

MEDICURE INC.

MANAGEMENT PROXY CIRCULAR

And

NOTICE OF ANNUAL AND SPECIAL MEETING

October 14, 2011

MEDICURE INC.
2-1250 Waverley Street
Winnipeg, Manitoba R3T 6C6

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that the annual and special meeting (the "Meeting") of the shareholders of Medicure Inc. (the "Corporation") will be held in **Winnipeg, Manitoba, at 2-1250 Waverley Street**, on Tuesday, November 22, 2011 at 10:00 a.m. (**Central Standard time**) for the following purposes:

1. to receive and consider the audited financial statements of the Corporation for the period ended May 31, 2011 together with the auditors' report thereon;
2. to elect four (4) directors for the ensuing year, namely Dr. Albert D. Friesen, Dr. Arnold Naimark, Gerald P. McDole and Peter Quick;
3. to re-appoint KPMG LLP as the auditors for the ensuing year and to authorize the directors to fix the remuneration to be paid to the auditors;
4. to consider and, if deemed advisable, pass, with or without variation, an ordinary resolution to re-approve the stock option plan of the Corporation for the ensuing year;
5. to consider and, if deemed advisable, pass, with or without variation, an ordinary resolution approving, ratifying and confirming By-law Number 1A of the Corporation, replacing and repealing all of the current by-laws of the Corporation;
6. to consider and, if deemed advisable, to pass a special resolution approving an amendment to the articles of incorporation of the Corporation to consolidate its issued and outstanding common shares on the basis of a ratio within the range of one post-consolidation common share for every four (4) pre-consolidation common shares to one post-consolidation common share for every fifteen (15) pre-consolidation common shares, with the ratio to be selected and implemented by the Board of Directors in its sole discretion, if at all, at any time prior to November 22, 2012; and
7. to transact such further or other business as may properly come before the meeting or any adjournment thereof.

Shareholders unable to attend the Meeting in person are requested to read the enclosed Management Proxy Circular and Proxy, and then complete and deposit the Proxy together with the power of attorney or other authority, if any, under which it was signed or a notarially certified copy thereof with the Corporation's transfer agent, Computershare Trust Company of Canada, of 100 University Avenue, Toronto, Ontario, M5J 2Y1 at least 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time of the Meeting. Unregistered shareholders who received the Proxy through an intermediary must deliver the Proxy in accordance with the instructions given by such intermediary.

NOTES:

1. Holders of common shares of the Corporation who are unable to be present personally at the Meeting are requested to sign and return, in the envelope provided for that purpose, the accompanying Proxy for use at the Meeting.
2. Only holders of common shares of the Corporation of record at the close of business on October 14, 2011 will be entitled to vote at the Meeting.

DATED at Winnipeg, Manitoba, this 14th day of October, 2011.

BY ORDER OF THE BOARD OF DIRECTORS

(Signed) "*Albert D. Friesen*"

Dr. Albert D. Friesen, Chairman & CEO

MEDICURE INC.

MANAGEMENT PROXY CIRCULAR

MANAGEMENT SOLICITATION

This management proxy circular ("Circular") is furnished to the shareholders of Medicare Inc. (the "Corporation") in connection with the solicitation of proxies by management of the Corporation ("Management") for use at the annual and special meeting (the "Meeting") of the shareholders of the Corporation to be held at the Corporation's offices located at 2-1250 Waverley Street, Winnipeg, Manitoba on Tuesday, November 22, 2011 at 10:00 a.m. (Central Standard Time) for the purposes set out in the notice of the Meeting (the "Notice of Meeting").

Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone, telegraph or personal interview by employees of the Corporation, at a nominal cost. In accordance with National Instrument 54-101, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the common shares of the Corporation held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs of soliciting proxies will be borne by the Corporation.

Except as otherwise stated, the information contained herein is given as of October 14, 2011.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed instrument of proxy, Dr. Albert D. Friesen, Chairman and Chief Executive Officer ("CEO") and a director of the Corporation, and Dawson Reimer, President and Chief Operating Officer ("COO") of the Corporation (the "**Management Designees**"), have been selected by the directors of the Corporation and have indicated their willingness to represent as proxies the shareholders who appoint them.

A shareholder has the right to designate a person or company (who need not be a shareholder) other than the Management Designees to represent him or her at the Meeting. Such right may be exercised by inserting in the space provided for that purpose on the enclosed instrument of proxy the name of the person or company to be designated and striking out the names of the Management Designees, or by completing another proper instrument of proxy and delivering the instrument of proxy. In any case, an instrument of proxy should be dated and executed by the shareholder or an attorney authorized in writing, with proof of such authorization attached where an attorney has executed the instrument of proxy.

An instrument of proxy will not be valid for the Meeting or any adjournment thereof unless it is completed and delivered to Computershare Trust Company of Canada, 100 University Avenue, Toronto, Ontario, M5J 2Y1 at least 48 hours, excluding Saturdays, Sundays and holidays, before the time of the Meeting or any adjournment thereof.

A proxy given by a shareholder for use at the Meeting may be revoked at any time prior to its use. In accordance with section 148(4) of the *Canada Business Corporations Act* (the "**CBCA**"), in addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the shareholder or by his or her attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of such meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deposits the proxy is revoked. The registered office of the Corporation is located at 30th Floor, 360 Main Street, Winnipeg, Manitoba, R3C 4G1.

VOTING OF PROXIES

The common shares represented by the proxy will be voted or withheld from voting on any ballot that may be called for in accordance with your instructions in the instrument of proxy and where a choice with respect to any matter to be acted upon has been specified in the proxy, the common shares will be voted in accordance with the specification so made. **If a choice is not specified, it is intended that the person designated by Management in the accompanying proxy will vote the common shares represented by the proxy in favour of each matter identified in the proxy.**

The proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to any matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the date of this Circular, Management knows of no such amendments, variations or other matters to come before the Meeting.

NON-REGISTERED HOLDERS

Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most shareholders of the Corporation are “non-registered” shareholders due to the fact that the common shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the common shares. **More particularly, a person (the “Non-Registered Holder”) is not a registered shareholder in respect of common shares which are held on behalf of that person but which are registered either: (a) in the name of an intermediary (an “Intermediary”) that the Non-Registered Holder deals with in respect of the common shares (Intermediaries include, among others: banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101, the Corporation has distributed copies of the Notice of Meeting, this Circular and the proxy (collectively, the “Meeting Materials”) to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.**

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

- (a) be given a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which indicates the number of common shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. In such instance, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and **deposit it with Computershare Trust Company of Canada** as provided above; or
- (b) more typically, be given a voting instruction form **which is not signed by the Intermediary** and which, when properly completed and signed by the Non-Registered Holder and **returned to the Intermediary or its service company**, will constitute voting instructions (often called a “proxy authorization form”) which the Intermediary must follow. The proxy authorization form typically consists of a one page pre-printed form. However, on occasion, instead of the one page pre-printed form, the proxy authorization form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label containing a bar-code and other information. In order for that form of proxy to validly constitute a proxy authorization form, the Non-Registered Holder must remove the label from the instructions, affix it to the form of proxy, properly complete and return the signed form of proxy and return it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of this procedure is to permit Non-Registered Holders to effectively direct the voting of the common shares which they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to vote at the Meeting in person, the Non-Registered Holder should strike out the names of the Management Proxyholders named in the form and insert the Non-Registered Holder's name in the blank space provided. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or proxy authorization form is to be delivered.**

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As at October 14, 2011, the Corporation had 182,947,595 common shares issued and outstanding, each carrying the right to one vote per share. Each person who is a holder of record of common shares of the Corporation at the close of business on October 14, 2011 (the "**Record Date**") will be entitled to notice of and to attend the Meeting and to vote at the Meeting the number of common shares held by such holder on the Record Date.

Except as disclosed below, as at October 14, 2011, no person or company, to the knowledge of the directors or the executive officers of the Corporation, beneficially owns, or controls or directs, directly or indirectly, more than 10% of the voting rights attached to any class of voting securities of the Corporation.

Name	Number of Common Shares Beneficially Owned, Controlled or Directed	Percentage of Outstanding Common Shares
Lars Henrik Hoie	20,018,230	10.94%
Elliott International Capital Advisors Inc.	32,640,043	17.84%
Albert D. Friesen	29,821,699	16.3%

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Management is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of (i) any person who was a director or executive officer of the Corporation at any time since the beginning of its last completed financial year; (ii) any proposed nominee for election as a director of the Corporation; or (iii) any associate or affiliate of every person referred to in (i) and (ii), in any matter to be acted upon at the Meeting, other than the election of directors and the re-approval of the Corporation's stock option plan.

PARTICULARS OF MATTERS TO BE ACTED UPON

A. Financial Statements

The Board has approved the financial statements for the financial year ended May 31, 2011, and the auditors' report thereon.

B. Election of Directors

The present term of office of each director will expire immediately prior to the election of directors at the Meeting. It is proposed that each of the four nominees whose name appears hereunder be elected as a director of the Corporation to serve until the close of the next annual meeting of shareholders or until his successor is elected or appointed. In the event that any vacancies occur in the slate of such nominees, it is intended that discretionary authority shall be exercised to vote the shares represented by proxies for the election of such other person or persons as directors as may be nominated in accordance with the best judgement of Management.

Information in the table below as to shares beneficially owned, or controlled or directed, directly or indirectly, by each nominee, as of the date of this Circular, not being within the knowledge of the Corporation, has been furnished by each of the respective nominees.

Name and Present Position with the Corporation	Common Shares Beneficially Owned, Controlled or Directed	Director Since	Principal Occupation During the Last Five Years
Dr. Albert D. Friesen, Chief Executive Officer, Chairman and Director, Winnipeg, Manitoba, Canada,	29,821,699 (16.3%)	Jun. 10/98	Dr. Friesen is Chief Executive Officer, Chairman and a director of the Corporation. Dr. Friesen is also currently the President and Chairman of Genesys Venture Inc., a biotech incubator, based in Winnipeg, that he founded in 1997.
Dr. Arnold Naimark, ⁽¹⁾ Director, Winnipeg, Manitoba, Canada	Nil	Feb. 28/00	Dr. Naimark is currently President Emeritus, Dean of Medicine Emeritus, Professor of Medicine and Physiology at the University of Manitoba, the Director of the Centre for the Advancement of Medicine and the founding Chair of the Canadian Health Services Research Foundation and the Canadian Biotechnology Advisory Committee.
Gerald P. McDole, ⁽¹⁾ Director, Mississauga, Ontario, Canada	10,000 (0.01%)	Jan. 16/04	Mr. McDole is currently a director of several Canadian healthcare companies. Mr. McDole retired as President and CEO of AstraZeneca Canada Inc.'s pharmaceutical operations in 2004. Prior to this, Mr. McDole was president and CEO of Astra Pharma Inc., a position he assumed in 1985 after having served as Executive Vice-President.
Peter Quick, ⁽¹⁾ Director, Mill Neck, New York, USA	Nil	Nov. 29/05	Mr. Quick currently serves on the Board of Directors for Reckson Associates, the Board of Directors for Fund For The Poor, the Board of Governors of St. Francis Hospital on Long Island, and the National Selection Committee for the Jefferson Scholars Program of the University of Virginia. Mr. Quick is past President and CEO of Quick & Reilly, Inc. and a former President of the American Stock Exchange (now the "NYSE Alternext U.S."). Mr. Quick has also served on the Board of Governors of the Chicago Stock Exchange and as Chairman of the Midwest Securities Trust Company.

Notes:

- (1) Member of the Audit and Finance Committee and the Executive Compensation, Nominating and Corporate Governance Committee.

Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote "For" the election of the above nominees as directors of the Corporation. Management recommends a vote "For" the resolution electing the above nominees.

C. Re-Appointment and Remuneration of Auditors

Management proposes to re-appoint KPMG LLP ("KPMG"), Chartered Accountants, of Winnipeg, Manitoba, the present auditors of the Corporation, as the auditors of the Corporation to hold office until the close of the next annual meeting of shareholders. KPMG was first appointed as auditors of the Corporation on August 15, 2000.

Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote "For" the re-appointment of KPMG as auditors of the Corporation and the authorization of the directors to fix the remuneration of the auditors. Management recommends a vote "For" the resolution re-appointing KPMG as auditors of the Corporation and authorizing the directors to fix the remuneration of the auditors.

D. Re-Approval of Stock Option Plan

At the Meeting, the shareholders of the Corporation will be asked to re-approve the Corporation's stock option plan (the "**Option Plan**") for the ensuing year. In 2007, shareholders approved an amendment to the Option Plan to transform it into a percentage-based plan or "rolling plan". The Option Plan, as so amended, permits the Corporation to grant options to purchase common shares from time to time provided that the number of common shares reserved for issuance pursuant to outstanding options does not exceed 10% of the total number of common shares issued and outstanding at the date of any such grant. The Option Plan was last approved at the Corporation's previous annual and special meeting held on November 29, 2010. As at October 14, 2011, the maximum number of common shares available under the Option Plan was 18,294,759, being 10% of the 182,947,595 issued and outstanding common shares as at such date. Under the rules of the TSX Venture Exchange, a rolling plan must be approved by shareholders every year.

Any increase in the number of outstanding common shares of the Corporation will result in an increase in the number of common shares that are available to be issued under the Option Plan, and any exercise of an option previously granted under the Option Plan will result in an additional grant being available under the Option Plan. If any option expires or otherwise terminates without having been exercised in full, the number of common shares in respect of such expired or terminated options, as the case may be, would again be available for the purposes of option grants under the Option Plan.

Options granted pursuant to the Option Plan will not exceed a term of ten years and are granted at an option price and with vesting dates which the directors determine are necessary to achieve the goals of the Option Plan and in accordance with regulatory policies. Each option entitles the holder thereof to purchase one common share on the terms set forth in the Option Plan and in such participant's specific stock option agreement.

The full text of the Option Plan will be available for review at the Meeting and will be supplied free of charge to shareholders upon written request made directly to the Corporation at its office located at 2-1250 Waverley Street, Winnipeg, Manitoba, R3T 6C6.

Ordinary Resolution

At the Meeting, shareholders will be asked to consider, and if thought appropriate, approve the resolution substantially in the form noted below to re-approve the Option Plan for the ensuing year.

"RESOLVED, as an ordinary resolution, that:

- (a) the Corporation's stock option plan is hereby re-approved for the ensuing year; and
- (b) any director or officer of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise and to deliver or to cause to be delivered, all such other deeds, documents, instruments and assurances and to do or cause to be done all such other acts as in the opinion of such director or officer of the Corporation may be necessary or desirable to carry out the terms of the foregoing."

Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote "For" the ordinary resolution to re-approve the Option Plan for the ensuing year. To be effective, the resolution must be passed by not less than a majority of the votes cast by shareholders in person or by proxy at the Meeting. **Management recommends a vote "For" the ordinary resolution to re-approve the Option Plan for the ensuing year.**

E. Adoption of By-Law Number 1A

The Corporation desires to repeal its By-law Number 1 confirmed by the shareholders on October 25, 2000 and amended on October 25, 2007 (the "**Original By-law**") and replace it with By-law Number

1A (the “**By-law**”), a copy of which is attached as Schedule “B” to this Circular. The By-law is being presented for confirmation primarily to modernize the by-laws to reflect the current provisions of the the CBCA and to provide for advance notice of nominations of directors in certain circumstances. The material changes contained in the By-law may be summarized as follows:

- advance notice is now required to be provided to the Corporation in circumstances where nominations of persons for election to the board of directors are made by shareholders other than pursuant to a requisition of a meeting made pursuant to the provisions of the CBCA or a shareholder proposal made pursuant to the provisions of the CBCA;
- indemnity provisions have been expanded to reflect CBCA amendments which have broadened the language of indemnity coverage and which also now permit the Corporation to advance monies to an indemnified individual for costs, charges and expenses associated with proceedings against such individual; and
- a quorum at any meeting of shareholders has been increased from one person present in person or by proxy holding or representing in the aggregate not less than 5% of the common shares entitled to vote to two persons present in person or by proxy holding or representing in the aggregate not less than 10% of the common shares entitled to vote.

The foregoing summary of the material changes to the By-Law is intended to be a brief and is qualified in its entirety by the full text of the By-law, which is attached as Schedule “B” to this Circular.

Ordinary Resolution

At the Meeting, shareholders will be asked to consider, and if thought appropriate, approve the resolution substantially in the form noted below to approve the By-law.

“**RESOLVED**, as an ordinary resolution, that:

- (a) By-law Number 1 is hereby repealed;
- (b) the By-law substantially in the form attached as Schedule “B” to the Corporation’s Management Information Circular dated October 14, 2011 is hereby approved, ratified and confirmed as the by-law of the Corporation; and
- (c) any director or officer of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise and to deliver or to cause to be delivered, all such other deeds, documents, instruments and assurances and to do or cause to be done all such other acts as in the opinion of such director or officer of the Corporation may be necessary or desirable to carry out the terms of the foregoing.”

Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote “For” the ordinary resolution to approve the By-law. To be effective, the resolution must be passed by not less than a majority of the votes cast by shareholders in person or by proxy at the Meeting. **Management recommends a vote “For” the ordinary resolution to approve the By-law.**

F. Share Consolidation

Shareholders are being asked to consider and, if thought fit, approve the special resolution set forth below, approving an amendment to the Corporation’s articles of incorporation to consolidate its issued and outstanding common shares (the “**Share Consolidation**”). If the special resolution is approved, the board of directors of the Corporation will have the authority, in its sole discretion, to select the exact consolidation ratio, provided that (i) the ratio may be no smaller than one post-consolidation share for every four (4) pre-consolidation common shares and no larger than one post-consolidation

share for every fifteen (15) pre-consolidation common shares, and (ii) the number of pre-consolidation common shares in the ratio must be a whole number of common shares.

Approval of the special resolution by holders of Common Shares would give the board of directors authority to implement the Share Consolidation at any time prior to November 22, 2012 subject to any required regulatory approvals. In addition, notwithstanding approval of the proposed Share Consolidation by shareholders, the board of directors, in its sole discretion, may revoke the special resolution, and abandon the Share Consolidation without further approval or action by or prior notice to shareholders.

Certain risks associated with the Share Consolidation and related information, are described below.

Certain Risks associated with the Share Consolidation

The Corporation's total market capitalization immediately after the proposed consolidation may be lower than immediately before the proposed consolidation.

A decline in the market price of the common shares after the proposed consolidation may result in a greater percentage decline than would occur in the absence of a consolidation, and the liquidity of the common shares could be adversely affected following such a consolidation.

The proposed consolidation may result in some shareholders owning "odd lots" of less than 100 common shares on a post-consolidation basis which may be more difficult to sell, or require greater transaction costs per common share to sell.

These are only some of the risks associated with the Share Consolidation.

No Fractional Shares to be Issued

No fractional common shares will be issued in connection with the Share Consolidation. If, as a result of the Share Consolidation, a registered shareholder would otherwise be entitled to a fractional common share, the Corporation will round any fractional common shares in the following manner: each fractional common share that is at least 0.5 of a common share will be rounded up to the nearest whole common share and each fractional common share that is less than 0.5 of a common share will be rounded down to the nearest whole common share.

Principal Effects of the Share Consolidation

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

In addition, the Share Consolidation will not affect any shareholder's proportionate voting rights. Each common share outstanding after the Share Consolidation will be entitled to one vote and will be fully paid and non-assessable. The principal effects of the Share Consolidation will be that (i) the number of common shares issued and outstanding will be reduced from approximately 182,947,595 common shares as of October 14, 2011 to between approximately 12,196,506 and 45,736,898 common shares, depending on the ratio selected by the board of directors; and (ii) the numbers of common shares reserved for issuance under the Corporation's Option Plan and the number of common shares that may be purchased upon exercise of warrants will be reduced proportionately based on the consolidation ratio selected by the Corporation's board of directors.

Effect on Non-registered Shareholders

Non-registered shareholders holding their common shares through a bank, broker or other nominee should note that such banks, brokers or other nominees may have different procedures for processing the Share Consolidation than those that will be put in place by the Corporation for registered shareholders. Such non-registered shareholders are encouraged to contact their bank, broker or other nominee if they have questions in this regard.

Effect on Share Certificates

If the proposed Share Consolidation is approved by shareholders and implemented, registered shareholders will be required to exchange their share certificates representing pre-consolidation common shares for new share certificates representing post-consolidation common shares. Following the announcement by the Corporation of the consolidation ratio selected by the board of directors and the effective date of the Share Consolidation, registered shareholders will be sent a letter of transmittal from the Corporation's transfer agent, Computershare Trust Company of Canada, as soon as practicable after the effective date of the Share Consolidation. The letter of transmittal will contain instructions on how to surrender certificate(s) representing pre-consolidation common shares to the transfer agent. The transfer agent will forward to each registered shareholder who has sent the required documents a new share certificate representing the number of post-consolidation common shares to which the shareholder is entitled. Until surrendered, each share certificate representing pre-consolidation common shares will be deemed for all purposes to represent the number of whole post-consolidation common shares, to which the holder is entitled as a result of the Share Consolidation.

Shareholders should not destroy any share certificate(s) and should not submit any share certificate(s) until requested to do so.

Special Resolution

At the Meeting, shareholders will be asked to consider, and if thought appropriate, approve the resolution substantially in the form noted below to permit the Share Consolidation. The board of directors and management of the Corporation believe that the proposed Share Consolidation is in the best interests of the Corporation and its shareholders.

“RESOLVED, as a special resolution, that:

The Corporation is hereby authorized to amend its articles of incorporation to provide that:

- (a) the authorized capital of the Corporation is altered by consolidating all of the issued and outstanding common shares (“**Shares**”) of the Corporation without par value on the basis of a consolidation ratio to be selected by the Corporation's Board of Directors, in its sole discretion, provided that (i) the ratio may be no smaller than one post-consolidation Share for every four (4) pre-consolidation Shares and no larger than one post-consolidation Share for every fifteen (15) pre-consolidation Shares, and (ii) the number of pre-consolidation Shares in the ratio must be a whole number of Shares;
- (b) in the event that the consolidation would otherwise result in the issuance of a fractional share, each fractional share that is at least 0.5 of a Share will be rounded up to the nearest whole Share and each fractional Share that is less than 0.5 of a Share will be rounded down to the nearest whole Share;
- (c) the effective date of such consolidation shall be the date shown in the certificate of amendment issued by the Director appointed under the CBCA or such other date indicated in the articles of amendment provided that, in any event, such date shall be prior to November 22, 2012;

- (d) any director or officer of the Corporation is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute, or to cause to be executed, whether under the corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered all such other 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 in order to carry out the intent of this special resolution, including, without limitation, the determination of the effective date of the consolidation and the delivery of articles of amendment in the prescribed form to the Director appointed under the CBCA, the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination; and
- (e) notwithstanding the foregoing, the directors of the Corporation are hereby authorized, without further approval of or notice to the shareholders of the Corporation, to revoke this special resolution at any time before the Director issues a certificate of amendment.”

Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote “For” the special resolution to permit the Share Consolidation. To be effective, the resolution must be passed by not less than two thirds of the votes cast by shareholders in person or by proxy at the Meeting. **Management recommends a vote “For” the special resolution to permit the Share Consolidation.**

G. Other Business

Management knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters which are not now known to Management should properly come before the Meeting, the shares represented by proxies in favour of Management nominees will be voted on such matters in accordance with the best judgment of the proxy nominee.

STATEMENT OF EXECUTIVE COMPENSATION

For the purposes of this Circular, a Named Executive Officer (“NEO”) of the Corporation means each of the following individuals:

- (a) the CEO of the Corporation;
- (b) the chief financial officer (“CFO”) of the Corporation;
- (c) each of the Corporation’s three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6 – *Statement of Executive Compensation* of National Instrument 51-102 – *Continuous Disclosure Obligations*, for that financial year; and
- (d) each individual who would be an NEO under paragraph (c) above but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of that financial year.

The Corporation had three NEOs during the financial year ended May 31, 2011: Dr. Albert D. Friesen, CEO and Chairman of the Corporation; Dawson Reimer, President and COO of the Corporation; and Eric Johnstone, former CFO and Secretary of the Corporation.

A. Compensation Discussion and Analysis

The Executive Compensation, Nominating and Corporate Governance Committee is responsible for reviewing the Corporation’s compensation policies and the compensation of the Corporation’s

executive officers. The Executive Compensation, Nominating and Corporate Governance Committee makes recommendations to the Board, which has final approval on such matters.

The Executive Compensation, Nominating and Corporate Governance Committee recommends to the Board what it considers is the appropriate compensation based primarily on a comparison of the remuneration paid by the Corporation with the remuneration paid by other public companies that the Committee feels are similarly placed within the life sciences industry. The Corporation's executive compensation program consists of an annual base salary, the grant of stock options and an annual discretionary bonus.

Executive Compensation Program

The Corporation's executive compensation program is based on a "pay-for-performance" philosophy. The program is designed to encourage, compensate and reward executives on the basis of individual and corporate performance, both in the short and the long term. Base salaries are set at levels which are intended to be competitive with the base salaries paid by companies of a comparable size within the life sciences industry, thereby enabling the Corporation to compete for and retain executives critical to the Corporation's long term success. Incentive compensation is directly tied to corporate and individual performance. Share ownership opportunities are provided to align the interests of the executives and senior managers with the longer term interests of shareholders. The Executive Compensation, Nominating and Corporate Governance Committee may retain independent compensation consultants to assess the Corporation's executive compensation relative to the marketplace. In addition, the Executive Compensation, Nominating and Corporate Governance Committee may source various surveys on executive compensation, which provide competitive data reflecting comparable knowledge, skills and talents and related compensation levels. The Executive Compensation, Nominating and Corporate Governance Committee also collects executive compensation data from public filings of other companies of similar size within the life sciences industry. Variables such as asset size, production levels, financial performance and rates of growth influence compensation levels and are analyzed and considered in fixing compensation levels.

The Corporation's corporate goals and objectives (the "**Corporate Objectives**") are established at regular intervals by the Board of Directors. In the fourth quarter of each financial year, the achievements of senior management are reviewed and evaluated by the Executive Compensation, Nominating and Corporate Governance Committee and measured against the Corporate Objectives. The degree to which the Corporate Objectives have been achieved are considered by the Executive Compensation, Nominating and Corporate Governance Committee along with the individual performance of each executive. Recommendations are then made to the Board of Directors with respect to the cash-based annual incentives and the long-term incentives of the senior executives, thereby establishing a direct link between senior executive compensation and the Corporation's financial and non-financial performance. For the financial year ended May 31, 2011, the Corporation did not set any Corporate Objectives for the NEOs and did not pay any annual incentives to the NEOs.

Compensation for the NEOs, as well as for other senior managers, consists of (i) an annual base salary, (ii) the grant of stock options, and (iii) an annual discretionary bonus, all of which are discussed in further detail below. As a senior executive's level of responsibility increases, a greater percentage of total compensation is based on performance (as opposed to base salary and standard employee benefits) and the mix of total compensation shifts towards bonuses and stock options, thereby increasing the mutuality of interest between senior managers and shareholders.

The Corporation has an Option Plan pursuant to which the Board of Directors has granted stock options to the NEOs. The Option Plan allows for compensation of participants while providing additional incentive to work toward strengthening long term corporate performance. Options to purchase common shares of the Corporation may be granted to an executive under the Option Plan following consideration by the Executive Compensation, Nominating and Corporate Governance Committee of the level of responsibility of the executive, as well as his/her impact and/or contribution to the longer term operating performance of the Corporation. In determining the number of options to be granted to the NEOs, the

Executive Compensation, Nominating and Corporate Governance Committee takes into account the number of options, if any, previously granted to each NEO and the exercise price of any outstanding options.

Annual Base Salary

The Executive Compensation, Nominating and Corporate Governance Committee recommends the base salary for the NEOs and any other executive officers of the Corporation based on reviews of market data from peer group companies, reviews of externally prepared industry surveys, and public information available on executive compensation for other companies of a similar size within the life science industry. The level of base salary for the NEOs is determined by the level of responsibility and the importance of their relative positions to the Corporation, prior experience, breadth of knowledge and past and expected future performance. The NEOs' base salaries are set at levels which are intended to be competitive with the base salaries paid by companies of a comparable size within the life science industry, thereby enabling the Corporation to compete for and retain executives critical to the Corporation's long term success. Variables such as milestone achievement and financial performance influence compensation levels and are analyzed and considered in fixing compensation levels. Base salaries are generally significantly increased only if market compensation practices change substantially or the executive officer assumes material additional responsibilities.

Stock Options

The Option Plan is administered by the Executive Compensation, Nominating and Corporate Governance Committee and is designed to give each option holder an interest in preserving and maximizing shareholder value in the longer term, to enable the Corporation to attract and retain individuals with experience and ability, and to reward individuals for current performance and expected future performance. The Executive Compensation, Nominating and Corporate Governance Committee considers stock option grants when reviewing NEO and senior executive compensation packages as a whole with respect to the allocation of options under the Option Plan. After reviewing the recommendations of the President and CEO, the Executive Compensation, Nominating and Corporate Governance Committee recommends to the Board of Directors which key employees should receive option grants, and any terms and conditions forming part of such grants. Individual grants are determined by an assessment of an individual's current and expected future performance, level of responsibility and the importance of the position to the Corporation's overall success. The aggregate number of stock options which may be issued under the Option Plan or in respect of any financial year is limited by the terms of the Option Plan and cannot be increased without shareholder approval. The expiry date for options granted under the Option Plan may be any time up to ten years from the effective date of the grant. Although the Executive Compensation, Nominating and Corporate Governance Committee has discretion to determine the terms and conditions of any option grant in accordance with the provisions of the Option Plan, since the Option Plan's inception, the Executive Compensation, Nominating and Corporate Governance Committee has typically recommended that options granted under the Option Plan have a maximum ten-year term. Pursuant to the terms of the Option Plan, vesting is at the discretion of the Executive Compensation, Nominating and Corporate Governance Committee. In general, to be eligible to receive stock options, individuals must be a director, an officer, an employee or a consultant engaged by the Corporation. No stock options were granted to NEOs during the financial year ended May 31, 2011.

Performance Bonus

NEOs and other executive officers may be eligible for discretionary cash performance bonuses. The amount awarded, if any, is based upon the financial condition of the Corporation, the level of responsibility and significance of position within the Corporation, individual performance, and the achievement of Corporate Objectives and similar goals, such as business development, operational performance and increasing investor awareness and recognition. In any given year, the Corporation's NEOs or other executive officers may be paid a higher, lower, or zero bonus, depending upon relative performance against targets and objectives. For the financial year ended May 31, 2011, the NEOs and

other executive officers were not eligible for any performance bonuses due to the financial condition of the Corporation and therefore did not get paid any performance bonus by the Corporation.

B. Summary Compensation Table

The following table provides a summary of all compensation earned by the NEOs of the Corporation for the financial years ended May 31, 2009, May 31, 2010 and May 31, 2011 for services rendered to the Corporation.

Name and Principal Position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Annual incentive plans (\$)	Long-term incentive plans (\$)	All other compensation (\$)	Total compensation (\$)
Albert D. Friesen, PhD, President, Chief Executive Officer, and Chairman	2011	195,000 ⁽¹⁾	Nil	Nil	Nil	Nil	6,000 ⁽²⁾	201,000 ⁽³⁾
	2010	275,000 ⁽¹⁾	Nil	Nil	Nil	Nil	6,000 ⁽²⁾	281,000 ⁽³⁾
	2009	275,000 ⁽¹⁾	Nil	Nil	Nil	Nil	6,000 ⁽²⁾	281,000 ⁽³⁾
Eric Johnstone, CA, Chief Financial Officer and Secretary ⁽⁴⁾	2011	Nil ⁽⁵⁾	Nil	Nil	Nil	Nil	Nil	Nil
	2010	Nil ⁽⁵⁾	Nil	Nil	Nil	Nil	Nil	Nil
Dawson Reimer Vice President, Operations ⁽⁶⁾	2011	151,500	Nil	Nil	Nil	Nil	20,890 ⁽⁷⁾	172,390
	2010	135,000	Nil	Nil	Nil	Nil	Nil	135,000
	2009	135,000	Nil	Nil	Nil	Nil	1,194 ⁽⁷⁾	136,194

Notes:

- (1) Represents the amount paid by the Corporation to Albert D. Friesen's personal consulting company, A.D. Friesen Enterprises Ltd. See "Employment and Consulting Agreements" section for more information.
- (2) In 2009, 2010 and 2011, Albert D. Friesen received a monthly car allowance of \$500.
- (3) None of Albert D. Friesen's total compensation results from his duties as a director of the Corporation.
- (4) Eric Johnstone provided the services of CFO to the Corporation under the GVI Agreement (as defined herein). See "Employment and Consulting Agreements" section for more information. Mr. Johnstone was appointed CFO of the Corporation on November 1, 2009 and resigned as CFO of the Corporation on July 15, 2011.
- (5) The Corporation did not pay any monetary compensation directly to Eric Johnstone. Approximately \$35,000 of Eric Johnstone's annual salary from GVI was attributable to services provided directly to the Corporation.
- (6) Dawson Reimer was appointed interim CFO of the Corporation on July 15, 2011 and President and COO of the Corporation on July 25, 2011. He resigned as interim CFO on September 21, 2011 and was replaced by James Kinley.
- (7) Vacation payout received by Dawson Reimer during the fiscal year.

Employment and Consulting Agreements

During the Corporation's financial year ended May 31, 2011 the Corporation was party to a consulting agreement whereby Dr. Albert D. Friesen, through his personal consulting company, A.D. Friesen Enterprises Ltd., provided management services to the Corporation. Pursuant to this agreement, Dr. Friesen served the Corporation as President, Chairman and CEO in consideration for consulting fees of \$275,000 annually, payable in equal monthly installments. On October 1, 2010, the consulting fees were reduced to \$155,000 annually with all other terms and conditions of the consulting agreement remaining the same. Dr. Friesen was also eligible for a yearly bonus (up to 30% of his annual consulting fees), if certain objectives are met, as determined by the Board of Directors. The term of the agreement

was set to expire on December 31, 2011 with an automatic renewal provision for a period of one year unless written termination notice was given by either party to the other party at least 30 days prior to expiration. The agreement could be terminated by the Corporation or Dr. Friesen at any time, however, if the Corporation terminated the agreement without cause, Dr. Friesen would be entitled to be paid for a period of 6 months or for the remainder of the term in effect at the date of termination, whichever is greater. The agreement contained standard non-competition and non-solicitation provisions. Dr. Friesen was also entitled to 24 months of severance (in one lump-sum payment) in the event of termination or voluntary resignation after a specified change in control. On July 18, 2011 the Corporation and Dr. Friesen agreed to terminate the consulting agreement and entered into a new consulting agreement. Pursuant to the new agreement between the Corporation and Dr. Friesen's personal consulting company, A.D. Friesen Enterprises Ltd., Dr. Friesen serves the Corporation as CEO in consideration for consulting fees of \$15,000 per month. Dr. Friesen is also eligible for a yearly merit/performance bonus, if any, that the Board of Directors, in its sole discretion, may authorize. The term of the agreement is for a period of 60 months. The agreement can be terminated by Dr. Friesen at any time, upon 6 months written notice to the Corporation. The Corporation can terminate the agreement for any reason upon 4 months written notice or a notice period that lasts until the end of the term of the agreement, whichever is greater. In certain circumstances, including for just cause or a material breach of the agreement by Dr. Friesen, the Corporation can immediately terminate the agreement. The agreement also contains standard non-competition and non-solicitation provisions. If, within 6 months of a specified change in control, the Corporation terminates the agreement or Dr. Friesen voluntarily resigns his position, then Dr. Friesen is entitled to 24 months of severance (in one lump-sum payment), an amount equal to 100% of any bonus paid to him by the Corporation with respect to the last completed fiscal year of the Corporation and the amount of any annual car allowance in effect at that time. Dr. Friesen's stock option agreements under the Option Plan provide that his options will immediately vest in full in the event his employment is terminated or he voluntarily resigns after a specified change in control and the options will remain in full force and effect for a period of 60 days following such specified change in control.

The Corporation entered into a management services agreement with Genesys Venture Inc. ("GVI") on October 1, 2009 (the "**GVI Agreement**") pursuant to which Eric Johnstone provided services to the Corporation as CFO. Mr. Johnstone also provided services to other companies and dedicated only a portion of his time to the affairs of the Corporation. The amount of fees paid by the Corporation to GVI is contractually set pursuant to the GVI Agreement. The CFO did not receive a base salary directly from the Corporation and did not participate in any non-equity incentive plan. However, he did participate in the long term compensation component of the Corporation's compensation program.

Dawson Reimer is party to an employment agreement with the Corporation. Pursuant to the agreement, Mr. Reimer receives an annual base salary of \$165,000. Mr. Reimer is entitled to 12 months of severance (one lump sum payment of \$165,000) in the event of termination or voluntary resignation after a specified change in control. Mr. Reimer's stock option agreements under the Option Plan provide that his options will immediately vest in full in the event his employment is terminated or he voluntarily resigns after a specified change in control and the options will remain in full force and effect for a period of 60 days following the specified change in control.

C. Incentive Plan Awards

Outstanding option-based awards

The following table sets out, for each NEO, the stock options (option-based awards) outstanding as at May 31, 2011. No NEO exercised stock options during the financial year ended May 31, 2011. The closing price of the Corporation's common shares on the NEX board of the TSX Venture Exchange ("**NEX**") was \$0.02 on May 31, 2011.

Name	Number of Securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)
Albert D. Friesen, PhD, President, Chief Executive Officer, and Chairman	150,000	1.65	December 6, 2015	Nil
	150,000	1.63	October 14, 2016	Nil
Eric Johnstone, CA Chief Financial Officer and Secretary ⁽¹⁾	Nil	N/A	N/A	N/A
Dawson Reimer, Vice President, Operations ⁽²⁾	65,000	1.65	December 6, 2015	Nil
	100,000	1.63	October 14, 2016	Nil
	100,000	0.03	November 10, 2018	Nil

Notes:

- (1) Eric Johnstone was appointed CFO of the Corporation on November 1, 2009 and resigned as CFO of the Corporation on July 15, 2011.
- (2) Dawson Reimer was appointed interim CFO of the Corporation on July 15, 2011 and President and COO of the Corporation on July 25, 2011. He resigned as interim CFO on September 21, 2011 and was replaced by James Kinley.

Value vested or earned during the year

The following table sets out, for each NEO, the aggregate value that would have been realized if all incentive plan awards which vested during the financial year ended May 31, 2011 had been exercised on their respective vesting date. No incentive plan awards vested during the financial year ended May 31, 2011.

Name	Option-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Albert D. Friesen, PhD, President, Chief Executive Officer, and Chairman	Nil	Nil
Eric Johnstone, CA Chief Financial Officer and Secretary ⁽¹⁾	Nil	Nil
Dawson Reimer, Vice President, Operations ⁽²⁾	Nil	Nil

Notes:

- (1) Eric Johnstone was appointed CFO of the Corporation on November 1, 2009 and resigned as CFO of the Corporation on July 15, 2011.
- (2) Dawson Reimer was appointed interim CFO of the Corporation on July 15, 2011 and President and COO of the Corporation on July 25, 2011. He resigned as interim CFO on September 21, 2011 and was replaced by James Kinley.

D. Pension Plan Benefits

The Corporation does not have a pension plan or deferred compensation plan.

E. Termination and Change of Control Benefits

Pursuant to the agreement referred to herein entered into by the Corporation with certain NEOs, the Corporation is required to make certain payments upon termination (whether voluntary or involuntary), change of control or a change in the NEOs' responsibilities, as applicable. An estimate of the amount of these payments assuming that the triggering event giving rise to such payments occurred on May 31, 2011 is set out in the table below and is more fully described in the description of the NEO employment and consulting agreements above.

Name	Resignation	Termination without cause (\$)	Change of control (\$)
Albert D. Friesen, PhD, President, Chief Executive Officer, and Chairman	Nil	90,417	310,000
Dawson Reimer Vice President, Operations	Nil	27,500	165,000

F. Director Compensation**Director Compensation Table**

The following table sets out, for each director that is not also an NEO, compensation received for the financial year ended May 31, 2011.

Name	Fees earned (\$) ⁽¹⁾	Option- based awards (\$)	Non-equity incentive plan compensation (\$)	All other compensation (\$)	Total compensation (\$)
Arnold Naimark	Nil	Nil	Nil	Nil	Nil
Gerald McDole	Nil	Nil	Nil	Nil	Nil
Peter Quick	Nil	Nil	Nil	Nil	Nil

Notes:

(1) Fees waived or delayed by directors. See discussion below.

The Corporation provides \$2,000 per quarterly meeting personally attended and \$1,000 per quarterly meeting attended via telephone and \$1,500 per committee meeting, in cash compensation, to those of its directors who are not "insiders" (as that term is defined in Part XI of *The Securities Act* (Manitoba)) of the Corporation other than by virtue of the fact that they are directors of the Corporation. The Corporation also provides an additional annual retainer of \$10,000 to the independent Chairs. During the financial year ended May 31, 2011 the directors of the Corporation agreed to waive or delay all retainers and cash compensation related to attendance at meetings.

The directors are reimbursed for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of the Board of Directors.

Outstanding option-based awards

The following table sets out, for each director that is not also an NEO, the stock options (option-based awards) outstanding as at May 31, 2011. No director exercised stock options during the financial year ended May 31, 2011. The closing price of the Corporation's common shares on the NEX was \$0.015 on May 31, 2010.

Name	Number of Securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)
Arnold Naimark	35,000	1.65	December 6, 2015	Nil
	110,000	0.98	December 11, 2017	Nil
	50,000	0.04	September 3, 2018	Nil
	10,000	0.04	April 16, 2019	Nil
Gerald McDole	75,000	1.65	December 6, 2015	Nil
	10,000	0.98	December 11, 2017	Nil
	50,000	0.04	September 3, 2018	Nil
	10,000	0.04	April 16, 2019	Nil
Peter Quick	100,000	1.65	December 6, 2015	Nil
	50,000	1.54	January 16, 2017	Nil
	10,000	0.98	December 11, 2017	Nil
	50,000	0.04	September 3, 2018	Nil
	10,000	0.04	April 16, 2019	Nil

Value vested or earned during the year

The following table sets out, for each director that is not also an NEO, the aggregate value that would have been realized if all incentive plan awards vested during the financial year ended May 31, 2011 had been exercised on their respective vesting date. No incentive plan awards vested during the financial year ended May 31, 2011.

Name	Option-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Arnold Naimark	Nil	Nil
Gerald McDole	Nil	Nil
Peter Quick	Nil	Nil

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides a summary of outstanding stock options and securities available for issuance under the Option Plan as at May 31, 2011.

Plan Category	Number of securities to be issued upon exercise of outstanding options (#)	Weighted-average exercise price of outstanding options, warrants and rights (\$)	Number of securities remaining available for future issuance under equity compensation plans (#)
Stock Option Plan ⁽¹⁾	2,322,192	0.74	10,708,563 ⁽²⁾
Equity compensation plans not approved by shareholders	Not applicable	Not applicable	Not applicable
Total	2,322,192	0.74	10,708,563

Notes:

- (1) The only equity compensation plan of the Corporation is the Option Plan.
- (2) The maximum number of common shares of the Corporation to be issued pursuant to the Plan is limited to an aggregate amount equal to 10% of the issued and outstanding common shares, from time to time.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

None of the directors, executive officers or employees of the Corporation or persons who were directors or executive officers of the Corporation at any time during the last completed financial year of the Corporation ended May 31, 2011, none of the proposed nominees for election as directors of the Corporation and none of the associates of such persons are or have been indebted to the Corporation at any time during such periods. Furthermore, none of such persons were indebted to a third party during such period where their indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Dr. Friesen, a director, CEO and Chairman of the Corporation owns a leasing company, South Waverley Business and Science Centre Inc. which entered into a lease with the Corporation as of November 1, 2009 which was subsequently amended on October 1, 2010. Pursuant to this agreement, the Corporation leases approximately 750 square feet of office space from South Waverley Business and Science Centre Inc. for minimum annual rental payments of \$9,750.

Dr. Friesen also owns a personal consulting company, A.D. Friesen Enterprises Ltd., which entered into a consulting contract with the Corporation as of October 1, 2007. See "Employment and Consulting Agreements" section for more information.

Pursuant to the GVI Agreement, GVI provides the following business services to the Corporation: financial management services including providing the services of the CFO, accounting support, payroll services and financial reporting; intellectual property and trademark management and coordination; human resource management; contract review; and office and administrative support including providing computer network support and physical office, meeting room and storage facilities. In consideration for providing the aforesaid business services, the Corporation currently pays GVI \$15,000 per month. Dr. Friesen owns 51% of the issued and outstanding shares of GVI and serves as its President.

DIRECTORS' AND OFFICERS' INSURANCE

Under the Corporation's by-laws, the Corporation indemnifies its officers and directors to the extent permitted by the CBCA. The Corporation has purchased insurance permitted under subsection 124(6) of the CBCA for the benefit of its directors and officers in respect of certain liabilities, which may be incurred by them in such capacities.

The above mentioned insurance provides coverage of \$5,000,000 per loss and \$5,000,000 in the aggregate for claims made anywhere in the world, subject to a deductible of up to \$250,000 per corporate

loss. The annual premium for the policy is \$41,500 and has been paid by the Corporation. The policy contains standard industry exclusions and no claims have been made under the policy to date.

AUDIT COMMITTEE

The Audit and Finance Committee oversees the Corporation's financial reporting process on behalf of the Board. Management has the responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit and Finance Committee reviewed the audited consolidated financial statements included in the Corporation's annual report for the financial year ended May 31, 2011 (the "**Annual Report**") with management including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosure in the financial statements.

The Audit and Finance Committee reviewed the audited consolidated financial statements included in the Annual Report with the Corporation's independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with Canadian generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Corporation's accounting principles and such other matters as are required to be discussed with the Audit and Finance Committee under Canadian generally accepted auditing standards. In addition, the Audit and Finance Committee has discussed with the independent auditors the auditors' independence from management and the Corporation including the matters in the written disclosures provided to the Audit and Finance Committee by the independent auditor and considered the compatibility of non-audit services with the auditors' independence.

The Audit and Finance Committee discussed with the Corporation's independent auditors the overall scope and plans for their audit. The Audit and Finance Committee meets with the independent auditors, with and without management present, to discuss the results of their examination, their evaluations of the Corporation's internal controls, and the overall quality of the Corporation's financial reporting. The Audit and Finance Committee held five meetings during the year ended May 31, 2011. In reliance on the reviews and discussions referred to above, the Audit and Finance Committee recommended to the Board (and the Board has approved) that the audited consolidated financial statements be included in the Annual Report for filing with the Canadian provincial securities commissions and the United States Securities and Exchange Commission. The Audit and Finance Committee and the Board have also recommended, subject to shareholder approval, the selection of the Corporation's independent auditors for the upcoming financial year.

For more information about the Audit and Finance Committee as required pursuant to National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), see pages 46 to 52 in the Corporation's Form 20-F for the financial year ended May 31, 2011, available electronically at www.sedar.com

Report Submitted by the Audit and Finance Committee

Gerald McDole (Chairperson)

Dr. Arnold Naimark

Peter Quick

AUDITOR INDEPENDENCE

KPMG is the auditor of the Corporation and provides financial advisory and other non-audit services to the Corporation and its subsidiaries. The Audit and Finance Committee of the Corporation has concluded that the provision of these non-audit services by KPMG is compatible with KPMG maintaining its independence.

The total fees paid or accrued by the Corporation for audit and other services provided by KPMG for the financial years ending May 31, 2010 and May 31, 2011:

<u>2010</u>	<u>2011</u>	
\$ 87,500	\$109,000	Audit Fees
\$ 8,900	\$ 0	Audit-related Fees ⁽¹⁾
<u>\$ 0</u>	<u>\$ 0</u>	
\$ 96,400	\$109,000	Total Fees

Notes:

(1) Fees related to review and comment on quarterly financial statements.

CORPORATE GOVERNANCE

The Board believes that a clearly defined system of corporate governance is essential to the effective and efficient operation of the Corporation. The system of corporate governance should reflect the Corporation's particular circumstances, having always as its ultimate objective, the best long-term interests of the Corporation and the enhancement of value for all shareholders.

National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("**NI 58-101**"), adopted by the Canadian Securities Administrators, requires that listed companies disclose their policies with respect to corporate governance in their annual reports or information circulars. The table below discloses the Corporation's corporate governance policies in accordance with the requirements of NI 58-101.

<i>Corporate Governance Disclosure Requirement</i>	<i>Compliance</i>	<i>Comments</i>
1. (a) Disclose the identity of Directors who are independent.	Yes	The Executive Compensation, Nominating and Corporate Governance Committee has reviewed the independence of each Director on the basis of the definition in section 1.4 of NI 52-110. The Board has determined, after reviewing the roles and relationships of each of the Directors, that 3 out of 4 of the nominees proposed by Management for election to the Board are independent from the Corporation. The following nominees have been affirmatively determined to be independent by the Board: Dr. Arnold Naimark Gerald McDole Peter Quick
(b) Disclose the identity of Directors who are not independent, and describe the basis for that determination.	Yes	The Executive Compensation, Nominating and Corporate Governance Committee has determined, after reviewing the roles and relationships of each of the Directors, that the following 1 out of 4 members of the Board are not independent from the Corporation: Dr. Albert D. Friesen, CEO.
(c) Disclose whether or not a majority of the Directors are independent.	Yes	Three of the four directors are independent of the Corporation.

<i>Corporate Governance Disclosure Requirement</i>	<i>Compliance</i>	<i>Comments</i>
(d) If a Director is presently a Director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the other Director and the other issuer.	Yes	Dr. Albert D. Friesen – Director of Miraculins Inc. Gerald McDole – Director of Paladin Labs Inc. and Cipher Pharmaceuticals Inc.
(e) Disclose whether or not the independent Directors hold regularly scheduled meetings at which members of management are not in attendance. If the independent Directors hold such meetings, disclose the number of meetings held during the most recently completed financial year. If the independent Directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent Directors.	Yes	As part of every regularly scheduled Board and committee meeting, the independent Directors are given the opportunity to meet separately from management and the non-independent director. Board committees are entirely composed of independent Directors and meet without management when required.
(f) Disclose whether or not the chair of the Board is an independent Director, disclose the identity of the independent chair, and describe his or her role and responsibilities.	No	The chair of the Board is not independent. The chair is Dr. Albert D. Friesen, CEO of the Corporation. However, the Board believes that it is important to support the independence of the Board from management. Accordingly, the Board has put other structures in place to support the independence of the Board, including the formalization of the leadership positions played by the chair of the Executive Compensation, Nominating, and Corporate Governance Committee and the chair of the Audit and Finance Committee. In addition, the independent directors meet separately from management as required.
(g) Disclose the attendance record of each Director for all board meetings held since the beginning of the most recently completed financial year.	Yes	Dr. Albert D. Friesen – 5 of 6 meetings Dr. Arnold Naimark – 6 of 6 meetings Gerald McDole – 6 of 6 meetings Peter Quick – 6 of 6 meetings
2. Disclose the text of the board's written mandate.	Yes	Please refer to Schedule "A" for the written mandate of the Board.

<i>Corporate Governance Disclosure Requirement</i>	<i>Compliance</i>	<i>Comments</i>
3. (a) Disclose whether or not the board has developed written position description for the chair and the chair of each board committee.	Yes	The Board has developed written position descriptions for the Chairman of the Board, as well as for the Chairman of the Audit and Finance Committee and the Chairman of the Executive Compensation, Nominating and Corporate Governance Committee. Their duties reflect the responsibilities of the committees whose charters are available on the Corporation's website (www.medicure.com).
(b) Disclose whether or not the board and CEO have developed a written position description for the CEO.	Yes	The CEO's duties and responsibilities have gradually evolved through continued interactions and consulting with the Board. The Executive Compensation, Nominating and Corporate Governance Committee reviews and discusses the CEO's objectives which include: management of the corporation including its physical, financial, and human resources and maximizing of shareholder value. Performance of the CEO is assessed based on the achievement of the corporate objectives and strategic plans.
4. (a) Briefly describe what measures the board takes to orient new members regarding		
(i) the role of the board, its committees and its Directors, and	Yes	The Board has an orientation program in place for new Directors which the Board feels is appropriate having regard to the current makeup of the Board. Each Director receives relevant corporate and business information on the Corporation, the Board, and its Committees. The Directors regularly meet with Management and are given periodic presentations on relevant business issues and developments.
(ii) the nature and operation of the issuer's business	Yes	
(b) Briefly describe what measures, if any, the board takes to provide continuing education for its Directors.	Yes	Presentations are made to the Board from time to time to educate and keep it informed of changes within the Corporation and of regulatory and industry requirements and standards.
5. (a) Disclose whether or not the board has adopted a written code for its Directors, officers and employees. If the board has adopted a written code:	Yes	The Corporation's Board has adopted a Code of Ethics applicable to directors, officers and employees, copies of which are available on the Corporation's website (www.medicure.com). A copy may also be obtained upon request to the Secretary of the Corporation at its head office, 2-1250 Waverley Street, Winnipeg, Manitoba, R3T 6C6. The Executive Compensation, Nominating and Corporate Governance Committee regularly monitors compliance with the Code and also
(i) disclose how an interested party may obtain a copy of the written code;	Yes	

<i>Corporate Governance Disclosure Requirement</i>	<i>Compliance</i>	<i>Comments</i>
(ii) describe how the board monitors compliance with its code; and	Yes	ensures that Management encourages and promotes a culture of ethical business conduct. The Corporation has developed and the Board has approved various corporate policies, including the Disclosure Policy and the Whistleblower Policy.
(iii) provide a cross-reference to any material report(s) filed since the beginning of most recently completed financial year that pertains to any conduct of a Director or executive officer that constitutes a departure from the code.	Yes	The Board has not granted any waiver of the Code of Ethics in favour of a Director or executive officer. Accordingly, no material change report has been required or filed.
(b) describe any steps the board takes to ensure Directors exercise independent judgment in considering transactions and agreements in respect of which a Director or executive officer has a material interest.	Yes	The Executive Compensation, Nominating and Corporate Governance Committee monitors the disclosure of conflicts of interest by Directors and ensures that no Director will vote nor participate in a discussion on a matter in respect of which such Director has a material interest.
(c) describe any other steps the board takes to encourage and promote a culture of ethical business conduct.	Yes	The Corporation's Board has adopted a Code of Ethics applicable to directors, officers and employees.
6. (a) Describe the process by which the board identifies new candidates for board nomination;	Yes	This responsibility has been assigned to the Executive Compensation, Nominating and Corporate Governance Committee, which is comprised of three Directors, all of whom have been affirmatively determined by the Board to be independent. The purpose of the Executive Compensation, Nominating and Corporate Governance Committee is, amongst other things, to identify and recommend individuals to the Board for nomination to the Board as members of the Board and its committees.
(b) Disclose whether or not the board has a nominating committee composed entirely of independent Directors; and	Yes	The Charter of the Executive Compensation, Nominating and Corporate Governance Committee is available on the Corporation's

<i>Corporate Governance Disclosure Requirement</i>	<i>Compliance</i>	<i>Comments</i>
(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	Yes	<p>website (www.medicure.com). A copy may also be obtained upon request to the Secretary of the Corporation at its head office, 2-1250 Waverley Street, Winnipeg, Manitoba, R3T 6C6.</p> <p>For purposes of filling vacancies on the Board, the Executive Compensation, Nominating and Corporate Governance Committee would recommend nominees to the Board, review the qualifications of prospective members, and determine their relevance taking into consideration current Board composition and the anticipated skills required to round out the capabilities of the Board.</p>
7. (a) Describe the process by which the board determines the compensation for the Corporation's directors and officers;	Yes	<p>The Executive Compensation, Nominating and Corporate Governance Committee reviews and makes recommendations to the Board regarding the adequacy and form of the compensation for non-executive Directors to ensure that such compensation realistically reflects the responsibilities and risks involved, without compromising a Director's independence. The Committee regularly reviews the compensation practices of comparable companies with a view to align the Corporation's non-executive Directors' compensation with a comparator group median. Directors who are executives of the Corporation receive no additional remuneration for their services as Directors.</p> <p>The Board has appointed the Executive Compensation, Nominating and Corporate Governance Committee and assigned to it responsibility for recommending compensation for officers employed by the Corporation to the Board. CEO compensation is approved by the Committee.</p>
(b) Disclose whether or not the board has a compensation committee composed entirely of independent Directors; and	Yes	The Executive Compensation, Nominating and Corporate Governance Committee is comprised of three Directors, all of whom have been affirmatively determined by the Board to be independent.

<i>Corporate Governance Disclosure Requirement</i>	<i>Compliance</i>	<i>Comments</i>
(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	Yes	The Executive Compensation, Nominating and Corporate Governance Committee Charter is available on the Corporation's website (www.medicure.com). A copy may also be obtained upon request to the Secretary of the Corporation at its head office, 2-1250 Waverley Street, Winnipeg, Manitoba, R3T 6C6. The duties and responsibilities of the this Committee include regularly reviewing the compensation principles and practices followed by the Corporation.
8. If the board has standing committees other than the audit, compensation and nominating committees, identify the committees.	Not applicable	The Corporation does not have any board committees other than the Audit and Finance and Executive Compensation, Nominating and Corporate Governance Committees.
9. Disclose whether or not the board, its committees and individual Directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments.	Yes	The Executive Compensation, Nominating and Corporate Governance Committee assesses, at least annually, the effectiveness and contribution of each member of the Board. The assessment is conducted through dialogue with Board members and is part of the information used in setting the slate of directors to be proposed to the shareholders at the next annual meeting.

SHAREHOLDER PROPOSALS

In order to be included in the Meeting Material for the Corporation's 2012 annual meeting of shareholders, shareholder proposals must be received by the Corporation at its offices at 2-1250 Waverley Street, Winnipeg, Manitoba, R3T 6C6, ATTN: Corporate Secretary, no later than July 16, 2012.

ADDITIONAL INFORMATION

Additional information regarding the Corporation can be obtained on SEDAR (www.sedar.com). Financial information regarding the Corporation is contained in the Corporation's comparative annual financial statements for the financial year ended May 31, 2011, as well as in the Corporation's most recent Management's Discussion and Analysis ("**MD&A**"). Shareholders requesting copies of the Corporation's most recent financial statements and MD&A can contact the Secretary of the Corporation at 2-1250 Waverley Street, Winnipeg, Manitoba, R3T 6C6.

CERTIFICATE

The contents and the distribution of this Circular have been approved by the Board of Directors of the Corporation.

DATED at the City of Winnipeg, in the Province of Manitoba this 14th day of October, 2011.

(Signed) "Albert D. Friesen"

Dr. Albert D. Friesen, Chairman & CEO

Schedule "A"

MEDICURE INC.

BOARD OF DIRECTORS' MANDATE

The Board of Directors (the "**Board**") of Medicare Inc. (the "**Company**") is responsible for the stewardship of the Company and for supervising the management of the business and affairs of the Company, in accordance with applicable law, the Company's Bylaws and applicable rules and regulations of the Toronto Stock Exchange.

The Board is elected by the shareholders and represents all shareholders' interests in continuously creating shareholder value. The following is the mandate of the Board.

- Advocate and support the best interests of the Company.
- Review and approve strategic, business and capital plans for the Company and monitor management's execution of such plans.
- Review whether specific and relevant corporate measurements are developed and adequate controls and information systems are in place with regard to business performance.
- Review the principal risks of the Company's business and pursue the implementation by management of appropriate systems to manage such risks.
- Monitor progress and efficiency of strategic, business, and capital plans and require appropriate action to be taken if performance falls short of goals.
- Review measures implemented and maintained by the Company to ensure compliance with statutory and regulatory requirements.
- Select, evaluate, and compensate the President and Chief Executive Officer ("CEO").
- Annually review appropriate senior management compensation programs.
- Adopt a disclosure policy for the Company and monitor the practices of management against the Company's disclosure policy to ensure appropriate and timely communication to shareholders of material information concerning the Company.
- Monitor safety and environmental programs.
- Monitor the development and implementation of programs for management succession and development (including appointing, training and monitoring senior management).
- Approve selection criteria for new candidates for directorship.
- Provide new directors with a comprehensive orientation, and provide all directors with continuing education opportunities.
- Assure shareholders of conformity with applicable statutes, regulations and standards (for example, environmental risks and liabilities, and conformity with financial statements).
- Regularly conduct assessments of the effectiveness of the Board, as well as the effectiveness and contribution of each Board committee and each individual director.

- Establish the necessary committees to monitor the Company.
- Provide advice to and act as a sounding board for the President and CEO.
- Discharge such other duties as may be required in the good stewardship of the Company.
- To the extent feasible, ensure that the President and CEO and other executive officers create a culture of integrity throughout the Company.
- Adopt a strategic planning process and approve, on at least an annual basis, a strategic plan, which takes into account, among other things, the opportunities and risks of the business.
- Develop the Company's internal control and management information systems.
- Develop the Company's approach to corporate governance, including the development of a set of corporate governance principles and guidelines that are specifically applicable to the Company.
- Permit stakeholders to provide feedback to at least one independent Director annually at the Company's Annual General Meeting.

Members of the Board are expected to review available meeting materials in advance, to attend all regularly scheduled Board meetings, and Committee meetings of which they are a member, whenever possible, and to devote the necessary time and attention to effectively carry out their responsibilities as directors.

The Board shall review and reassess the adequacy of this Mandate at least annually and otherwise, as it deems appropriate. The performance of the Board shall be evaluated with reference to this Mandate annually.

The Board shall ensure that this Mandate is disclosed on the Company's website (www.medicure.com) and that this Mandate or a summary of it which has been approved by the Board is disclosed in accordance with all applicable securities laws or regulatory requirements.

Schedule "B"

MEDICURE INC.

BY-LAW NUMBER 1A

(See attached.)

BY-LAW NUMBER 1A

A by-law relating generally to the transaction of the business and affairs of

MEDICURE INC.

BE IT ENACTED as a by-law of the Corporation as follows:

SECTION 1 INTERPRETATION

1.01 Definitions

In the by-laws of the Corporation, unless the context otherwise requires:

“**Act**” means the *Canada Business Corporations Act* and the regulations thereto, and any statute that may be substituted therefor, as from time to time amended;

“**Applicable Securities Laws**” means the *Securities Act* (Ontario) and the equivalent legislation in the other provinces and in the territories of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commissions and similar regulatory authorities of each of the provinces and territories of Canada and the published rules and policies of any stock exchange on which securities of the Corporation are listed;

“**articles**” means the articles of the Corporation as from time to time amended or restated;

“**board**” means the board of directors of the Corporation;

“**by-laws**” means this by-law and all other by-laws of the Corporation from time to time in force and effect;

“**Corporation**” means the corporation continued under the Act on February 23, 2000 and named Medicare Inc.;

“**meeting of shareholders**” includes an annual meeting of shareholders and a special meeting of shareholders;

“**Nominating Shareholder**” has the meaning ascribed thereto in section 10.25;

“**non-business day**” means Saturday, Sunday and any other day that is a holiday as defined in the *Interpretation Act* (Canada) as from time to time amended;

“**Notice Date**” has the meaning ascribed thereto in section 10.25;

“**public announcement**” shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com;

“**recorded address**” means in the case of a shareholder, the shareholder’s address as recorded in the securities register; and in the case of joint shareholders, the address appearing in the securities register in respect of such joint holding or the first address so appearing if there are more than one; and in the case of a director, officer, auditor or member of a committee of the board, the latest address of such person as recorded in the records of the Corporation;

“**resident Canadian**” has the meaning ascribed thereto in the Act;

“**signing officer**” means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by section 2.04 or by a resolution passed pursuant thereto; and

“**special meeting of shareholders**” includes a special meeting of all shareholders entitled to vote at an annual meeting of shareholders and a meeting of any class or classes of shareholders entitled to vote on the question at issue.

1.02 Additional Definitions

Save as aforesaid, words and expressions defined in the Act have the same meanings when used herein.

1.03 Interpretations

Words importing the singular number include the plural and vice versa; words importing gender include the masculine, feminine and neuter genders; and words importing persons include individuals, bodies corporate, partnerships, trusts and unincorporated organizations.

SECTION 2 BUSINESS OF THE CORPORATION

2.01 Registered Office

Until changed in accordance with the Act, the registered office of the Corporation shall be in the place in Canada from time to time specified in the articles and at such location therein as the board may from time to time determine.

2.02 Corporate Seal

The corporate seal of the Corporation shall be in such form as the directors may by resolution from time to time adopt. An instrument or agreement executed on behalf of the Corporation by a director, an officer or an agent of the Corporation is not invalid merely because the corporate seal, if adopted, is not affixed to it.

2.03 Financial Year

Until changed by the board, the financial year of the Corporation shall end on the 31st day of May in each year.

2.04 Execution of Instruments

Deeds, transfers, assignments, bills of sale, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by any two directors or officers or any director together with any officer. In addition, the board may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed. Routine administrative forms, documents, filings or other like instruments may be signed by any officer or director. Any signing officer may affix the corporate seal, if any, to any instrument requiring the same.

2.05 Banking Arrangements

The banking business of the Corporation including, without limitation, the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be designated by or under the authority of the board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the board may from time to time prescribe or authorize.

2.06 Voting Rights in Other Bodies Corporate

The signing officers of the Corporation may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such instruments, certificates or other evidence shall be in favour of such person or persons as may be determined by the officers executing such proxies or arranging for the issuance of voting certificates or such other evidence of the right to exercise such voting rights. In addition, the board may, from time to time, direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.

2.07 Withholding Information from Shareholders

Subject to the provisions of the Act, no shareholder shall be entitled to discovery of any information respecting any details or conduct of the Corporation's business which, in the opinion of the board, could be inexpedient in the interests of the shareholders or the Corporation to communicate to the public. The board may from time to time determine whether and to what extent and at what time and place and under what conditions or regulations the accounts, records and documents of the Corporation or any of them shall be open to the inspection of shareholders and no shareholder shall have any right to inspect any account, record or document of the Corporation except as conferred by the Act or authorized by the board.

SECTION 3 BORROWING AND SECURITY

3.01 Borrowing Power

Without limiting the borrowing powers of the Corporation as set forth in the Act, the board may from time to time:

- (a) borrow money upon the credit of the Corporation;
- (b) issue, reissue, sell, pledge or hypothecate bonds, debentures, notes or other evidences of indebtedness or guarantees of the Corporation, whether secured or unsecured;
- (c) to the extent permitted by the Act, give a guarantee on behalf of the Corporation to secure performance of any present or future indebtedness, liability or obligation of any person; and
- (d) mortgage, hypothecate, pledge or otherwise create a security interest in or charge upon all or any real or personal, movable or immovable property of the Corporation, owned or subsequently acquired, including book debts, rights, powers, franchises and undertakings by way of mortgage, hypothec, pledge or otherwise, to secure payment of any such evidence of indebtedness or guarantee whether present or future of the Corporation.

Nothing in this section limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

3.02 Delegation

The board may from time to time by resolution delegate to one or more directors, a committee of directors or one or more officers of the Corporation as may be designated by the board all or any of the powers conferred on the board by section 3.01 or by the Act to such extent and in such manner as the board shall determine at the time of each such delegation.

SECTION 4 DIRECTORS

4.01 Number of Directors and Quorum

Until changed in accordance with the Act, the board shall consist of not fewer than the minimum number and not more than the maximum number of directors provided in the articles. Subject to the Act and to section 4.08 hereof, the quorum for the transaction of business at any meeting of the board shall consist of a majority of directors, or such other number of directors as the board may from time to time determine.

4.02 Qualification

A person shall not be qualified for election as a director if such person is less than 18 years of age; if such person is of unsound mind and has been so found by a court in Canada or elsewhere; if such person is not an individual; or if such person has the status of a bankrupt. A director need not be a shareholder. Any person who is elected or appointed to hold office as a director, even where otherwise qualified to be a director, shall be deemed not to be elected or appointed to hold office as a director unless:

- (a) such person was present at the meeting when the election or appointment took place and such individual did not refuse to hold office as a director; or
- (b) such person was not present at the meeting when the election or appointment took place and
 - (i) such person consented to hold office as a director in writing before the election or appointment or within ten days after it; or
 - (ii) such person has acted as a director pursuant to the election or appointment.

At least twenty-five percent (25%) of the directors shall be resident Canadians unless the Corporation has less than four directors in which case, at least one of the directors shall be a resident Canadian.

4.03 Election and Term

Directors shall be elected yearly to hold office until the close of the next annual meeting of shareholders or, in the case of directors named in the notice accompanying the articles of incorporation, until the first meeting of shareholders. Where directors fail to be elected at any such meeting of shareholders, then notwithstanding the preceding sentence, the incumbent directors shall continue in office until their successors are elected. The number of directors to be elected at any such meeting shall be the greater of the number (or the minimum number, as the case may be) of directors provided for in the articles and the number of directors then in office unless the directors or the shareholders otherwise determine. The election shall be by ordinary resolution.

4.04 Removal of Directors

Subject to the provisions of the Act, the shareholders may by ordinary resolution passed at a special meeting remove any director from office and the vacancy created by such removal may be filled at the same meeting failing which it may be filled by the board.

4.05 Vacation of Office

A person ceases to hold the office of director of the Corporation when such person dies; such person is removed from office by the shareholders; such person ceases to be qualified for

election as a director; or such person's written resignation is sent or delivered to the Corporation, or if a time is specified in such resignation, at the time so specified, whichever is later.

4.06 Vacancies; Appointment of Additional Directors

Subject to the Act, a quorum of the board may fill a vacancy in the board, except a vacancy resulting from an increase in the number or minimum number of directors specified in the articles or from a failure of the shareholders to elect the number or minimum number of directors specified in the articles. In the absence of a quorum of the board, or if the vacancy has arisen from a failure of the shareholders to elect the number or minimum number of directors specified in the articles, the board shall without delay call a special meeting of shareholders to fill the vacancy. If the board fails to call such meeting or if there are no such directors then in office, any shareholder may call the meeting. Any director appointed or elected to fill such vacancy holds office for the unexpired term of such director's predecessor. If the articles so provide, the directors may appoint one or more additional directors, who shall hold office until the close of the next annual meeting, but the total number of additional directors so appointed may not exceed one third of the number of directors elected at the previous annual meeting of shareholders of the Corporation.

4.07 Action by the Board

The board shall manage, or supervise the management of, the business and affairs of the Corporation. Subject to sections 4.08 and 4.09, the powers of the board may be exercised by resolution passed at a meeting at which a quorum is present or by resolution in writing signed by all the directors who would have been entitled to vote on that resolution at a meeting of the board. Where there is a vacancy in the board, the remaining directors may exercise all the powers of the board so long as a quorum remains in office. Where the Corporation has only one director, that director may constitute the meeting.

4.08 Canadian Residency

The board shall not transact business at a meeting, other than filling a vacancy in the board, unless twenty-five percent (25%) of the directors present are resident Canadians (or, if the Corporation has fewer than four directors, at least one of the directors present is a resident Canadian), except where:

- (a) a resident Canadian director who is unable to be present approves in writing, or by telephonic, electronic or other communication facility, the business transacted at the meeting; and
- (b) the required number of resident Canadian directors would have been present had that director been present at the meeting.

4.09 Meetings by Telephonic, Electronic or Other Communication Facility

Subject to the Act, if all the directors consent, a director may participate in a meeting of the board or of a committee of the board by means of a telephonic, electronic or other communication facility that permits all persons participating in the meeting to communicate

adequately with each other during the meeting, and a director participating in such a meeting by such means is deemed to be present at that meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the board and of committees of the board held while a director holds office.

4.10 Place of Meetings

Meetings of the board may be held at any place in or outside Canada.

4.11 Calling of Meetings

Meetings of the board shall be held from time to time and at such time at such place as the board, the chairman of the board, the vice-chairman of the board, the president or any two directors may determine.

4.12 Notice of Meeting

Notice of the time and place of each meeting of the board shall be given in the manner provided in section 12.01 to each director not less than 48 hours before the time when the meeting is to be held. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified, including, if required by the Act, any proposal to:

- (a) submit to the shareholders any question or matter requiring approval of the shareholders;
- (b) fill a vacancy among the directors or in the office of auditor or appoint additional directors;
- (c) issue securities except as authorized by the directors;
- (d) declare dividends;
- (e) purchase, redeem or otherwise acquire shares of the Corporation;
- (f) pay a commission for or in connection with the purchase from the Corporation of the Corporation's shares except as authorized by the directors;
- (g) approve a management proxy circular referred to in the Act;
- (h) approve a take-over bid circular or directors' circular referred to in the Act;
- (i) approve any annual financial statements referred to in the Act; or
- (j) adopt, amend or repeal by-laws.

A director may in any manner waive notice of or otherwise consent to a meeting of the board. Attendance of a director at a meeting of directors is a waiver of notice of the meeting except

where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

4.13 First Meeting of New Board

Provided a quorum of directors is present, each newly elected board may without notice hold its first meeting immediately following the meeting of shareholders at which such board is elected.

4.14 Adjourned Meeting

Notice of an adjourned meeting of the board is not required if the time and place of the adjourned meeting is announced at the original meeting.

4.15 Regular Meetings

The board may appoint a day or days in any month or months for regular meetings of the board at a place and hour to be named. A copy of any resolution of the board fixing the place and time of such regular meetings shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting except where the Act requires the purpose thereof or the business to be transacted thereat to be specified.

4.16 Chairman

The chairman of any meeting of the board shall be the first mentioned of such of the following officers as have been appointed and who is a director and is present at the meeting: chairman of the board, vice-chairman of the board, president, a vice-president or the secretary. If no such officer is present, the directors present shall choose one of their number to be chairman. If the secretary of the Corporation is absent, the chairman shall appoint some person, who need not be a director, to act as secretary of the meeting.

4.17 Votes to Govern

At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chairman of the meeting shall not be entitled to a second or casting vote.

4.18 Conflict of Interest

A director or officer who is a party to, or who is a director or officer or an individual acting in a similar capacity of or has a material interest in any person who is a party to, a material contract or material transaction or proposed material contract or material transaction with the Corporation shall disclose the nature and extent of the individual's interest at the time and in the manner provided by the Act. Any contract or transaction or proposed contract or transaction in which a director or officer is interested shall be referred to the board for approval (unless the same is referred to the shareholders for approval) even if such contract is one that in the ordinary course of the Corporation's business would not require approval by the board or the shareholders, and a director interested in a contract so referred to the board shall not vote on any resolution to approve the same except as provided by the Act.

4.19 Remuneration and Expenses

The directors shall be paid such remuneration for their services as the board may from time to time determine. The directors shall also be entitled to be reimbursed for travelling and other expenses properly incurred by them in attending meetings of the board or any committee thereof. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

SECTION 5 COMMITTEES

5.01 Committee of Directors

The board may appoint from its members a committee of directors, however designated, and delegate to such committee any of the powers of the board except those which, under the Act, a committee of directors has no authority to exercise. Unless otherwise determined by the board, each committee of directors shall have the power to fix its quorum, to elect its chairman and to regulate its procedure.

5.02 Transaction of Business

Subject to the provisions of section 4.09, the powers of a committee of directors may be exercised by a meeting at which a quorum of the committee is present or by resolution in writing signed by all the members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of such committee may be held at any place in or outside Canada.

5.03 Audit Committee

For so long as the Corporation is a distributing corporation, the board shall elect annually from among its number an audit committee to be composed of not fewer than 3 directors of whom a majority shall not be officers or employees of the Corporation or its affiliates. The audit committee shall have the powers and duties provided in the Act.

5.04 Advisory Bodies

The board may from time to time appoint such advisory bodies at it may deem advisable.

SECTION 6 OFFICERS

6.01 Appointment

The board may from time to time appoint a president, one or more vice-presidents (to which title may be added words indicating seniority or function), a secretary, a treasurer and such other officers as the board may determine, including one or more assistants to any of the officers so

appointed. The board may specify the duties of and, in accordance with this by-law and subject to the provisions of the Act, delegate to such officers powers to manage the business and affairs of the Corporation. Subject to sections 6.02 and 6.03, an officer may but need not be a director and one person may hold more than one office.

6.02 Chairman of the Board

The board may from time to time also appoint a chairman of the board who shall be a director. If appointed, the board may assign to the individual any of the powers and duties that are by any provisions of this by-law capable of being assigned to the president; and the individual shall, subject to the provisions of the Act, have such other powers and duties as the board may specify. During the absence or disability of the chairman of the board, the individual's duties shall be performed and the individual's powers exercised by the vice-chairman of the board, if any, or by the president.

6.03 Vice-Chairman of the Board

The board may from time to time appoint a vice-chairman of the board who shall be a director. During the absence or disability of the chairman of the board, the chairman's duties shall be performed and his powers exercised by the vice-chairman of the board. The vice-chairman of the board shall, subject to the provisions of the Act, have such other powers and duties as the board may specify.

6.04 President

If appointed, the president shall be the chief operating officer, if a chief executive officer, has been or is to be otherwise appointed, and if not, the president shall be the chief executive officer, unless the board otherwise determines. Subject to the authority of the board and any limitations the board may prescribe, if the president is the chief executive officer, the president shall have general supervision of the business of the Corporation; and the president shall have such other powers and duties as the board may specify.

6.05 Vice-President

A vice-president shall have such powers and duties as the board or the chief executive officer may specify.

6.06 Secretary

The secretary shall attend and be the secretary of all meetings of the board, shareholders and committees of the board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; the secretary shall give or cause to be given, as and when instructed, all notices to shareholders, directors, officers, auditors and members of committees of the board; the secretary shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and the secretary shall have such other powers and duties as the board or the chief executive officer may specify.

6.07 Treasurer

In the absence of a chief financial officer, the treasurer shall keep proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; the treasurer shall render to the board whenever required an account of all of the treasurer's transactions as treasurer and of the financial position of the Corporation and the treasurer shall have such other powers and duties as the board or the chief executive officer may specify.

6.08 Powers and Duties of Other Officers

The powers and duties of all other officers shall be such as the terms of their engagement call for or as the board or the chief executive officer may specify. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board or the chief executive officer otherwise directs.

6.09 Variation of Powers and Duties

The board may from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.

6.10 Term of Office

The board, in its discretion, may remove any officer of the Corporation, without prejudice to such officer's rights under any employment contract. Otherwise, each officer appointed by the board shall hold office until the officer's successor is appointed.

6.11 Terms of Employment and Remuneration

The terms of employment and the remuneration of officers appointed by the board shall be settled by it from time to time.

6.12 Conflict of Interest

An officer shall disclose the officer's interest in any material contract or material transaction or any proposed material contract or proposed material transaction with the Corporation in accordance with section 4.18.

6.13 Agents and Attorneys

The board shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers of management or otherwise (including the power to sub-delegate) as may be thought fit.

6.14 Fidelity Bonds

The board may require such officers, employees and agents of the Corporation as the board deems advisable to furnish bonds for the faithful discharge of their powers and duties, in such form and with such surety as the board may from time to time determine.

SECTION 7 PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

7.01 Limitation of Liability

Every director and officer of the Corporation in exercising their powers and discharging their duties shall act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Subject to the foregoing, no director or officer shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the monies of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the monies, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgment or oversight on their part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of their office or in relation thereto, unless the same are occasioned by their own willful neglect or default; provided that, except as otherwise provided in the Act, nothing herein shall relieve any director or officer from the duty to act in accordance with the Act and the regulations thereunder or from liability for any breach thereof.

7.02 Indemnity

Subject to the limitations contained in the Act, the Corporation shall indemnify a director or officer, a former director or officer, or another individual who acts or acted at the Corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the Corporation or other entity, if:

- (a) the individual acted honestly and in good faith with a view to the best interests of the Corporation or, as the case may be, with a view to the best interests of the other entity for which the individual acted as director or officer or in a similar capacity at the Corporation's request; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that the individual's conduct was lawful.

The Corporation shall also indemnify such person in such other circumstances as the Act permits or requires. Nothing in this bylaw shall limit the right of any individual entitled to indemnity to claim indemnity apart from the provisions of this by-law.

7.03 Advance of Costs

The Corporation, if authorized by the board, may advance monies to a director, officer or other individual referred to in section 7.02 for the costs, charges and expenses of a proceeding referred to in section 7.02. The individual shall repay the moneys if the individual does not fulfil the conditions set out in paragraphs 7.02(a) and 7.02(b).

7.04 Derivative Actions

The Corporation may with the approval of a court authorized to give such approval by the Act, indemnify an individual referred to in section 7.02, or advance monies under section 7.03, in respect of an action by or on behalf of the Corporation or other entity to procure a judgment in its favour, to which the individual is made a party because of the individual's association with the Corporation or other entity as described in section 7.02, against all costs, charges and expenses reasonably incurred by the individual in connection with such action, if the individual fulfils the conditions set out in paragraphs 7.02(a) and 7.02(b).

7.05 Insurance

Subject to the limitations contained in the Act, the Corporation may purchase and maintain insurance for the benefit of any person referred to in section 7.02 hereof.

7.06 Legal Proceedings

The board is authorized from time to time to:

- (a) retain and instruct legal counsel to commence or defend legal proceedings on behalf of the Corporation and to authorize any settlement, compromise, waiver of privilege, plea in criminal or quasi-criminal matters, proceedings or other steps whatsoever on behalf of the Corporation as the board considers expedient; and
- (b) to delegate to such directors, officers or employees of the Corporation as the board may designate, all or any of the foregoing powers to such extent and in such manner as the board may determine.

SECTION 8 SHARES

8.01 Allotment

Subject to the provisions of the Act, the board may from time to time grant options to purchase or allot the whole or any part of the authorized and unissued shares of the Corporation at such

times and to such persons and for such consideration as the board shall determine, provided that no share shall be issued until it is fully paid as prescribed by the Act.

8.02 Commissions

The board may from time to time authorize the Corporation to pay a reasonable commission to any person in consideration of the person's purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares.

8.03 Registration of Transfer

Subject to the provisions of the Act, no transfer of shares shall be registered in a securities register except upon presentation of the certificate representing such share with an endorsement which complies with the Act made thereon or delivered therewith duly executed by an appropriate person as provided by the Act, together with such reasonable assurance that the endorsement is genuine and effective as the board may from time to time prescribe, upon payment of all applicable taxes and a reasonable fee (not to exceed the amount permitted by the Act) prescribed by the board, and upon compliance with such restrictions on transfer (if any) as are authorized by the articles.

8.04 Transfer Agents and Registrars

The board may from time to time appoint a registrar to maintain the securities register and a transfer agent to maintain the register of transfers and may also appoint one or more branch registrars to maintain branch securities registers of transfers, but one person may be appointed both registrar and transfer agent. The board may at any time terminate any such appointment.

8.05 Lien for Indebtedness

If the articles provide that the Corporation shall have a lien on shares registered in the name of a shareholder indebted to the Corporation, such lien may be enforced, subject to any other provision of the articles, by the sale of the shares thereby affected or by any other action, suit, remedy or proceeding authorized or permitted by law or by equity and, pending such enforcement, the Corporation may refuse to register a transfer of the whole or any part of such shares.

8.06 Non-Recognition of Trusts

Subject to the provisions of the Act, the Corporation shall treat the registered owner of a security as the person exclusively entitled to vote, to receive notices, to receive any interest, dividend or other payments in respect of the share, and otherwise to exercise all the rights and powers of an owner of the share.

8.07 Share Certificates

Every holder of one or more shares of the Corporation shall be entitled, at the holder's option, to a share certificate, or to a non-transferable written acknowledgment of the holder's right to

obtain a share certificate, stating the number and class or series of shares held by the holder as shown on the securities register. Share certificates and acknowledgments of a shareholder's right to a share certificate, respectively, shall be in such form as the board shall from time to time approve. Any share certificate shall be signed in accordance with section 2.04 and need not be under the corporate seal; provided that, unless the board otherwise determines, certificates representing shares in respect of which a transfer agent and/or registrar has been appointed shall not be valid unless countersigned by or on behalf of such transfer agent and/or registrar. The signature of one of the signing officers or, in the case of share certificates which are not valid unless countersigned by or on behalf of a transfer agent and/or registrar, the signatures of both signing officers, may be printed or mechanically reproduced in facsimile upon share certificates and every such facsimile signature shall for all purposes be deemed to be the signature of the officer whose signature it reproduces and shall be binding upon the Corporation. A share certificate executed as aforesaid shall be valid notwithstanding that one or both of the officers whose facsimile signature appears thereon no longer holds office at the date of issue of the certificate.

8.08 Replacement of Share Certificates

The board or any officer or agent designated by the board may in its or such person's discretion direct the issue of a new share certificate in lieu of and upon cancellation of a share certificate that has been mutilated or in substitution for a share certificate claimed to have been lost, destroyed or wrongfully taken if the owner:

- (a) so requests before the Corporation has notice that the security has been acquired by a bona fide purchaser;
- (b) unless the board otherwise determines in a particular case, furnishes the Corporation with an indemnity bond sufficient, in the discretion of the board, to protect the Corporation; and
- (c) satisfies any other reasonable requisites imposed by the Corporation from time to time, whether generally or in any particular case.

8.09 Joint Shareholders

If two or more persons are registered as joint holders of any share, the Corporation shall not be bound to issue more than one certificate or written acknowledgment referred to in section 8.07 in respect thereof, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.

8.10 Deceased Shareholders

In the event of the death of a holder, or of one of the joint holders, of any share, the Corporation shall not be required to make any entry in the securities register in respect thereof or to make payment of any dividends thereon except upon production of all such documents as may be

required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agents.

SECTION 9 DIVIDENDS AND RIGHTS

9.01 Dividends

Subject to the Act, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. Dividends may be paid by issuing fully paid shares of the Corporation and, subject to the provisions of the Act, in money or property.

9.02 Dividend Cheques

A dividend payable in cash shall be paid by cheque of the Corporation, drawn on the Corporation's bankers or one of them or if the Corporation has appointed a disbursement agent, by cheque of the disbursement agent drawn on the disbursement agent's bankers or one of them (or by other means by which such agent effects such payments in the normal course of its business as a disbursement agent) to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at the registered holder's recorded address, unless such holder otherwise directs. In the case of joint holders, the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

9.03 Non-Receipt of Cheques

In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

9.04 Record Date for Dividends and Rights

Subject to the Act and Applicable Securities Laws, the board may fix in advance within the period prescribed by the Act a date as a record date for the determination of the persons entitled to receive payment of any dividend or to exercise the right to subscribe for any warrant or other evidence of right to subscribe for securities of the Corporation, provided that, unless notice of the record date is waived in writing by every holder of a share of the class or series affected whose name is set out in the securities register at the close of business on the day the directors fix the record date, the Corporation shall give notice of any such record date within the period prescribed by the Act, by newspaper advertisement in the manner provided in the Act and to each stock exchange on which the securities of the Corporation are listed. Where no record date

is fixed in advance as aforesaid, the record date for the determination of the persons entitled to receive payment of any dividend or to exercise the right to subscribe for securities of the Corporation shall be at the close of business on the day on which the resolution relating to such dividend or right to subscribe is passed by the board.

9.05 Unclaimed Dividends

Subject to the Act and other applicable laws, any dividend unclaimed after a period of 6 years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

SECTION 10 MEETINGS OF SHAREHOLDERS

10.01 Annual Meetings

Subject to the Act and Applicable Securities Laws, the annual meeting of shareholders shall be held at such time in each year as the board or the chairman of the board may from time to time determine, for the purpose of receiving and considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing auditors and for the transaction of such other business as may properly be brought before the meeting.

10.02 Special Meetings

The board or the chairman of the board shall have power to call a special meeting of shareholders at any time.

10.03 Place of Meetings

Meetings of shareholders, both annual and special, shall be held at the registered office of the Corporation or elsewhere in Canada as the board, or any person to whom such decision is delegated by the board, may from time to time determine. Any meeting of shareholders, either annual or special, may also be held at some place outside Canada, if the place at which such meeting is to be held is specified in the articles or if all of the shareholders entitled to vote thereat agree that the meeting is to be held at that place.

10.04 Meeting Held by Electronic Means

The directors or shareholders who call a meeting of shareholders pursuant to the Act, the articles or the by-laws may determine that the meeting shall be held, in accordance with the Act and the regulations thereto, entirely by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting, provided the Company makes provision for electronic voting at such meeting in accordance with the Act and section 10.19.

10.05 Notice of Meetings

For so long as the Corporation is a distributing corporation, notice of the time and place of each meeting of shareholders shall be given within the time period prescribed by the Act. If the Corporation is not a distributing corporation, notice of the time and place of each meeting of shareholders shall be given not less than 10 days before the date when the meeting is to be held. In either case, such notice shall be given, in the manner provided in section 12.01, to each director, to the auditor and to each shareholder who at the close of business on the record date for notice is entered in the securities register as the holder of one or more shares carrying the right to vote at or attend the meeting. Subject to the Act and any other applicable law, notice of a meeting of shareholders called for any purpose, other than receiving and considering the financial statements and auditor's report, election of directors and reappointment of the incumbent auditor, shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and shall state the text of any special resolution to be submitted to the meeting. A shareholder and any other person entitled to attend a meeting of shareholders may in any manner waive notice of or otherwise consent to a meeting of shareholders.

10.06 List of Shareholders Entitled to Notice

For every meeting of shareholders, the Corporation shall prepare a list of shareholders entitled to receive notice of the meeting, arranged in alphabetical order and showing the number of shares entitled to vote at the meeting held by each shareholder. If a record date for the determination of shareholders entitled to notice of the meeting is fixed pursuant to section 10.07, the shareholders listed shall be those registered at the close of business on such record date. If no such record date is fixed, the shareholders listed shall be those registered at the close of business on the day immediately preceding the day on which notice of the meeting is given, or where no such notice is given, on the day on which the meeting is held. Such list shall be prepared, if a record date for the determination of shareholders entitled to notice of the meeting is fixed pursuant to section 10.07, no later than the tenth day following such record date and, if no such record date is fixed, on the day on which notice of the meeting is given, or where no such notice is given, on the day on which the meeting is held. Where a separate list of shareholders has not been prepared, the names of persons appearing in the securities register at the requisite time as the holder of one or more shares carrying the right to vote at such meeting shall be deemed to be a list of shareholders.

10.07 Record Date for Notice

The board may fix in advance a date, within the period prescribed by Act, as a record date for the determination of the shareholders entitled to notice of the meeting. If no record date is so fixed, the record date for the determination of the shareholders entitled to notice of the meeting shall be the close of business on the day immediately preceding the day on which the notice is given or if no notice is given, the day on which the meeting is held.

10.08 Meetings without Notice

A meeting of shareholders may be held without notice at any time and place permitted by the Act:

- (a) if all the shareholders entitled to vote or to attend thereat are present in person or represented by proxy except where they attend the meeting for the express purpose of objecting that the meeting is not duly called or if those not present or represented by proxy waive notice of or otherwise consent to such meeting being held; and
- (b) if the auditors and the directors are present except where they attend the meeting for the express purpose of objecting that the meeting is not duly called, or waive notice of or otherwise consent to such meeting being held.

At such a meeting any business may be transacted which the Corporation at a meeting of shareholders may transact. If the meeting is held at a place outside Canada, and such place is not specified in the Corporation's articles, shareholders not present or represented by proxy, but who have waived notice of or otherwise consented to such meeting, shall also be deemed to have consented to the meeting being held at such place.

10.09 Chairman, Secretary and Scrutineers

The chairman of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed and who is present at the meeting and prepared to act as chairman: chairman of the board, president, vice-chairman of the board or a vice-president who is a shareholder. If none of such officers is present within 15 minutes from the time fixed for holding the meeting or none of such officers that are present is prepared to act as chairman, the persons present and entitled to vote shall choose one of their number to be chairman. If the secretary of the Corporation is absent, the chairman shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chairman with the consent of the meeting.

10.10 Persons Entitled to be Present

The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and auditors of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act, an order of a court, the articles or the by-laws of the Corporation to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting.

10.11 Quorum

Subject to section 10.22, a quorum for the transaction of business at any meeting of shareholders shall be two (2) persons present in person, each being a shareholder or representative duly authorized in accordance with the Act entitled to vote thereat or a duly appointed proxy for a shareholder so entitled, together holding or representing by proxy not less than 10% of the

outstanding shares entitled to vote at the meeting. If a quorum is present at the opening of the meeting, the shareholders present in person or by proxy may proceed with the business of the meeting even if a quorum is not present throughout the meeting.

10.12 Right to Vote; Record Date for Voting

Subject to the Act, the board may establish a record date for the determination of those shareholders entitled to vote at a meeting of shareholders of the Corporation. If the board establishes such a record date, the Corporation shall not later than the tenth day thereafter prepare a list of shareholders of the Corporation holding shares entitled to be voted at such meeting arranged in alphabetical order and showing the number of shares entitled to vote at the meeting held by each shareholder. Subject to the provisions of the Act as to authorized representatives of any other body corporate, at the meeting of shareholders in respect of which the Corporation has established a record date for the determination of those shareholders entitled to vote thereat, every person who is named in the list prepared as a consequence of the establishment of such record date shall be entitled to vote the shares shown thereon opposite such person's name. If the Corporation has not established a record date for the determination of those shareholders entitled to vote thereat, every person who is named in the list prepared in accordance with Section 10.06 shall be entitled to vote the shares shown thereon opposite such person's name.

In the absence of a list prepared as aforesaid in respect of the establishment of a record date for the determination of those shareholders entitled to vote at a meeting of shareholders, every person shall be entitled to vote at the meeting whose name appears in the securities register as the holder of one or more shares carrying the right to vote at such meeting.

10.13 Proxyholders and Representatives

Every shareholder entitled to vote at a meeting of shareholders may appoint a proxyholder, or one or more alternate proxyholders, who need not be shareholders, to attend and act as that shareholder's representative at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing executed by the shareholder or the shareholder's attorney and shall conform to the requirements of the Act.

Alternatively, every shareholder that is not an individual may authorize by resolution of its directors or governing body an individual to represent it at a meeting of shareholders and such individual may exercise on the shareholder's behalf all the powers the shareholder could exercise if the shareholder were an individual shareholder. The authority of such an individual shall be established by depositing with the Corporation a certified copy of such resolution, or in such other manner as may be satisfactory to the secretary of the Corporation or the chairman of the meeting. Any such representative need not be a shareholder of the Corporation.

10.14 Time for Deposit of Proxies

The board may specify in a notice calling a meeting of shareholders a time, preceding the time of such meeting by not more than 48 hours exclusive of non-business days, before which time proxies to be used at such meeting must be deposited. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof

specified in such notice or, if no such time is specified in such notice, unless it has been received by the secretary of the Corporation or by the chairman of the meeting or any adjournment thereof prior to the time of voting.

10.15 Joint Shareholders

If two or more persons hold shares jointly, any one of them present in person or represented by proxy at a meeting of shareholders may, in the absence of the other or others, vote the shares; but if two or more of those persons are present in person or represented by proxy and vote, they shall vote as one on the shares jointly held by them.

10.16 Votes to Govern

At any meeting of shareholders every question shall, unless otherwise required by the articles or by-laws or by the Act, be determined by the majority of the votes cast on the question. In case of an equality of votes either upon a show of hands, a poll, or by means of a telephonic, electronic or other communication facility, the chairman of the meeting shall not be entitled to a second or casting vote in addition to the vote or votes to which the chairman is entitled as a shareholder or proxy nominee.

10.17 Show of Hands

Subject to the provisions of the Act, any question at a meeting of shareholders shall be decided by a show of hands unless a ballot thereon is required or demanded as hereinafter provided. Upon a show of hands, every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be *prima facie* evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

10.18 Ballots

On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, any shareholder or proxyholder entitled to vote at the meeting, or the chairman of the meeting, may require or demand a ballot. A ballot so required or demanded shall be taken in such manner as the chairman shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which such person is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

10.19 Electronic Voting

Notwithstanding sections 10.17 and 10.18, voting at a meeting of shareholders may be held, in accordance with and subject to the Act, entirely by means of a telephonic, electronic or other

communication facility, if the Corporation makes available such a communication facility, provided the facility (a) enables the votes to be gathered in a manner that permits their subsequent verification; and (b) permits the tallied votes to be presented to the Corporation without it being possible for the Corporation to identify how each person entitled to vote on the question voted.

10.20 Adjournment

If a quorum is not present at the opening of a meeting of shareholders, the shareholders present may adjourn the meeting to a fixed time and place but may not transact any other business. If a meeting of shareholders is adjourned for less than 30 days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. If a meeting of shareholders is adjourned by one or more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting shall be given as for an original meeting.

10.21 Resolution in Writing

A resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it has been passed at a meeting of the shareholders, unless a written statement with respect to the subject matter of the resolution is submitted by a director or the auditors in accordance with the Act.

10.22 Only One Shareholder

Where the Corporation has only one shareholder or only one holder of any class or series of shares, the shareholder present in person or by proxy constitutes a meeting.

10.23 Notice of Record Dates

Unless notice of the record date is waived in writing by every holder of a share of the class or series affected whose name is set out in the securities register at the close of business on the day the directors fix the record date for the purpose of determining the shareholders entitled to notice of any meeting of shareholders or to vote thereat, the Corporation shall give notice of any such record date within the period prescribed by the Act, by newspaper advertisement in the manner provided in the Act and to each stock exchange on which the securities of the Corporation are listed.

10.24 Availability of Shareholders Lists for Inspection

Any list of shareholders prepared pursuant to section 10.06 shall be available for examination by any shareholder during usual business hours at the registered office of the Corporation or at the place where the securities register is maintained and at the meeting for which the list was prepared.

10.25 Nomination of Directors

Subject only to the Act, and for so long as the Corporation is a distributing corporation, only persons who are nominated in accordance with the following procedures shall be eligible for

election as directors of the Corporation. Nominations of persons for election to the board may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors, (a) by or at the direction of the board or an authorized officer of the Corporation, including pursuant to a notice of meeting, (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act or a requisition of the shareholders made in accordance with the provisions of the Act or (c) by any person (a “Nominating Shareholder”) (i) who, at the close of business on the date of the giving of the notice provided for below in this section 10.25 and on the record date for notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting and (ii) who complies with the notice procedures set forth below in this section 10.25:

- (A) In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, such person must have given timely notice thereof in proper written form to the secretary of the Corporation at the principal executive offices of the Corporation in accordance with section 12.01.
- (B) To be timely, a Nominating Shareholder’s notice to the secretary of the Corporation must be made (a) in the case of an annual meeting of shareholders, not less than 35 nor more than 60 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is called for a date that is less than 50 days after the date (the “Notice Date”) on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and (b) in the case of a special meeting (which is not also an annual 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 tenth (10th) day following the day on which the first public announcement of the date of the special meeting of shareholders was made. Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement in this paragraph (B). In no event shall any adjournment or postponement of an annual meeting or a special meeting or the announcement thereof commence a new time period for the giving of a Nominating Shareholder’s notice as described above.
- (C) To be in proper written form, a Nominating Shareholder’s notice to the secretary of the Corporation must set forth (a) as to each person whom the Nominating Shareholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares in the capital of the Corporation which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice and (iv) any other information relating to the person that would be required to be disclosed in a dissident’s proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws; and (b) as to the Nominating Shareholder giving the notice, any information relating to such Nominating Shareholder that would be required

to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws.

- (D) No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this section 10.25; provided, however, that nothing in this section 10.25 shall be deemed to preclude discussion by a shareholder (as distinct from nominating directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Act. The chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

SECTION 11 DIVISIONS AND DEPARTMENTS

11.01 Creation and Consolidation of Divisions

The board may cause the business and operations of the Corporation or any part thereof to be divided or to be segregated into one or more divisions upon such basis, including without limitation, character or type of operation, geographical territory, product manufactured or service rendered, as the board may consider appropriate in each case. The board may also cause the business and operations of any such division to be further divided into sub-units and the business and operations of any such divisions or sub-units to be consolidated upon such basis as the board may consider appropriate in each case.

11.02 Name of Division

Any division or its sub-units may be designated by such name as the board may from time to time determine and may transact business under such name, provided that the Corporation shall set out its name in legible characters in all contracts, invoices, negotiable instruments and orders for goods or services issued or made by or on behalf of the Corporation.

11.03 Officers of Divisions

From time to time the board or, if authorized by the board, the chief executive officer, may appoint one or more officers for any division, prescribe their powers and duties and settle their terms of employment and remuneration.

The board or, if authorized by the board, the chief executive officer, may remove at its or the chief executive officer's pleasure any officer so appointed, without prejudice to such officer's rights under any employment contract. Officers of divisions or their sub-units shall not, as such, be officers of the Corporation.

SECTION 12 NOTICES

12.01 Method of Giving Notice

Subject to the Act, any notice (which term includes any communication or document) to be given (which term includes sent, delivered or served) pursuant to the Act, the articles, the by-laws or otherwise to a shareholder, director, officer, auditor or member of a committee of the board shall be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to the person's recorded address or if mailed to the person at their recorded address by prepaid ordinary or air mail or if sent to the person at their recorded address by any means of prepaid transmitted or recorded communication or if transmitted or accessed by the person in accordance with the provisions of the Act governing electronic documents. A notice so delivered shall be deemed to have been given when it is delivered personally or to the recorded address as aforesaid; a notice so mailed shall be deemed to have been given when deposited in a post office or public letter box; and a notice so sent by any means of transmitted or recorded communication shall be deemed to have been given when dispatched or delivered to the appropriate communication company or agency or its representative for dispatch and a notice so given in accordance with the provisions of the Act governing electronic documents shall be deemed to have been given in accordance with the rules contained in such provisions. The secretary may change or cause to be changed the recorded address of any shareholder, director, officer, auditor or member of a committee of the board in accordance with any information believed by the person to be reliable. The foregoing shall not be construed so as to limit the manner or effect of giving notice by any other means of communication otherwise permitted by law.

Notwithstanding the foregoing provisions of this section 12.01, notice given to the secretary of the Corporation pursuant to section 10.25 may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the secretary of the Corporation for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the secretary at the address of the principal executive offices of the Corporation; provided that if such delivery or electronic communication is made on a day which is a non-business day or later than 5:00 p.m. (Winnipeg time) on a day which is not a non-business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is not a non-business day.

12.02 Notice to Joint Shareholders

If two or more persons are registered as joint holders of any share, any notice shall be addressed to all of such joint holders but notice to one of such persons shall be sufficient notice to all of them.

12.03 Computation of Time

In computing the date when notice must be given under any provision requiring a specified number of days' notice of any meeting or other event, the date of giving the notice shall be excluded and the date of the meeting or other event shall be included.

12.04 Undelivered Notices

If any notice given to a shareholder pursuant to section 12.01 is returned on three consecutive occasions because the shareholder cannot be found, the Corporation shall not be required to give any further notices to such shareholder until the shareholder informs the Corporation in writing of the shareholder's new address.

12.05 Omissions and Errors

Other than in respect of a notice to the secretary of the Corporation pursuant to section 10.25, the accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

12.06 Persons Entitled by Death or Operation of Law

Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom such person derives such person's title to such share prior to such person's name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which the shareholder became so entitled) and prior to the individual furnishing to the Corporation the proof of authority or evidence of the individual's entitlement prescribed by the Act.

12.07 Waiver of Notice

Any shareholder (or the shareholder's duly appointed proxyholder), other person entitled to attend a meeting of shareholders, director, officer, auditor or member of a committee of the board may at any time waive the sending of any notice, or waive or abridge the time for any notice, required to be given to the individual under any provision of the Act, the regulations thereunder, the articles, the by-laws or otherwise and such waiver or abridgement shall cure any default in the giving or in the time of such notice, as the case may be. Any such waiver or abridgment shall be in writing except a waiver of notice of a meeting of shareholders or of the board or of a committee of the board which may be given in any manner.

**SECTION 13
EFFECTIVE DATE**

13.01 Effective Date

This by-law shall come into force when enacted by the directors, subject to the Act.

13.02 Repeal

General By-Law No. 1 and By-Law No. 2 of the Corporation are repealed as of the coming into force of this by-law. Such repeal shall not affect the previous operation of any by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under, or the validity of any contract or agreement made pursuant to any such by-law prior to its repeal. All officers and persons acting under any by-law so repealed shall continue to act as if appointed under the provisions of this by-law and all resolutions of the shareholders or the board or a committee of the board with continuing effect passed under any repealed by-law shall continue to be good and valid except to the extent inconsistent with this by-law and until amended or repealed.

ENACTED by the Board the _____ day of October, 2011.

WITNESS the corporate seal of the Corporation.

c/s

President

Secretary

CONFIRMED by the shareholders the _____ day of _____, 2011.

c/s

Secretary