CREDIT AGREEMENT

THIS AGREEMENT dated for reference May 12, 2011 is between:

ENVOY CAPITAL GROUP INC., a *Business Corporations Act* (Ontario) corporation, having its registered and records office at Suite 301, 30 St. Patrick Street, Toronto, Ontario M5T 3A3

(the "**Lender**")

AND:

MERUS LABS INTERNATIONAL INC., a British Columbia company having its registered and records office at Suite 1820 - 925 West Georgia Street, Vancouver, British Columbia V6C 3L2

("**ML International**")

AND:

MERUS LABS INC., a British Columbia company having an office at Suite 2000 - 1177 West Hastings Street, Vancouver, British Columbia V6E 2K3

("**MLI**", and together with ML International, collectively, the "**Borrowers**")

WHEREAS

A. MLI, a wholly owned subsidiary of ML International has entered into a binding letter of intent dated April 15, 2011 (the "**LOI**") with Iroko International LP ("**Iroko**"), to purchase through itself or a designee all of Iroko's rights, title and interest in oral 125 mg and 250 mg Vancocin® capsules in the territory of Canada, together with certain other assets, all as more particularly described in the APA (as defined below) (collectively, the "**Vancocin Assets**").

B. Pursuant to the terms of the LOI, MLI has entered into or will enter into an asset purchase agreement with Iroko ("**APA**") to purchase the Vancocin Assets (the "**Acquisition**").

C. The Lender has agreed to lend to the Borrowers and the Borrowers have agreed to borrow from the Lender the aggregate principal amount of $6,000,000 (the "**Facility**") on the terms and subject to the conditions of this Agreement, to finance the Acquisition and payment of $4,500,000 required to be paid to Iroko on "Closing" (as defined in the APA), and as contemplated by the LOI.

AGREEMENTS

For good and valuable consideration, the receipt and sufficiency of which each party acknowledges, the parties agree as follows:

1. **Definitions.** In this Agreement:

(a) "**Acquisition**" has the meaning given in Recital B above;

(b) "**Advance**" means the advance of the Facility pursuant to this Agreement;

(c) "**APA**" has the meaning given in Recital B above;

(d) "**Authorities**" has the meaning given in subparagraph 14(e) below;

(e) "**Bonus Shares**" has the meaning given in paragraph 7 below;

(f) "**Borrowers**" means collectively, Merus Labs International Inc. and Merus Labs Inc.;

(g) "**Business Day**" means a day which is not a Saturday, Sunday or a statutory holiday in British Columbia;

(h) "**control**" has the meaning given in subparagraph 14(h) below;

(i) "**Encumbrances**" means all liens, claims, charges, pledges, mortgages, security interests and other encumbrances whatsoever;

(j) "**Event of Default**" has the meaning given in paragraph 14 below;

(k) "**Exchange**" means the Canadian National Stock Exchange;

(l) "**Facility**" means the $6,000,000 credit facility granted by the Lender to the Borrowers pursuant to this Agreement;

(m) "**HST**" has the meaning given in subparagraph 11(q) below;

(n) "**Iroko**" means Iroko International LP, a Delaware limited partnership;

(o) "**Lender**" means Envoy Capital Group Inc., a *Business Corporations Act* (Ontario) corporation;

(p) "**LOI**" has the meaning given in Recital A above;

(q) "**Maturity Date**" has the meaning given in subparagraph 4(a)(i) below;

(r) "**ML International GSA**" has the meaning given in subparagraph 8(c) below;

(s) "**MLI GSA**" has the meaning given in subparagraph 8(b) below;

(t) "**Note**" has the meaning given in subparagraph 8(a) below;

(u) "**Outstanding Balance**" has the meaning given in subparagraph 4(a)(i) below;

(v) "**Pledged Shares**" has the meaning given in subparagraph 8(d) below;

(w) "**Public Record**" has the meaning given in subparagraph 11(k) below;

(x) "**Security**" has the meaning given in paragraph 8 below;

(y) "**Share Pledge Agreement**" has the meaning given in subparagraph 8(d) below;

(z) "**Term Sheet**" means the Term Sheet for the Facility dated April 20, 2011 between the Borrowers and the Lender;

(aa) "**Unit**" and "**Units**" have the meaning given in subparagraph 7(a);

(bb) "**Warrant**" and "**Warrants**" have the meaning given in subparagraph 7(a)(ii);

(cc) "**Vancocin Assets**" has the meaning given in Recital A above.

2. **Facility Advance.** Subject to and upon the fulfilment of the conditions precedent contained in paragraph 9 of this Agreement, the Lender will advance the principal amount of the Facility to the Borrowers or as the Borrowers may otherwise direct.

3. **Use of Proceeds.** The Borrowers covenant and agree with the Lender that the Facility proceeds will be used by the Borrowers for the completion of the Acquisition, and for no other purpose whatsoever without the express written consent of the Lender.

4. **Term and Prepayment.**

(a) The outstanding principal amount of the Advance, together with all accrued interest and other costs or charges payable hereunder from time to time (collectively, the "**Outstanding Balance**"), shall be immediately due and payable by the Borrowers to the Lender on the earlier of (the "**Maturity Date**"):

(i) November 10, 2011; and

(ii) the occurrence of an Event of Default, as defined in paragraph 14 hereof.

(b) If after the date of this Agreement the Borrowers or either of them complete any equity or debt financing, receive any proceeds from the exercise of any convertible securities of the Borrowers or either of them, whether issued before or after the date of this Agreement, or dispose of any assets outside of the ordinary course of business, the Borrowers will cause the proceeds thereof, net of reasonable selling commissions actually incurred to arms length, bona fide agents thereof, to be delivered to the Lender, to be applied by the Lender in repayment of the Outstanding Balance.

(c) The Borrowers may prepay the Facility in whole at any time before maturity, without notice or penalty, provided that such prepayment is made on the last business day of a calendar month and the Borrowers have provided not less than ten (10) business days' prior notice of its intention to prepay the Facility.

5. **Interest.** Interest will accrue on the Outstanding Balance at the rate of twelve percent (12%) per annum, calculated daily and compounded monthly (effective annual rate of 12.68%), and be payable by the Borrowers to the Lender monthly in arrears, on the last Business Day of every month, as well as after maturity, default and judgment.

6. **Principal and Interest Payments.** On the last Business Day of every month commencing on May 31, 2011, the Borrowers covenant and agree to pay to the Lender $400,000 of the outstanding principal amount of the Facility, together with all accrued but unpaid interest on the

Outstanding Balance to and including the last Business Day of each month, determined in accordance with paragraph 5 above.

7. **Bonus.**

(a) As additional consideration for the Advance of the Facility, ML International shall issue and deliver to the Lender concurrently with the Advance 3,000,000 units (each a "**Unit**" and collectively, the '**Units**") with each Unit consisting of:

(i) one common share in the capital of ML International issued from treasury (each a "**Bonus Share**" and collectively, the "**Bonus Shares**"); and

(ii) one share purchase warrant (each a "**Warrant**" and collectively, the "**Warrants**"), granting the Lender the right to subscribe for and purchase one common share of ML International at a purchase price of $0.40 per common share, for a term of two (2) years from the date of issuance.

(b) The Bonus Shares and the Warrants shall be registered in the name of the Lender or as the Lender may otherwise direct, and the Bonus Shares and common shares issuable under the Warrants on the exercise thereof are subject to a hold period of four months and one day from their date of issuance in accordance with applicable securities laws and the policies of the Exchange.

(c) The Lender represents and warrants to the Borrowers that, as of the date of this Agreement it is, and on the issuance of the Units it will be, an "accredited investor", as such term is defined in National Instrument 45-106 - Prospectus and Registration Exemptions of the Canadian Securities Administrators adopted under the securities legislation of the Canadian jurisdictions ("**NI 45 106**") and it was not created or used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" in NI 45-106. The Lender shall deliver an executed copy of the accredited investor acknowledgement attached as Schedule B hereto (the "**Accredited Investor Acknowledgement**") at the time of the Advance.

8. **Security.** As security for the Facility, the Borrowers will execute and deliver to the Lender:

(a) a promissory note, in the form attached hereto as Schedule "A" (the "**Note**");

(b) a general security agreement under which MLI will grant to the Lender a first priority security interest in all of its present and after-acquired personal property, which until payment of the Third Installment (as defined in the APA), by MLI shall exclude all Purchased Assets (as defined in the APA) and the Business (as defined in the APA), except Inventory (as defined in the APA) sold in the ordinary course of business; (the "**MLI GSA**");

(c) a general security agreement under which ML International will grant to the Lender a first priority security interest in all of its present and after-acquired personal property ("**ML International GSA**");

(d) a share pledge agreement of ML International in the form and on terms satisfactory to the Lender and its counsel (the "**Share Pledge Agreement**"), providing for a specific pledge and grant of a first security interest in 12,619,001 common shares in the capital of MLI (the "**Pledged Shares**"); and

(e) such other security as the Lender may reasonably require,

all in form and terms satisfactory to the Lender and the Lender's counsel (collectively, the "**Security**").

9. **Private Placement.** The Borrowers jointly and severally covenant and agree to within three (3) months of the date of this Agreement, complete a private placement of equity securities of ML International resulting in net proceeds of not less than $2,000,000 (the "**Private Placement**") and to pay all of the proceeds thereof to the Lender on the closing of the Private Placement, to be applied on account of the Outstanding Balance owing by the Borrowers on the Facility.

10. **Lender's Conditions Precedent to Advance.** As conditions precedent to the Advance:

(a) the Borrowers will have executed and delivered or caused to be executed and delivered,

(i) all of the Security documents referred to in paragraph 8, and all documents, securities and instruments referred therein (including all required transfer documentation) and the Lender will have completed all registrations and other filings that may be prudent or necessary to perfect the Lender's Security therein;

(ii) a certified copy of the directors' resolutions of each of the Borrowers authorizing the borrowing of the Facility, the grant of the Security and the execution and delivery of this Agreement and all agreements, documents and instruments referred to herein and officer's certificates certifying as to certain factual matters;

(iii) Exchange approval to the Acquisition and the transactions contemplated herein, including but not limited to the issuance of the Bonus Shares and the Warrants; and

(iv) a legal opinion of counsel to the Borrowers, in form and terms satisfactory to the Lender and its counsel, acting reasonably;

(b) the representations and warranties of the Borrower contained in paragraph 11 shall be true and correct in all material respects and the Borrower shall have complied with all covenants required to be complied with prior to the advance of the Facility by the Lender;

(c) the Lender shall have completed and in its sole and absolute discretion, be satisfied with its due diligence review of the Borrower, the Security provided hereunder and the Vancocin Assets;

(d) the Lender shall be satisfied with its review of the LOI and final definitive APA;

(e) the Lender shall have received the approval of its board of directors, and shall in its sole and absolute discretion, be satisfied as to the creditworthiness of the Borrower and the adequacy of the collateral security provided herein; and

(f) concurrently with the Advance, MLI will have completed the closing of the Acquisition and will have acquired legal and beneficial title to the Vancocin Assets, free and clear of all Encumbrances, other than Permitted Encumbrances (as defined in the APA, and shall have provided the Lender and its counsel with evidence of same in form and on terms satisfactory to the Lender and its counsel.

If any of the foregoing conditions precedent are not satisfied or waived by the Lender in writing on or before May 13, 2011, this Agreement shall terminate and the Lender shall be under no further obligation to the Borrower in connection with the transaction contemplated herein.

11. **Representations and Warranties.** The Borrowers, jointly and severally, represent and warrant to the Lender as follows:

(a) each of the Borrowers exists as a corporation under the laws of its incorporating jurisdiction, has not discontinued or been dissolved under those laws, and is in good standing with respect to the filing of annual reports;

(b) each of the Borrowers has the power and authority to (i) carry on its businesses as now being conducted and is licensed or registered or otherwise qualified in all jurisdictions where in the nature of its assets or the business transacted makes such licensing, registration or qualification necessary, (ii) acquire, own, hold, lease and mortgage or grant security in its assets including real property and personal property and (iii) enter into and perform its obligations under this Agreement and all other documents or instruments delivered hereunder;

(c) this Agreement has been, and all ancillary instruments or documents issued and delivered hereunder when executed, will have been duly authorized by all necessary action of the Borrowers and each constitutes or will constitute a legal, valid and binding obligation of the Borrowers enforceable against each of the Borrowers in accordance with their terms;

(d) the Borrowers are not in breach of or in default under any obligation in respect of borrowed money and the execution and delivery of this Agreement and all ancillary instruments or documents issued and delivered hereunder, and the performance of the terms hereof and thereof will not be, or result in, a violation or breach of, or default under, any law, agreement or instrument to which either of the Borrowers is a party or may be bound;

(e) neither of the Borrowers are insolvent or bankrupt and no steps or proceedings have been taken to petition or assign the Borrowers into bankruptcy or complete any similar proceeding;

(f) no litigation or administrative proceedings before any court or governmental authority are presently ongoing, or have been threatened in writing, or are pending, against or affecting the Borrowers or any of the Borrowers' assets;

(g) all authorizations of every governmental authority required to be obtained by the Borrowers in connection with the execution, delivery and performance of this Agreement and all ancillary instruments and security and other documents issued, executed and delivered hereunder, have been obtained and are valid and subsisting;

(h) the Security creates a valid registered first charge, lien and security interest over all of the property and assets of the Borrowers described therein (which for greater certainty excludes the Vancocin Assets which do not constitute inventory);

(i) ML International is the legal and beneficial owner of the Pledged Shares and, except for the pledge and security interest granted to the Lender pursuant to the Share Pledge Agreement, the Pledged Shares are free from all liens, claims, mortgages, charges, security interests and other encumbrances whatsoever;

(j) ML International is a reporting issuer under the *Securities Acts* of British Columbia, Alberta, Saskatchewan and Ontario and is in compliance with its material obligations under those Acts and under the rules, regulations and policies of the Exchange, and will use its best efforts to maintain such status, without default, from the date hereof until repayment in full of the Facility to the Lender;

(k) the information circulars, prospectuses, annual information forms, offering memoranda, financial statements, material change reports and news releases filed with the Exchange and the Securities Commissions in those jurisdictions in which ML International is a reporting issuer on or during the twelve (12) months preceding the date hereof (collectively, the "**Public Record**"), is complete and accurate in all material respects and omits no facts, the omission of which makes the Public Record, or any particulars therein, misleading, misrepresentative or incorrect in any material respect;

(l) no order ceasing or suspending trading in securities of ML International or prohibiting the sale of securities by ML International has been issued and no proceedings for this purpose have been instituted, are pending, contemplated or threatened;

(m) ML International is not a party to any material contract other than as disclosed in the Public Record;

(n) ML International is in compliance, in all material respects, with its continuous disclosure obligations under applicable securities laws;

(o) each of the Borrowers has conducted and is conducting its businesses in compliance with all applicable laws, bylaws, rules and regulations of each jurisdiction in which its business is now carried on and hold all licenses, registrations, permits, consents or qualifications (whether governmental, regulatory or otherwise) required in order to enable its businesses to be carried on as now conducted and, all such licenses, registrations, permits, consents and qualifications are valid and subsisting and in good standing and the Borrowers have not received any notice of proceedings relating to the revocation or modification of any such licenses, registrations, permits, consents or qualifications which could reasonably be expected to have any materially adverse affect on, the condition of such businesses, operations, condition (financial or otherwise) or income of the Borrowers;

(p) neither Canada Revenue Agency nor any other taxation authority has asserted or has threatened to assert any assessment, claim or liability for taxes due or to become due in connection with any review or examination of the tax returns of the Borrowers filed for any year which would have a material adverse effect on the assets, properties, business, results of operations, prospects or condition (financial or otherwise) of the Borrowers;

(q) with respect to tax under Part IX of the *Excise Tax Act*, R.S.C. 1985, c.E-15 ("**HST**"):

    (i) each of the Borrowers is registered for HST purposes;

(ii) the Borrowers do not have any deferred obligations or liabilities under any section of the *Excise Tax Act*;

(iii) the Borrowers have not made a supply of property or service to a Person with whom the Borrowers were not dealing at arm's length for proceeds less than the fair market value;

(iv) all HST required to be collected by the Borrowers has been collected and all HST amounts required to be remitted to the Receiver General for Canada have been remitted; and

(v) all HST returns and reports of the Borrowers required by law to be filed have been filed in a timely manner and are true, complete and correct in all respects;

(r) each of the Borrowers owns its properties and assets and holds good title thereto, free and clear of all Encumbrances whatsoever;

(s) all factual information previously or contemporaneously furnished to the Lender by or on behalf of the Borrowers for purposes of or in connection with this Agreement or any transaction contemplated hereby, is true and accurate in every material respect and such information is not incomplete by the omission of any material fact necessary to make such information not misleading; and

(t) each of the Borrowers is solvent and is generally able to pay its debts as they come due and will be able to do so after giving effect to the transactions contemplated in this Agreement.

12. **Positive Covenants.** The Borrowers covenant and agree that so long as any monies will be outstanding under this Agreement, each of the Borrowers will:

(a) at all times maintain its corporate existence;

(b) duly perform its obligations under this Agreement and all other agreements and instruments executed and delivered hereunder or thereunder;

(c) carry on and conduct its business in a proper business-like manner in accordance with good business practice and will keep or cause to be kept proper books of account in accordance with generally accepted accounting principles;

(d) at all times comply with all applicable laws, except such voluntary non-compliance as shall, in its good faith business judgment, not have a material adverse effect on the business, properties and assets of the Borrower taken as a whole;

(e) for ML International, give to the Lender within three (3) Business Days of filing on SEDAR copies of all documents or instruments publicly filed by ML International on SEDAR, together with such other financial or other management reports, certificates, updated financial statements, including monthly internal financial and operational reports and documents and such other information with respect to ML International as the Lender may reasonably request from time to time during the term of this Agreement;

(f) pay and discharge promptly when due, all taxes, assessments and other governmental charges or levies imposed upon it or upon their properties or assets, or upon any part thereof, as well as all claims of any kind (including claims for labour, materials and supplies) which, if unpaid, would by law become a lien, charge, trust or other claim upon any such properties or assets;

(g) furnish and give to the Lender (if such is the case) notice that an Event of Default has occurred and, if applicable, is continuing or notice in respect of any event which would constitute an Event of Default hereunder and specifying the nature of same; and

(h) perform and do all such acts and things as are necessary to perfect and maintain the Security provided to the Lender pursuant to this Agreement.

13. **Negative Covenants.** The Borrowers covenant and agree with the Lender that so long as any monies are outstanding under this Agreement that each of the Borrowers will not without first obtaining the written consent of the Lender:

(a) except for security interests consented to in writing by the Lender, make, give, create or permit or attempt to make, give or create any Encumbrance over any assets of any of the Borrowers, including but not limited to the Vancocin Assets;

(b) borrow money from any person other than the Lender without first obtaining and delivering to the Lender a duly signed assignment and postponement of claim by such person in favour of the Lender, in form and terms satisfactory to the Lender;

(c) change the name of either of the Borrowers; or

(d) make or permit any sale of or disposition of any substantial or material part of its business, assets or undertaking, including but not limited to the Vancocin Assets, outside of the ordinary course of business of the Borrowers.

14. **Events of Default.** Each and every of the events set forth in this paragraph shall be an event of default ("**Event of Default**"):

(a) if either of the Borrowers fail to make any payment of principal or interest when due hereunder, and such failure continues for two (2) Business Days thereafter;

(b) if either of the Borrowers default in observing or performing any material term, covenant or condition of this Agreement or the Security, other than the payment of monies as provided for in subparagraph (a) hereof, on its part to be observed or performed and such failure continues for five (5) Business Days thereafter;

(c) if any of the Borrowers' representations, warranties or other statements in this Agreement, any other collateral document delivered hereunder or given in connection with the Facility were at the time given false or misleading in any material respect;

(d) if either of the Borrowers default in observing or performing any term, covenant or condition of any debt instrument or obligation by which it is bound, makes an assignment for the benefit of creditors, or admits in writing of its inability to pay its debts as they become due, or are adjudicated bankrupt or insolvent;

(e) if ML International is in default of any material prescribed filings with applicable securities regulatory authorities or the Exchange (collectively, the "**Authorities**"), or is subject to any suspension in excess of two (2) trading days or cease trade order issued by any such Authority;

(f) if ML International fails to complete the Private Placement in the time period specified in paragraph 9, or the Borrowers fail to pay all proceeds thereof to the Lender on the closing of the Private Placement;

(g) if any order is made or issued by a competent regulatory authority prohibiting the trading in shares of ML International or if ML International's common shares are suspended or de-listed from trading on the Exchange;

(h) any change of control of either of the Borrowers ("**control**" being defined as ownership of or control or direction over, directly or indirectly, 20% or more of the outstanding voting securities);

(i) if either of the Borrowers permit any sum which has been admitted as due by it, or is not disputed to be due by it, and which forms or is capable of being made a charge upon any of its assets or undertaking to remain unpaid or not challenged for thirty (30) days after proceedings have been taken to enforce the same;

(j) if, in the reasonable opinion of the Lender, a material adverse change occurs in the financial condition of either of the Borrowers;

(k) if the Lender in good faith and on commercially reasonable grounds believes that the ability of either of the Borrowers to pay any of the Outstanding Balance to the Lender or to perform any of the covenants contained in this Agreement, the Security or any other collateral agreement or other document is impaired or any security granted by either of the Borrowers to the Lender is or is about to be impaired or in jeopardy;

(l) if either of the Borrowers petition or apply to any tribunal for the appointment of a trustee, receiver or liquidator or commences any proceedings under any bankruptcy, insolvency, readjustment of debt or liquidation law of any jurisdiction, whether now or hereafter in effect; and

(m) if any petition or application for appointment of a trustee, receiver or liquidator is filed, or any proceedings under any bankruptcy, insolvency, readjustment of debt or liquidation law are commenced, against either of the Borrowers or an order, judgment or decree is entered appointing any such trustee, receiver, or liquidator, or approving the petition in any such proceeding.

15. **Effect of Event of Default.** If any one or more of the Events of Default occurs or occur and is or are continuing, the Lender may without limitation in respect of any other rights it may have in law or hereunder, demand immediate payment of all monies owing hereunder.

16. **Indemnity.** The Borrowers covenant and agree to indemnify and save harmless the Lender and each of its directors, officers, employees and agents from and against all liabilities, claims, losses, damages and reasonable costs and expenses in any way caused by or arising directly or indirectly from or in consequence of the occurrence of any Event of Default under this Agreement.

17. **Discharge.** Upon payment in full of the Outstanding Balance, the Lender will execute and deliver to the Borrowers discharges and releases as the Borrowers' may reasonably require to discharge the Security and all security interests created by the Security and fully release the Borrowers in respect of such Security and security interests.

18. **Legal Fees.** The Borrowers will pay for the Lender's legal fees and other costs, charges and expenses (including due diligence expenses) of and incidental to (i) the preparation, execution and completion of this Agreement and the Security hereunder, including all amendments thereto, as may be required by the Lender (which amounts will be deducted from the Advance) and (ii) the collection of all amounts outstanding or coming due hereunder, including all of the Lender's legal fees and other costs of enforcement of the Security, all on a solicitor and own client basis. Any amounts will be payable upon notice to the Borrowers. If not paid within 30 days of presentment of an invoice, such amount will be added to and form part of the principal amount of the Facility and shall accrue interest from the date of notice to the Borrowers as if it had been advanced by the Lender to the Borrowers hereunder.

19. **Further Assurances.** The Borrowers will from time to time, whether before or after the occurrence of an Event of Default, do all such acts and things and execute and deliver all such documents, deeds, transfers, assignments and instruments as the Lender may require for perfecting the Security granted or to be granted pursuant to this Agreement. The Borrowers covenant and agree with the Lender to discharge or cause to be discharged forthwith any Encumbrances which may at any time during them of the Facility rank equal or in priority to the Lender's Security referred to herein. The Borrowers covenant and agree to take all steps and proceedings as may be necessary to give effect to this Agreement.

20. **Notices under this Agreement.** In this Agreement:

(a) Any notice, direction or other document required or permitted to be given pursuant to this Agreement shall, unless otherwise specifically provided, be given in writing and may be mailed, postage prepaid by registered mail, sent by facsimile transmission or personally served upon the appropriate party at the following addresses:

(i) if to either of the Borrowers:

Merus Labs International Inc.
Suite 1820 - 925 West Georgia Street
Vancouver, British Columbia V6C 3L2

Attention: Ahmad Doroudian
Fax No.: (604) 225-0588

(ii) to the Lender:

Envoy Capital Group Inc.
Suite 301, 30 St. Patrick Street
Toronto, Ontario M5T 3A3

Attention: Rob Pollock
Fax No.: (416) 214-5954

(b) Any notice, direction or other document given:

(i) by registered mail as set out above shall be deemed to have been given on the date of actual receipt by the addressee;

(ii) by personal delivery as set out above shall be deemed to have been given and received on the date on which it was so delivered or on the first business day thereafter if the date of delivery is not a business day in the place of delivery; and

(iii) by facsimile transmission as set out above shall be deemed to have been given and received on the date on which it was so transmitted or on the first business day thereafter if the date of transmission is not a business day in the place of receipt or if the time of transmission is after 4:00 p.m. at the place of receipt.

(c) Any party may change its address for notice by notifying the other parties to this Agreement in accordance with the provisions of this paragraph. If for any reason the method of giving notice selected by a party is impracticable, then such party shall be obliged to select an alternate method of giving notice.

21. **Agency, Assignment, Successors and Assigns.** The Borrowers acknowledge that the Lender may assign a portion of its rights and obligations under this Agreement and that as such, the Lender would act as agent for any such assignees, with full authority to deal with the Borrowers and enforce the obligations of the Borrowers hereunder. Any assignment hereunder shall be subject only to the Lender's notification of such assignment or assignments being given in writing to the Borrowers. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

22. **Criminal Code Compliance.** In this paragraph the terms "**interest**", "**criminal rate**" and "**credit advanced**" have the meanings ascribed to them in Section 347 of the Criminal Code (Canada) as amended from time to time. The Borrowers and the Lender agree that, notwithstanding any agreement to the contrary, no interest on the Facility or the credit advanced by the Lender under this Agreement will be payable in excess of that permitted under the laws of Canada. If the effective rate of interest, calculated in accordance with generally accepted actuarial practices and principles, would exceed the criminal rate on the credit advanced, then:

(a) the elements of return which fall within the term "interest" will be reduced to the extent necessary to eliminate such excess;

(b) any remaining excess that has been paid will be credited towards prepayment of the Facility; and

(c) any overpayment that may remain after such crediting will be returned forthwith to the Borrowers upon demand, and, in the event of dispute, a Fellow of the Canadian Institute of Actuaries appointed by the Lender will perform the relevant calculations and determine the reductions, modifications and credits necessary to effect the foregoing and the same will be conclusive and binding on the parties. This Agreement, the Note and all related agreements and documents will automatically be modified to reflect such modifications without the necessity of any further act or deed of the Borrowers and the Lender to give effect to them.

23. **Invalidity.** If at any time any one or more of the provisions hereof is or becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the

remaining provisions hereof shall not in any way be affected or impaired thereby to the fullest extent possible by law.

24. **Governing Laws.** This Agreement shall be governed by and interpreted in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein. The Borrowers submit to the jurisdiction of the Courts of the Province of British Columbia and agrees to be bound by any suit, action or proceeding commenced in such Courts and by any order or judgment resulting from such suit, action or proceeding, but the foregoing will in no way limit the right of the Lender to commence suits, actions or proceedings based on this Agreement in any jurisdiction it may deem appropriate.

25. **Enurement.** This Agreement will enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

26. **Waivers.** No failure or delay on the Lender's part in exercising any power or right hereunder will operate as a waiver thereof.

27. **Remedies are Cumulative.** The Lender's rights and remedies hereunder are cumulative and not exclusive of any rights or remedies at law or in equity.

28. **Time.** Time is of the essence of this Agreement and all documents or instruments delivered hereunder.

29. **Gender and Number.** Words in one gender include all genders, and words in the singular include the plural and vice versa.

30. **Joint Obligations.** The representations, warranties and agreements of, and all obligations and covenants to be performed and observed by, the Borrowers hereunder will be the joint and several representations, warranties and agreements, obligations and covenants of each of the persons comprising the Borrowers and any request or authorization given to the Lender by any of the persons comprising the Borrowers will be considered to be the joint and several requests or authorizations of each of the persons comprising the Borrowers.

31. **Amendment.** This Agreement supersedes the Term Sheet and all prior agreements and discussions between the parties with respect to the subject matter set forth herein. This Agreement may be changed only by or pursuant to an agreement in writing signed by the parties hereto.

32. **Schedules.** All Schedules attached hereto shall be deemed fully a part of this Agreement.

33. **Currency.** All references herein to "**dollars**" or "**$**" are to Canadian dollars, unless otherwise indicated.

34. **Counterparts.** This Agreement may be signed in one or more counterparts, originally or by facsimile, each such counterpart taken together shall form one and the same agreement.

[remainder of page intentionally left blank]

TO EVIDENCE THEIR AGREEMENT each of the parties has executed this Agreement on the date first above written.

ENVOY CAPITAL GROUP INC.

Per:

Authorized Signatory

MERUS LABS INTERNATIONAL INC.

Per:

Authorized Signatory

MERUS LABS INC.

Per:

Authorized Signatory

TO EVIDENCE THEIR AGREEMENT each of the parties has executed this Agreement on the date first above written.

ENVOY CAPITAL GROUP INC.

Per:

____
Authorized Signatory

MERUS LABS INTERNATIONAL INC.

Per:

____
Authorized Signatory

MERUS LABS INC.

Per:

____
Authorized Signatory

SCHEDULE A
PROMISSORY NOTE

Principal Amount: **CAD$6,000,000** **Due at Toronto, Ontario**

For value received, MERUS LABS INTERNATIONAL INC. and MERUS LABS INC. (collectively, the "**Borrowers**") hereby jointly and severally promise to pay to ENVOY CAPITAL GROUP INC. (the "**Lender**") the sum of SIX MILLION CANADIAN DOLLARS (CAD$6,000,000) on the earlier of:

(a) November 10, 2011; and

(b) the occurrence of an Event of Default (as defined in the Credit Agreement between the Borrowers and the Lender dated for reference May 12, 2011),

together with interest accruing on the outstanding principal amount from the date hereof at a rate of TWELVE (12%) PERCENT per annum, calculated daily and compounded monthly (effective rate of 12.68% per annum) before and after each of maturity, default and judgment. The undersigned jointly and severally covenant to pay to the Lender an amount equal to the sum of (i) $400,000 to be applied on account of the outstanding principal amount hereunder, plus (ii) all accrued but unpaid interest on the outstanding principal amount hereunder calculated at the interest rate referred to above, on the last Business Day of every month.

If after the date of this Promissory Note the Borrowers or either of them complete any equity or debt financing, receive any proceeds from the exercise of any convertible securities of the Borrowers or either of them, whether issued before or after the date of this Promissory Note, or dispose of any assets outside of the ordinary course of business, the Borrowers will cause the proceeds thereof, net of reasonable selling commissions actually incurred to arms length, bona fide agents thereof, to the Lender, to be applied by the Lender in repayment of the Outstanding Balance.

The undersigned may prepay the outstanding balance of this promissory note in whole at any time before maturity, without notice or penalty, provided that such prepayment is made on the last business day of a calendar month and the undersigned have provided not less than ten (10) business days' prior notice of its intention to prepay such outstanding balance of this promissory note.

All payments under this promissory note will be made by certified cheque, bank draft or wire transfer (pursuant to wire transfer instructions provided by the Lender from time to time) and delivered to the Lender at Suite 301, 30 St. Patrick Street, Toronto, Ontario M5T 3A3.

This Promissory Note shall be governed by and construed in accordance with the laws of British Columbia and the federal laws of Canada applicable therein. The undersigned hereby waives notice of dishonour and presentment. In this promissory note, "**Business Day**" means a day which is not a Saturday, Sunday or a statutory holiday in British Columbia.

[remainder of page intentionally left blank]

Dated at Vancouver, British Columbia, this 12th day of May, 2011.

MERUS LABS INTERNATIONAL INC.

Per:

____
Authorized Signatory

MERUS LABS INC.

Per:

____
Authorized Signatory

[Promissory Note Signature Page]

SCHEDULE B
ACCREDITED INVESTOR ACKNOWLEDGEMENT

The Lender hereby acknowledges and certifies to the Borrowers, as such parties are defined in the Credit Agreement to which this Accredited Investor Acknowledgement is a schedule and forms a part thereof, that pursuant to the Credit Agreement the Lender is receiving the Units (as defined in the Credit Agreement) as principal and that the Lender is an "**Accredited Investor**" as defined in National Instrument 45-106 *Prospectus and Registration Exemptions* ("NI 45-106") and is:

[check the category or categories that apply]

_________ (a) an individual who, either alone or with a spouse, beneficially owns, directly or indirectly, financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds $1,000,000;

_________ (b) an individual whose net income before taxes exceeded $200,000 in each of the 2 most recent calendar years or whose net income before taxes combined with that of a spouse exceeded $300,000 in each of the 2 most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year;

_________ (c) an individual who, either alone or with a spouse, has net assets of at least $5,000,000;

KSP (d) a person, other than an individual or investment fund, that has net assets of at least $5,000,000 as shown on its most recently prepared financial statements;

_________ (e) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors;

_________ (f) a Canadian financial institution, or a Schedule III bank;

_________ (g) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada);

_________ (h) a subsidiary of any person referred to in paragraphs (f) or (g), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary;

_________ (i) a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, other than a person registered solely as a limited market dealer under one or both of the Securities Act (Ontario) or the Securities Act (Newfoundland and Labrador);

_________ (j) an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (i);

_________ (k) the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada;

_________ (l) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec;

_________ (m) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government;

_________ (n) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada;

________ (o) an investment fund that distributes or has distributed its securities only to

(i) a person that is or was an accredited investor at the time of the distribution;

________ (ii) a person that acquires or acquired securities in the circumstances referred to in Sections 2.10 [Minimum amount investment], and 2.19 [Additional investment in investment funds] of NI 45-106; OR

________ (iii) a person described in paragraph (i) or (ii) that acquires or acquired securities under Section 2.18 [Investment fund reinvestment] of NI 45-106;

________ (p) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt;

________ (q) a trust company or trust corporation registered or authorized to carry on business under the Trust and Loan Companies Act (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be;

________ (r) a person acting on behalf of a fully managed account managed by that person, if that person

(i) is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction; and

________ (ii) in Ontario, is purchasing a security that is not a security of an investment fund;

________ (s) a registered charity under the Income Tax Act (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded;

________ (t) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (f) to (i) or paragraph (n) in form and function;

(u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser; OR

________ (v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as an accredited investor;

and for purposes hereof, words and phrases which are used in this Accredited Investor Acknowledgement and which are defined in NI 45-106 shall have the meaning ascribed to them in NI 45-106.

The Lender hereby further confirms and certifies to the Borrowers that the Lender is not an entity created or used solely to purchase or hold the Units in the category of "accredited investor" as described in paragraph (m) of the definition of "accredited investor" in NI 45-106.

EXECUTED by the Lender at Toronto, Ontario, this 12th day of May, 2011.

ENVOY CAPITAL GROUP INC.

Per: ____________________

Authorized Signatory