposited with Computershare Investor Services Inc., (i) by mail using the enclosed return envelope or one addressed to Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 Attn: Proxy Department, (ii) by facsimile to 1-866-249-7775, (iii) on the internet at [www.investorvote.com](http://www.investorvote.com), or (iv) instructions must be received by phone at 1-866-732-8683, in each case no later than 10:00 a.m. (Toronto time) on June 20, 2018 or, if the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays in Toronto, Ontario) before any adjournment or postponement of the Meeting.

If you are a non-registered Shareholder and have received these materials from your broker or another intermediary, please complete and return the voting instruction form or other authorization form provided to you by your broker or intermediary in accordance with the instructions provided. Failure to do so may result in your Common Shares not being eligible to be voted at the Meeting.

Dated at Toronto, Ontario, this 24th day of May, 2018.

BY ORDER OF THE BOARD OF DIRECTORS OF HLS THERAPEUTICS INC.

*“Ryan C. Lennox”*

RYAN C. LENNOX  
Corporate Secretary and General Counsel

## MANAGEMENT INFORMATION CIRCULAR

**This management information circular (the “Circular”) is furnished in connection with the solicitation of proxies for use at the annual meeting (the “Meeting”) of the holders (the “Shareholders”) of common shares (“Common Shares”) of HLS Therapeutics Inc. (“HLS” or the “Company”) to be held on June 22, 2018 and any adjournment(s) thereof at the time and place and for the purposes set forth in the Notice of Meeting.**

The management of HLS is soliciting the proxy of Shareholders for use at the Meeting. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited by telephone, or other personal contact, by regular employees of the Company, without special compensation. The Company may also engage a third party to provide proxy solicitation services on behalf of management in connection with the solicitation of proxies for the Meeting. The costs of solicitation will be borne by the Company.

The Company presents its consolidated financial statements in United States dollars. In this Circular, all references to “US\$” and “\$” are to United States dollars and all references to “C\$” are to Canadian dollars.

On March 12, 2018, HLS Therapeutics Inc. (“**Former HLS**”) and Automodular Corporation (“**AMD**”) amalgamated by way of a plan of arrangement (the “**Arrangement**”) in accordance with Section 183 of the *Business Corporations Act* (Ontario). The Arrangement constituted a reverse takeover of AMD by Former HLS under the policies of the TSX Venture Exchange (the “**TSXV**”). In this Circular, *you* and *your* refer to the Shareholders of HLS. *We, us, our*, the Company and HLS each refer to HLS Therapeutics Inc. and/or to Former HLS, as the context requires.

Additional information relating to the Arrangement can be found in the Joint Information Circular of Former HLS and AMD dated February 5, 2018 available on the Company’s profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

The information contained in this Circular is provided as at May 24, 2018, except where otherwise indicated.

## HOW TO VOTE YOUR SHARES

### How to Vote if you are a Registered Shareholder

You are a registered Shareholder if your name appears on a share certificate representing your Common Shares or if you are registered as the holder of your Common Shares in book-entry form. In either case, your name will be shown on the list of Shareholders kept by Computershare Investor Services Inc. (“**Computershare**”), the registrar and transfer agent of the Company.

Voting by proxy is the easiest way to vote. Voting by proxy means that you are giving the person or people named on your proxy form (the “**Proxyholder**”) the authority to vote your Common Shares for you at the Meeting or any adjournment. If you are a registered Shareholder, you will receive a form of proxy from Computershare with this Circular.

If you are a registered Shareholder you can attend the Meeting in person or, if you are not able to attend, you may vote by submitting your proxy before 10:00 a.m. (Toronto time) on June 20, 2018 or, if the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays in Toronto, Ontario) before any adjournment or postponement of the Meeting, in any of the following ways:

By Telephone	By Internet	By Mail	By Fax	By Appointing Another Person to Attend and Vote
Call 1-866-732-8683 (toll free in Canada or the United States)	Go to <a href="http://www.investorvote.com">www.investorvote.com</a>	Complete, sign and date the proxy and return it in the envelope provided or otherwise to: Computershare Investor Services Inc., Proxy Tabulation, 100 University Avenue, 8th Floor, Toronto Ontario, M5J 2Y1	Complete, sign and date the proxy and fax it to: 1-866-249-7775 (toll free in Canada or the United States) or 416-263-9524 (outside Canada and the United States)	Insert the name of the person or company you are appointing in the blank space provided in the enclosed form of proxy. Complete your voting instructions, date and sign the proxy and return it to Computershare using one of the methods outlined here. The person does not have to be a Shareholder but please ensure that he or she knows that you have appointed them and they are available to attend the Meeting on your behalf.

**If you are not sure whether you are a registered Shareholder, please contact Computershare using the contact information set forth on the back cover of the Circular.**

### How to Change your Vote/Revoke your Proxy if you are a Registered Shareholder

You can revoke a vote you made by proxy by:

- Voting again by telephone or on the Internet before 10:00 a.m. (Toronto time) on June 20, 2018;
- Completing a proxy form that is dated later than the proxy form you are changing, and sending it to Computershare so that it is received before 10:00 a.m. (Toronto time) on June 20, 2018;
- Sending a notice in writing from you or your authorized attorney (or, if the Shareholder is a corporation, by a duly authorized officer) revoking your proxy to Ryan Lennox, the General Counsel of HLS, at the

registered office of the Company, located at 10 Carlson Court, Suite 410, Etobicoke, Ontario, so that it is received before 10:00 a.m. (Toronto time) on June 20, 2018;

- Giving a notice in writing from you or your authorized attorney (or, if the Shareholder is a corporation, by a duly authorized officer) revoking your proxy to the chair of the Meeting, at the Meeting or any adjournment; or
- Attending the Meeting in person and voting the Common Shares.

### **How to Vote if you are a Non-Registered Shareholder**

You are a non-registered (or beneficial) Shareholder if your broker or another intermediary (your “**Nominee**”) holds your Common Shares for you. If you are a non-registered Shareholder we will not have any record of your ownership and so the only way that you can vote your Common Shares is by instructing your Nominee. Your Nominee is required to ask for your voting instructions before the Meeting.

In most cases, you will receive a voting instruction form from your Nominee that allows you to provide your voting instructions by telephone, on the Internet or by mail. You should complete the voting instruction form and sign and return it in accordance with the directions on that form. Please contact your Nominee if you did not receive a voting instruction form or a proxy form. Less frequently, you may receive from your Nominee a proxy form that has already been signed by the Nominee, which is restricted to the number of Common Shares beneficially owned by you, but is otherwise not completed. If you have received this proxy form, you should complete it and return it to Computershare before 10:00 a.m. (Toronto time) on June 20, 2018, using one of the methods set out above.

In accordance with the Canadian Securities Administrators’ National Instrument 54-101 — *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”), the Company is distributing copies of materials related to the Meeting to Nominees for distribution to non-registered Shareholders and such Nominees are to forward the materials related to the Meeting to each non-registered Shareholder (unless the non-registered Shareholder has declined to receive such materials). Such Nominees often use a service company (such as Broadridge Investor Communication Solutions in Canada (“**Broadridge**”)), to permit the non-registered Shareholder to direct the voting of the Common Shares held by the Nominee, on behalf of the non-registered Shareholder. The Company is paying Broadridge to deliver, on behalf of the Nominees, a copy of the materials related to the Meeting to each “objecting beneficial owner” and each “non-objecting beneficial owner” (as such terms are defined in NI 54-101).

If you would like to attend the Meeting and vote in person, it will be necessary for you to appoint yourself as proxyholder of your Common Shares. You can do this by printing your name in the space provided on the voting instruction form and submitting it as directed. You will be asked to register your attendance at the Meeting.

### **How to Change your Vote if you are a Non-Registered Holder**

A non-registered Shareholder may revoke previously-given voting instructions by contacting his or her Nominee and complying with any applicable requirements imposed by such Nominee. A Nominee may not be able to revoke voting instructions if it receives insufficient notice of revocation.

## **PROXYHOLDER MATTERS**

### **Completing the Form of Proxy**

You can choose to vote “**FOR**” or “**WITHHOLD**” your vote in respect of the following resolutions:

- the election of each person nominated as a director of the Company (each, a “**Director**”); and
- the appointment of the auditors for the ensuing year and the authorization of the Directors to fix the auditors’ remuneration.

You can choose to vote “**FOR**” or “**AGAINST**” the resolution approving the Amended and Restated Stock Option Plan of the Company.

The Common Shares represented by proxy will be voted or withheld from voting in accordance with your instructions on any ballot that may be called and if you specify a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly.

If you are an individual, you or your authorized attorney must sign the proxy form. If you are a corporation or other legal entity, an authorized officer or attorney must sign the proxy form. A proxy form signed by a person acting as attorney or in some other representative capacity (including a representative of a corporate Shareholder) should indicate that person's capacity (following their signature) and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has previously been filed with HLS).

**If you need help completing your proxy form, please contact Computershare at 514-982-7555 or at 1-800-564-6253 (toll free in Canada and the United States) or by e-mail at [service@computershare.com](mailto:service@computershare.com).**

### **How Proxyholders Will Vote**

When you sign the proxy form, you authorize William Wells, the Executive Chairman, or Ryan Lennox, the General Counsel, to vote your Common Shares for you at the Meeting according to your instructions. **If you return your proxy form and do not tell us how you want to vote your Common Shares, your Common Shares will be voted:**

- **FOR electing each of the individuals nominated as a Director who are listed in this Circular;**
- **FOR appointing Ernst & Young LLP as auditors and authorizing the Directors to fix the auditors' remuneration;**
- **FOR the resolution approving the Amended and Restated Stock Option Plan of the Company.**

Your Proxyholder will also be entitled to vote your Common Shares as he or she sees fit in respect of amendments to matters identified in the Notice of Meeting and on any other item of business that may properly come before the Meeting or any adjournment(s) thereof. At the date of this Circular, the Directors and management of the Company are not aware that any such amendments or other matters are to be submitted to the Meeting.

### **Shareholders Can Choose any Person or Company as their Proxyholder**

**You have the right to appoint a person other than the persons designated in the proxy form to represent you at the Meeting.** Such right may be exercised by inserting the name of the person or company in the blank space provided in the enclosed form of proxy or by completing another form of proxy. **If you do not specify how you want your Common Shares voted, your Proxyholder will vote your Common Shares as he or she sees fit on any matter that may properly come before the Meeting.**

### **RECORD DATE AND QUORUM**

The board of directors of the Company (the "**Board**" or the "**Board of Directors**") has fixed May 18, 2018 as the record date (the "**Record Date**") for the purpose of determining which Shareholders are entitled to receive the Notice of Meeting and vote at the Meeting or any adjournment(s) thereof, either in person or by proxy. No person acquiring Common Shares after that date shall, in respect of such Common Shares, be entitled to receive the Notice of Meeting and vote at the Meeting or any adjournment(s) thereof.

The Board has fixed May 18, 2018 as the record date for determining those holders of Class A preferred shares of the Company ("**Preferred Shares**") entitled to receive the Notice of Meeting and attend the Meeting. Holders of Preferred Shares are not entitled to vote at the Meeting. No person acquiring Preferred Shares after that date shall, in respect of such Preferred Shares, be entitled to receive the Notice of Meeting and attend the Meeting or any adjournment(s) thereof.

A quorum for the transaction of business at the Meeting or any adjournment(s) thereof (other than an adjournment for lack of quorum) shall be two persons present and each entitled to vote at the Meeting who, together, hold or represent by proxy not less than 15% of the votes attaching to the outstanding Common Shares entitled to vote at the Meeting.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS**

HLS is authorized to issue an unlimited number of Common Shares. As of May 23, 2018, the Company had 27,429,946 outstanding Common Shares, each carrying the right to one vote at the Meeting.

As of May 24, 2018, the only persons or companies who, to the knowledge of the Company, its Directors or executive officers, beneficially own, or control or direct, directly or indirectly, voting securities carrying 10% or more of the outstanding Common Shares are as follows:

Name and Municipality of Residence of Principal Shareholder	Common Shares Owned	
	Number	Percentage (undiluted)
HealthCor Partners Fund II, L.P. (New York, New York, USA), HealthCor Sanatate Offshore Master Fund L.P. (Cayman Islands), and HealthCor Offshore Master Fund, L.P. (Cayman Islands)	5,500,000	20.1%
Athyrium Opportunities II Co-Invest 1 LP (Cayman Islands)	4,125,000	15.0%
OrbiMed Royalty Opportunities II LP (New York, New York, USA), Royalty Opportunities Sarl (New York, New York, USA), and OrbiMed Partners Master Fund Limited (New York, New York, USA)	3,299,999	12.0%
Janus Henderson Global Life Sciences Fund (Denver, Colorado, USA), Janus Henderson Opportunistic Alpha Fund (Denver, Colorado, USA), and Janus Henderson Contrarian Fund (Denver, Colorado, USA)	2,841,583	10.4%

In addition to any other voting right to which the holders of Preferred Shares are entitled by law or other provisions of the articles of the Company from time to time in effect, but subject to the provisions of the articles of the Company, holders of Preferred Shares are entitled to vote separately as a class, in addition to any other vote of securityholders of the Company that may be required, in certain circumstances, including in respect of any amendment, alteration or repeal of any provision of the articles or by-laws of the Company which would adversely affect the rights, privileges, restrictions and conditions of the Preferred Shares. Holders of Preferred Shares are not entitled to vote separately as a class on any matters identified in the Notice of Meeting.

#### FINANCIAL STATEMENTS

The audited consolidated financial statements of each of Former HLS and AMD, the predecessor corporations to the Company, in each case as at and for the year ended December 31, 2017, together with the auditors' reports thereon, have been sent to Shareholders who have requested that they receive a copy. These financial statements are also available on the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

#### ELECTION OF DIRECTORS

The articles of the Company provide for a minimum of three and a maximum of ten Directors. The Board has the authority to set the number of Directors, such number presently being fixed at seven. Each of the seven individuals listed below are being recommended for election as Directors, as the term of office for each current Director expires at the close of the Meeting. If elected, they will hold office until the close of the next annual meeting of Shareholders or until their successors are elected or appointed, unless such office is earlier vacated in accordance with the Company's by-laws. All of the proposed nominees are currently Directors.

**It is the intention of the individuals named in the enclosed form of proxy to vote FOR the election of each of the individuals listed below under the heading "Nominees for Election to the Board" as Directors, to hold office until the close of the next annual meeting of Shareholders or until their successors are duly elected or appointed, unless specifically instructed in the proxy to withhold such vote.** Management of the Company does not contemplate that any of the nominees will be unable or unwilling to serve as a Director; however, if such event should occur prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote in their discretion for other nominees.

Pursuant to the rights, privileges, restrictions and conditions of the Preferred Shares (the “**Preferred Share Terms**”), HLS is required to take all necessary steps to nominate one nominee selected by Christopher Nutt, the claims administrator (the “**Claims Administrator**”) appointed pursuant to the Claims Administration and Escrow Agreement dated March 8, 2018 among AMD, Christopher Nutt and Computershare Trust Company of Canada (the “**Claims Administration and Escrow Agreement**”) entered into as a condition to the completion of the Arrangement, to be considered for election by Shareholders in accordance with the articles and by-laws of the Company at each meeting of Shareholders at which Directors are to be elected. The Claims Administrator has selected Mr. Rodney Hill as the nominee for consideration for election by Shareholders at the Meeting.

### **Advance Notice Provisions**

The Company’s by-laws provide for advance notice of nominations of Directors (“**Advance Notice Provisions**”) in circumstances where nominations of persons for election to the Board are made by Shareholders other than (a) pursuant to the nomination rights set out in the Preferred Share Terms or (b) by or at the direction or request of one or more Shareholders pursuant to a proposal or a requisition of the Shareholders made in accordance with applicable law and the Company’s by-laws.

To be an eligible Shareholder for making nominations under the Advance Notice Provisions, the nominating Shareholder must (a) comply with the notice procedures set forth in the Advance Notice Provisions, as provided for below, and (b) at the close of business on the date of the giving of the applicable notice and on the record date for notice of the applicable Shareholder meeting, be entered in the Company’s register as a holder of one or more Common Shares carrying the right to vote at such meeting or beneficially own Common Shares that are entitled to be voted at such meeting.

The Advance Notice Provisions fix deadlines by which an eligible Shareholder must notify the Company of nominations of individuals for election to the Board as follows: such notice must be provided to the Corporate Secretary of the Company (a) in the case of an annual meeting, not less than 30 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date (the “**Notice Date**”) that is the earlier of the date that a notice of meeting is filed for such meeting and the date on which the first public announcement of the date of such meeting was made, notice may be given not later than the close of business on the tenth day following the Notice Date; and (b) in the case of a special meeting (which is not also an annual general meeting) of Shareholders called for the purpose of electing Directors (whether or not called for other purposes), not later than the close of business on the fifteenth day following the Notice Date. The Advance Notice Provisions also stipulate that certain information about any proposed nominee and the nominating Shareholder be included in such a notice in order for it to be valid.

The Advance Notice Provisions are intended to: (a) facilitate orderly and efficient annual general or, where the need arises, special meetings; (b) ensure that all Shareholders receive adequate notice of Board nominations and sufficient information with respect to all nominees; and (c) allow Shareholders to register an informed vote.

A copy of the Company’s by-laws is available on the Company’s profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### **Nominees for Election to the Board**

The following tables set forth profiles of the seven individuals who are nominated for election as Directors, including the positions and offices with the Company now held by each nominee, the present principal occupation or employment of each nominee, the business experience over the last five years of each nominee, the period during which each nominee has served as a Director and the number of securities of the Company (including Common Shares, options to purchase Common Shares (“**Options**”) and Founder PSUs (as defined herein), if applicable) beneficially owned, or controlled or directed, directly or indirectly, by each nominee as at the date of this Circular. The information as to securities beneficially owned, or controlled or directed, directly or indirectly, by each nominee has been furnished by the respective proposed nominees individually.

The information set forth below in respect of the period during which Messrs. Wells, Gubitz, Lanthier and Bastien have served as a Director includes the period such individuals served as directors of Former HLS.

The Board has determined that five of the seven individuals nominated for election as a Director at the Meeting are independent. The only Directors who are not independent are Messrs. Wells and Gubitz due to the executive position which each holds at HLS. All of the members of each of the Audit Committee and the Compensation and Governance Committee are independent Directors. For more information about the Company’s independence standards and assessment, see the section of this Circular entitled “*Statement of Governance Practices – Director Independence*”. For information on the

compensation paid to non-management Directors, see the section of this Circular entitled “*Statement of Executive Compensation – Director and Named Executive Officer Compensation*”. In addition, a description of the role of the Board is included in the section of this Circular entitled “*Statement of Governance Practices – Board Mandate*” and a copy of the Mandate of the Board of Directors (the “**Board Mandate**”) is attached as Annex A to this Circular.

<b>WILLIAM WELLS</b> Royal Westmoreland, St. James, Barbados Director since: June 5, 2014 Age: 57	William Wells is the Executive Chairman of HLS. Mr. Wells is the former Chief Executive Officer and director of Biovail Corporation and former Chairman of Valeant Pharmaceutical International, Inc. Mr. Wells is a seasoned business executive with extensive experience managing complex global businesses. He has been involved in three successful turnaround efforts of major public companies and led the turnaround of Biovail, first as Lead Director of the board of directors and then as Chief Executive Officer. Mr. Wells holds a Bachelor of Arts degree from the University of Western Ontario and a Masters in International Business Studies from the University of South Carolina.	
	<b>Board/Committee Membership</b>	<b>Principal Occupation(s) (for the past 5 years)</b>
	Board	Executive Chairman of HLS since June 2014; Chairman of Evizone Limited since November 2009
<b>Securities of the Company beneficially owned, or controlled or directed, directly or indirectly</b>		
<b>Common Shares (#)</b>	<b>Options (#)</b>	<b>Founder PSUs (#)</b>
1,242,250	253,308	260,000

<b>GREG GUBITZ</b> Caledon, Ontario, Canada Director since: June 5, 2014 Age: 60	Greg Gubitz is the Chief Executive Officer of HLS. Mr. Gubitz is the former Senior Vice President, Corporate Development and General Counsel of Biovail. Mr. Gubitz is a seasoned executive and business lawyer with significant transaction, investment and operating experience. As General Counsel of Biovail, he was responsible for mergers and acquisitions and for worldwide legal operations. Mr. Gubitz is a non-practicing lawyer in the Law Society of Upper Canada and holds a Bachelor of Arts degree and an LLB from McGill University.	
	<b>Board/Committee Membership</b>	<b>Principal Occupation(s) (for the past 5 years)</b>
	Board	Chief Executive Officer of HLS since June 2014; Chief Executive Officer of Grosvenor Ventures since 2007
<b>Securities of the Company of the Company beneficially owned, or controlled or directed, directly or indirectly</b>		
<b>Common Shares (#)</b>	<b>Options (#)</b>	<b>Founder PSUs (#)</b>
667,000	253,308	260,000

<b>J. SPENCER LANTHIER</b> Toronto, Ontario, Canada Director since: August 10, 2015 Age: 77	J. Spencer Lanthier is an independent Director and Lead Director. Mr. Lanthier served as the Chair of the board of directors of Ellis-Don Inc. and has also previously served as a director of, among other companies, the following publicly-listed companies: TMX Group Inc., Torstar Corporation, Biovail Corporation and Rona Inc. Mr. Lanthier is a former Chairman and Chief Executive Officer of KPMG Canada and served as the Lead Director of the Bank of Canada. Mr. Lanthier is also the Founding Chair of the 30% Club Canada. Mr. Lanthier is a Chartered Professional Accountant, Chartered Accountant and holds a honorary Doctor of Laws degree from the University of Toronto.	
	<b>Board/Committee Membership</b>	<b>Principal Occupation(s) (for the past 5 years)</b>
	Board Audit Committee (Chair) Compensation and Governance Committee	Retired since 1999
<b>Securities of the Company of the Company beneficially owned, or controlled or directed, directly or indirectly</b>		
<b>Common Shares (#)</b>	<b>Options (#)</b>	
0	56,420	

<b>YVON BASTIEN</b> Sutton, Québec, Canada Director since: August 10, 2015 Age: 69	Yvon Bastien is an independent Director. Mr. Bastien has extensive experience as an executive in the pharmaceutical industry. He was the Chief Executive Officer of Sanofi Canada and Jouveinal Canada and has held executive positions with, among other companies, Ciba Geigy (Switzerland), Laboratoires Debat (France), Ely Lilly, IMS Canada and Delta Healthcare. He has previously served as the Chair of the board of directors of Telesta Therapeutics Inc., Trillium Health Care Products Inc., the St. Bernard Soap Company, Enobia Pharma Corp. and PainCeptor Pharma Corporation.	
	<b>Board/Committee Membership</b>	<b>Principal Occupation(s) (for the past 5 years)</b>
	Board Compensation and Governance Committee (Chair)	Retired since 2005
<b>Securities of the Company of the Company beneficially owned, or controlled or directed, directly or indirectly</b>		
<b>Common Shares (#)</b>	<b>Options (#)</b>	
0	56,420	

<b>RODNEY HILL</b> Toronto, Ontario, Canada Director since: March 12, 2018 Age: 50	Rodney Hill is an independent Director and is the nominee selected by the Claims Administrator under the Claims Administration and Escrow Agreement. Mr. Hill has extensive experience in business management, risk management, finance and accounting. He is currently the Chief Risk Officer of Ontario Municipal Employees Retirement System Administration Corporation (“ <b>OMERS</b> ”) which has approximately C\$95 billion of net assets under management. Mr. Hill joined OMERS in 2011 as EVP & Chief Auditor and moved to his current position in 2015. Prior to joining OMERS, Mr. Hill spent over 20 years working at PricewaterhouseCoopers and the last 10 years as a Partner specializing in auditing complex public and private companies in a variety of sectors including pharmaceuticals. Mr. Hill holds an Honours degree in Accounting with Computing from University of Kent at Canterbury. He is an Associate of the Institute of Chartered Accountants in England and Wales (ACA-UK) and a Chartered Professional Accountant (CPA, CA) in Canada.	
	<b>Board/Committee Membership</b>	<b>Principal Occupation(s) (for the past 5 years)</b>
	Board Audit Committee	Chief Risk Officer of OMERS since November 2015; EVP and Chief Auditor of Ontario Municipal Employees Retirement System prior to October 2015
<b>Securities of the Company of the Company beneficially owned, or controlled or directed, directly or indirectly</b>		
<b>Common Shares (#)</b>	<b>Options (#)</b>	
0	0	

<b>DON DEGOLYER</b> Chatham, New Jersey, USA Director since: March 12, 2018 Age: 56	Don DeGolyer is an independent Director. Mr. DeGolyer has over 30 years of pharmaceutical experience building and leading top tier performing organizations. Mr. DeGolyer is currently the Founder & Chief Executive Officer of Vertice Pharma where he also serves as a member of its board of directors. He was previously the Chief Operating Officer of Endo Pharmaceuticals where he built one of the fastest growing Specialty Pharmaceuticals businesses. He also served as President & Chief Executive Officer of Sandoz North America as it became the second largest generics company in the world. Mr. DeGolyer began his career at Pfizer, Johnson & Johnson and then Novartis, progressing through various roles of increasing responsibility. Mr. DeGolyer holds a Bachelor of Arts from the University of Rochester and a Master of Business Administration from Fairleigh Dickinson University.	
	<b>Board/Committee Membership</b>	<b>Principal Occupation(s) (for the past 5 years)</b>
	Board	Chief Executive Officer of Vertice Pharma since November 2015; Chief Operating Officer of Endo International plc from August 2013 – July 2015; President and Chief Executive Officer North America of Sandoz prior to August 2013
<b>Securities of the Company of the Company beneficially owned, or controlled or directed, directly or indirectly</b>		
<b>Common Shares (#)</b>	<b>Options (#)</b>	
0	0	

<b>DANIEL TASSÉ</b> New Providence, New Jersey, USA Director since: March 12, 2018 Age: 57	Daniel Tassé is an independent Director. Mr. Tassé is a seasoned health care executive who has built and led pharmaceutical and drug-device businesses with global footprints. Mr. Tassé is currently the Chairman and Chief Executive Officer of Alcresta Therapeutics. He is also a non-executive director of REGENXBIO Inc. a biotechnology company focused gene therapy, as well as the lead independent director of Indivior, a company focused on the medicine assisted treatment of Substance Use Disorders. Mr. Tassé was Chairman and Chief Executive Officer of Ikaria, Inc. until its acquisition by Mallinckrodt Pharmaceuticals in April 2015. He had served as Ikaria's President and Chief Executive Officer since 2008, and was appointed Chairman of the Board in October 2009. He oversaw the spinout of Bellerophon Therapeutics from Ikaria in 2013, and remains a director of Bellerophon. Mr Tassé is a former member of the Board of Directors and Health Section Governing Board of the Biotechnology Industry Organization, and a director of PhRMA. Prior to joining Ikaria, Mr Tassé served as General Manager of the Pharmaceuticals and Technologies Business Unit of Baxter International and earlier in his career, held senior management positions at GlaxoSmithKline. Mr Tassé holds a B.S. in Biochemistry from the University of Montreal.	
	<b>Board/Committee Membership</b>	<b>Principal Occupation(s) (for the past 5 years)</b>
	Board Audit Committee	Chief Executive Officer and Chairman of Alcresta Therapeutics, Inc. since March 2016; Senior Advisor of Athyrium Capital Management, LP since October 2015; Senior Advisor of Bridge Growth Partners, LLC since October 2015; Chairman & Chief Executive Officer of Ikaria, Inc. prior to April 2015
<b>Securities of the Company of the Company beneficially owned, or controlled or directed, directly or indirectly</b>		
<b>Common Shares (#)</b>	<b>Options (#)</b>	
0	0	

### Board and Committee Meetings Held and Attendance of Directors

Each Director is expected to attend all meetings of the Board and any committee of which he is a member. The chart below illustrates the number of Board meetings held during the year ended December 31, 2017 in respect of Former HLS and the meeting attendance for each director of Former HLS. The audit committee and compensation and governance committee of Former HLS met five and two times, respectively, during the year ended December 31, 2017. All applicable committee members attended such meetings.

<b>Directors</b>	<b>Board of Directors</b>
William Wells	7 of 7
Greg Gubitz	7 of 7
J. Spencer Lanthier	7 of 7
Yvon Bastien	7 of 7
Gilbert Godin	6 of 7
Joe MacLean	7 of 7

In connection with the consummation of the Arrangement, the Board was reconstituted. Messrs. Wells, Gubitz, Lanthier and Bastien continued as Directors and were joined by Rodney Hill, Don DeGolyer and Daniel Tassé.

Since the completion of the Arrangement on March 12, 2018, there have been three regularly scheduled Board meetings, each of which has been attended by all of the Directors. The Audit Committee and the Compensation and

Governance Committee, each established in connection with the completion of the Arrangement on March 12, 2018, have met twice and three times, respectively. All applicable committee members attended such meetings.

### **Interlocking Directorships**

The Board does not set a formal limit on the number of interlocking board memberships. The Compensation and Governance Committee reviews director interlocks as part of its annual evaluation of director independence. As of the date hereof, there are no public company board interlocks among the nominated Directors.

### **Cease Trade Orders**

To the knowledge of the Company, no proposed Director (nor any personal holding company of any such individual) is, as of the date of this Circular, or was within ten years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including the Company), that: (i) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an “**Order**”), that was issued while the individual was acting in the capacity as a director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the individual ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that individual was acting in the capacity as director, chief executive officer or chief financial officer.

### **Bankruptcies**

To the knowledge of the Company, no proposed Director (nor any personal holding company of any such individual): (i) is, as of the date of this Circular, or has been within the ten years before the date of this Circular, a director or executive officer of any company (including the Company) that, while that individual was acting in that capacity, or within a year of that individual ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the ten years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

### **Penalties or Sanctions**

To the knowledge of the Company, no proposed Director (nor any personal holding company of any such individual) has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable Shareholder in deciding whether to vote for the proposed Director.

## **APPOINTMENT OF AUDITORS**

It is proposed that Ernst & Young LLP, the current the auditors of the Company, be appointed as the auditors of the Company, to hold office until the close of the next annual meeting of Shareholders, or until a successor is appointed, and that the Directors be authorized to fix Ernst & Young LLP’s remuneration. The Audit Committee has recommended to the Board, and the Board has approved, the nomination of Ernst & Young LLP for such appointment. Ernst & Young LLP have been the auditors of the Company (including its predecessors) since June 2015.

See the heading “*Audit Committee Information*” in this Circular for further details regarding the services of the auditors provided to HLS, the fees paid to the auditors for those services and information regarding the Audit Committee of the Company.

**It is the intention of the individuals named in the enclosed form of proxy to vote FOR the appointment of Ernst & Young LLP as auditors of HLS to hold office until the close of the next annual meeting of Shareholders and in favour of authorizing the Directors to fix the remuneration of the auditors, unless specifically instructed in the proxy to withhold such vote.**

## APPROVAL OF THE AMENDED AND RESTATED STOCK OPTION PLAN OF THE COMPANY

The Company's Stock Option Plan was approved by the Board on August 10, 2015 and amended in connection with the completion of the Arrangement and concurrent listing of the Common Shares on the TSXV to make certain changes required by the rules and policies of the TSXV.

Following the consummation of the Arrangement, the Company engaged Global Governance Advisors Inc. ("GGA") to advise the Compensation and Governance Committee on compensation matters, including reviewing director compensation, conducting an executive compensation benchmarking review and considering the Company's short and long-term incentive design practices, including the Company's Stock Option Plan. Following a review of the Company's short and long-term incentive programs, and after considering, among other things, the Executive Compensation Report prepared by GGA, the Compensation and Governance Committee recommended to the Board, and the Board approved, subject to the approval of Shareholders, an amendment and restatement of the Company's Stock Option Plan (as amended and restated, the "**Amended and Restated Stock Option Plan**") to:

- convert the Company's Stock Option Plan from a "fixed number" option plan to a "rolling" plan;
  - permit the founders (the "**Founders**") of the Company (William Wells, Greg Gubitz, Gilbert Godin and Joe MacLean) to participate in future grants of Options;
  - limit grants of Options to non-employee Directors; and
  - make certain "housekeeping" changes,
- (collectively, the "**Stock Option Plan Amendments**").

The Amended and Restated Stock Option Plan was conditionally approved by the TSXV on May 23, 2018.

A summary of the Stock Option Plan Amendments is set out below. For a description of the principal terms and conditions of the Amended and Restated Stock Option Plan, please see the "*Statement of Executive Compensation – Stock Options Plans and Other Incentive Plans – Amended and Restated Stock Option Plan*" section of this Circular. **The full text of the Amended and Restated Stock Option Plan is set out in Annex B to this Circular.**

### *Amendment to Change the Stock Option Plan From a "Fixed Number" Plan to a "Rolling" Plan*

The Company's Stock Option Plan is a "fixed number" option plan under which the maximum aggregate number of Common Shares issuable under the plan is 2,328,000, representing approximately 8.49% of the issued and outstanding Common Shares as at May 23, 2018. As at May 23, 2018, an aggregate of 937,530 Common Shares remained available for future grants under the Company's Stock Option Plan, representing 3.42% of the issued and outstanding Common Shares.

The Company is proposing, subject to the approval of Shareholders, to convert the Company's Stock Option Plan from a "fixed number" option plan to a "rolling" plan, whereby the maximum number of Common Shares issuable under the plan, together with any Common Shares issuable pursuant to any other security-based compensation arrangement of the Company, will be set as a fixed percentage (10%) of the Company's issued and outstanding Common Shares from time to time. As a result, should the Company issue additional Common Shares in the future, the number of Common Shares issuable under the Company's Stock Option Plan will increase accordingly. The Board believes that the change to a "rolling" plan will permit the Company to continue to use, with increased flexibility, Options as an incentive for officers, employees and consultants of the Company. If the Amended and Restated Stock Option Plan is approved, and assuming the Company does not issue any additional Common Shares, the aggregate number of Common Shares authorized for issuance under the Amended and Restated Stock Option Plan will be 2,742,994, representing approximately 10% of the issued and outstanding Common Shares, of which an aggregate of 1,352,524 Common Shares (representing approximately 4.93% of the issued and outstanding Common Shares) will be available for future grants under the Amended and Restated Stock Option Plan.

In accordance with the rules and policies of the TSXV, every year after institution, all unallocated options, rights or other entitlements under a security based compensation arrangement which does not have a fixed maximum aggregate of securities issuable must obtain approval from both a majority of an issuer's board of directors and a majority of the issuer's securityholders. If approved by Shareholders, the Amended and Restated Stock Option Plan must be re-approved on an annual basis.

### *Amendment to Permit Founders to Participate in Future Grants of Options*

The Company's Stock Option Plan restricts future grants of Options to the Founders. The Board believes that this restriction is no longer appropriate for the Company and that the grant of Options to the Founders is an important component of executive compensation since it promotes an alignment of interests of such officers of the Company with those of the Shareholders and associates such officers' compensation with the returns achieved by Shareholders. The Company is therefore proposing, subject to the approval of Shareholders, an amendment to the Company's Stock Option Plan to remove such restriction.

### *Amendment to Limit Non-Employee Director Participation*

The Company is proposing, subject to the approval of Shareholders, an amendment to the Company's Stock Option Plan to restrict the grant of Options to non-employee Directors. More specifically, excluding one-time sign-on grants, the award value (based on a Black-Scholes calculation or such other similar and acceptable methodology, applied consistently and appropriately as determined by the Board) of any grants of Options (together with the award value of all other rights granted under any other security based compensation arrangement of the Company) to any one non-employee Director would be limited to \$100,000 per year. The Board believes that this restriction is good corporate governance, conforms to the policy guidelines published by certain proxy voting advisory firms and is consistent with Company practice for grants to non-employee Directors.

### *Housekeeping Changes*

The Company is proposing, subject to the approval of Shareholders, to make several changes to the Company's Stock Option Plan of a "housekeeping" nature. These changes relate to the deletion of language that is no longer required to be included in the Company's Stock Option Plan following the completion of the Arrangement and the concurrent listing of the Common Shares on the TSXV

At the Meeting, Shareholders will be asked to consider and, if thought advisable, to pass, with or without variation, an ordinary resolution approving the Amended and Restated Stock Option Plan (the "**Amended and Restated Stock Option Plan Resolution**"). To be effective, the Amended and Restated Stock Option Plan Resolution must be passed by a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting. A copy of the Amended and Restated Stock Option Plan Resolution is set out in Schedule A of this Circular.

**It is the intention of the individuals named in the enclosed form of proxy to vote FOR the approval of the Amended and Restated Stock Option Plan Resolution, unless specifically instructed otherwise in the proxy.**

## STATEMENT OF EXECUTIVE COMPENSATION

### **Director and Named Executive Officer Compensation**

The following table sets out information concerning the compensation, excluding compensation securities, awarded to, earned by, paid to, or payable to, as applicable, each of Greg Gubitz, Chief Executive Officer, Tim Hendrickson, Vice President, Finance and Administration, and Gilbert Godin, President and Chief Operating Officer (each, a "**named executive officer**") and each of the directors of Former HLS for services provided to Former HLS, directly or indirectly, and for services to be provided, directly or indirectly, to the Company, in respect of the financial years ended December 31, 2017 and 2016.

In connection with the consummation of the Arrangement, the Board was reconstituted. Messrs. Wells, Gubitz, Lanthier and Bastien continued as Directors and were joined by Rodney Hill, Don DeGolyer and Daniel Tassé.

Name and position	Year	Salary, consulting fee, retainer or commission (US\$)	Bonus (US\$)	Committee or meeting fees (US\$)	Value of perquisites (US\$)	Value of all other compensation (US\$)	Total compensation (US\$)
<b>William Wells</b> Director and Executive Chairman <sup>(1)(5)</sup>	2017	386,425	262,692	0	0	0	649,117
	2016	288,641	142,877	0	0	0	431,518
<b>Greg Gubitz</b> Director and Chief Executive Officer <sup>(2)(5)(6)</sup>	2017	432,117	299,628	0	0	31,811 <sup>(7)</sup>	763,556
	2016	329,643	163,192	0	0	15,126 <sup>(7)</sup>	507,961
<b>Gilbert Godin</b> Director and President and Chief Operating Officer <sup>(3)(5)</sup>	2017	435,605	296,124	0	0	10,800 <sup>(8)</sup>	742,529
	2016	325,391	161,118	0	0	8,377 <sup>(8)</sup>	494,886
<b>Joe MacLean</b> Director and Director, Corporate Development <sup>(4)(5)</sup>	2017	319,800	138,345	0	0	10,800 <sup>(8)</sup>	468,945
	2016	238,875	75,269	0	0	6,150 <sup>(8)</sup>	320,294
<b>Tim Hendrickson</b> Vice President, Finance and Administration <sup>(6)</sup>	2017	182,441	61,410	0	0	15,750 <sup>(7)</sup>	259,601
	2016	186,244	43,415	0	0	10,274 <sup>(7)</sup>	239,933
<b>J. Spencer Lanthier</b> Independent Director <sup>(6)</sup>	2017	39,260	0	0	0	0	39,260
	2016	40,045	0	0	0	0	40,045
<b>Yvon Bastien</b> Independent Director <sup>(6)</sup>	2017	36,995	0	0	0	0	36,995
	2016	37,735	0	0	0	0	37,735

**Notes:**

- (1) For the years ended December 31, 2016 and 2017, Mr. Wells received US\$0 and US\$0, respectively, in total compensation for his service as a director of Former HLS and US\$431,518 and US\$649,117, respectively, in total compensation for his service as an officer (see note (5) below).
- (2) For the years ended December 31, 2016 and 2017, Mr. Gubitz received US\$0 and US\$0, respectively, in total compensation for his service as a director of Former HLS and US\$507,961 and US\$763,556, respectively in total compensation for his service as an officer (see notes (5) and (6) below).
- (3) For the years ended December 31, 2016 and 2017, Mr. Godin received US\$0 and US\$0, respectively, in total compensation for his service as a director of Former HLS and US\$494,886 and US\$742,529, respectively in total compensation for his service as an officer (see note (5) below). Mr. Godin is not a Director of the Company.
- (4) For the years ended December 31, 2016 and 2017, Mr. MacLean received US\$0 and US\$0, respectively, in total compensation for his service as a director and US\$320,294, and US\$468,945, respectively, in total compensation for his service as an officer (see note (5) below). Mr. MacLean is not a Director of the Company.
- (5) Each of Messrs. Wells, Gubitz, Godin and MacLean was, pursuant to the terms of his respective employment agreement with HLS, entitled to receive 50% of his base salary until the achievement of a "Liquidity Event" or a "Material Acquisition" (each as defined in the applicable employment

agreement). The acquisition by Former HLS of the United States marketing rights to Absorica® constituted a Material Acquisition and, accordingly, each of Messrs. Wells, Gubitz, Godin and MacLean was entitled to be paid and was paid, from July 1, 2016, his full base salary.

- (6) Each of Messrs. Gubitz, Hendrickson, Lanthier and Bastien was paid in Canadian dollars, which have been converted from Canadian dollars to U.S. dollars at exchange rates based on the average daily closing rate reported by the Bank of Canada, being US\$0.7550 per C\$1.00 for the year ended December 31, 2016 and US\$0.7701 per C\$1.00 for the year ended December 31, 2017.
- (7) These amounts represent contributions made by HLS in respect of the named executive officer's participation in HLS's deferred profit-sharing plan and to the named executive officer's RRSP.
- (8) These amounts represent contributions made by HLS to the respective named executive officer's 401(k) retirement plan.

Directors who are also officers of HLS do not receive compensation for acting in the capacity of a Director. Directors do not receive per meeting fees or fees for committee membership (other than as Chair of a committee).

For the fiscal year ending December 31, 2017, independent directors of Former HLS received annual cash compensation of C\$42,000 (paid quarterly in arrears). The Chair of the Audit Committee of Former HLS received additional annual compensation of C\$10,000 and the Chair of the Compensation and Governance Committee of Former HLS received additional annual compensation of C\$7,000.

### Compensation Securities

The following chart sets out the compensation securities granted or issued by Former HLS or one of its subsidiaries to each named executive officer and each director of Former HLS in the most recently completed financial year for services provided, directly or indirectly, to Former HLS or any of its subsidiaries or to be provided, directly or indirectly, to the Company or any its subsidiaries.

In connection with the consummation of the Arrangement, the Board was reconstituted. Messrs. Wells, Gubitz, Lanthier and Bastien continued as Directors and were joined by Rodney Hill, Don DeGolyer and Daniel Tassé.

Name and position	Type of Compensation Security	Number of compensation securities, number of underlying securities and percentage of class	Date of issue or grant	Issue, conversion or exercise price (US\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry date
<b>William Wells</b> Director and Executive Chairman <sup>(1)</sup>	Options	0	-	-	-	-	-
	Founder PSUs	0	-	-	-	-	-
<b>Greg Gubitz</b> Director and Chief Executive Officer <sup>(2)</sup>	Options	0	-	-	-	-	-
	Founder PSUs	0	-	-	-	-	-
<b>Gilbert Godin</b> Director, President and Chief Operating Officer <sup>(3)</sup>	Options	0	-	-	-	-	-
	Founder PSUs	0	-	-	-	-	-
<b>Joe MacLean</b> Director and Director, Corporate Development <sup>(4)</sup>	Options	0	-	-	-	-	-
	Founder PSUs	0	-	-	-	-	-

Name and position	Type of Compensation Security	Number of compensation securities, number of underlying securities and percentage of class	Date of issue or grant	Issue, conversion or exercise price (US\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry date
<b>Tim Hendrickson</b> Vice President, Finance and Administration <sup>(5)</sup>	Options	12,000	March 30, 2017	\$10.00	n/a <sup>(8)</sup>	n/a <sup>(9)</sup>	March 30, 2027
	Founder PSUs	0	-	-	-	-	-
<b>J. Spencer Lanthier</b> Independent Director <sup>(6)</sup>	Options	0	-	-	-	-	-
	Founder PSUs	0	-	-	-	-	-
<b>Yvon Bastien</b> Independent Director <sup>(7)</sup>	Options	0	-	-	-	-	-
	Founder PSUs	0	-	-	-	-	-

Notes:

- (1) As of December 31, 2017, Mr. Wells held 253,308 Options and 260,000 Founder PSUs.
- (2) As of December 31, 2017, Mr. Gubitz held 253,308 Options and 260,000 Founder PSUs.
- (3) As of December 31, 2017, Mr. Godin held 253,308 Options and 260,000 Founder PSUs.
- (4) As of December 31, 2017, Mr. MacLean held 253,308 Options and 260,000 Founder PSUs.
- (5) As of December 31, 2017, Mr. Hendrickson held 12,000 Options.
- (6) As of December 31, 2017, Mr. Lanthier held 28,220 Options. Mr. Lanthier was granted an additional 28,200 Options on March 12, 2018 with an exercise price of \$9.25, expiring on March 12, 2018.
- (7) As of December 31, 2017, Mr. Bastien held 28,220 Options. Mr. Bastien was granted an additional 28,200 Options on March 12, 2018 with an exercise price of \$9.25, expiring on March 12, 2018.
- (8) As there was no market for the Common Shares on the date of grant, the closing price of the securities or the underlying securities cannot be calculated.
- (9) As there was no market for the Common Shares on December 31, 2017, the closing price of the securities or the underlying securities cannot be calculated.

The Options held by Messrs. Wells, Gubitz, Godin and MacLean are fully vested. One-quarter (25%) of the Options held by Mr. Hendrickson and by each of Messrs. Lanthier and Bastien vest on each of the first four anniversaries of the respective grant dates of such Options.

For a description of the vesting provisions for the Founder PSUs and a description of certain amendments to the terms of the Founder PSUs held by Messrs. Wells, Godin and MacLean, see “– *Stock Options and Other Incentive Plans – Founder Performance Share Unit Agreements*”.

None of the named executive officers or directors of Former HLS exercised compensation securities during the year ended December 31, 2017.

### **Stock Option Plans and Other Incentive Plans**

#### *Amended and Restated Stock Option Plan*

The Company’s Stock Option Plan was amended and restated on May 22, 2018, subject to Shareholder approval. For a description of the Stock Option Plan Amendments, see “*Approval of the Amended and Restated Stock Option Plan of the Company*” in this Circular.

**The following summary of the Amended and Restated Stock Option Plan is intended as a summary only and does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the full text of the Amended and Restated Stock Option Plan, which is set out in Annex B to this Circular.**

The Amended and Restated Stock Option Plan is a fundamental component of HLS's executive compensation program. The primary purposes of the Amended and Restated Stock Option Plan are (i) to promote an alignment of interests of the officers, employees and consultants of the Company and its subsidiaries with those of the Shareholders; (ii) to associate officers' and employees' compensation with the returns achieved by Shareholders; and (iii) to attract and retain employees with the knowledge, experience and expertise required by the Company and its subsidiaries.

The Amended and Restated Stock Option Plan provides for awards of Options. The plan is open to officers, directors, employees and consultants engaged by HLS or its affiliates. It provides that the Board has the authority to determine the individuals to whom Options will be granted, the number of Options to be granted and the vesting and other terms and conditions of such grants. It also provides that in no event may an Option remain exercisable beyond the tenth anniversary of the date of grant.

Subject to adjustment in connection with a reorganization or recapitalization of the Company, the total number of Common Shares reserved and available for grant and issuance pursuant to the Amended and Restated Stock Option Plan shall be a rolling number equal to 10% of the total issued and outstanding Common Shares from time to time. Any unissued Common Shares in respect of which Options are granted but that are subject to issuance upon exercise of an Option but cease to be issuable under such Option for any reason (other than exercise of such Option), including without limitation, expiry of the Option or surrender of the Option pursuant to an option exchange program, will again be available for grant and issuance in connection with future Options granted under the Amended and Restated Stock Option Plan. The aggregate number of Options that may be granted to any one participant in a 12 month period may not exceed 5% of the issued and outstanding Common Shares, calculated as of the date of grant to such participant. At all times the Company is required to reserve and keep available a sufficient number of Common Shares as will be required to satisfy the requirements of all outstanding Options granted under the Amended and Restated Stock Option Plan.

Notwithstanding the foregoing, the Amended and Restated Stock Option Plan provides that no Options may be granted to (a) any insiders of the Company if the total number of Common Shares issuable to all insiders under the Amended and Restated Stock Option Plan or any other security-based compensation arrangement of HLS would exceed 10% of the then issued and outstanding Common Shares, and (b) any insiders of the Company if the total number of Common Shares issued to all insiders of the Company within any one year period under the Amended and Restated Stock Option Plan or any other security-based compensation arrangement of HLS would exceed 10% of the then issued and outstanding Common Shares (collectively, the "**Plan Restrictions**"). The Amended and Restated Stock Option Plan also provides that, excluding one-time sign-on grants, the award value (based on a Black-Scholes calculation or such other similar and acceptable methodology, applied consistently and appropriately as determined by the Board of Directors) of any grants of Options (together with the award value of all other rights granted under any other security based compensation arrangements of the Company) to any one non-employee Director is not permitted to exceed \$100,000 per year.

The Board has the discretion to make amendments which it may deem necessary, without having to obtain Shareholder approval, provided that, among other things, no such amendment would be made to the extent that such amendment would materially adversely affect the existing rights of a participant with respect to any then outstanding awards, as determined by HLS acting in good faith, without such participant's consent in writing. The Board has the authority to make the following amendments, without requiring Shareholder approval: (a) amendments to the terms and conditions of the Amended and Restated Stock Option Plan that are necessary to ensure that it complies with applicable law and regulatory requirements, including the requirements of any applicable stock exchange; (b) amendments respecting the administration of or eligibility for participation in the Amended and Restated Stock Option Plan; (c) amendments respecting the terms and conditions on which Options may be granted, including relating to the term of such an Option and the vesting schedule; (d) the addition of, and any subsequent amendment to, a financial assistance provision; and (e) amendments that are of a "housekeeping" nature. The Amended and Restated Stock Option Plan also provides that Shareholder approval is required in the case of, among other things: (i) any amendment to the maximum number or percentage of Common Shares issuable under the plan; (ii) any amendment that would reduce the exercise price of Options; (iii) any amendment to the Plan Restrictions; and (vi) any amendment granting additional powers to the Board to amend the Amended and Restated Stock Option Plan.

#### *Founder Performance Share Unit Agreements*

HLS entered into performance share unit agreements (each, a "**Founder PSU Agreement**") with each of William Wells, Greg Gubitz, Gilbert Godin and Joe MacLean (each, a "**Founder PSU Grantee**") on June 25, 2015, as amended, pursuant to which each Founder PSU Grantee was granted 260,000 Performance Share Units (each, a "**Founder PSU**"). Provided that the Founder PSU Grantee remains an officer, director or employee of HLS, 25% (or 65,000) of the Founder PSUs granted to each Founder PSU Grantee will vest upon the fair market value of Common Shares reaching US\$20.00 before the fourth anniversary of the grant date, 25% (or 65,000) of the Founder PSUs granted to each Founder PSU Grantee

will vest upon the fair market value of Common Shares reaching US\$30.00 before the fourth anniversary of the grant date, 25% (or 65,000) of the Founder PSUs granted to each Founder PSU Grantee will vest upon the fair market value of Common Shares reaching US\$40.00 before the fourth anniversary of the grant date, and the remaining 25% (or 65,000) of the Founder PSUs granted to each Founder PSU Grantee will vest upon the fair market value of the Common Shares reaching US\$50.00 before the fifth anniversary of the grant date. Notwithstanding the foregoing, the Founder PSUs may not vest until the earlier of (a) the date on which the share-price vesting conditions of the Founder PSUs are no longer prohibited by the rules and regulations of the TSXV and (b) the date on which HLS is no longer listed on the TSXV. Under the Founder PSU Agreements, the number of Founder PSUs is subject to adjustment in the case of certain events, including a stock split, combination or exchange of shares. The Founder PSU Agreements provide that any unvested Founder PSUs vest on the effective date of any change of control of HLS.

The Founder PSU Agreement between HLS and each of William Wells, Gilbert Godin and Joe MacLean was amended on May 24, 2018 to provide that such PSU Grantee is entitled, upon vesting of each Founder PSU, to receive the cash value of the Founder PSUs. The PSU Agreement between HLS and Greg Gubitz provides that Mr. Gubitz is entitled, upon the vesting of each Founder PSU, to one Common Share.

#### *Performance Share Unit Plan*

The Board adopted the HLS Therapeutics Inc. Performance Share Unit Plan (the “**Performance Share Unit Plan**”) on May 22, 2018. Under the Performance Share Unit Plan, a maximum of 600,000 Performance Share Units (each, a “**PSU**”) may be granted. Unless otherwise determined by the Board, the Performance Share Unit Plan will be administered by the Compensation and Governance Committee. Unless otherwise determined by the Board or the Compensation and Governance Committee and set out in a grant agreement, PSUs will vest based on performance metrics tied to the volume weighted average price of the Common Shares over the 90 Trading Days prior to the end of the 36<sup>th</sup> month following the grant date, provided that, on or before the vesting date, the Common Shares become listed for trading on the Toronto Stock Exchange or another stock exchange that permits the vesting of employee compensation awards based on the price of the Common Shares. The PSU performance multiplier under a grant may range from 0% to 100% depending on actual performance. The PSU payout will be zero if performance is below the minimum threshold. The Performance Share Unit Plan provides that the Compensation and Governance Committee may make proportionate adjustments to the PSUs in the event of certain changes in the capital of the Company.

As of the date hereof, no PSUs have been granted under the Performance Share Unit Plan.

#### **Securities Authorized for Issuance under Equity Compensation Plans**

The following table sets out information as at May 24, 2018 with respect to compensation plans under which equity securities of HLS are authorized for issuance to employees and others.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a)</b>
Equity compensation plans approved by securityholders	N/A	N/A	N/A
Equity compensation plans not approved by securityholders (Stock Option Plan) <sup>(1)</sup>	1,390,470	\$9.95	937,530
Equity compensation plans not approved by securityholders (Founder PSUs) <sup>(2)</sup>	260,000	N/A	Nil
<b>Total</b>	<b>1,650,470</b>		<b>937,530</b>

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Notes:

- (1) Reflects Common Shares issuable pursuant to the Company's existing "fixed number" Stock Option Plan and the number of Common Shares remaining available for future issuance pursuant to the Company's existing "fixed number" Stock Option Plan. If the Amended and Restated Stock Option Plan is approved by Shareholders, and assuming the Company does not issue any additional Common Shares and that no outstanding Options are forfeited or surrendered and no new Option grants are made, the aggregate number of Common Shares remaining available for future issuance pursuant to the Amended and Restated Stock Option Plan would be 1,352,524. See "*Approval of the Amended and Restated Stock Option Plan of the Company*".
- (2) Reflects Common Shares issuable pursuant to the Founder PSUs held by Mr. Gubitz. See "*– Stock Option Plans and Other Incentive Plans – Founder Performance Share Unit Agreements*".

## **Oversight and Description of Director and Named Executive Officer Compensation**

HLS's Compensation and Governance Committee sets guidelines for determining the short-term and long-term compensation of executive officers based on their performance, the compensation of executive officers at comparable companies, compensation in previous years, the experience and skills of the officer, and any other factor the committee determines to be relevant. The Compensation and Governance Committee, in its discretion, recommends annual and long-term performance goals and objectives for the executive officers to the Board. The Compensation and Governance Committee evaluates the performance of the Chief Executive Officer and the other named executive officers in light of the approved performance goals and objectives. The Compensation and Governance Committee makes recommendations to the Board with respect to incentive-based compensation plans and equity-based plans, including the Company's Stock Option Plan. The Compensation and Governance Committee also reviews and recommends the compensation for independent directors and committee members for approval by the Board on an annual basis.

The Board approves the compensation of the named executive officers based on the recommendations of the Compensation and Governance Committee. In the case of the named executive officers other than the Chief Executive Officer, these approvals and recommendations reflect consideration of the recommendations of the Chief Executive Officer, which are based on similar factors to those that are considered by the Compensation and Governance Committee in establishing its recommendation respecting the compensation of the Chief Executive Officer.

## **Compensation Objectives**

HLS's compensation program for its executive officers is designed to attract, retain, motivate and engage highly skilled and experienced individuals who excel in their field. The objective of the program is to focus HLS's executives on the key business factors that affect shareholder value and to align their compensation with HLS's business and financial objectives and the long-term interests of Shareholders.

The Board of Directors is responsible for identifying and mitigating any risk associated with HLS's compensation policies and practices that could incentivize an executive officer or other employee to take inappropriate or excessive risk, or that could otherwise have a material adverse effect on HLS.

## **Elements of Compensation Program**

Compensation for executive officers is comprised primarily of three main components:

- base salary;
- short-term incentive compensation; and
- participation in long-term incentive arrangements, including the Company's Stock Option Plan.

Each component plays a role in meeting HLS's compensation objectives. The mix of compensation is designed to reward short-term results and to motivate long-term performance. The compensation levels of HLS's executive officers reflect to a significant degree the varying roles and responsibilities of HLS's executive officers. The appropriate level of compensation for the named executive officers is determined by the Board with the input and recommendations of the Compensation and Governance Committee on an annual basis.

In determining the compensation for the named executive officers, other than the Vice President, Finance and Administration, the Board engaged an independent compensation consultant. In the analysis of the appropriate level and components of compensation for the Chief Executive Officer and the President and Chief Operating Officer, the consultant surveyed and summarized, and the Board considered the summary of, the compensation practices of 12 pharmaceutical

companies that were selected on the basis of having annual revenue of greater than US\$20 million and less than US\$1 billion, market capitalization of less than US\$6 billion and a number of other factors. Because HLS is a growth stage company, the Board considers it appropriate to use a peer group with a range of revenue levels and market capitalization to set compensation for the Chief Executive Officer and the President and Chief Operating Officer.

In the analysis of the appropriate level and components of compensation for the Executive Chairman, the consultant surveyed and summarized, and the Board considered the summary of, the compensation practices of a peer group of seven companies from various industries with revenues ranging from US\$42 million to approximately US\$260 million. The Board considers the peer group appropriate because of their size and their disclosure of compensation for an executive chair position.

Following the consummation of the Arrangement, the Company engaged GGA to advise the Compensation and Governance Committee on compensation matters, including conducting an executive compensation benchmarking review. The Compensation and Governance Committee will consider, among other things, the Executive Compensation Report prepared by GGA in connection with its consideration and review of the compensation of the Chief Executive Officer and other executive officers of the Company.

#### *Base salary*

Individual salaries are determined by each officer's experience, expertise, performance and expected contributions to HLS. The Compensation and Governance Committee uses industry studies and market data for comparable businesses to assist in setting a range of base salaries for positions. However, these studies and data are only one factor that is reviewed in determining base salary for each executive officer position.

#### *Short-term incentive compensation*

HLS utilizes short-term incentive compensation to reward its executive officers, including the named executive officers, for achieving performance objectives while making progress towards HLS's longer-term objectives, and to recognize independent performance. The short-term incentive compensation payable for 2017 was determined based on objective criteria relating to the following areas that were approved by the Board:

- *Corporate Development* – 30% related to acquiring or in-licensing additional products or businesses;
- *Capital Structuring/Financing* – 25% related to achieving objectives related to accessing public equity markets and debt refinancing;
- *Financial and Commercial Performance* – 25% for achieving specific 2017 financial and commercial objectives, including market share, revenues and operating income excluding non-cash items; and
- *Operational Accomplishments* – 20% for achieving operational milestones that will have impact in 2017 and subsequent years.

In case of overachievement of objectives, total bonus payable not to exceed 150% of the individual target level of annual short-term incentive compensation.

The Company has implemented annual incentive arrangements for its executive officers that are primarily based upon achievement of individual and corporate performance goals recommended by the Compensation and Governance Committee and approved by the Board in the course of setting the Company's quarterly and annual budgets.

#### *Long-term incentives*

Equity-based long-term incentive compensation is a fundamental component of HLS's executive compensation program. HLS has granted Options under the Company's Stock Option Plan and the Board has adopted the Performance Share Unit Plan. As of the date hereof, no PSUs have been granted under the Performance Share Unit Plan. For more information, see "*– Stock Options and Other Incentive Plans – Amended and Restated Stock Option Plan*" and "*– Stock Options and Other Incentive Plans –Performance Share Unit Plan*".

## Employment Agreements

*William Wells.* Former HLS entered into an employment agreement with William Wells effective August 11, 2015, which was amended effective February 12, 2016 and March 30, 2016. Mr. Wells's base salary is US\$377,000 and he is entitled to short-term incentive compensation of up to 55% of his base salary. Mr. Wells is entitled to terminate his employment without good reason by providing no less than 90 days' written notice to HLS. Under his employment agreement, if HLS terminates Mr. Wells's employment without cause or Mr. Wells terminates his employment for good reason, Mr. Wells is entitled to (i) a lump sum payment equal to two times his base salary and two times his target level of annual short-term incentive compensation, (ii) a pro-rated portion of his short-term incentive compensation for the year in which his employment was terminated and (iii) the continuation of benefits for a period of 18 months following termination (or, at Mr. Wells's option, pay in lieu of such coverage). Under the terms of his employment agreement, Mr. Wells has agreed (i) not to disclose, other than in the normal and proper course of his employment, any confidential or proprietary information relating to HLS's operations or business and (ii) for a period of 12 months following the termination of his employment, not to compete with HLS in Canada or the U.S. Mr. Wells is not entitled to any benefits or payments on a change of control of HLS.

*Greg Gubitz.* Former HLS entered into an employment agreement with Greg Gubitz effective July 8, 2015, which was amended effective February 12, 2016 and March 30, 2016. Mr. Gubitz's base salary is US\$425,000 and he is entitled to short-term incentive compensation of up to 55% of his base salary. Mr. Gubitz is entitled to terminate his employment without good reason by providing no less than 90 days' written notice to HLS. Under his employment agreement, if HLS terminates Mr. Gubitz's employment without cause or Mr. Gubitz terminates his employment for good reason, Mr. Gubitz is entitled to (i) a lump sum payment equal to two times his base salary and two times his target level of annual short-term incentive compensation, (ii) a pro-rated portion of his short-term incentive compensation for the year in which his employment was terminated and (iii) the continuation of benefits for a period of two years following termination (or, at Mr. Gubitz's option, pay in lieu of such coverage). Under the terms of his employment agreement, Mr. Gubitz has agreed (i) not to disclose, other than in the normal and proper course of his employment, any confidential or proprietary information relating to HLS's operations or business and (ii) for a period of 12 months following the termination of his employment, not to compete with HLS in Canada or the U.S. Mr. Gubitz is not entitled to any benefits or payments on a change of control of HLS.

*Gilbert Godin.* Former HLS entered into an employment agreement with Gilbert Godin effective August 11, 2015, which was amended effective February 12, 2016 and March 30, 2016. Mr. Godin's base salary is US\$425,000 and he is entitled to short-term incentive compensation of up to 55% of his base salary. Mr. Godin is entitled to terminate his employment without good reason by providing no less than 90 days' written notice to HLS. Under his employment agreement, if HLS terminates Mr. Godin's employment without cause or Mr. Godin terminates his employment for good reason, Mr. Godin is entitled to (i) a lump sum payment equal to two times his base salary and two times his target level of annual short-term incentive compensation, (ii) a pro-rated portion of his short-term incentive compensation for the year in which his employment was terminated and (iii) the continuation of benefits for a period of 18 months following termination (or, at Mr. Godin's option, pay in lieu of such coverage). Under the terms of his employment agreement, Mr. Godin has agreed (i) not to disclose, other than in the normal and proper course of his employment, any confidential or proprietary information relating to HLS's operations or business and (ii) for a period of 12 months following the termination of his employment, not to compete with HLS in Canada or the U.S. Mr. Godin is not entitled to any benefits or payments on a change of control of HLS.

*Joe MacLean.* Former HLS entered into an employment agreement with Joe MacLean effective August 11, 2015, which was amended effective February 12, 2016 and March 30, 2016. Mr. MacLean's base salary is US\$312,000 and he is entitled to short-term incentive compensation of up to 35% of his base salary. Mr. MacLean is entitled to terminate his employment without good reason by providing no less than 90 days' written notice to HLS. Under his employment agreement, if HLS terminates Mr. MacLean's employment without cause or Mr. MacLean terminates his employment for good reason, Mr. MacLean is entitled to (i) a lump sum payment equal to two times his base salary and two times his target level of annual short-term incentive compensation, (ii) a pro-rated portion of his short-term incentive compensation for the year in which his employment was terminated and (iii) the continuation of benefits for a period of 18 months following termination (or, at Mr. MacLean's option, pay in lieu of such coverage). Under the terms of his employment agreement, Mr. MacLean has agreed (i) not to disclose, other than in the normal and proper course of his employment, any confidential or proprietary information relating to HLS's operations or business and (ii) for a period of 12 months following the termination of his employment, not to compete with HLS in Canada or the U.S. Mr. MacLean is not entitled to any benefits or payments on a change of control of HLS.

*Tim Hendrickson.* Mr. Hendrickson commenced employment with former HLS on August 24, 2015. Pursuant to the terms of his employment agreement, Mr. Hendrickson's base salary is C\$205,000 and he is entitled to short-term incentive compensation of up to 30% of his base salary. Under his employment agreement, if HLS terminates Mr. Hendrickson's employment without cause or Mr. Hendrickson terminates his employment for good reason, Mr. Hendrickson is entitled to (i) a lump sum payment ranging from two to twelve times his monthly salary and a percentage of his target level of annual short-term incentive compensation ranging from 0% - 50%, in each case depending on length of service, (ii) a pro-rated portion of his short-term incentive compensation for the year in which his employment was terminated and (iii) the continuation of benefits for the period of severance following termination (or, at Mr. Hendrickson's option, pay in lieu of such coverage). In the event of a change of control resulting in the involuntary termination of Mr. Hendrickson without cause by HLS or by Mr. Hendrickson for good reason, which termination occurs within the first 12 months of a change of control and subject to certain conditions being met, Mr. Hendrickson is entitled to, in addition to any benefits or compensation accrued and target incentive compensation earned and due to Mr. Hendrickson but not yet paid as of the termination date: a lump sum payment equal to one times his base salary, plus one times the annual target incentive compensation, any unvested equity compensation awards shall be automatically accelerated and be 100% vested and exercisable in accordance with the terms of the stock option plan and benefits for a period of one year.

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No Directors, executive officers or proposed nominees for election as Directors (or any associates thereof) are indebted to the Company and the Company has not guaranteed or otherwise agreed to provide assistance in the maintenance or servicing of any indebtedness of any Director, executive officer or proposed nominee for election as a Director (or any associates thereof).

## **NORMAL COURSE ISSUER BID**

On May 9, 2018, the Company announced the acceptance by the TSXV of the Company's proposed normal course issuer bid (the "**NCIB**"), under which the Company may acquire up to an aggregate of 1,371,495 (being 5%) of its issued and outstanding Common Shares, through the facilities of the TSXV or through other permitted means (including through other published markets).

Under the terms of the bid, HLS may commence purchases of Common Shares under the NCIB on May 18, 2018 and the NCIB will remain in effect until the earlier of: (i) May 17, 2019, (ii) the date upon which HLS acquires the maximum number of Common Shares permitted under the NCIB, or (iii) the date upon which HLS provides written notice of termination of the NCIB to the TSXV. HLS may not purchase more than 2% of the issued and outstanding Common Shares during any 30-day period, which as at the date hereof represented 548,598 Common Shares.

Purchases of Common Shares under the NCIB will be made by Haywood Securities Inc. ("**Haywood**") based on the parameters prescribed by the TSXV, the provisions of the Company's credit agreement, applicable Canadian securities laws and the terms of the written agreement entered into between Haywood and HLS at a price per Common Share equal to the market price at the time of acquisition. All Common Shares acquired by the Company under the NCIB will be cancelled.

The Board believes that any purchases pursuant to the NCIB, if considered advisable, will be in the best interests of the Company and will be a desirable use of the Company's funds.

Shareholders may contact the Company to request a copy of the Company's notice of intention to make a normal course issuer bid (without charge) by contacting Ryan Lennox, General Counsel of HLS, at 10 Carlson Court, Etobicoke, Ontario M9W 6L2 or via e-mail at [r.lennox@hlstherapeutics.com](mailto:r.lennox@hlstherapeutics.com).

## **STATEMENT OF GOVERNANCE PRACTICES**

### **Director Independence**

Currently, the Board is comprised of seven Directors, five of whom are considered to be independent within the meaning of Section 1.4 of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), being Messrs. Lanthier, Bastien, Hill, DeGolyer, and Tassé. Messrs. Wells and Gubitza are not considered to be independent Directors since they serve as executive officers of the Company. If the individuals nominated for election as Directors at the Meeting are elected, the Board will be comprised of seven Directors, five of whom will be considered to be independent within the meaning of Section 1.4 of NI 52-110.

The Company has taken steps to ensure that adequate structures and processes are in place to permit the Board to function independently of management of the Company. Since the Chair of the Board, Mr. Wells, is an executive officer of the Company, Mr. Lanthier, an independent Director, has been appointed as to act as Lead Director and to provide independent leadership to the Board. The independent Directors hold regularly scheduled meetings and portions of regularly scheduled meetings at which non-independent Directors and members of management are not present. Both HLS's Audit Committee and its Compensation and Governance Committee are comprised entirely of independent Directors. See "*Position Descriptions*" for a description of Mr. Lanthier's responsibilities as Lead Director.

## **Board Mandate**

The Board operates under the Board of Directors Mandate set out at Annex A to this Circular, pursuant to which it provides governance and stewardship to the Company and its business. The Mandate also describes the Board's responsibility for, among other things: participating in the development of and adopting a strategic plan for the Company; supervising the activities and managing the affairs of the Company; defining the roles and responsibilities of management and delegating management authority to the Chief Executive Officer; reviewing and approving the business and investment objectives to be met by management; assessing the performance of and overseeing management; identifying and managing risk exposure; ensuring the integrity and adequacy of the Company's internal controls and management information systems; succession planning; establishing committees of the Board, where required or prudent, and defining their mandate; ensuring effective and adequate communication with shareholders, other stakeholders and the public; and monitoring the integrity and ethics of the Company.

## **Board Committees**

### *Audit Committee*

HLS's Audit Committee consists of J. Spencer Lanthier (Chair), Rodney Hill and Daniel Tassé, all of whom meet the requirements for independence under NI 52-110.

The Board has adopted a written charter for the Audit Committee setting out its responsibilities. The text of the Audit Committee's Charter is attached as Annex C to this Circular. Further details regarding the Audit Committee are described in this Circular under the heading "*Audit Committee Information*".

### *Compensation and Governance Committee*

The Compensation and Governance Committee consists of Yvon Bastien (Chair), Don DeGolyer and J. Spencer Lanthier, all of whom are independent for the purposes of National Instrument 58-101 - *Disclosure of Corporate Governance Practices* and NI 52-110. The Board has adopted a written charter for the Compensation and Governance Committee setting out its responsibilities with respect to compensation, nomination and governance matters, as described below under the headings "*Nomination and Election of Directors*", "*Orientation and Continuing Education*", "*Compensation*" and "*Assessments*".

## **Directorships**

Daniel Tassé is a director of the following other reporting issuers: Indivior PLC (LSE); REGENXBIO Inc. (NASDAQ); and Bellerophon Therapeutics, Inc. (NASDAQ).

## **Position Descriptions**

The Board has adopted a written position description for the Chair of the Board, which sets out the Chair's key responsibilities, including: providing leadership to foster the effectiveness of the Board; together with the Lead Director, preparing the agenda and leading the activities and meetings of the Board; chairing Board and shareholder meetings; ensuring an effective relationship between the Board and senior management of the Company; consulting with the Compensation and Governance Committee on candidates for nomination to the Board; working with the Chief Executive Officer to ensure the Board is provided with the resources necessary to carry out its responsibilities; and ensuring the Directors receive information required for proper performance of their duties and that the appropriate committee structure is in place.

The Board has also adopted a written position description for the Lead Director of the Board, which sets out the Lead Director's key responsibilities, including: providing leadership to ensure that the Board functions independently of management of the Company and other non-independent directors; working with the Chair to ensure that the appropriate committee structure is in place and assisting the Compensation and Governance Committee in making recommendations for

appointment to such committees; suggesting items of importance for consideration on the agenda for each meeting of the Board; in the absence of the Chair, chairing Board meetings, including stimulating debate, providing adequate time for discussion of issues, facilitating consensus, encouraging full participation and discussion by individual directors and confirming that clarity regarding decision-making is reached and accurately recorded; in addition, chairing each board meeting at which only non-management directors are present; and providing recommendations and advice to the Compensation and Governance Committee on candidates for nomination or appointment to the Board.

The Board has also adopted a written position description for each of the Board committee Chairs which sets out each of the Board committee Chair's key responsibilities, including duties relating to: providing leadership to foster the effectiveness of the Board committee; ensuring there is an effective relationship between the Board and the Board committee; preparing the agenda for each meeting of the Board committee; ensuring that all committee members receive information required for proper performance of their duties; chairing Board committee meetings; and providing additional services required by the Board and the Board committee.

The Board has also adopted a position description for the Chief Executive Officer which sets out the key responsibilities of the Chief Executive Officer including: developing and recommending to the Board a long-term strategy and vision for the Company that is consistent with creating shareholder value; providing leadership and vision, maintaining a high level of employee morale and motivation, with a view to ensuring the implementation of the Company's strategy; fostering a corporate culture that promotes integrity and ethical values throughout the organization; developing and motivating executive officers, and providing overall management to ensure the effectiveness of the leadership team; developing and recommending to the Board annual business plans and budgets that support the Company's long-term strategy; ensuring that succession plans are in place for the Company; and serving as the Company's chief spokesperson.

### **Orientation and Continuing Education**

The Compensation and Governance Committee reviews, monitors and makes recommendations regarding new Director orientation and the ongoing development of existing Directors. The committee is responsible for recommending to the Board an appropriate annual process to evaluate the Board and each of the committees, and the responsibilities of each of the Directors individually.

The Compensation and Governance Committee is also responsible for coordinating the continuing education program for Directors in order to maintain or enhance their skills and abilities as Directors, as well as ensuring that their knowledge and understanding of the Company and its business remains current.

### **Ethical Business Conduct**

The Board has adopted a Code of Conduct (the "Code") applicable to each Director, officer, employee and representative of the Company and its subsidiaries, including part-time, contract, and temporary employees. The Code provides a set of ethical standards for conducting the business and affairs of the Company with honesty, integrity and in accordance with high ethical and legal standards. The Code is available from Ryan Lennox, the General Counsel of the Company, at 10 Carlson Court, Suite 410, Etobicoke, Ontario M9W 6L2 and on the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

The Code has been designed to define and clarify legal and ethical expectations for all HLS personnel and includes standards concerning ethical decision making and compliance, conflicts of interest, insider trading, timely disclosure commitments, confidential information, and ethical relationships with healthcare professionals. The Code also provides information about potentially challenging situations that may arise during the normal course of business.

HLS requires that all personnel participate annually in training on the Code. As part of this annual training, all personnel must certify their understanding of and compliance with the principles of the Code and related HLS policies and procedures.

The Compensation and Governance Committee is responsible for receiving reports from the Chief Executive Officer regarding breaches of the Code, and in turn reporting those breaches to the Board. The Committee also reviews investigations and any resolutions of complaints received under the Code and reports annually to the Board thereon.

The Corporation has also adopted: a Complaints Reporting and Whistleblower Policy to receive, retain and address all complaints received by the Company regarding accounting, internal accounting controls or auditing matters, fraud/theft, workplace violence and other issues; an Insider Trading Policy to avoid civil and criminal insider trading violations; and a Disclosure Policy to raise awareness of the Company's approach to disclosure among the Board, officers and employees.

## **Nomination and Election of Directors**

The Compensation and Governance Committee is currently responsible for, in consultation with the Chairman of the Board, the Lead Director and the Chief Executive Officer, annually or as required, recruiting and identifying individuals qualified to become new Board members and recommending to the Board new Director nominees for the next annual meeting of Shareholders.

The Compensation and Governance Committee is responsible for periodically reviewing the size of the Board, with a view to determining the impact of the number of Directors on the effectiveness of the Board, and identifying potential nominees to the Board, reviewing their qualifications and experience, determining their independence as required under all applicable corporate and securities laws, and recommending to the Board the nominees for consideration by, and presentation to, the shareholders at the Company's next annual meeting. In making its recommendations, the Compensation and Governance Committee considers the competencies and skills that the Board considers to be necessary for the Board as a whole to possess, the competencies and skills that the Board considers each existing Director to possess, as well as the competencies and skills each new nominee will bring to the boardroom. The Compensation and Governance Committee also considers the amount of time and resources that nominees have available to fulfill their duties as Board members or committee members, as applicable.

The Compensation and Governance committee may also recommend for Board approval the removal of a Director from the Board or a Board committee if he or she is no longer qualified to serve as a Director under applicable requirements or for any other reason the Compensation and Governance Committee considers appropriate.

## **Compensation**

HLS's Compensation and Governance Committee's purpose is to: (i) determine and make recommendations with respect to all forms of compensation to be granted to the Chief Executive Officer, and review the Chief Executive Officer's recommendations respecting compensation of the other senior executives of the Company; and (ii) oversee corporate governance of the Company.

The Compensation and Governance Committee's responsibilities include: reviewing and approving the compensation of the Chief Executive Officer and other officers of HLS appointed by the Board; reviewing and approving the compensation policies, plans and programs for HLS's executive officers and other senior management, as well as its overall compensation plans and structure; reviewing and discussing with management and recommending to the Board the compensation-related disclosure to be included for use in any annual reports, prospectuses, proxy circulars or information circulars; recommending to the Board the compensation for Directors; and administering the Company's Stock Option Plan and share compensation arrangements.

The Compensation and Governance Committee seeks to ensure an objective process for determining compensation through compliance with the Board's conflicts of interest guidelines. The Compensation and Governance Committee reviews the various compensation elements both individually and in total to seek alignment with HLS's compensation program objectives. The Compensation and Governance Committee then makes recommendations on all executive pay, short-term incentives and long-term incentive options to the Board for approval.

For more information about the process of determining compensation, please refer to the discussion under the heading "*Statement of Executive Compensation – Director and Named Executive Officer Compensation*" in this Circular.

## **Other Board Committees**

The Board does not have any standing committees other than the Audit Committee and the Compensation and Governance Committee.

## **Assessments**

The Compensation and Governance Committee, in consultation with the Chair of the Board, is responsible for ensuring that an appropriate system is in place to evaluate the effectiveness of the Board, the Board committees and individual Directors, with a view to ensuring that they are fulfilling their respective responsibilities and duties and working effectively together as a unit. In connection with these evaluations, each Director provides his or her assessment of the effectiveness of the Board and each committee as well as the performance of the individual Directors. These evaluations take into account the competencies and skills each Director is expected to bring to his or her role on the Board or on a particular committee, as well as any other relevant facts.

## **Succession Planning**

The Board is responsible for overseeing the succession planning processes of the Company with respect to senior management positions. At least annually, the Board reviews the succession plans of the Company for the Chair, the Chief Executive Officer and other executive officers, including the appointment, training and monitoring of such positions.

## **AUDIT COMMITTEE INFORMATION**

### **Audit Committee's Charter**

The text of the Audit Committee's Charter is attached as Annex C to this Circular.

### **Composition of Audit Committee and Relevant Education/Experience**

#### *Audit Committee of the Board of Directors*

HLS established an Audit Committee following the completion of the Arrangement. HLS's Audit Committee consists of J. Spencer Lanthier (Chair), Rodney Hill and Daniel Tassé. The Board has determined that each of J. Spencer Lanthier, Rodney Hill and Daniel Tassé meets the requirements for independence under NI 52-110.

The Board of Directors has also determined that each of the members of the Audit Committee meets the requirements for being "financially literate" within the meaning of NI 52-110. For the purposes of NI 52-110, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by HLS's financial statements. All members of the Audit Committee have experience reviewing financial statements and dealing with related accounting and auditing issues. For a description of the education and experience of each member of HLS's Audit Committee relevant to the performance of his duties as a member of the Company's Audit Committee, see "*Election of Directors – Nominees for Election to the Board*" above.

The Audit Committee's main function is to oversee the Company's accounting and financial reporting processes, internal systems of control, independent auditor relationships and the audits of the Company's financial statements. The Audit Committee's responsibilities include:

- reviewing and pre-approving the engagement of the Company's independent auditors to perform audit services and any permissible non-audit services;
- evaluating the performance of the Company's independent auditors and deciding whether to retain their services;
- reviewing the Company's annual and quarterly financial statements and reports and discussing the statements and reports with the Company's independent auditors and management;
- reviewing with the Company's independent auditors and management significant issues that may arise regarding accounting principles and financial statement presentation, as well as matters concerning the scope, adequacy and effectiveness of the Company's financial controls; and
- establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding financial controls, accounting or auditing matters.

### **Audit Committee Oversight**

At no time during the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor (currently, Ernst & Young LLP) not adopted by the Board.

### **Reliance on Certain Exemptions**

During the most recently completed financial year, the Company did not rely on certain exemptions set out in NI 52-110, namely section 2.4 (De Minimis Non-Audit Services), subsection 6.1.1(4) (Circumstance Affecting the Business or Operations of the Venture Issuer), subsection 6.1.1(5) (Events Outside Control of Member), subsection 6.1.1(6) (Death, Incapacity or Resignation), and any exemption, in whole or in part, in Part 8 (Exemptions).

## Pre-Approval Policies and Procedures

The Audit Committee must pre-approve and disclose, as required, the retention of the external auditor for non-audit services to be provided to the Company that are permitted under applicable law. Annually, the external auditor submits its work plan to the Audit Committee, including the nature and scope of any audit-related advisory services planned for the upcoming year. That plan is then reviewed and pre-approved by the Audit Committee. Any unplanned Audit Committee related advisory services or other advisory services are presented for pre-approval at the regularly scheduled meetings of the Audit Committee. Audit Committee pre-approval of non-audit services is not required if the engagement for the services is entered into pursuant to pre-approval policies and procedures established by the Audit Committee regarding HLS's engagement of the external auditor, provided the policies and procedures are detailed as to the particular service, the Audit Committee is informed of each service provided and the policies and procedures do not include delegation of the Audit Committee's responsibilities under applicable Canadian Securities Laws to HLS's management. The Audit Committee may delegate to a member of the Audit Committee the authority to grant pre-approvals, provided the pre-approvals are presented to the Audit Committee at its next subsequent meeting.

## External Auditor Service Fees

AMD, one of the predecessor corporations to the Company, was a reporting issuer during the last two fiscal years. The aggregate fees billed by AMD's external auditors in each of the last two fiscal years are as follows:

Financial Year Ending	Audit Fees	Audit-Related Fees <sup>(1)</sup>	Tax Fees <sup>(2)</sup>	All Other Fees <sup>(3)</sup>
December 31, 2016	C\$53,406	C\$2,786	C\$28,665	C\$0
December 31, 2017	C\$5,931	C\$1,468	C\$32,760	C\$133,350

Former HLS, one of the predecessor corporations to the Company, was not a reporting issuer during the last two fiscal years. The aggregate fees billed by the external auditors of Former HLS in each of the last two fiscal years are as follows:

Financial Year Ending	Audit Fees	Audit-Related Fees <sup>(1)</sup>	Tax Fees <sup>(2)</sup>	All Other Fees <sup>(3)</sup>
December 31, 2016	C\$377,996	C\$0	C\$93,247	C\$617,375
December 31, 2017	C\$411,094	C\$0	C\$72,320	C\$207,285

### Notes:

- (1) Audit-related fees were for assurance and related services reasonably related to the performance of the audit of the consolidated financial statements and are not reported under "Audit Fees" above.
- (2) Tax Fees were incurred for services consisting of tax compliance, including the preparation and review of tax returns, assistance regarding tax audits and tax advisory services relating to domestic and international taxation.
- (3) All Other Fees represent fees incurred for services other than audit fees, audit-related fees and tax fees, and consist of transaction-related services.

## Exemption

The Company is relying on the exemption provided by Section 6.1 of NI 52-110 which provides that the Company, as a venture issuer, is not required to comply with certain portions of NI 52-110.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

HLS is not aware of any material interest, direct or indirect, of: (i) any informed person of HLS or any associate or affiliate of any informed person, in any transaction since the commencement of HLS's most recently completed financial year, or in any proposed transaction, that has materially affected or would materially affect HLS or any of its Subsidiaries; or (ii) any person who has been a Director or executive officer of HLS at any time since the beginning of the last financial year, or any associate or affiliate of any such person, in any matter to be acted upon at the Meeting.

## ADDITIONAL INFORMATION

Additional information relating to the Company can be found on the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com). Additional financial information is provided in the audited consolidated financial statements and management's discussion and analysis of Former HLS for the year ended December 31, 2017 and in the unaudited consolidated financial statements and management's discussion and analysis of the Company for the three-month period ended March 31, 2018. Copies of this Circular, the audited consolidated financial statements of Former HLS as at and for the year ended December 31, 2017, and related management's discussion and analysis, and the unaudited consolidated financial statements of the Company for the three-month period ended March 31, 2018, and related management's discussion and analysis, may be obtained without charge by writing to the Corporate Secretary of the Company at 10 Carlson Court, Etobicoke Ontario, M9W 6L2

**APPROVAL OF THE DIRECTORS**

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

Dated at Toronto, Ontario, this 24th day of May, 2018.

BY ORDER OF THE BOARD OF DIRECTORS OF HLS THERAPEUTICS INC.

*“Ryan C. Lennox”*

RYAN C. LENNOX  
Corporate Secretary and General Counsel

**SCHEDULE A**

**AMENDED AND RESTATED STOCK OPTION PLAN RESOLUTION**

**BE IT RESOLVED** as an ordinary resolution of Shareholders that:

1. the Amended and Restated Stock Option Plan, in the form attached as Annex B to the management information circular of the Company dated May 24, 2018, is hereby approved;
2. all unallocated entitlements under the Amended and Restated Stock Option Plan are hereby approved and authorized and the Company shall have the ability to grant options under the Amended and Restated Stock Option Plan until June 22, 2019; and
3. any director or officer of the Company is hereby authorized for and in the name of and on behalf of the Company to execute or cause to be executed, and to deliver or cause to be delivered, all such documents and instruments, and to do or cause to be done all such other acts and things, as in the opinion of such director or officer may be necessary or desirable to carry out the intent of these resolutions.

## ANNEX A

### BOARD MANDATE

#### 1. Purpose

The members of the Board of Directors (the “Board”) have the duty to supervise the management of the business and affairs of HLS Therapeutics Inc. (the “Company”). The Board, directly and through its committees and the chair of the Board (the “Chair”), shall provide direction to senior management, generally through the Chief Executive Officer, to pursue the best interests of the Company.

#### 2. Duties and Responsibilities

The Board shall have the specific duties and responsibilities outlined below.

##### *Strategic Planning*

###### (a) **Strategic Plans**

The Board will adopt a strategic plan for the Company. At least annually, the Board shall review and, if advisable, approve the Company’s strategic planning process and the Company’s annual strategic plan. In discharging this responsibility, the Board shall review the plan in light of management’s assessment of emerging trends, the competitive environment, the opportunities for the business of the Company, risk issues, and significant business practices and products.

###### (b) **Business and Capital Plans**

At least annually, the Board shall review and, if advisable, approve the Company’s annual business and capital plans as well as policies and processes generated by management relating to the authorization of major investments and significant allocation of capital.

###### (c) **Monitoring**

At least annually, the Board shall review management’s implementation of the Company’s strategic, business and capital plans. The Board shall review and, if advisable, approve any material amendments to, or variances from, these plans.

##### *Risk Management*

###### (d) **General**

At least annually, the Board shall review reports provided by management of principal risks associated with the Company’s business and operations, review the implementation by management of appropriate systems to manage these risks, and review reports by management relating to the operation of, and any material deficiencies in, these systems.

###### (e) **Verification of Controls**

The Board shall verify that internal, financial, non-financial and business control and management information systems have been established by management.

##### *Human Resource Management*

###### (f) **General**

At least annually, the Board shall review a report of the Board’s Compensation and Governance Committee concerning the Company’s approach to human resource management and executive compensation.

**(g) Succession Review**

At least annually, the Board shall review the succession plans of the Company for the Chair, the Chief Executive Officer and other executive officers, including the appointment, training and monitoring of such persons.

**(h) Integrity of Senior Management**

The Board shall, to the extent feasible, satisfy itself as to the integrity of the Chief Executive Officer and other executive officers of the Company and that the Chief Executive Officer and other senior officers strive to create a culture of integrity throughout the Company.

***Corporate Governance***

**(i) General**

At least annually, the Board shall review a report of the Compensation and Governance Committee concerning the Company's approach to corporate governance.

**(j) Director Independence**

At least annually, the Board shall review a report of the Compensation and Governance Committee that evaluates the director independence standards established by the Board and the Board's ability to act independently from management in fulfilling its duties.

**(k) Ethics Reporting**

The Board has adopted a written Code of Business Conduct and Ethics (the "Code") applicable to directors, officers and employees of the Company. At least annually, the Board shall review the report of the Compensation and Governance Committee relating to compliance with, or material deficiencies from, the Code and approve changes it considers appropriate. The Board shall review reports from the Compensation and Governance Committee concerning investigations and any resolutions of complaints received under the Code.

**(l) Board of Directors Mandate Review**

At least annually, the Board shall review and assess the adequacy of its Mandate to ensure compliance with any rules of regulations promulgated by any regulatory body and approve any modifications to this Mandate as considered advisable.

***Communications***

**(m) General**

The Board has adopted a Disclosure Policy for the Company. At least annually, the Board, in conjunction with the Chief Executive Officer, shall review the Company's overall Disclosure Policy, including measures for receiving feedback from the Company's stakeholders, and management's compliance with such policy. The Board shall, if advisable, approve material changes to the Company's Disclosure Policy.

**(n) Shareholders**

The Company endeavors to keep its shareholders informed of its progress through periodic reports and press releases in accordance with applicable law and the principles of good governance and productive shareholder engagement. Directors and management meet with the Company's shareholders at the annual meeting and are available to respond to questions at that time. In addition, the Company shall maintain on its website a contact email address that will permit shareholders to provide feedback directly to the Chair of the Board.

### **3. Composition**

#### ***General***

The composition and organization of the Board, including: the number, qualifications and remuneration of directors; the number of Board meetings; Canadian residency requirements; quorum requirements; meeting procedures and notices of meetings are required by the *Business Corporations Act* (Ontario) (the “OBCA”), the *Securities Act* (Ontario) (the “Act”) and the articles and by-laws of the Company, subject to any exemptions or relief that may be granted from such requirements.

Each director must have an understanding of the Company’s principal operational and financial objectives, plans and strategies, and financial position and performance. Directors must have sufficient time to carry out their duties and not assume responsibilities that would materially interfere with, or be incompatible with, Board membership. Directors who experience a significant change in their personal circumstances, including a change in their principal occupation, are expected to advise the chair of the Compensation and Governance Committee.

#### ***Independence***

A majority of the Board must be independent. “Independent” shall have the meaning, as the context requires, given to it in National Policy 58-201 *Corporate Governance Guidelines*, as may be amended from time to time.

### **4. Committees of the Board**

The Board has established the following committees: the Compensation and Governance Committee, and the Audit Committee. Subject to applicable law, the Board may establish other Board committees or merge or dispose of any Board committee.

#### ***Committee Mandates***

The Board has approved mandates for each Board committee and shall approve mandates for each new Board committee. At least annually, each mandate shall be reviewed by the Compensation and Governance Committee and any suggested amendments brought to the Board for consideration and approval.

#### ***Delegation to Committees***

The Board has delegated to the applicable committee those duties and responsibilities set out in each Board committee’s mandate.

#### ***Consideration of Committee Recommendations***

As required by applicable law, by applicable committee mandate or as the Board may consider advisable, the Board shall consider for approval the specific matters delegated for review to Board committees.

#### ***Board/Committee Communication***

To facilitate communication between the Board and each Board committee, each committee chair shall provide a report to the Board on material matters considered by the committee at the first Board meeting after the committee’s meeting.

### **5. Meetings**

The Board will meet as often as it considers appropriate to fulfill its duties, but in any event at least once per quarter. The Chair is primarily responsible for the agenda and for supervising the conduct of the meeting. Any director may propose the inclusion of items on the agenda, request the presence of, or a report by any member of senior management, or at any Board meeting raise subjects that are not on the agenda for that meeting.

Meetings of the Board shall be conducted in accordance with the Company’s by-laws. Such by-laws may be amended from time to time in accordance with the requirements of the OBCA.

### ***Secretary and Minutes***

The Corporate Secretary, his or her designate or any other person the Board requests shall act as secretary of Board meetings. Minutes of Board meetings shall be recorded and maintained by the Corporate Secretary or his designee and subsequently presented to the Board for approval.

### ***Meetings Without Management***

The independent members of the Board shall hold regularly scheduled meetings, or portions of regularly scheduled meetings, at which non-independent directors and members of management are not present.

### ***Directors' Responsibilities***

Each director is expected to attend all meetings of the Board and any committee of which he or she is a member. Directors will be expected to have read and considered the materials sent to them in advance of each meeting and to actively participate in the meetings.

### ***Access to Management and Outside Advisors***

The Board shall have unrestricted access to management and employees of the Company. The Board shall have the authority to retain and terminate external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective reasonable compensation of these advisors without consulting or obtaining the approval of any officer of the Company. The Company shall provide appropriate funding, as determined by the Board, for the services of these advisors.

### ***Service on Other Boards and Audit Committee***

Directors may serve on the boards of other public companies so long as these commitments do not materially interfere and are compatible with their ability to fulfill their duties as a member of the Board. Directors must advise the Chair in advance of accepting an invitation to serve on the board of another public company.

## **6. Management**

### ***Position Descriptions for Directors***

The Board has approved position descriptions for the Chair, the Lead Director, and the chair of each Board committee. At least annually, the Board shall review such position descriptions.

### ***Position Description for Chief Executive Officer***

The Board has approved a position description for the Chief Executive Officer, which includes delineating management's responsibilities. The Board has also approved the corporate goals and objectives that the Chief Executive Officer has responsibility for meeting. At least annually, the Board shall review a report of the Compensation Committee reviewing this position description and such corporate goals and objectives.

## **7. Director development and evaluation**

Each new director shall participate in the Company's initial orientation program and each director shall participate in the Company's continuing director development programs. At least annually, the Board shall review the Company's initial orientation program and continuing director development programs.

## **8. No Rights Created**

This Mandate is a statement of broad policies and is intended as a component of the flexible governance framework within which the Board, assisted by its committees, directs the affairs of the Company. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's Articles and by-laws, it is not intended to establish any legally binding obligations.

**REVIEW AND APPROVAL**

Approved By:	Board of Directors	Adopted:	March 12, 2018
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## ANNEX B

### AMENDED AND RESTATED STOCK OPTION PLAN

#### 1. Purpose of the Plan

The purpose of this HLS Therapeutics Inc. Stock Option Plan is to develop the interest of and provide an incentive to eligible employees, officers, directors and Consultants of the Corporation and its affiliates (including HLS Therapeutics (USA), Inc. and Heritage Life Sciences (Barbados) Inc.) in the Corporation's growth and development by granting from time to time to eligible employees, officers, directors and Consultants options to purchase Shares (as hereinafter defined), thereby advancing the interests of the Corporation and its shareholders.

#### 2. Definitions

In this Plan:

- (a) "affiliate" has the meaning given to that term in the Business Corporations Act (Ontario);
- (b) "Board of Directors" means the Board of Directors of the Corporation;
- (c) "Blackout Period" means the period during which designated directors, officers and employees of the Corporation cannot trade the Shares pursuant to the Corporation's policy, if any, respecting restrictions on directors', officers' and employee trading which is in effect at that time;
- (d) "Change of Control" means:
  - (i) the acceptance of an offer by a sufficient number of holders of voting securities in the capital of the Corporation so that the offeror, together with persons acting jointly or in concert with the offeror, becomes entitled, directly or indirectly, to exercise more than 50% of the voting rights attaching to the outstanding voting securities in the capital of the Corporation (provided that prior to the offer, the offeror was not entitled to exercise more than 50% of the voting rights attaching to the outstanding voting securities in the capital of the Corporation);
  - (ii) the completion of a plan of arrangement, consolidation, reorganization, merger or amalgamation of the Corporation with or into any other entity, or otherwise resulting in the exchange of the outstanding shares of the Corporation for securities or other consideration issued or caused to be issued by the acquiring entity or its subsidiaries, in each case, whereby the voting securityholders of the Corporation immediately prior to the arrangement, consolidation, reorganization, merger or amalgamation or other exchange of the outstanding shares of the Corporation receive 50% or less of the voting rights attaching to the outstanding voting securities of the consolidated, merged or amalgamated corporation;
  - (iii) the completion of a sale, lease, transfer or other disposition, in a single transaction or series of related transactions, whereby all or substantially all of the undertakings and assets of the Corporation and its affiliates, on a consolidated basis, become the property of any entity which is not an affiliate of the Corporation; or
  - (iv) the completion of the exclusive, irrevocable licensing, in a single transaction or series of related transactions, to an any entity which is not an affiliate of the Corporation of all or substantially all of the intellectual property of the Corporation and its affiliates, on a consolidated basis; and

for greater certainty, unless otherwise determined by the Board of Directors, a Change of Control will not include any transaction where the voting securityholders of the Corporation immediately prior to the transaction hold 50% or less of the voting rights attaching to the outstanding voting securities in the capital of the Corporation immediately following the transaction as a result of the issuance from treasury of voting securities or securities convertible into voting securities;

- (e) “Code” means the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder;
- (f) “Consultant” means a person, other than an employee or a director of the Corporation or of any affiliate of the Corporation, that:
  - (i) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Corporation or any affiliate of the Corporation, other than services provided in relation to a distribution (as such term is defined in the Securities Act (Ontario));
  - (ii) provides the services under a written contract with the Corporation or any affiliate of the Corporation;
  - (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or any affiliate of the Corporation; and
  - (iv) has a relationship with the Corporation or any affiliate of the Corporation that enables such person to be knowledgeable about the business and affairs of the Corporation,and includes, for an individual consultant who is not a U.S. Participant, a corporation of which the individual consultant is an employee or shareholder, and a partnership of which the individual consultant is an employee or partner;
- (g) “Corporation” means HLS Therapeutics Inc.;
- (h) “Date of Grant” means, for any Option, the date specified by the Board of Directors at the time it grants the Option, or, if no such date is specified, the date upon which the Option was granted;
- (i) “Disability” means permanent and total disability as determined under procedures established by the Board of Directors for the purposes of this Plan (provided, however, that with respect to an Incentive Stock Option, Disability means permanent and total disability as defined in Section 22(e)(3) of the Code);
- (j) “Disinterested Shareholder Approval” means approval by a majority of the votes cast by the Corporation’s shareholders at a duly constituted shareholders meeting, excluding votes attached to the beneficially owned by Insiders to whom Options may be granted under the Plan and their associates and affiliates;
- (k) “Exchange” means the TSX Venture Exchange, the Toronto Stock Exchange, The NASDAQ Global Select Market, The NASDAQ National Market, the New York Stock Exchange or any other stock exchange on which the Shares are listed and posted for trading or quoted;
- (l) “Exercise Date” means the date the Corporation receives from a Participant a completed Notice of Exercise form with payment for the Option Shares being purchased;
- (m) “Exercise Period” means, with respect to any Option Shares, the period during which a Participant may purchase such Option Shares;
- (n) “Fair Market Value” means, with respect to a particular date, the last reported sale price at which the Shares traded on the Exchange on such date or, if there is no reported sale price at which the Shares traded on the Exchange on such date, the last reported sale price at which the Shares traded on the Exchange prior to such date;
- (o) “Incentive Stock Option” means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and, as such (and subject to the provisions of the Code), is an Option granted to U.S. Participants;
- (p) “Insiders” has the meaning ascribed thereto in the Securities Act (Ontario), other than a person who falls within that definition solely by virtue of being a director or senior officer of a Subsidiary, and includes an “associate” or “affiliate” (as such terms are defined in the Toronto Stock Exchange Company Manual) of an Insider;

- (q) “Investor Relations Activities” has the meaning given to that term in Policy 1.1 – Interpretation of the TSX Venture Exchange;
- (r) “Management Company Employee” means an individual employed by a person providing management services to the Corporation, which are required for the ongoing successful operation of the business enterprise of the Corporation, but excluding a person engaged in Investor Relations Activities;
- (s) “Non-Employee Director” means director of the Corporation who is neither (a) an employee or officer of the Corporation nor (b) a service provider (including a Consultant) of the Corporation (other than in the capacity of a director of the Corporation);
- (t) “Notice of Exercise” means the notice respecting the exercise of any Option, substantially in the form attached to an Option Agreement, duly executed by the Optionee or his or her legal representative (or alternatively providing equivalent notice of exercise by any other method made available by the Corporation, including electronically);
- (u) “Option” means a non-assignable and non-transferable option to purchase Shares granted pursuant to this Plan;
- (v) “Optionee” means a Participant who has been granted one or more Options;
- (w) “Option Agreement” means the form of Option Agreement annexed hereto as Exhibit “A”;
- (x) “Option Shares” means Shares which are subject to purchase upon the exercise of outstanding Options;
- (y) “Parent” means a “parent corporation” with respect to the Corporation, whether now or hereafter existing, as defined in Section 424(e) of the Code;
- (z) “Participant” means an employee, officer, director or Consultant of the Corporation or any of its affiliates;
- (aa) “Plan” means the HLS Therapeutics Inc. Amended and Restated Stock Option Plan as set out herein;
- (bb) “Recognized Exchange” means (i) the Toronto Stock Exchange, (ii) the TSX Venture Exchange, (iii) the NASDAQ Stock Market, (iv) the New York Stock Exchange, or (v) any equity market based in North America having listing standards similar to those of the TSX Venture Exchange, as determined by the board of directors of the Corporation in its sole discretion, acting reasonably;
- (cc) “Security-Based Compensation Arrangement” means a stock option, stock appreciation right, stock option plan, employee stock purchase plan, share unit plan, deferred share unit plan or any other compensation or incentive mechanism, in each case, involving the issuance or potential issuance of Shares to any employee or Insider of the Corporation or its affiliates, or one or more service providers, including a share purchase from treasury which is financially assisted by the Corporation or any of its affiliates by way of a loan, guaranty or otherwise;
- (dd) “Shares” means the common shares of the Corporation or a successor to the Corporation;
- (ee) “Subsidiary” means a “subsidiary corporation” with respect to the Corporation, whether now or hereafter existing, as defined in Section 424(f) of the Code;
- (ff) “Ten Percent Shareholder” means a person who owns more than 10% of the total combined voting power of all classes of outstanding shares of the Corporation or any Parent or Subsidiary;
- (gg) “Termination For Cause” shall mean, with respect to the termination by the Corporation, a Subsidiary or an affiliate of the Optionee’s service, that such termination is for “cause” or an equivalent term as such term is defined in a then-effective written agreement between the Optionee and the Corporation or such Subsidiary or affiliate or, in the absence of such then-effective written agreement and definition, is based on, in the determination of the Board of Directors (acting reasonably), the Optionee’s: (i) refusal or failure to act in accordance with any specific, lawful direction or order of the Corporation, a Subsidiary or affiliate or, in the case of a Consultant, a material breach by the Consultant of the terms and conditions of the then-effective written agreement between such Consultant and the Corporation or Subsidiary or affiliate; (ii) performance of

any act, or failure to perform any act, in bad faith and to the detriment of the Corporation, a Subsidiary or affiliate; (iii) dishonesty, intentional misconduct or material breach of any agreement with the Corporation, a Subsidiary or affiliate; (iv) commission of a crime involving dishonesty, moral turpitude, breach of trust, or physical or emotional harm to any person; (v) gross negligence, fraud, breach of fiduciary duty to the Corporation, a Subsidiary or affiliate; (vi) violation of Canadian and/or provincial securities laws or applicable U.S. federal or state securities laws or (vii) any other action constituting “cause” under applicable law or pursuant to an employment agreement or other similar agreement between Optionee, the Corporation, Subsidiary or affiliate;

- (hh) “Unvested Option” means an Option that is not a Vested Option;
- (ii) “Vested Option” means an Option that has vested in accordance with the provisions of the applicable Option Agreement or as otherwise provided under this Plan and that has not expired or been cancelled under the terms of such Option Agreement or this Plan; and
- (jj) “U.S. Participant” means any Participant that is an employee, director or Consultant who is subject to taxation in the United States of America.

### 3. **Eligibility**

All Participants shall be eligible to participate in this Plan. Eligibility to participate shall not confer upon any Participant any right to be granted Options pursuant to this Plan. The extent to which any Participant shall be entitled to be granted Options pursuant to this Plan shall be determined in the sole and absolute discretion of the Board of Directors.

### 4. **Number of Option Shares Available**

- (a) Subject to Section 17, the total number of Option Shares reserved and available for grant and issuance pursuant to the Plan shall be a rolling number equal to 10% of the total issued and outstanding Shares from time to time. Subject to Section 17, any unissued Option Shares in respect of which Options are granted but that are subject to issuance upon exercise of an Option but cease to be issuable under such Option for any reason (other than exercise of such Option), including without limitation, expiry of the Option or surrender of the Option pursuant to an option exchange program, will again be available for grant and issuance in connection with future Options granted under the Plan. At all times the Company will reserve and keep available a sufficient number of Shares as will be required to satisfy the requirements of all outstanding Options granted under the Plan. Notwithstanding the foregoing:
  - (i) the maximum number of Option Shares issuable pursuant to the Plan, together with any Shares issuable pursuant to any other Security-Based Compensation Arrangement, shall not exceed 10% of the number of issued and outstanding Shares from time to time;
  - (ii) the maximum number of Option Shares issuable pursuant to the Plan, together with any Shares issuable pursuant to any other Security-Based Compensation Arrangement, to all Insiders shall not exceed 10% of the number of issued and outstanding Shares from time to time;
  - (iii) the maximum number of Option Shares issued pursuant to the Plan, together with any Shares issued pursuant to any other Security-Based Compensation Arrangement, to all Insiders, within any one-year period, shall not exceed 10% of the issued and outstanding Shares from time to time; and
  - (iv) excluding one-time sign-on grants, the award value (based on a Black-Scholes calculation or such other similar and acceptable methodology, applied consistently and appropriately as determined by the Board of Directors) of any grants of Options (together with the award value of all other rights granted under any other Security Based Compensation Arrangement) to any one Non-Employee Director shall not exceed US\$100,000 per year.

- (b) For as long as the Shares are listed on the TSX Venture Exchange:
- (i) the aggregate number of Options granted to any one Participant (and companies wholly owned by such Participant) in a 12 month period must not exceed 5% of the issued and outstanding Shares, calculated as of the Date of Grant to such Participant;
  - (ii) the aggregate number of Options granted to any one Consultant in a 12 month period must not exceed 2% of the issued and outstanding Shares, calculated as of the Date of Grant to such Consultant;
  - (iii) the aggregate number of Options granted to all Participants retained to provide Investor Relations Activities must not exceed 2% of the issued and outstanding Shares in any 12 month period, calculated as of the Date of Grant to such a Participant; and
  - (iv) any Options granted to any Optionee who is a director, employee, officer or Consultant of the Corporation shall expire within 12 months of the date on which the Optionee ceases to be a director, employee, officer or Consultant of the Corporation.

**5. Granting of Options**

- (a) The Board of Directors may from time to time grant Options to Participants to purchase a specified number of Option Shares at a specified exercise price per Share. The number of Options to be granted, the exercise price, the vesting provisions, the Date of Grant, and such other terms and conditions of the Option (including, for U.S. Participants, whether the Option is an Incentive Stock Option) shall, subject to the terms of this Plan, be as determined by the Board of Directors and set forth in an Option Agreement in a form similar to that annexed hereto as Exhibit "A". If the Optionee in respect of an Option grant is an employee, Consultant or Management Company Employee, the Option Agreement shall include a representation by the Corporation that the Optionee is a bona fide employee, Consultant or Management Company Employee.
- (b) It is the intention of the Corporation that this Plan be treated, for U.S. income tax purposes, as a separate stock option plan with respect to its U.S. Participants only. Options issued to U.S. Participants under this separate stock option plan shall be treated as Incentive Stock Options, if so determined by the Board and indicated as such in the documentation evidencing the grant of the Option. Incentive Stock Options may be granted only to employees of the Corporation, its Subsidiaries, and its Parent, if any; provided, however, that no Incentive Stock Option may be granted more than ten years after the date of adoption of this Plan.
- (c) Notwithstanding a designation of an Option as an Incentive Stock Option, to the extent that the aggregate Fair Market Value of the Option Shares (determined as of the respective Date(s) of Grant) with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under all plans of the Corporation and any Parent or Subsidiary) exceeds US\$100,000, such Options shall not be treated as Incentive Stock Options. For purposes of this Section, Incentive Stock Options shall be taken into account in the order in which they were granted except to the extent otherwise provided under applicable law or regulation.

**6. Exercise Price**

- (a) The Board of Directors will establish the exercise price of an Option on the Date of Grant, which exercise price must be in all cases not less than the price required by applicable regulatory authorities or any applicable Exchange.
- (b) Incentive Stock Options granted to Ten Percent Shareholders shall have an exercise price no less than 110% of the Fair Market Value on the Date of Grant.
- (c) Disinterested Shareholder Approval will be obtained for any reduction in the exercise price of Options granted to Insiders, if the Optionee is an Insider of the Corporation at the time of such proposed reduction in exercise price.

**7. Exercise Period**

Each Option shall be exercisable upon the terms specified in the relevant Option Agreement and as otherwise provided in this Plan. The Board of Directors shall have the right to accelerate the date upon which any installment of any Option is vested and exercisable.

**8. Term of Options**

- (a) Subject to accelerated termination as provided for in this Plan, each Option shall, unless otherwise specified by the Board of Directors, expire on the date specified in the relevant Option Agreement, provided that in no case shall an Option expire more than ten years following the initial Date of Grant. Notwithstanding the foregoing, Incentive Stock Options granted to Ten Percent Shareholders shall expire no more than five years following the Date of Grant or such other period as may be permitted under the Code, but in no event more than ten years following the Date of Grant.
- (b) Should the expiration date for an Option fall within a Blackout Period or within nine business days following the expiration of a Blackout Period, such expiration date shall be automatically extended without any further act or formality to that date which is the tenth business day after the end of the Blackout Period, such tenth business day to be considered the expiration date for such Option for all purposes under the Plan, provided that in no event shall the Option expire subsequent to the tenth anniversary of the initial Date of Grant and the foregoing extension shall be permitted for U.S. Participants only to the extent permitted under Section 409A of the Code. The ten business day period referred to in this Section 8(b) may not be extended by the Board of Directors.

**9. Exercise of Options**

- (a) An Optionee may at any time within the Exercise Period elect to purchase all or a portion of the Option Shares which such Optionee is then entitled to purchase by delivering to the Corporation a completed Notice of Exercise, specifying the Date of Grant of the Option being exercised, the exercise price of the Option and the number of Option Shares the Optionee desires to purchase. The Notice of Exercise shall be accompanied by payment in full of the purchase price for such Option Shares. Payment can be made by cash, certified cheque, bank draft, money order or the equivalent (such as cashier's cheque), payable in any case to the order of the Corporation or, subject to the rules and policies of any applicable Exchange, by such other means as may be specified or accepted by the Board of Directors.
- (b) Subject to applicable law, relevant Exchange policy and/or the provisions of this Plan, unless otherwise specified by the Board of Directors at the time of granting an Option, each Option will vest with respect to 25% of the Option Shares on each of the first four anniversaries of the Date of Grant and be exercisable to the extent vested until the expiration date of the Option.
- (c) The Board of Directors may impose such other restrictions or limitations or requirements upon the exercise of Options as the Board of Directors, in its sole and absolute discretion, may determine on the Grant Date.
- (d) No fractional Shares shall be issued upon the exercise of Options and, accordingly, if an Optionee would otherwise become entitled to a fractional Share upon the exercise of an Option, such Optionee shall only have the right to purchase the next lowest whole number of Shares and no payment or other adjustment shall be made with respect to the fractional interest so disregarded.
- (e) Notwithstanding Sections 7, 9(b) and 18(a), during such time as the Shares are listed on the TSX Venture Exchange, any grant of Options to a Participant who provides services that are Investor Relations Activities to the Corporation shall vest over a period of at least 12 months, with no more than 25% of such Options vesting in any three-month period.

**10. Withholding of Tax**

- (a) If the Corporation is required under the Income Tax Act (Canada) or any other applicable law to remit to any governmental authority an amount on account of tax on the value of any taxable benefit associated with the exercise or disposition of Options by a Participant, then the Participant shall, concurrently with the exercise or disposition:

- (i) pay to the Corporation, in addition to the exercise price for the Options, if applicable, sufficient cash as is determined by the Corporation to be the amount necessary to fund the required tax remittance;
  - (ii) authorize the Corporation, on behalf of the Participant, to sell in the market on such terms and at such time or times as the Corporation determines such portion of the Shares being issued upon exercise of the Options as is required to realize cash proceeds in the amount necessary to fund the required tax remittance; or
  - (iii) subject to the rules and policies of any applicable Exchange, make other arrangements acceptable to the Corporation to fund the required tax remittance.
- (b) By participating in this Plan, the Participant consents to the sale described in the foregoing clause (b), if applicable, and authorizes the Corporation to effect such sale on behalf of the Participant and remit the appropriate amount to the applicable governmental authorities. The Corporation shall not be responsible for obtaining any particular price for the Shares, and the Corporation shall not be required to issue any Shares under this Plan unless the Participant has made suitable arrangements with the Corporation to fund any withholding obligation.
- (c) Without limiting the generality of the foregoing and subject to applicable law, the Corporation will have the right to deduct from payments of any kind otherwise due to the Participant any taxes of any kind required to be withheld by the Corporation as a result of the Participant's exercise or disposition of Options in whole or in part. Payment of withholding taxes may also be made (i) by bank draft or certified cheque or (ii) subject to the rules and policies of any applicable Exchange, through and in accordance with the terms and conditions of any cashless exercise program established by the Board of Directors, subject to the discretion of the Board of Directors to require payment in cash if it determines that payment by other methods is not in the best interests of the Corporation.

## **11. Termination of Employment**

- (a) Unless otherwise determined by the Board of Directors, if an Optionee ceases to be employed by or to provide services to the Corporation or his or her employment or services terminate for any reason (including, without limitation, by resignation of the Optionee) other than death, Disability or Termination For Cause, any Option held by such Optionee shall thereupon terminate, except that each such Option, to the extent then exercisable, may be exercised for the lesser of (i) 90 days following the date on which such Optionee ceased to be employed or provide services or (ii) the balance of such Option's term. Notwithstanding the foregoing, all of a U.S. Participant's Incentive Stock Options shall cease to qualify as Incentive Stock Options for U.S. tax purposes to the extent not exercised by the expiration of the third month following termination of employment, even if the U.S. Participant continues to provide services to the Corporation. Unless otherwise determined by the Board of Directors, any Option held by an Optionee shall automatically terminate and shall become null and void and be of no further force or effect upon Termination For Cause of Optionee's Services. In the case of a termination of employment or services, for the purposes of this Plan, the date that the Optionee ceases to be employed by or provide services to the Corporation shall be deemed to be the date on which notice of termination of employment or services or notice of resignation, as applicable, is given by the Corporation or the Optionee, as applicable, without regard to any period of notice of termination of employment or services in such notice of termination or to which the Optionee may be entitled at law or pursuant to an employment or services agreement, except as otherwise expressly required by applicable employment standards legislation. Without limiting the generality of the foregoing, any vesting periods specified in an Option Agreement shall cease to run as of the date of the giving of such notice of termination or resignation.
- (b) If an Optionee ceases to be employed by or to provide services to the Corporation for any reason whatsoever, any Options which are not then exercisable shall automatically terminate and shall become null and void and be of no further force or effect.
- (c) Options shall not be affected by any change of employment within or among the Corporation, its Subsidiaries or its affiliates or, unless otherwise determined by the Board of Directors, so long as the Participant continues to be an employee or other Consultant of the Corporation, its Subsidiaries or its affiliates (despite any change in status from employee to service provider or vice versa).

**12. Termination by Reason of Death or Disability**

If an Optionee's employment or services terminate by reason of death or Disability, any Option held by such Optionee may thereafter be exercised, to the extent then exercisable or to such other extent as the Board of Directors may determine, for (i) a period of 365 days in the case of death, or (ii) 180 days from the date of such Disability, or (iii) until the expiration of the stated term of such Option, whichever period is the shorter.

**13. Transfer and Assignment**

Options granted under this Plan are not assignable or transferable by the Optionee or subject to any other alienation, sale, pledge or encumbrance by such Optionee except by will or by the laws of descent and distribution. During the Optionee's lifetime, Options shall be exercisable only by the Optionee. The obligations of each Optionee shall be binding on his heirs, executors and administrators.

**14. No Right to Employment**

The granting of an Option to a Participant under this Plan does not confer upon the Participant any right to expect employment by, or to continue in the employment of, the Corporation, any Subsidiary or an affiliate, or to be retained as a Consultant by the Corporation, any Subsidiary or an affiliate.

**15. Rights as Shareholders**

An Optionee shall not have any rights as a shareholder with respect to Option Shares until (i) full payment has been made by the Optionee to the Corporation and (ii) such Option Shares have been duly issued.

**16. Administration of the Plan**

This Plan shall be administered by the Board of Directors (or, if so resolved by the Board of Directors, a committee of the Board of Directors) which shall have the authority to:

- (a) determine the individuals and entities (from among the Participants) to whom Options may be granted;
- (b) determine the number of Option Shares to be subject to each Option;
- (c) determine the minimum number of Option Shares required to be exercised when the Optionee exercises part of an Option;
- (d) determine the terms and conditions of any grant of Option, including but not limited to:
  - (i) the time or times at which Options may be granted;
  - (ii) the exercise price at which Option Shares subject to each Option may be purchased;
  - (iii) the time or times when each Option shall become exercisable and the duration of the Exercise Period;
  - (iv) whether restrictions or limitations are to be imposed on Option Shares, and the nature of such restrictions or limitations, if any; and
  - (v) any acceleration of exercisability or waiver of termination regarding any Option, based on such factors as the Board of Directors may determine; and
- (e) interpret the Plan and prescribe and rescind rules and regulations relating to the Plan.

The interpretation and construction by the Board of Directors of any provisions of the Plan or of any Option granted under it shall be final and binding on all persons. No member of the Board of Directors shall be liable for any action or determination made in good faith with respect to the Plan or any Option granted under it.

**17. Recapitalization and Reorganization**

Subject to any required action by the shareholders of the Corporation, the class(es) and number of securities covered by each outstanding Option, and the class(es) and number of securities that have been authorized for issuance under this Plan but as to which no Options have yet been granted or that have been returned to this Plan upon cancellation or expiration of an Option, as well as the price per Option Share covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued Shares or other change to the Shares resulting from a stock split, reverse stock split, liquidating dividend, stock dividend, dividend in property other than cash, combination of shares, exchange of shares, combination, consolidation, recapitalization, reincorporation, reorganization, change in corporate structure or reclassification of the Shares, or any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Corporation; provided, however, that conversion of any convertible securities of the Corporation shall not be deemed to have been “effected without receipt of consideration.” Such adjustment shall be made by the Board of Directors, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Corporation of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Option.

**18. Change of Control**

Subject to any required regulatory approvals, the Board of Directors, in its sole and absolute discretion, may provide for any one or more of the following (and Optionees may be treated differently hereunder):

**(a) Accelerated Vesting.**

- (i) The Board of Directors may, in its sole and absolute discretion and without the consent of any Optionee, determine that, upon the occurrence of a Change in Control, each or any Option or portion thereof outstanding immediately prior to the Change in Control and not previously exercised or settled may be accelerated and be conditionally exercisable, conditional upon the Optionee tendering the Shares issuable upon such exercise, if applicable, and the completion of the Change of Control, immediately prior to the effective time of the Change of Control and each Optionee shall be permitted, within a specified period of time prior to the consummation of the Change of Control as determined by the Board of Directors, to exercise all such Options which are then exercisable or will become exercisable immediately prior to the effective time of the Change of Control; provided however, that Options that are: (A) Unvested Options and not the subject of accelerated vesting in accordance with this Section 18(a); (B) exercisable and Vested Options and not exercised prior to the consummation of the Change of Control; or (C) the subject of accelerated vesting in accordance with this Section 18(a) and not exercised prior to the consummation of the Change of Control shall terminate upon consummation of the Change of Control.
- (ii) If the Change of Control is not completed (within the time specified therein, if applicable), then any conditional exercise of Options in accordance with this Section shall be void ab initio and of no effect with respect to such Options and Option Shares and any payment and other instruments shall be returned to the Optionee or the Corporation (without interest or dedication) as necessary and the terms of the Option as set forth herein shall again apply to the Option.
- (iii) If the Board of Directors elects to provide for the accelerated vesting set out in this Section 18(a), the Corporation shall use commercially reasonable efforts to give each Optionee written notice of any proposed Change of Control (as hereinafter defined) at least 10 days prior to the effective date of any such Change of Control.

The portion of an Incentive Stock Option accelerated in connection with the Change in Control shall remain exercisable as an Incentive Stock Option only to the extent the applicable US\$100,000 limitation is not exceeded. To the extent such dollar limitation is exceeded, the accelerated portion of such Option shall be exercisable as a non-qualified stock option in accordance with applicable U.S. federal tax rules.

**(b) Assumption of Options**

- (i) In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the “Acquiror”), may, without the consent of

any Optionee, assume or continue the Corporation's rights and obligations under each or any Option or portion thereof outstanding immediately prior to the Change in Control or substitute for each or any such outstanding Option or portion thereof a substantially equivalent award with respect to the Acquiror's shares. For purposes of this Section, if so determined by the Board of Directors, in its sole and absolute discretion, an Option or any portion thereof shall be deemed assumed if, following the Change in Control, the Option confers the right to receive, subject to the terms and conditions of this Plan and the applicable Option Agreement, for each Share subject to such portion of the Option immediately prior to the Change in Control, the consideration (whether shares, cash, other securities or property or a combination thereof) to which a holder of a Common Share on the effective date of the Change in Control was entitled (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration is not solely shares of the Acquiror, the Board of Directors may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise of the Option for each Share to consist solely of shares of the Acquiror equal in fair market value to the per share consideration received by holders of Shares pursuant to the Change in Control. If any portion of such consideration may be received by holders of Shares pursuant to the Change in Control on a contingent or delayed basis, the Board of Directors may, in its sole and absolute discretion, and, with respect to U.S. Participants, subject to Code Section 409A and Code Section 422, determine such Fair Market Value per share as of the time of the Change in Control on the basis of the Board of Director's good faith estimate of the present value of the probable future payment of such consideration. Notwithstanding the foregoing, Shares acquired upon exercise of an Option prior to the Change in Control and any shares of the Acquiror received pursuant to the Change in Control shall continue to be subject to all applicable provisions of the Option Agreement evidencing such Option except as otherwise provided in such Option Agreement.

**(c) Cash-Out of Outstanding Options.**

- (i) The Board of Directors may, in its sole and absolute discretion and without the consent of any Optionee, determine that, upon the occurrence of a Change in Control, each or any Option or portion thereof outstanding immediately prior to the Change in Control and not previously exercised or settled may be canceled in exchange for a payment with respect to each Vested Option (and each Unvested Option, if so determined by the Board of Directors) in (i) cash, (ii) shares of the Corporation or of a corporation or other business entity a party to the Change in Control, or (iii) other property which, in any such case, having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per Common Share in the Change in Control, reduced (but not below zero) by the exercise price applicable to such Option and any amounts, including income tax, which the Corporation is required to withhold by law. If any portion of such consideration may be received by holders of Shares pursuant to the Change in Control on a contingent or delayed basis, the Board of Directors may, in its sole and absolute discretion and, with respect to U.S. Participants, subject to Code Section 409A, determine such Fair Market Value per Common Share as of the time of the Change in Control on the basis of the Board of Director's good faith estimate of the present value of the probable amount of future payment of such consideration. An Option having an exercise price per Share equal to or greater than the Fair Market Value of the consideration to be paid per Common Share in the Change in Control may be cancelled without payment of consideration to the holder thereof. Payment pursuant to this Section shall be made to Optionees at the time determined by the Board of Directors.

**19. Conditions of Exercise**

This Plan and each Option shall be subject to the requirement that, if at any time the Board of Directors determines that the listing, registration or qualification of the Shares subject to such Option upon any securities exchange or under any provincial, state or Canadian or U.S. federal law, or the consent or approval of any governmental body, securities exchange, or the holders of the Shares generally, is necessary or desirable, as a condition of, or in connection with, the granting of such Option or the issue or purchase of Shares thereunder, no such Option may be granted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been affected or obtained free of any conditions not acceptable to the Board of Directors.

**20. Notices**

Unless otherwise agreed to or specified by the Corporation from time to time, all written notices to be given by the Optionee to the Corporation shall be delivered personally, by registered or certified mail, postage prepaid, by

facsimile or by electronic mail addressed as follows unless the Corporation notifies the Optionee of a change in address:

HLS Therapeutics Inc.

10 Carlson Court, Suite 410

Etobicoke, Ontario M9W 6L2

Attention: Greg Gubitz, Chief Executive Officer

Email: g.gubitz@hlstherapeutics.com

Any notice given by the Optionee pursuant to the terms of an Option shall not be effective until actually received by the Corporation at the above address.

**21. Corporate Action**

Nothing contained in this Plan or in an Option shall be construed so as to prevent the Corporation from taking corporate action which is deemed by the Corporation to be appropriate or in its best interest, whether or not such action would have an adverse effect on this Plan or any Option.

**22. Amendments and Termination**

(a) The Board of Directors may amend, suspend or terminate this Plan or any portion of it at any time in accordance with applicable law and subject to any required regulatory, applicable Exchange or shareholder approval. However, except as otherwise provided in this Plan, unless consent is obtained from the affected Participant, no amendment, suspension or termination may materially impair any Options, or any rights related to Options, that were granted to that Participant prior to the amendment, suspension or termination. Any amendments to this Plan to change the maximum number or percentage of Shares issuable pursuant to Options granted under this Plan shall be deemed not to materially impair the rights of any Participant.

(b) Without limiting the generality of the foregoing but subject to Section 22(d), the Board of Directors may make the following amendments to this Plan, without obtaining approval of any Participant or shareholder of the Corporation:

(i) amendments to the terms and conditions of the Plan necessary to ensure that the Plan complies with applicable law and regulatory requirements, including the requirements of any applicable Exchange, in place from time to time;

(ii) amendments to the provisions of the Plan respecting administration of the Plan and eligibility for participation under the Plan;

(iii) amendments to the provisions of the Plan respecting the terms and conditions on which Options may be granted pursuant to the Plan, including the provisions relating to the term of the Option and the vesting schedule;

(iv) the addition of, and any subsequent amendment to, any financial assistance provision;

(v) amendments to the Plan that are of a “housekeeping” nature; and

(vi) any other amendments not requiring shareholder approval under applicable laws or the requirements of any applicable Exchange.

(c) Without limiting the generality of the foregoing, the Board of Directors may not, without the approval of the Corporation’s shareholders (including, where required, Disinterested Shareholder Approval), make amendments with respect to the following:

- (i) an increase to the maximum number or percentage of securities issuable under the Plan;
  - (ii) amendment provisions granting additional powers to the Board of Directors to amend the Plan or entitlements thereunder;
  - (iii) an amendment to the exercise price of an Option (if such shareholder approval is required by any applicable Exchange);
  - (iv) a reduction in the exercise price of Options or other entitlements held by Insiders;
  - (v) an extension to the term of Options held by Insiders; and
  - (vi) a change to Insider participation limits.
- (d) Notwithstanding the foregoing, no amendment to the Plan which, pursuant to (i) the Securities Act (Ontario) and the regulations and rules promulgated thereunder, (ii) any rules and regulations of any applicable Exchange or consolidated stock price reporting system on which prices for the Shares are quoted at any time, or (iii) any other applicable laws, rules and regulations of any jurisdiction requiring action by the shareholders, requires action by the shareholders may be made without obtaining, or being conditioned upon, shareholder approval.
- (e) If the Plan is terminated, the provisions of the Plan and any administrative guidelines and other rules adopted by the Board of Directors and in force at the time of implementation of the Plan will continue in effect as long as any Option remains outstanding. However, notwithstanding the termination of the Plan, the Board of Directors may make any amendments to the Plan or to any outstanding Option that the Board of Directors would have been entitled to make if the Plan were still in effect.
- (f) The Board of Directors shall endeavour in good faith to ensure that the terms of any Options shall be such that the Optionees to whom such Options are awarded shall not be subject to the tax or interest charges imposed by Section 409A(a)(1) of the Code. The Plan and each Option are hereby modified and limited as necessary to comply with applicable requirements of Section 409A of the Code. Notwithstanding the foregoing, neither the Corporation nor any member of the Board of Directors shall have liability to an Optionee, or any other party, if an Option that is intended to be exempt from, or compliant with, Section 409A of the Code is not so exempt or compliant or for any action taken by the Board of Directors.

**23. Further Assurances**

Each Participant shall, when requested to do so by the Corporation, sign and deliver all such documents relating to the granting or exercise of Options deemed necessary or desirable by the Corporation.

**24. Governing Law and Submission to Jurisdiction**

The Plan is established under the laws of the Province of Ontario, and the rights of all parties and the construction and effect of each provision of the Plan shall be according to the laws of the Province of Ontario. The Corporation and each Participant irrevocably submit to the non-exclusive jurisdiction of the courts of Ontario in respect of all matters relating to the Plan and any Option Agreement.

**25. Counterparts**

Any Option Agreement or other document contemplated under the Plan may be signed in counterparts and each counterpart will constitute an original document and all counterparts, taken together, will constitute one and the same instrument. Counterparts may be delivered by facsimile or other means of electronic communication.

*Approved by the Board of Directors of the Corporation as of May 22, 2018.*

EXHIBIT "A"

HLS Therapeutics Stock Option Plan

Option Agreement

To: \_\_\_\_\_

Date: \_\_\_\_\_ ("Grant Date")

Re: HLS Therapeutics Stock Option Plan

Dear \_\_\_\_\_:

This is to advise you that you are entitled to participate in the HLS Therapeutics Stock Option Plan (the "Plan") and have been granted the option (the "Option") to purchase \_\_\_\_\_ common shares (the "Shares") in the capital of HLS Therapeutics Inc. (the "Corporation"). The granting and the terms of the option granted in this Agreement are subject to such regulatory and other confirmations and approvals as may be required. [If Incentive Stock Options add: The options shall be treated as "incentive stock options" for U.S. tax purposes.]

The option to purchase shares described below have been granted in accordance with and are subject to the Plan, a copy of which is provided herewith or has been previously provided to you and which has been approved by the Board of Directors of the Corporation. The capitalized terms used in this Agreement that are not defined herein have the meaning attributed to them in the Plan.

1. **Exercise Price.** The Option exercise price is \$ \_\_\_\_\_ per Share.
2. **Vesting and Exercisability.** Your Option may be exercised in whole or in part, subject to the vesting rules described below and the other provisions of the Plan and this Agreement, at any time or from time to time, up to and including, but not after, \_\_\_\_\_ (the "Expiry Date"), on which date your Option, unless earlier terminated in accordance with the terms and conditions of the Plan, shall expire.

Vesting Rules:

Total number of Shares subject to the Option: \_\_\_\_\_ Shares

Vesting Date	Instalment of Option (i.e., number of shares) that has vested
_____	_____
_____	_____
_____	_____

3. **Time of Exercise.** Upon any part of a Vested Option becoming exercisable as set forth above and subject to the Plan, that part of such Option shall be exercisable until the earlier of: (i) 5:00 p.m. (ET), time on the Expiry Date; and (ii) as otherwise provided in the Plan.
4. **Incorporation of Plan.** The terms and conditions of the Plan are hereby deemed to be incorporated into and to form part hereof. If there is a conflict between any provision of this Agreement and any provision of the Plan, the relevant provision of this Agreement is to prevail.
5. **Restrictions on Transfer.** The Options evidenced by this Option Agreement may not be transferred in any manner other than in accordance with the Plan, and may be exercised during the lifetime of the Participant only by, or for the

benefit of, the Participant. The terms of the Options will be binding upon the executors, administrators, heirs, successors and assigns of the Participant.

6. **Restrictions on Exercise.** The Options evidenced by this Option Agreement may not be exercised if the issuance of Shares upon such exercise would constitute a violation of any applicable securities or other law or valid regulation or the requirements of any applicable Exchange. The Participant, as a condition to his or her exercise of the Options, represents to the Corporation that the Shares that he or she acquires under the Option are being acquired by him or her for investment and not with a present view to distribution or resale, unless counsel for the Corporation is then of the opinion that such a representation is not required under applicable securities laws, regulations, or any other law or valid rule of any governmental agency.
7. **Withholding Taxes.** As a condition to the exercise or disposition of Options, including the issuance of Shares upon exercise of the Option, the Participant: (a) authorizes the Corporation to withhold, in accordance with applicable law, any taxes of any kind required to be withheld by the Corporation under applicable law as a result of the Participant's exercise of the Option ("**Withholding Taxes**") from payments of any kind otherwise due to the Participant; (b) agrees, if requested by the Corporation, to remit to the Corporation at the time of exercise of the Option amounts necessary to pay any Withholding Taxes; (c) if applicable, authorizes the Corporation, on behalf of the Participant, to sell in the market such portion of Shares being issued upon exercise of the Options as is required to fund the Withholding Taxes; and/or (d) comply with other arrangements acceptable to the Corporation to fund the Withholding Taxes.
8. **Power of Attorney.** If you fail to promptly take such necessary action in accordance with the terms of this Agreement and your obligations hereunder, you shall be deemed to have irrevocably appointed the Secretary of the Corporation (the "**Attorney**") to be your true and lawful agent and attorney in accordance with the Powers of Attorney Act (Ontario), with full power of substitution, to execute and deliver for and in your name and on your behalf, all such documents or instruments as may be necessary to give effect to the terms of this Agreement, including, without limitation, to transfer and assign to the Offeror or the Corporation, as applicable, all of the Shares to be so transferred in accordance with this Agreement. Such power of attorney shall be acknowledged to be a power coupled with an interest, given for consideration and shall not be revoked without the consent of the Attorney. You hereby ratify and confirm all that the Attorney may lawfully do or cause to be done by virtue of the provisions hereof.
9. **Independent Legal Advice.** The Participant acknowledges and confirms that prior to executing this Option Agreement, the Corporation requested the Participant to obtain independent legal advice with respect to the Participant's rights and obligations under the Plan and related documents, including this Option Agreement. The Participant confirms and agrees that: (a) the Participant has executed this Option Agreement on its own volition and without any duress whatsoever from the Corporation or any other Person; and (b) if the Participant did not obtain legal advice prior to executing this Option Agreement, the Participant will not in any proceeding relating to the enforcement of rights or obligations under the Plan and related documents, including this Option Agreement, raise that fact as a defence or otherwise.

If you desire to accept this option, please so indicate in the space below. This Option Agreement is not effective until countersigned on behalf of the Corporation and accepted by the Participant.

Please note that acceptance does not constitute an exercise of the option. Options must be exercised in accordance with the terms and conditions of the Plan by completing and submitting a notice of exercise substantially in the form of Schedule "A" annexed hereto addressed to the Corporation at its registered office to the attention of the Secretary, accompanied by payment in full of the option price of the Shares in respect of which the said option is then being exercised.

*[signature page follows]*

DATED the Grant Date first written above.

**HLS THERAPEUTICS INC.**

By:

Name: \_\_\_\_\_

Title:

I hereby desire to accept the above option and agree to the terms and the conditions hereinbefore set forth including the terms and conditions of the Plan.

\_\_\_\_\_  
Signature

Name of Optionee

Schedule "A"

HLS Therapeutics Stock Option Plan

NOTICE OF EXERCISE

**TO: Chief Executive Officer of HLS Therapeutics Inc.**

The capitalized terms used in this Notice that are not defined herein have the meaning attributed to them in the Corporation's Second Amended and Restated Stock Option Plan dated May [●], 2018 (the "Plan").

I refer to the option granted to me on \_\_\_\_\_, pursuant to the Plan and evidenced by an option agreement dated \_\_\_\_\_, \_\_\_\_\_ (the "Option Agreement") wherein I was granted, subject to the terms of the Option Agreement and the Plan, an option to subscribe for and purchase fully paid and non-assessable Shares in the capital of HLS Therapeutics Inc. (the "Corporation").

In the exercise of my rights under the said option, I hereby subscribe for \_\_\_\_\_ fully paid and non-assessable Shares in the capital of the Corporation at \$ \_\_\_\_\_ per Share in lawful money of Canada, payment for which in the aggregate amount of \$ \_\_\_\_\_ accompanies this subscription.

I acknowledge that the Shares so purchased are subject to the terms of the Option Agreement and may be subject to the terms of a Shareholders Agreement (as defined in the Option Agreement) and that I may be required to sign and deliver such Shareholders Agreement to the Corporation prior to the issuance of Shares in connection with this Notice of Exercise.

I acknowledge that I have not been induced to purchase the Shares by expectation of employment or service or continued employment or service with the Corporation or any of its Subsidiaries or affiliates.

I acknowledge that, pursuant to the Plan and the Option Agreement, arrangements must be made for the payment of any taxes which the Corporation is required to withhold and remit in connection with the exercise of the Vested Options and I hereby authorize the Corporation to deduct any taxes which the Corporation is required by law or regulation to remit in connection with the exercise of my Vested Options from any payments that are due to me, and this shall be your good and sufficient authority for so doing.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

Yours very truly,

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Capacity – complete only if other than the Participant (e.g. personal legal representative or trustee))

## ANNEX C

### AUDIT COMMITTEE CHARTER

#### 1. Introduction

The Audit Committee (the “Committee” or the “Audit Committee”) of HLS Therapeutics Inc. (the “Company”) is a committee of the Board of Directors (the “Board”). The Committee shall oversee the accounting and financial reporting practices of the Company and the audits of the Company’s financial statements and exercise the responsibilities and duties set out in this Mandate.

#### 2. Membership

##### *Number of Members*

The Committee shall be composed of three or more members of the Board.

##### *Independence of Members*

Each member of the Committee must be independent. “Independent” shall have the meaning, as the context requires, given to it in National Instrument 52-110 *Audit Committees*, as may be amended from time to time.

##### *Chair*

At the time of the annual appointment of the members of the Audit Committee, the Board shall appoint a Chair of the Audit Committee (the “Chair”). The Chair shall be a member of the Audit Committee, preside over all Audit Committee meetings, coordinate the Audit Committee’s compliance with this Mandate, work with management to develop the Audit Committee’s annual work-plan and provide reports of the Audit Committee to the Board.

##### *Financial Literacy of Members*

At the time of his or her appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

##### *Term of Members*

The members of the Committee shall be appointed annually by the Board. Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a member of the Board. Unless a Chair is elected by the Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

#### 3. Meetings

##### *Number of Meetings*

The Committee may meet as many times per year as necessary to carry out its responsibilities.

##### *Quorum*

No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. A majority of members of the Committee shall constitute a quorum.

##### *Calling of Meetings*

The Chair, any member of the Audit Committee, the external auditors, the Chairman of the Board, or the Chief Executive Officer or the VP Finance & Administration may call a meeting of the Audit Committee by notifying the Company’s

Corporate Secretary who will notify the members of the Audit Committee. The Chair shall chair all Audit Committee meetings that he or she attends, and in the absence of the Chair, the members of the Audit Committee present may appoint a chair from their number for a meeting.

### ***Minutes; Reporting to the Board***

The Committee shall maintain minutes or other records of meetings and activities of the Committee in sufficient detail to convey the substance of all discussions held. Upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board. However, the Chair may report orally to the Board on any matter in his or her view requiring the immediate attention of the Board.

### ***Attendance of Non-Members***

The external auditors are entitled to, at the expense of the Company, attend and be heard at each Audit Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the Company, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities. At least once per year, the Committee shall meet with the internal auditor and management in separate sessions to discuss any matters that the Committee or such individuals consider appropriate.

### ***Meetings without Management***

The Committee shall hold unscheduled or regularly scheduled meetings, or portions of meetings, at which management is not present.

### ***Procedure***

The procedures for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those applicable to meetings of the Board by default, but the Committee shall have the power to otherwise regulate its procedure.

### ***Access to Management***

The Committee shall have unrestricted access to the Company's management and employees and the books and records of the Company.

## **4. Duties and Responsibilities**

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the duties required of an audit committee by any exchange upon which securities of the Company are traded, or any governmental or regulatory body exercising authority over the Company, as are in effect from time to time (collectively, the "Applicable Requirements").

### ***Financial Reports***

#### **(a) General**

The Audit Committee is responsible for overseeing the Company's financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Company. The auditors are responsible for auditing the Company's annual consolidated financial statements and for reviewing the Company's unaudited interim financial statements.

#### **(b) Review of Annual Financial Reports**

The Audit Committee shall review the annual consolidated audited financial statements of the Company, the auditors' report thereon and the related management's discussion and analysis of the Company's financial condition and results of operation ("MD&A"). After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval the annual financial statements and the related MD&A.

**(c) Review of Interim Financial Reports**

The Audit Committee shall review the interim consolidated financial statements of the Company, the auditors' review report thereon and the related MD&A. After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval the interim financial statements and the related MD&A.

**(d) Review Considerations**

In conducting its review of the annual financial statements or the interim financial statements, the Audit Committee shall:

- (i) meet with management and the auditors to discuss the financial statements and MD&A;
- (ii) review the disclosures in the financial statements;
- (iii) review the audit report or review report prepared by the auditors;
- (iv) discuss with management, the auditors and internal legal counsel (if any) as requested, any litigation claim or other contingency that could have a material effect on the financial statements;
- (v) review the accounting policies followed and critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;
- (vi) review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under Canadian GAAP;
- (vii) review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;
- (viii) review management's report on the effectiveness of internal controls over financial reporting;
- (ix) review the factors identified by management as factors that may affect future financial results;
- (x) oversee the administration of and review the results of the Company's complaints reporting and whistleblower hotline program; and
- (xi) review any other matters, related to the financial statements, that are brought forward by the auditors, management or which are required to be communicated to the Audit Committee under accounting policies, auditing standards or Applicable Requirements.

**(e) Approval of Other Financial Disclosures**

The Audit Committee shall review and, if advisable, approve and recommend for Board approval financial disclosure in a prospectus or other securities offering document of the Company, press releases disclosing, or based upon, financial results of the Company and any other material financial disclosure, including financial guidance provided to analysts, rating agencies or otherwise publicly disseminated.

***Auditors***

**(a) General**

The Audit Committee shall be responsible for oversight of the work of the auditors, including the auditors' work in preparing or issuing an audit report, performing other audit, review or attest services or any other related work.

**(b) Nomination and Compensation**

The Audit Committee shall review and, if advisable, select and recommend for Board approval the external auditors to be nominated and the compensation of such external auditor. The Audit Committee shall have ultimate authority to approve all audit engagement terms and fees, including the auditors' audit plan.

**(c) Resolution of Disagreements**

The Audit Committee shall resolve any disagreements between management and the auditors as to financial reporting matters brought to its attention.

**(d) Discussions with Auditors**

At least annually, the Audit Committee shall discuss with the auditors such matters as are required by applicable auditing standards to be discussed by the auditors with the Audit Committee. The Audit Committee shall also review on an ongoing basis with the auditors and management significant issues that may arise regarding accounting principles and financial statement presentation, as well as matters concerning the scope, adequacy and effectiveness of the Company's financial controls.

**(e) Audit Plan**

At least annually, the Audit Committee shall review a summary of the auditors' annual audit plan. The Audit Committee shall consider and review with the auditors any material changes to the scope of the plan.

**(f) Quarterly Review Report**

The Audit Committee shall review a report prepared by the auditors in respect of each of the interim financial statements of the Company.

**(g) Independence of Auditors**

At least annually, and before the auditors issue their report on the annual financial statements, the Audit Committee shall obtain from the auditors a formal written statement describing all relationships between the auditors and the Company; discuss with the auditors any disclosed relationships or services that may affect the objectivity and independence of the auditors; and obtain written confirmation from the auditors that they are objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which the auditors belong and other Applicable Requirements. The Audit Committee shall take appropriate action to oversee the independence of the auditors.

**(h) Evaluation and Rotation of Lead Partner**

As appropriate, the Audit Committee shall review the qualifications and performance of the lead partner(s) of the auditors and determine whether it is appropriate to adopt or continue a policy of rotating lead partners of the external auditors.

**(i) Requirement for Pre-Approval of Non-Audit Services**

The Audit Committee shall approve in advance any retainer of the auditors to perform any non-audit service to the Company that it deems advisable in accordance with Applicable Requirements and Board approved policies and procedures. The Audit Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any member of the Audit Committee to whom this authority has been delegated must be presented to the full Audit Committee at its next scheduled Audit Committee meeting.

**(j) Approval of Hiring Policies**

The Audit Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

**(k) Communication with Internal Auditor**

The internal auditor shall report regularly to the Committee. The Committee shall review with the internal auditor any problem or difficulty the internal auditor may have encountered including, without limitation, any restrictions on the scope of activities or access to required information, and any significant reports to management prepared by the internal auditing department and management's responses thereto.

The Committee shall periodically review and approve the mandate, plan, budget and staffing of the internal audit department. The Committee shall direct management to make changes it deems advisable in respect of the internal audit function.

The Committee shall review the appointment, performance and replacement of the senior internal auditing executive and the activities, organization structure and qualifications of the persons responsible for the internal audit function.

**(l) Financial Executives**

The Committee shall review and discuss with management the appointment of key financial executives and recommend qualified candidates to the Board, as appropriate.

***Internal Controls***

**(a) General**

The Audit Committee shall review the Company's system of internal controls.

**(b) Establishment, Review and Approval**

The Audit Committee shall require management to implement and maintain appropriate systems of internal controls in accordance with Applicable Requirements, including internal controls over financial reporting and disclosure and to review, evaluate and approve these procedures. At least annually, the Audit Committee shall consider and review with management and the auditors:

- (i) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Company's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;
- (ii) any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Company's periodic regulatory filings;
- (iii) any material issues raised by any inquiry or investigation by the Company's regulators;
- (iv) the Company's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Company to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and
- (v) any related significant issues and recommendations of the auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

***Compliance with Legal and Regulatory Requirements***

The Audit Committee shall review reports from the Company's Corporate Secretary and other management members on: legal or compliance matters that may have a material impact on the Company; the effectiveness of the Company's compliance policies; and any material communications received from regulators. The Audit Committee shall review management's evaluation of and representations relating to compliance with specific applicable law and guidance, and management's plans to remediate any deficiencies identified.

***Audit Committee Hotline Whistleblower Procedures***

The Audit Committee shall establish a complaints reporting procedure and whistleblower hotline for (a) the receipt, retention, and treatment of complaints received by the Company, including regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding the Company's affairs, including questionable accounting or auditing matters. Any such complaints or concerns that are received shall be reviewed by members of the Audit Committee and, if the Audit Committee determines that the matter requires further investigation, it will direct the Chair of the Audit Committee to engage outside advisors, as necessary or appropriate,

to investigate the matter and will work with management and the general counsel (if any) to reach a satisfactory conclusion, in each case in accordance with the Complaints Reporting and Whistleblowing Policy of the Company.

***Audit Committee Disclosure***

The Audit Committee shall prepare, review and approve any audit committee disclosures required by Applicable Requirements in the Company's disclosure documents.

***Delegation***

The Audit Committee may, to the extent permissible by Applicable Requirements, designate a sub-committee to review any matter within this mandate as the Audit Committee deems appropriate.

**5. No Rights Created**

This Mandate is a statement of broad policies and is intended as a component of the flexible governance framework within which the Audit Committee, functions. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's Articles and by-laws, it is not intended to establish any legally binding obligations.

**6. Mandate Review**

The Committee shall review and update this Mandate as deemed advisable from time to time and present it to the Board for approval.

<b>REVIEW AND APPROVAL</b>			
Approved By:	Board of Directors	Adopted:	March 12, 2018





## QUESTIONS AND FURTHER ASSISTANCE

**Please direct proxy-related inquiries to Computershare Investor Services Inc.:**

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