CML HEALTHCARE INC.

ANNUAL INFORMATION FORM

March 20, 2013

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CML HEALTHCARE INC.

ANNUAL INFORMATION FORM

In this Annual Information Form, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars, unless otherwise noted, and the statistical and financial data are presented as of December 31, 2012.

REFERENCES TO CML

Unless otherwise stated, references in this Annual Information Form ("**AIF**") to "**CML**" or the "**Company**" refer to both CML HealthCare Inc., and to all predecessors.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of the Securities Act (Ontario) and other provincial or territorial securities law in Canada. These forward-looking statements include, among others, statements with respect to our objectives, goals and strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may", "will", "could", "should", "would", "suspect", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "forecast", "objective" and "continue" (or the negative thereof), and words and expressions of similar import, are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. We caution readers not to place undue reliance on these statements, as a number of important factors, many of which are beyond our control, could cause our actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: dependence on government-based revenues in Canada; general economic conditions; pending and proposed legislative or regulatory developments in Canada including the impact of changes in laws, regulations and the enforcement thereof; reliance on funding models in Canada; our ability to complete strategic acquisitions and to integrate our acquisitions successfully; operational and infrastructure risks including sole site, equipment failure and performance of information technology systems; our ability to pay dividends in the future; intensifying competition resulting from established competitors and new entrants in the businesses in which we operate; insurance coverage of sufficient scope to satisfy any liability claims; fluctuations in total patient referrals; technological change and obsolescence; loss of services of key senior management personnel; privacy laws; compliance with laws and regulations affecting public companies; structural subordination of common shares; leverage and restrictive covenants; fluctuations in cash timing and amount of capital expenditures; tax-related risks; unpredictability and volatility of the price of common shares; dilution; and future sales of common shares. We caution that the foregoing list of important factors that may affect future results is not exhaustive. When reviewing our forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Additional information about factors that may cause actual results to differ materially from expectations, and about material factors or assumptions applied in making forward-looking statements, may be found in the "Risk Factors" section of this Annual Information Form, under "Business Risks" and elsewhere in our Management's Discussion and Analysis of Operating Results and Financial Position ("**MD&A**") for the year ended December 31, 2012 and elsewhere in our filings with Canadian securities regulators. Except as required by Canadian securities law, we do not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf. Such statements speak only as of the date made. The forward-looking statements included in this Annual Information Form are, unless otherwise indicated, made as of December 31, 2012 and are expressly qualified in their entirety by this cautionary language.

SUPPLEMENTAL DISCLOSURE

References in this Annual Information Form to "EBITDA" are to earnings from continuing operations before interest, taxes, depreciation, amortization, restructuring and other expenses, interest and other income and impairment of non-financial assets. EBITDA is a metric used by many investors to compare companies on the basis of ability to generate cash from operations. EBITDA is not a recognized measure under International Financial Reporting Standards ("**IFRS**"). EBITDA is used by the Company to analyze performance and compare profitability between periods. Shareholders are cautioned, however, that EBITDA should not be construed as an alternative to net earnings as determined in accordance with IFRS or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows, or as an indicator of CML's performance. The Company's method of calculating EBITDA may differ from other companies and accordingly, EBITDA may not be comparable to similarly titled measures reported by other companies.

For further detail regarding the CML's financial information, please see the Company's consolidated financial statements and MD&A for the year ended December 31, 2012, copies of which are available at www.sedar.com.

CORPORATE STRUCTURE

Name, Address and Incorporation

CML HealthCare Inc. was established on January 1, 2011 as a result of the reorganization of its former income trust structure into a corporate structure pursuant to a plan of arrangement under the *Business Corporations Act* (Ontario). On January 1, 2013 the Company amalgamated with several subsidiary companies.

CML's head and registered office address is 60 Courtneypark Drive West, Unit #1, Mississauga ON L5W 0B3.

Intercorporate Relationships

CML has no material Subsidiaries as at the date hereof.

HISTORY OF THE BUSINESS

Prior to Conversion to Income Fund Structure

Canadian Medical Laboratories Limited, the entity that eventually becomes CML, was founded in 1971 as a single laboratory in Simcoe, Ontario. Over the following 25 years, the company grew through organic growth and acquisitions and in 1996 completed an initial public offering.

On October 1, 1997, Canadian Medical Laboratories Limited amalgamated with its wholly-owned subsidiaries Bestview Investments Inc., Bestview Medical Laboratories Limited, Excel Medical Laboratories Ltd., Legalmed Holdings Inc. and Physician's Laboratory Services Ltd.

In 2001, Canadian Medical Laboratories Limited entered the medical imaging business in Canada with the acquisition of DC DiagnostiCare Inc., which operated 146 centres across five provinces (British Columbia, Alberta, Manitoba, Ontario, and Quebec).

On March 27, 2003, Canadian Medical Laboratories Limited filed articles of amendment to change its name to CML HealthCare Inc.

February 23, 2004 to December 31, 2012

On February 23, 2004, CML Healthcare Inc., as it existed at such time, completed a plan of arrangement under the *Business Corporations Act* (Ontario) resulting in the creation of CML Healthcare Income Fund (the "**Fund**"), a publicly-traded income trust owning all of its diagnostic services business, and Cipher Pharmaceuticals Inc., a publicly-traded corporation owning all of its drug development and pharmaceutical research business. CML Healthcare Inc. ("**Old CML**"), which became a wholly-owned subsidiary of the Fund, was the resulting entity from the amalgamation under the plan of arrangement of CML Healthcare Inc., CML Healthcare Acquisitionco Inc., 1603728 Ontario Inc., 1602928 Ontario Inc. and Diagnostic Acquisition Limited.

Effective June 1, 2006, Old CML amalgamated with CML Healthcare Imaging Inc., LabCare Inc., Cybermedix Health Services Ltd., Fort Frances Clinic Laboratories Limited, 1089998 Ontario Inc. and Diatech Imaging Inc.

On July 14, 2006, Old CML acquired assets of a nuclear imaging clinic in Toronto, Ontario from GTA Nuclear Cardiology Limited.

On October 2, 2006, Old CML amalgamated with King Street X-Ray Limited, King Street Medical Arts Centre Limited and First Medical Place X-Ray and Ultra-Sound Ltd. On that same date, Old CML also amalgamated with 2111000 Ontario Limited.

On December 4, 2006, Old CML acquired the assets of an imaging centre in London, Ontario from Westminster Imaging and Associates Inc.

On May 23, 2008, Old CML acquired the assets of three imaging clinics in Calgary, Alberta from May, Yemen and Kaura Professional Corporation.

On September 1, 2007, Old CML amalgamated with 2145117 Ontario Limited.

On January 1, 2008, Old CML amalgamated with 1469140 Ontario Inc, (doing business as ProMed Echo Ultrasound) and Belex Management Limited.

On January 31, 2008, Old CML acquired Croydon Radiological Services Ltd., and, on April 22, 2008, Old CML acquired Laurel Radiology Inc., both of which are medical imaging operations in the Greater Vancouver area.

On February 29, 2008, Old CML indirectly acquired Maryland-based American Radiology Services, Inc. ("**ARS**") for total consideration of approximately U.S.$150.4 million (inclusive of repayment of term debt of ARS and capital leases assumed), subject to normal post-closing adjustments.

On February 29, 2008, Old CML acquired 1746801 Ontario Inc., operating as "Niagara Falls and Pelham Clinics", and, on July 10, 2008, Old CML acquired Applemed X-ray and Ultrasound Services Inc. Both acquisitions were based in Ontario.

On August 29, 2008, Old CML acquired Alberta-based C.M. Thom and M.L. Irwin Professional Corporation, operating as "Calgary Womens Imaging Centre". On September 19, 2008, Old CML acquired British Columbia-based General Medical Imaging Services Inc.

On January 1, 2009, Old CML amalgamated with 1746801 Ontario Inc., Laurel Radiology Inc., Croydon Radiology Services Ltd. and Calgary Womens Imaging Centre Inc.

On July 31, 2009, Old CML completed the acquisition of certain assets of Washington Open MRI, Inc. (operating as Quarry Lake Imaging), comprising a medical imaging centre based in Baltimore, Maryland.

On August 10, 2009, Old CML entered into a 50:50 joint venture agreement with Upper Chesapeake Health System to manage a multi-modality imaging centre in Bel Air, Maryland.

On December 17, 2009, Old CML acquired the assets of various diagnostic imaging centers in Rhode Island from The Imaging Institute, Inc. ("TII") for total consideration of approximately U.S.$7.7 million, after closing adjustments (less a working capital adjustment of U.S.$435,000).

On November 18, 2010, through the above-described joint venture with Upper Chesapeake Health System, Old CML acquired the assets of a single site PET/CT operation in Bel Air, Maryland. The cost to Old CML of its 50% interest in the business was approximately U.S.$1 million.

On January 1, 2011, the Fund reorganized its income trust structure into a corporate structure pursuant to a plan of arrangement under the *Business Corporations Act* (Ontario). Under the plan of arrangement, unitholders of the Fund ultimately received one common share of CML HealthCare Inc., the resulting entity from the amalgamation of CML Healthcare Inc. and 2260408 Ontario Limited completed under the plan of arrangement, for each trust unit of the Fund exchanged.

As a result of the completion of the plan of arrangement and related transactions, CML became the successor reporting issuer to the Fund (in each jurisdiction in which the Fund had been a reporting issuer), and then directly and indirectly carried on the businesses previously conducted by the Fund and its subsidiaries. CML's common shares commenced trading on the Toronto Stock Exchange on January 4, 2011 under the symbol "CLC".

On April 15, 2011, CML completed the sale of the assets of two imaging clinics located in Winnipeg, Manitoba.

On June 30, 2011, CML completed the sale of the assets of its only Quebec imaging clinic, located in Hull.

In November and December, 2011 CML completed the sale of all of its medical imaging operations in the United States for total consideration of US$42.9 million.

On January 1, 2012, CML completed the purchase of 312244 B.C. Ltd. (formerly Dr. T.D. Anderson Inc.), operator of an imaging clinic in Victoria, B.C. and an imaging clinic in Sooke, B.C.

On October 2, 2012, CML completed the purchase of HRL. Located in Hamilton, Ontario, HRL is a provider of specialized coagulation testing for customers in North America, Europe, and Australia.

On November 5, 2012, CML announced it had completed the sale of all of its Alberta imaging operations, consisting of nine locations, to Canadian Diagnostic Centres, an Alberta-based imaging provider, for total consideration of $17.0 million.

On January 1, 2013, CML amalgamated CML HealthCare Inc., CML HealthCare (Hamilton) Inc. and 1824693 Ontario Limited under the *Business Corporations Act* (Ontario) and continues to carry on business under the name CML HealthCare Inc.

Recent Developments

Divestiture of Canadian Diagnostic Imaging Business

On January 16, 2013, CML announced its intention to divest its diagnostic imaging business, with the exception of its MRI/CT operations in Ontario. CML indicated, although there can be no assurance that any transaction will be completed or the timing thereof, the Company would be working diligently to complete the sale of the business by the end of 2013. The Company stated it expects to deploy the net proceeds from the planned sale of this business to reduce debt and to invest in its core laboratory services business.

Dividend Payments in 2013

On January 16, 2013, the Company announced the establishment of an intended quarterly dividend of $0.1325 per common share, or $0.53 per common share on an annual basis. The first quarterly dividend of $0.1325 per common share was declared on March 7, 2013 to shareholders of record at the close of business on March 28, 2013, and payable on April 19, 2013. Any ultimate decision to declare and pay any future quarterly dividend will be made by the Board of Directors of the Company, at its discretion, based upon the Company's earnings, financial operational requirements and other factors and conditions the Board deems advisable at that time.

Ontario Health Insurance Plan ("OHIP") Reimbursements

On May 7, 2012, the Ontario government announced unilateral reductions to OHIP reimbursements for certain procedures, including certain diagnostic imaging and electrocardiogram services, retroactive to April 1, 2012. Additional changes to re-imbursement were announced in December 2012, with effective dates of November 1, 2012 and January 1, 2013.

The reimbursement changes impact both professional fees received by the Company, which are, in turn, paid primarily to radiologists and other specialists for interpretive services, as well as technical fees received and retained by CML for the technical component of its imaging procedures.

DESCRIPTION OF THE BUSINESS

Business Overview

CML is a leading community-based medical diagnostic services provider delivering high quality laboratory testing and diagnostic imaging services to Canadians. CML also operates HRL, a reference laboratory located in Ontario focused on specialized coagulation testing for customers internationally.

CML is one of the three largest providers of community-based laboratory services in Ontario. From a single medical laboratory established in Simcoe, Ontario, in 1971, CML currently operates a network of 114 Client C.A.R.E. Centres ("**CCCs**") in urban and rural Ontario, and 84 diagnostic imaging centres in British Columbia and Ontario, processing over 44 million tests annually for more than 7 million client visits. CML holds licences permitting it to perform a broad range of medical tests involving haematology, biochemistry, cytology, microbiology and histology, as well as supporting diagnostic procedures such as electrocardiograms, and holter monitoring. Laboratory results are used by physicians in over 80% of their diagnostics, including the diagnosis of medical conditions, to plan or evaluate treatment, and to monitor diseases.

CML is a member of the Ontario Association of Medical Laboratories ("**OAML**"), an industry association representing seven independently-owned laboratories that perform more than 95% of all laboratory diagnostic testing for patients outside of hospitals in Ontario. Members of the OAML are under an exclusive, capped and performance-based funding agreement with the Ontario Ministry of Health and Long-Term Care (the "**MOH**") based on market share of the respective members in 1998. CML has a 30.6% share of the funding provided under this funding agreement. In addition to revenue from the aforementioned funding agreement, CML also receives fee-for-service for certain laboratory tests and services that are not included under the cap agreement. These include tests such as screening Vitamin D and Prostate-Specific Antigen tests, and refugee services which are paid for by third parties. Approximately 70% of the Company's consolidated revenue for the year ended December 31, 2012 came from its Ontario laboratory services operations. Approximately 16% of the Company's laboratory services revenue in 2012 was derived from fee-for-service laboratory tests.

CML entered the medical imaging business in Canada in 2001 with the acquisition of DC Diagnostic Care Inc., Canada's largest medical imaging services company. CML currently operates Canada's largest network of community-based medical imaging centres comprised of 84 locations, with 63 in Ontario and 21 in British Columbia. CML holds licences to perform a broad range of medical imaging procedures, including ultrasound, x-ray, bone densitometry, mammography, fluoroscopy, MRI, nuclear medicine, and CT scans. Among the high-end modalities, CML has two MRI units in British Columbia and two MRI units and two CT units in Ontario. Approximately 93% of CML's medical imaging revenue comes from the provincial governments, with the remainder derived from third parties.

For the year ended December 31, 2012, CML's revenues and EBITDA from continuing operations were $353.6 million and $107.5 million, respectively, compared to $354.8 million and $119.7 million respectively, for the year ended December 31, 2011.

Industry Overview

Health Care Industry

The health care payment system in Canada may be described as an interconnected set of ten provincial and three territorial health care insurance plans. The management and delivery of health care services is the responsibility of each individual province or territory. The federal government's role in health care involves setting and administering national principles for the system, as well as assisting in the financing of the health care services delivered by the provinces and territories through transfer payments. The Canada Health Act endeavours to ensure that the health care insurance plan of each province and territory insures all medically necessary services provided by, primarily, hospitals and physicians, except that the Canada Health Act does not apply to services pursuant to an Act of Parliament or the legislature of a province or territory relating to workers' or workmen's compensation.

According to the Canadian Institute for Health Information, Canada's total health care expenditures were forecast to have reached $207.4 billion in 2012, an estimated increase of $6.9 billion, or 3.4%, over 2011. These forecasted expenditures represent approximately 11.6% of Canada's gross domestic product. Of this amount, approximately 65% was forecasted to have come from Canadian provincial and territorial governments, with the remaining expenditures

coming from the federal government, municipal governments, social security funds, and private sources, including private health insurance and user-pay sources.

In most instances, community-based (as opposed to government-owned and/or operated) providers of health care services, such as CML, are paid on a fee-for-service basis, subject to the "cap" described below for certain laboratory services. The fees are established through negotiation on a province by province (or territory by territory) basis between the applicable provincial (or territorial) health ministry and various stakeholder groups.

Diagnostic Services Industry

Diagnostic services are a vital part of the health care system. These services, which include laboratory services, imaging services, stress testing, electrocardiograms and hearing testing, facilitate effective, efficient diagnosis, monitoring, and in many cases preventative treatment of medical conditions.

Laboratory Services

Laboratory testing is generally categorized as either clinical testing, which is performed on bodily specimens including blood and urine, or anatomical pathology testing, which is performed on cytological specimens, tissue, and other samples, including human cells. Licenced medical diagnostic laboratories generally perform tests on bodily specimens and tissues for the purpose of diagnosing medical conditions and screening for evidence of specific drug use. Examples of frequently performed tests include blood chemistry analysis, urinalysis, haematology, PAP smears, microbiology, screening for the HIV virus or for the presence of drugs or alcohol.

Publicly-funded laboratory testing services across Canada are provided by public service providers. In Ontario, British Columbia, Alberta, Manitoba, Saskatchewan and, to a limited extent, Quebec, laboratory services are also provided by community-based service providers. Management of CML estimates that, Canada-wide, greater than 50% of laboratory testing is performed by public health and hospital-based laboratories and the balance by community-based laboratories. In Ontario, substantially all out-patient laboratory services are provided by community-based laboratories, on a fee-for-service basis, subject to a negotiated maximum annual aggregate payment (known as a "cap"), and substantially all in-patient laboratory services are provided by hospitals and public health facilities.

In Ontario, there are four types of medical diagnostic laboratories: public health laboratories, hospital laboratories, community-based laboratories and physician-operated laboratories. The public health laboratories have generally concentrated on epidemiological matters, such as the tracking of the spread of HIV; hospital laboratories have concentrated on the laboratory needs of the hospital's patients; the community-based laboratories have concentrated on the patients of private physicians; and the physician-operated laboratories offer a very limited range of testing services, available only for that physician's patients.

Facilities operated by community-based laboratories include: (i) CCCs, where specimens are taken at the request of the referring physician but where no tests are carried out; (ii) local or regional laboratories to which specimens from CCCs and other collection points are sent for testing; and (iii) central laboratories where high-volume, multi-channel equipment perform various tests on a single specimen and where specialized tests are carried out.

For the fiscal year of the MOH ended March 31, 2012, there were approximately 18.6 million requisitions (patient visits) to community-based laboratories in Ontario, resulting in a total of approximately 118.2 million tests performed on patients for an average of 6.4 tests per requisition or patient visit and 8.8 tests per capita (per person in Ontario). The table below shows the growth in demand for laboratory services in Ontario over the last five years:

	MOH Fiscal Year Ended March 31,				
	2008	**2009**	**2010**	**2011**	**2012**
Population estimates (in millions) ……	12.9	13.1	13.2	13.4	13.5
Number of tests (in millions) ……	105.3	116.7	121.2	115.4	118.2
Number of requisitions (patient visits) (in millions) ……	17.2	17.5	18.4	18.2	18.6
Tests per requisition ……	6.1	6.7	6.6	6.3	6.4
Tests per capita ……	8.2	9.0	9.2	8.6	8.8

Source: OAML; Statistics Canada

Imaging Services

Medical imaging procedures use energy waves (x-ray, ultrasound, magnetic and gamma) to penetrate human tissue and generate images of the body that can be viewed on film or digitized for display on high resolution monitors and used to diagnose diseases and physical injuries.

Medical imaging services are typically provided in the following settings:

- *Hospital Setting*. Medical imaging systems are located in and owned and/or operated by a hospital or a hospital out-patient clinic.
- *Freestanding Fixed Site Imaging Centres*. Medical imaging systems are located in dedicated freestanding facilities owned and/or operated by entities that are not affiliated with hospitals or physician practices.
- *Physician Setting*. Medical imaging systems are located in and owned and/or operated by a physician or physician groups.
- *Mobile Imaging*. Medical imaging systems are located in mobile trailers owned and/or operated by entities that are typically not affiliated with, or owned and/or operated by, hospitals or physician practices.
- *Teleradiology*: Teleradiology is the transmission of patient images, such as x-rays, CTs and MRIs via a network, for the purpose of interpretation by a radiologist who is based at a different location. Currently, teleradiology is used frequently in rural areas to obtain a sub-specialty radiologist opinion located in another community, or to provide off-hour reading services for hospitals or large physician practices or imaging centres.

Common imaging modalities include the following:

- X-*Ray and Fluoroscopy*. X-rays penetrate the body and record images of organs and structures on film or digitally. Fluoroscopy utilizes x-rays combined with a video-viewing system for real time monitoring of organs.
- *Ultrasound*. Ultrasound imaging utilizes high-frequency sound waves to acquire images of internal organs, embryos and the muscular, skeletal, and vascular systems. Ultrasound has widespread applications, particularly for procedures in obstetrics, gynaecology, general body imaging and cardiology.
- *Mammography*. Mammography is a specialized form of radiology utilizing low dosage x-rays to visualize breast tissue and is the primary screening tool for detection of breast cancer.
- *Bone Densitometry*. Bone densitometry is a quick, simple and painless examination that is currently the most sensitive screening tool used to detect bone loss in early stages of osteoporosis. It is also the least expensive and most cost-effective method for this type of examination.
- *Nuclear Medicine*. Nuclear medicine utilizes short-lived radioactive isotopes, which release small amounts of radiation, that can be recorded by a gamma camera and processed by a computer to produce an image of various anatomical structures or to assess the function of various organs, such as the heart, kidneys, thyroid and bones. Nuclear medicine is used primarily to study anatomic and metabolic functions.

In addition to the imaging modalities described above, other, more advanced imaging modalities are available and include the following:

- *Computed Tomography* ("**CT**"). CT utilizes a computer to direct the movement of an x-ray tube to produce multiple cross-sectional images of a particular organ or area of the body. CT is used to detect tumours and other conditions affecting bones and internal organs. It is also used to detect the occurrence of strokes, haemorrhages and infections. CT has the benefit of providing images in the axial, coronal and sagittal planes.
- *Magnetic Resonance Imaging* ("**MRI**"). MRI utilizes a strong magnetic field in conjunction with low energy electromagnetic waves, which are processed by a computer to produce high-resolution images of body tissue, including the brain, spine, abdomen, heart and extremities. Unlike CT and conventional x-rays, MRI does not utilize ionizing radiation.

The number of procedures performed at a medical imaging centre is a key driver of its financial success. Physicians will refer patients to an imaging centre based on a number of factors, including prior relationships, the accuracy and timeliness of diagnostic reports, interaction with radiologists, technology, patient satisfaction, and customer service. Patient satisfaction, in turn, is dependent on a number of factors, including accuracy, the geographical availability of the imaging centre, the care delivered by the centre staff, the prompt administration of the diagnostic test, and the condition of the centre and equipment. Diagnostic imaging centres are usually located near doctors' offices and are generally accessible by public transit.

In addition to referrals from physicians, an imaging centre can generate referrals from third-party payors such as workers' compensation boards, insurance companies, and corporate employers. Additional sources of referrals include the legal profession in connection with injury litigation, the chiropractic profession, sports medicine professionals, and certain federal government departments that require imaging services for their employees on a national basis.

Industry Trends

Management expects that the following factors will continue to drive increased demand for diagnostic services:

- general population growth;
- general aging of the population;
- greater insurance coverage;
- private payment options;
- increased focus on preventative medicine;
- wider awareness and acceptance by health care providers and patients of the benefits from the use of diagnostic testing in the screening, diagnosis, treatment and prevention of disease; and
- technological and scientific advancements and improvements resulting in expanded uses for current technology and the development of more sophisticated and specialized diagnostic testing equipment, tests, and procedures.

Strengths and Strategies

Strengths

Management believes CML has the following operational strengths which can be applied to provide efficient, high quality community-based diagnostic services to patients and health care providers, while providing value for money to payors:

- *Contractual Laboratory Services Revenue Stream.* CML's laboratory services' revenue stream is largely based on a funding agreement between the OAML (of which CML is a member) and the MOH's health insurance program. There is both an industry and a corporate cap in place. CML's share of the Capped Funding is currently approximately 30.6%. From 1999 to 2013 MOH fiscal years (April 1 to March 31), Capped Funding has grown at a compound annual growth rate of 3.1%; however, in recent years, Capped Funding growth has been more modest. On October 13, 2011, the OAML entered into a two-year funding agreement with the MOH for the periods April 1, 2011 – March 31, 2012 and April 1, 2012 – March 31, 2013. Under the terms of the agreement, the Base Cap Funding of approximately $670 million per year remains unchanged from the previous contract which expired on March 31, 2011; however, there is an additional Performance-Based Funding Agreement of up to $15.9 million per year in each of Year 1 and Year 2. This amount represents a 2.4% increase in Year 1 compared to the funding agreement that expired on March 31, 2011.
- *Fee For Services Laboratory Revenue Stream.* In addition to Capped Funding, CML is reimbursed on a fee-for-services basis for certain laboratory tests not covered under the funding agreement. CML's revenue from fee-for-services has more than doubled in the last decade to approximately 16% of total lab revenue and is a strategic area of focus.
- *Full Complement of Licences to Perform Diagnostic Services*. CML holds licences, where required, to perform a broad range of laboratory tests in Ontario and medical imaging procedures in all markets in which

it operates. Since the various governments do not readily or frequently issue licences for laboratory testing or medical imaging procedures, CML management believes this could act as a significant barrier to entry.

- *Established Relationships*. A key factor in generating volume growth in diagnostic medical services is having established relationships with various stakeholders. CML has the benefit of having long-term relationships with referring physicians and other health care providers, hospitals, and payors. Through its trained professional business development personnel and operations managers, CML continues to seek ways to provide stakeholders with value-added services, such as continuing medical education seminars and information technology support, in order to strengthen relationships and seek referrals for diagnostic services from health care providers.
- *Large Developed Networks*. CML is one of three community-based laboratory services providers in Ontario that, collectively, account for approximately 95% of all diagnostic testing procedures for non-hospital patients. CML operates an Ontario-wide laboratory network, with one central laboratory and 114 CCCs. CML also operates Canada's largest medical imaging network comprised of 84 centres, with 63 locations in Ontario and 21 in British Columbia. CML believes that its size and scale provides it with the leverage necessary to gain economies of scale with vendors. As well, since CML has licences to provide both laboratory as well as imaging services in Ontario, CML is able to cross-market its services to referring physicians. CML has developed greenfield locations in which both laboratory and imaging services are offered at the same location, providing convenience and quality care for CML patients, and greater efficiency for CML.
- *Technological and Operational Leadership*. CML employs high-quality, advanced technology to operate its businesses effectively and efficiently. CML's central Mississauga, Ontario laboratory is equipped with instrumentation to carry out all core laboratory tests ordered by referring physicians. Having successfully completed the automation of the Company's biochemistry platform, the central laboratory is currently undergoing a significant automation and reconfiguration of the haematology and microbiology platforms, designed to increase capacity, reduce turnaround times, and improve workflow and efficiency. CML is continually seeking ways to enhance quality and improve efficiencies, through the use of technology and process improvement.
- *Experienced Employees*. CML employs approximately 1,400 full-time and 600 part-time employees across Canada. CML must be able to recruit and retain skilled and qualified staff in order to deliver on its commitment of providing quality care to patients. Over the past few years, CML has made great advances in improving its work environment through initiatives, such as a refurbishment program, an investment in digitization and advanced technologies, focus on a client-centered culture, focus on health and safety, and training and employee communication programs to enable career development.

Strategy

CML's operating focus is to provide efficient, high quality community-based diagnostic services to our patients and referring physicians, while providing value for money to payors. To grow its operations, CML has formulated a growth strategy that responds to clear business objectives of growing revenue and earnings, as well as addressing the needs of our concentrated payor base. The operating focus will remain within the framework of managing risks and cash outlays, but allow for strategic positioning and growth within the Company's core competencies. The strategy will involve investing in existing infrastructure to build capacity, increase efficiency, and improve quality in preparation for volume growth, followed by leveraging CML's existing network and introducing new tests and services to its menu of offerings. The Company also intends to explore new partnerships and over time, new markets and new jurisdictions with similar socio-economic and healthcare policies to markets in which it currently operates. Details of CML's strategy are outlined below:

SCALE

In preparation for future volume growth, the Company has identified several initiatives to strengthen its existing infrastructure, increase capacity, and improve efficiency. CML's plan is to streamline its existing operations, through the use of new technology and to automate certain platforms, to be more efficient and allow for 24-hour results turnaround, where possible. The Company has already begun to implement several of these initiatives including:

- **Laboratory process re-engineering** - to identify specific operational efficiencies. Process redesign in certain areas is expected to be completed by the end of the first quarter in 2013; and

- **Equipment upgrade** – Following on the successful equipment upgrade and automation of CML's biochemistry platform in 2011 which resulted in increased capacity, improved efficiency, and decreased operating expenses, CML will be installing state-of-the-art, automated haematology and microbiology platforms targeting similar outcomes. The two installations are expected to be completed by the end of the second and third quarters of 2013 respectively; and

DIFFERENTIATE

With an infrastructure that is primed to process greater volumes in a more efficient high quality environment, CML's strategy is to leverage its existing network of locations and introduce new tests and services to the 30,000 clients attending its CCCs daily. New tests and services will include:

- **Molecular laboratory tests** – The Canadian market for molecular laboratory tests, 50% of which are carried out in the Ontario market, is estimated at $45 million and growing at 15% to 20% per annum. Genetic testing, a subset of molecular testing, accounts for approximately 78% or $35 million of the Canadian molecular market and offers tests for approximately 2,500 diseases. CML intends to explore opportunities to enter the molecular laboratory testing market through acquisitions, joint ventures, partnerships, and/or license arrangements with specialty laboratories; and

- **Specialty clinics** – The Company can differentiate itself from other community-based medical diagnostic services providers by establishing specialty clinics focused on specific indications such as oncology, cardiovascular disease, and haematology. The Company's strong referral base in these disciplines makes it possible for CML to become a specialty medical diagnostic services provider in Ontario.

EXPAND

CML intends to look to expand its markets by exploring new partnerships, new markets and new jurisdictions with similar socio-economic and healthcare policies to markets in which it currently operates. This includes:

- **Business-to-Business opportunities** – CML intends to offer in-house medical diagnostic services to large corporations at preferred pricing and for the convenience of their staff. Services offered may include annual flu shots, annual assessments, drug testing and immunization;

- **Hospital testing for outpatients** – CML will seek to provide medical diagnostic services for outpatients through hospital partnerships and/or joint ventures, allowing hospitals to free up resources for their in-patients and provide outpatients with the added convenience of multiple points of access in the community. This strategy is in line with the MOH's Action Plan for Health Care, which supports increased provision of outpatient medical diagnostic services by community providers; and

- **New Jurisdictions** – Over time, CML intends to explore opportunities in jurisdictions outside of its current markets. The Company will consider acquisitions, joint ventures, and partnerships in areas of its core competencies.

Each pillar of CML's new strategic initiative has its own timing and structure. These initiatives are designed to be synergistic and the investment required is generally expected to be small. The goal is to identify a pipeline of opportunities that together, compound to significantly improve the Company's revenue and earnings when taken as a whole. The Company expects to finance its growth initiatives with cash flow from operations, as well as from its credit facility and, if necessary, the capital markets**.**

Laboratory Services Business

Overview

CML's laboratory services business has grown from a single medical laboratory established in Simcoe, Ontario in 1971, to a network of 114 CCCs in urban and rural Ontario. In addition to its licenced CCCs, CML maintains a number of centrally located "drop-off" centres, where specimens are picked up and sent to nearby CCCs, via an extensive courier network that provides scheduled and immediate request pick-up services, in most regions of the province. Specimens collected at the CCCs are prepared for testing and entered into CML's information systems, prior to being sent to CML's central laboratory in Mississauga, Ontario for analysis. Results are reported on a timely basis to the referring physicians electronically and are also available through a web-based portal.

CML's central laboratory is a 55,000 square foot facility licensed to perform approximately 173 types of tests, representing the majority of all tests ordered by physicians in Ontario. Operating 24 hours per day, seven days per week, the central laboratory processes approximately 22,000 requisitions daily, with an average of 6.8 tests per requisition.

CML holds licences permitting it to perform a broad range of medical tests involving haematology, biochemistry, cytology, microbiology, and histology, which are used by physicians to diagnose medical conditions, plan or evaluate treatment, and monitor diseases, including drug screening and surgical pathology, as well as supporting diagnostic procedures such as electrocardiograms and holter monitoring. In addition, CML provides laboratory testing services for industrial applications, employee testing and evaluation assessment, and works with company physicians to perform on-site testing specific to the work environment.

CML is a member of the OAML, an industry association representing nine independently-owned laboratories that perform over 95% of all diagnostic testing for patients outside of hospitals. Members of the OAML are under an exclusive, capped funding agreement with the MOH based on market shares of the respective members in 1998. With approximately 30.6% of the capped funding from the MOH, approximately 84% of CML's laboratory testing revenue comes from a contracted revenue stream, while the balance comes from fee-for-service laboratory tests.

CML capitalizes on economies of scale not available to smaller laboratories, allowing CML to effectively manage its costs through efficient use of labour, material, overhead costs, equipment and technology, and through efficiencies in its specimen collection network.

One of CML's principal assets is its long-term relationships with physicians, and other health care providers who provide referrals for laboratory services. As the great majority of both laboratory and medical imaging services are performed at the direction of referring physicians, one of the more important aspects of CML's marketing strategy is to build on the timeliness and accuracy of reporting results that physicians expect, by providing the continued development of a comprehensive physician referral network. CML markets its services to referring physicians through visits to their offices by its regional operations managers, who have a high degree of technical expertise in the laboratory services industry, allowing them to provide physicians with detailed information about the current testing services provided by CML, along with new innovations in testing and related technological advancements.

CML has also initiated an enhanced personalized customer care model where all regions of the province have specially trained Business Relations Advisors visiting physicians' offices on a daily basis, to inquire about any ongoing service delivery issues and to resolve any service related matters .

CML has an ongoing capital replacement program so that its laboratory equipment is updated and operating efficiently and effectively.

Facilities

Each of CML's CCCs is currently leased. The leases are on terms that are customary in the industry. The majority of these leases contain exclusivity clauses providing that CML will be the only CCC in any given building in which it has leased premises. No one lease for a CCC is material to CML's business. The current terms of these leases are scheduled to expire, subject to rights of renewal, as follows:

Calendar Year	**No. of Leases**
2013	11
2014	8
2015 or beyond	41
Month to Month Tenancy	55
Total	115

CML's central laboratory is subject to a 10 year lease expiring December 31, 2021.

Information Systems and Results Reporting

Specimen testing and reporting is highly automated through the use of a computer system that tracks specimens from the collection sites and throughout the testing stages to allow for timely reporting of results. CML continues to invest in automation, including high volume analyzers that increase testing capacity and efficiency, thereby increasing operating margins.

CML employs electronic data transmission systems that allow test results to be directly transmitted to medical office systems, typically within 24 hours of specimen collection. CML's computer systems are also used to provide billing information to health insurance plans. Additionally, CML has a website that enables physicians to access laboratory results and perform medical literature searches.

Revenues

In Ontario, the fees for testing services rendered by community-based laboratories, such as CML, are primarily paid by the health insurance program of the MOH. Substantially all of the revenues of CML's laboratory services are received from this health insurance program. Fee levels are set through negotiations between the MOH and OAML. The MOH has adopted various measures to manage diagnostic utilization to control and limit fees paid under the program, including the implementation of the "industry cap" and the "corporate cap" as described below.

The majority of revenues paid by the MOH to providers of laboratory services, including CML, are subject to an industry and a company maximum limit on aggregate billings, commonly referred to as the "industry cap" and the "corporate cap", respectively. Within the lab funding agreement covering the period from April 1, 2011 to March 31, 2013, there is a Performance-Based Funding Agreement under which $15.9 million per MOH year will be available to the industry. Each community lab service provider will be eligible for its percent of sector gross billings by meeting certain performance measures.

The performance measures under the Performance-Based Funding Agreement include:

- *Maintain uninterrupted operations and hours of service* – under certain circumstances/conditions, planned or unplanned short-term closures or reduction of hours of operation are permitted without reducing a laboratory service provider's entitlement to its maximum eligible amount of performance-based funding;
- *Conduct client satisfaction surveys* – selected laboratories will be expected to participate in the OAML Provincial Access Study (the "**Study**"). Service providers not selected to participate in the Study will be expected to undertake a client satisfaction survey using the Study survey instrument to be eligible for the annual performance-based funding; and
- *Innovation projects* – in Year 2, a portion of the performance-based funding is available for laboratories which implement an innovation project during the term of the Agreement. An innovation project includes initiatives such as improving access to services, enhancing client satisfaction, improving system collaborations, and other initiatives to enhance the system.

In addition to Capped Funding, CML is reimbursed on a fee-for-services basis for certain laboratory tests not covered under the funding agreement. CML's revenue from fee-for-services has more than doubled in the last decade to approximately 16% of total lab revenue.

Regulation

In Ontario, medical laboratories must be licenced by the MOH. There are currently two forms of licence that have been granted to CML by the MOH: a laboratory licence, and a CCC licence. The licencing and regulatory requirements relate to, among other matters, conduct of testing and reporting of results, the handling and disposal of medical specimens, infectious and hazardous waste, and other materials, the safety and health of laboratory employees, and the proficiency of staff. A licence can be revoked if prescribed standards are not met. To date, CML has never had a licence revoked.

No new community-based laboratory licences have been issued since the first licences were issued in 1974, and these licences are, accordingly, of significant value. The restriction on licensing constitutes a barrier to entry and, together with a funding model based on industry caps and individual corporate caps, a barrier to expansion within the community-based laboratory business in Ontario through any means other than the acquisition of existing licenced

businesses. CML's community-based laboratories hold licences with a full range of permitted tests, allowing CML to perform the majority of tests referred by physicians.

Laboratory licences authorize medical diagnostic laboratories to perform specific tests, which vary from licence to licence. Laboratory licences are issued for terms of up to five years and are routinely renewed, subject to government approval. Laboratory licences may not be transferred (to other persons or other locations) without the approval of the MOH. Licencees are subject to spot audits conducted by the Ontario Medical Association (the "**OMA**") and also spot audits by the MOH.

Specimen collection licences authorize the collection of specimens, which are then sent to a licenced laboratory for analysis. Subject to the approval of the MOH, licencees have the ability to transfer CCC licences from one location to another.

Environmental matters, including use, storage, handling, discharge, transportation, and disposal of hazardous materials (including biomedical and pathological waste, infectious product, chemical and radioactive materials), are strictly regulated. The Province of Ontario plays a key role in regulating and issuing licences and registrations for operations within the province (such as air and water effluent discharges and waste management) and federal regulators also have jurisdiction, particularly in regard to transportation of dangerous goods (chemicals or infectious materials, for example), over certain defined toxic substances and radioactive substances. Penalties for infractions of environmental regulations have been steadily increasing in Canada in recent years, and emission, discharge, and licencing standards have become increasingly stringent.

All community-based laboratories in Ontario are also subject to provincial regulation in respect of occupational health and safety. Laboratory workers are subject to the Health Care and Residential Facilities Regulation made under the *Occupational Health and Safety Act* (Ontario), which provides for extensive requirements relating to workplace safety for health care employers, including clinical laboratories whose workers may be exposed to blood-borne pathogens, such as HIV and Hepatitis B virus. This regulation, among other things, requires work practice controls, protective clothing and equipment, training, voluntary medical surveillance and other measures designed to minimize exposure to, and transmission of, blood-borne pathogens.

Effective January 1, 2012, CML enacted the Customer Service Standard of the *Accessibility for Ontarians with Disabilities Act*. This legislation provides extensive requirements to identify, remove, and prevent visible and non-visible barriers for persons with disabilities as defined by the Ontario Human Rights Code, which includes physical, mental health, developmental, and learning disabilities. CML is committed to providing accessible health care and customer service to persons with disabilities in a manner that respects their dignity and independence. CML is dedicated to providing persons with disabilities equal opportunity to gain access to the same services and benefits as all CML clients.

CML is also subject to the requirements under the *Personal Health Information Protection Act, 2009* (Ontario) ("**PHIPA**"). CML has established and implemented policies to comply with such legislation.

Quality Control

CML maintains extensive quality control programs in all of its laboratory locations. Although the scope of the program depends to some extent on the particular licence in effect at a particular location, the following quality control measures generally apply: (i) mandatory participation in the External Quality Assessment surveys operated by the OMA for the MOH for all laboratory disciplines, and administered by Quality Management Program-Laboratory Services (the "**QMP-LS**"), under which CML performs tests on samples distributed by the QMP-LS and results are evaluated for comparison with other laboratories so that test results are within prescribed guidelines; (ii) voluntary participation in the worldwide Randox International Quality Assessment Scheme ("**RIQAS**") Quality Control Program, a program by which CML is compared with 1,500 other laboratories around the world on the basis of accuracy in the area of biochemistry; (iii) Urinary Proficiency Study Program for Urinalysis; and (iv) various internal quality control measures for all disciplines so that the accuracy and precision of test results are within accepted standards of performance. CML is fully compliant with all quality control and regulatory requirements.

To assist in the development of new laboratory diagnostic tests and testing methods, CML has established a network of laboratory physicians throughout Ontario, each of whom is an expert in their particular specialty. These physicians assist in evaluating new tests and test methods. In addition, at the request of CML, a physician may be requested to monitor service levels to ensure that physicians' and patients' expectations and needs are fulfilled.

Employees

As at December 31, 2012, CML employed 679 full-time and 382 part-time employees in its laboratory services business, approximately 12% of whom were unionized as further described in the table below. CML's management considers its relationship with its unionized employees continues to be good.

Employee Group	Location	Employees	Union	Agreement Expiry Date
CCC employees	Greater Toronto Area, Ontario	23	OPSEU Local 544	December 31, 2012
CCC employees	Greater Toronto Area, Ontario	110	SEIU Local 2	January 31, 2015

Competition

Currently, CML is one of three largest community-based laboratories in Ontario with CCCs located throughout the province. CML's major competitors are LifeLabs and Gamma-Dynacare Medical Laboratories. A number of smaller laboratories, often regional, collectively service less than 5% of the market. There are a number of barriers to entry into the laboratory services sector in Ontario, including the corporate cap system under the MOH, the limited number of provincial government licences, the limited number of high volume CCC locations, and economies of scale from the larger laboratory service providers.

Seasonality

CML's revenue and EBITDA from its laboratory services business is subject to some seasonality. Major holidays, such as Thanksgiving and Christmas in the fourth quarter and summer vacations in July and August, could affect doctors' office visits and, hence, referrals to laboratory services.

Potential Growth

Historically, in the absence of acquisitions, organic revenue growth has been driven by the increasing demand for laboratory services, which resulted in the expansion of the industry cap and CML's individual corporate cap, under agreements negotiated between the MOH and the OAML. CML intends to pursue additional organic growth by seeking to increase its fee-for-service lab test volumes through expanding its testing menu as new tests are developed and offering new diagnostic services. As well, CML will continue to seek additional operational efficiencies, by leveraging its information technology and logistics expertise, and selectively pursue acquisitions of other laboratory services businesses in Canada.

Imaging Services Business

Overview

CML entered the medical imaging business in Canada in 2001 with the acquisition of DC DiagnostiCare Inc., then Canada's largest medical imaging services company. In 2008, CML entered the U.S. market with the acquisition of Maryland-based ARS. CML exited the U.S. market in 2011. Currently, CML operates Canada's largest network of community-based medical imaging centres comprised of 84 locations with 63 in Ontario and 21 in British Columbia. The nine locations in Edmonton and Calgary, Alberta were sold on November 2, 2012. CML holds licences to perform a broad range of medical imaging procedures including ultrasound, x-ray, bone densitometry, mammography, fluoroscopy, MRI, nuclear medicine, and CT scans. Among the high-end modalities, CML has two MRI units in British Columbia and two sites in Ontario that provide both MRI and CT services.

CML's contracted radiologists are required to interpret and provide a report on each medical imaging exam. The turn-around time and quality of the diagnostic reports are important to referring physicians while the accessibility of the centre for the patient is key to patient satisfaction. Reports are typically returned to referring physicians within 24 to 48 hours. CML's medical imaging centres are typically located near hospitals and doctors' offices and are generally accessible by public transportation.

CML is committed to maintaining high quality medical imaging equipment in all modalities for which it supplies diagnostic services. CML purchases or leases its medical imaging equipment and, through a combination of in-house and outsourced servicing, is capable of maintaining and providing maximum performance from its medical imaging

equipment. CML works with suppliers to continue training programs for its in-house service personnel on a regular basis. Due to its size, CML maintains its own in-house capabilities in certain jurisdictions and realizes substantial savings on services otherwise provided by manufacturers or other outside maintenance service providers.

CML has an ongoing capital replacement program so that its medical imaging equipment is updated and operating efficiently and effectively.

Revenues

The revenue generated by an imaging centre is derived primarily through reimbursement by the provincial health care system in the province in which the centre operates, paid directly to CML on a fee-for-service basis. The fee includes a technical fee to cover the capital costs of the equipment and expenses, such as labour, facilities and consumables, and a professional component, which covers the costs of radiologists who are paid by CML to read the imaging procedures.

Currently, CML has two MRI centres in British Columbia that operate outside of the provincial health care system. Services provided by these two centres are not paid for through a government funded system, but generate revenue on a patient-pay basis.

Quality Control

All CML medical imaging centres are required to adhere to stringent documented Imaging Quality Control and Assurance procedures established and maintained by several regulatory groups, such as the Independent Health Facilities of the MOH, X-Ray Inspection, Diagnostic Accreditation Program in British Columbia, and the provincial College of Physicians and Surgeons.

The respective provincial Colleges of Physicians and Surgeons or its designate conduct regular assessments of the quality of services provided, including patient care, diagnostic accuracy and patient and staff safety.

Regulation

Medical imaging centres are regulated by the health ministry of the province in which they are located. A centre cannot operate within the provincial health care system in Ontario or British Columbia and bill for insured services without a licence. The licence also provides for the modalities which can operate in the particular location.

In Ontario, very few new licences for new medical imaging centres have been granted since 2003, creating a significant barrier to entry into the medical imaging sector. In some cases, new licences for existing medical imaging centres have been expanded to permit the centres to provide additional medical imaging modalities. In 2003, the Ontario government granted licences for seven new community-based medical imaging centres providing MRI and/or CT services. Medical imaging licences in Ontario may generally be transferred when medical imaging centres are sold, and there is a limited ability to relocate existing medical imaging centres within given catchment areas. Similarly, licences and accreditation for the operation of medical imaging centres in British Columbia (other than provincial payor general imaging licences) are not readily available. Effective January 1, 2012, CML enacted the Customer Service Standard of the *Accessibility for Ontarians with Disabilities Act*. As above described, CML is committed to providing accessible health care and customer service to persons with disabilities in a manner that respects their dignity and independence. CML is dedicated to providing persons with disabilities equal opportunity to gain access to the same services and benefits as all CML clients.

CML is also subject to the requirements under PHIPA and similar privacy legislation in Ontario and British Columbia. CML has established and implemented policies to comply with such legislation.

Professional Radiology Services

CML contracts with individual radiologists or radiology groups to provide diagnostic interpretations of the images generated at CML's owned and operated medical imaging centres. As compensation for their services, radiologists receive an agreed-upon percentage of the amounts paid by government insurance plans or other third party payors for services provided at the centres.

Facilities

Each of CML's imaging centres is currently leased. These leases are on terms that are customary in the industry. The majority of these leases contain exclusivity clauses that provide that CML will be the only imaging centre in any given building in which it has leased premises. No one lease is material to CML's business. The current terms of these leases are scheduled to expire as follows:

Calendar Year	No. of Leases
2013	23
2014	12
2015 or beyond	44
Month to Month	57
Total	136

Employees

As at December 3l, 2012, CML employed 556 full-time and 345 part-time employees in its imaging services business, approximately 24% of which were unionized as further described in the table below. CML's management believes that its relationship with its unionized employees continues to be good.

Employee Group	Location	Employees	Union	Agreement Expiry Date
Imaging and clerical employees	Sudbury, Ontario	36	OPSEU Local 668	February 28, 2014
Imaging and clerical employees	Victoria, B.C.	177	Health Sciences Association of British Columbia	December 31, 2015

Competition

CML operates the largest network of community-based medical imaging centres in Canada. CML operates centres in Ontario and British Columbia. The medical imaging services industry in Canada is highly fragmented, with many independent radiologists, groups of radiologists and other imaging centres of varying scale. Hospitals also provide competition in some provinces. The size of CML's medical imaging services operation produces economies of scale in equipment purchases and maintenance, consumable purchases, staffing and centre management and radiologist interpretation services. The limited availability of licences being granted in British Columbia, and Ontario and the capital cost associated with establishing a medical imaging centre makes it difficult for potential competitors to enter the medical imaging market.

Seasonality

CML's revenue and EBITDA from its medical imaging businesses are subject to some seasonality. Major holidays, such as Thanksgiving and Christmas in the fourth quarter and summer vacations in July and August, could affect doctors' office visits, and hence, referrals to diagnostic imaging services.

Potential Growth

The Canadian medical imaging market is highly fragmented. CML is the largest provider of community-based medical imaging services in Canada. In the two provinces (British Columbia and Ontario) where CML has imaging locations, management estimates it has approximately 17% of the market share. CML completed acquisitions of 27 medical imaging centres in Canada between 2007 and 2009. As described under "History of the Business – Recent Developments" above, on January 16, 2013 CML announced its intention to divest all of its medical imaging locations with the exception of its two Ontario MRI/CT clinics, located in Ajax and Mississauga, Ontario. The divestiture of its medical imaging business is in line with the Company's strategy to focus on growing its core laboratory business as well as specialty medical diagnostic services. Management believes that demand for community-based delivery of advanced imaging modalities such as MRI/CT will continue to increase as physician and patient awareness of their benefits increase, providing opportunities for growth.

Credit Facilities

CML as borrower entered into an amended and restated credit agreement (the "**Credit Agreement**") dated as of February 29, 2012 with the Toronto Dominion Bank and a syndicate of lenders, extending and increasing CML's previous credit facility which was to expire on February 22, 2013.

The following is a summary of the material terms and conditions contained in the Credit Agreement, and is qualified in its entirety by reference to the provisions of the Credit Agreement.

Summary of Facility

Revolving Credit Facility: The Credit Agreement provides CML with a committed revolving credit facility in the principal amount of $400 million with a term of five years. This revolving facility is available to CML for general corporate purposes, including (without limitation) to finance permitted acquisitions. This revolving facility is unsecured and bears interest at a floating rate based on the Canadian dollar prime rate, the banker's acceptance rate, the U.S. dollar base rate or U.S. dollar LIBOR plus, in each case, an applicable margin to those rates based on the ratio of consolidated total debt to consolidated EBITDA (as defined in the Credit Agreement) from time to time.

On February 29, 2012, CML also entered into a new five-year interest rate swap agreement for a notional amount of $200 million at a fixed rate of 2.232% plus applicable margins (the "**New Swap**"). The New Swap replaces CML's previous interest rate swap for a notional amount of $200 million at a fixed rate of 4.078% plus applicable margin entered into on March 5, 2008.

Covenants

The Credit Agreement contains customary affirmative, reporting, and negative covenants. The Credit Agreement also contains financial covenants similar to those provided in CML's prior credit agreement. Pursuant to the terms of the Credit Agreement, the financial covenants require CML to maintain, on a quarterly basis (measured on the basis of the then most recently completed four fiscal quarters), (i) a prescribed consolidated total debt to consolidated EBITDA ratio not to exceed 3.25:1, and (ii) a prescribed consolidated EBITDA to consolidated interest ratio of not less than 4:1.

In addition, the Credit Agreement imposes customary restrictions on the ability of CML to incur additional debt, incur liens, dispose of assets, consolidate, merge or acquire other businesses. These covenants restrict numerous aspects of CML's business.

Events of Default

The Credit Agreement contains customary events of default. Failure to comply with the terms of the Credit Agreement entitles the lenders to accelerate all amounts outstanding under the revolving credit facility. In addition, the Credit Agreement restricts the ability of CML to make payments in respect of its securities upon the occurrence of a default.

RISK FACTORS

The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form. These risks and uncertainties are not the only ones facing CML. Additional risks and uncertainties not currently known to CML, or that CML currently considers immaterial, may also impair the operations of CML. If any such risks actually occur, the business, financial condition, or liquidity and results of operations of CML, and the ability of CML to pay dividends on its common shares, could be materially adversely affected. The terms "we" and "our" as used in this Section refer to CML and/or its various affiliates, as the context may require.

Risks Relating to the Business

Dependence on Government Funding

A substantial portion of CML's revenue is derived from fees for diagnostic services paid to CML from government health insurance programs. CML's ability to maintain or increase its revenue is therefore highly dependent on the commitment of public health authorities to continue funding the diagnostic services performed by CML.

With growing financial pressures on the health care system in Canada, new funding structures are being implemented by all levels of government. These new funding structures are highly focused on cost containment, which is a trend that is expected to continue in the future. Any funding reductions or other changes in payment policies for health care services could have a material adverse effect on CML. In 2012, the federal government announced its plan for provincial health care transfer payments beyond 2014. Under the plan, the federal government has committed to maintaining the current 6% annual increase in transfer payments until 2017, at which point payments will be tied to the rate of economic growth with a minimum guaranteed increase of 3% per year. Canada's real growth in its gross domestic product has been 0.7%, -2.8%, 3.2%, 2.5% and 2.1% from 2008 to 2012, respectively, according to the World Bank.

Approximately 88% of the consolidated revenue from continuing operations generated by CML in fiscal 2012 was derived from fees for diagnostic services paid by the health insurance program administered by the MOH. In Ontario, which currently has a budget deficit estimated at approximately $15 billion, there has been no increase in the technical fees paid for imaging services, or in the price for Ontario Health Insurance Plan-covered laboratory tests, since 2005. As noted under "History of the Business – Recent Developments", the MOH introduced reductions to reimbursements for certain laboratory and imaging procedures in 2012. The current laboratory funding agreement between the MOH and the OAML expires on March 31, 2013. There can be no assurance as to the terms of any future funding agreements or the potential financial impact on CML of any such new agreements.

The health care services sector in Canada, from which CML derives all of its revenue, has historically been less sensitive to economic cycles and volatility than certain other business sectors primarily due to universal health care.

Government Regulation

Community-based laboratories and imaging centres are subject to significant regulation and licencing requirements from all levels of government. The licencing and regulatory requirements relate to, among other matters, the conduct of testing and reporting results, the handling and disposal of medical specimens and infectious and hazardous waste and other materials, the safety and health of employees, and the proficiency of staff. Medical testing laboratories and imaging centres are also subject to periodic inspections by regulatory agencies. A failure by CML to comply with laws and regulations could expose it to significant penalties and may result in civil or criminal sanctions, including: the revocation of licences, certifications, and authorizations; the denial of the right to conduct business; and the exclusion from participation in government health care programs. The imposition of any of these sanctions could have a material adverse effect on CML. Licences are rarely issued and if a laboratory or centre operated by CML had its licence revoked, there is no assurance that it will be issued a new licence.

In addition to existing government health care regulations, there are ongoing initiatives at the federal and provincial levels for comprehensive reforms to existing legislation and policy governing the provision of health care services, including the payment for, and availability of, particular services. CML believes that such initiatives will continue for the foreseeable future and could increase the cost of compliance for CML. Certain aspects of these reforms, if adopted, could materially and adversely affect CML's business, financial condition, and results of operations.

Funding Models

Currently, CML's laboratory testing operation is largely reimbursed under a capped agreement with the MOH while its medical imaging operations receive fees under various provincial fee-for-service models. In a weak economic environment and where the provincial government is operating under a budget deficit, there is no guarantee that these funding models could not change to the detriment of CML's business.

Sole Site and Equipment Failure

Timely, effective service is essential to maintaining CML's reputation and revenue stream. Substantially all of CML's laboratory testing is performed at its central laboratory located at 6560 Kennedy Road, Mississauga, Ontario. Any sustained interruption of the services performed at the central laboratory, which significantly affects the volume of testing or the accuracy and timeliness in the reporting of test results, could adversely affect CML's business, financial condition, and results of operations.

With respect to imaging services, high utilization rates are essential to maintaining and increasing revenues and operating efficiencies. The principal components of CML's operating costs include depreciation, salaries paid to technologists, fees paid to radiologists, annual system maintenance costs, insurance costs, and rental costs. Since the majority of these expenses are fixed, a reduction in the number of scans performed due to out-of-service equipment will result in lower revenues and margins. If CML experiences more equipment malfunctions than anticipated, or if CML is unable to promptly obtain the services necessary to keep its equipment functioning effectively, its revenues could decline and its ability to maintain its reputation would be harmed, which could adversely affect its business, financial condition, and results of operations.

Information Technology Systems

CML's diagnostic services business depends, in part, on the continued and uninterrupted performance of CML's information technology systems. Sustained system failures or interruptions could disrupt CML's ability to process laboratory requisitions, perform testing, provide test results in a timely manner, and/or bill the appropriate party. CML's business, results of operations, and financial condition could be adversely affected by a system failure.

CML's computer systems are vulnerable to damage from a variety of sources, including systems and network failures, malicious human acts, and natural disasters. Moreover, despite network security measures, some of CML's servers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems. Despite precautions taken by CML, unanticipated problems affecting CML's systems could cause interruption in its information technology systems. CML's insurance policies may not adequately compensate it for any losses that may occur due to any failures in its information technology systems.

Competition

CML's major competitors in the community-based laboratory sector in Ontario are LifeLabs and Gamma-Dynacare Medical Laboratories (See "Information Concerning CML — Competition"). The current funding model applicable to laboratory services in Ontario, together with the inability to obtain required licences except through acquisition, somewhat reduces competitive pressures. Beyond Ontario, competitors may compete for referrals from doctors and the services of trained technicians, as well as for acquisitions of existing laboratories. There can be no assurance that CML will be able to compete effectively for the acquisition of existing laboratories, or that such competition will not make it more difficult or expensive to acquire existing laboratories/licences on terms beneficial or attractive to CML.

Although the imaging sector is currently fragmented in Canada, there are relatively large regional competitors, and there is little to prevent new competition from entering the market, especially in provinces where licences are not required. Competition could come from community-based facilities in a particular geographical community; from a conglomerate of facilities operating on a national or North American basis; from teleradiology providers; or from hospitals which may directly acquire or build and operate off-campus imaging centres as part of their overall out-patient servicing capability. CML also competes for the provision of services from independent professional radiologists and trained technicians. Hospitals also provide competition in all provinces. Competitors with greater capital and/or experience may enter the market or compete for referrals from doctors and the services of available radiologists and trained technicians, as well as for acquisitions of existing imaging facilities. There can be no assurance that CML will be able to compete effectively for the acquisition of existing facilities; that additional competitors will not enter the market; that such competition will not make it more difficult or expensive to acquire

existing facilities on terms beneficial or attractive to CML; or that competitive pressures in the provision of particular modalities in a geographic region will not otherwise adversely affect CML.

Growth Strategy and Integration

CML may pursue growth through acquisitions, partnerships, joint ventures, licensing arrangements or building greenfield start-ups. There is no assurance that CML will be able to acquire new business opportunities on satisfactory terms, or at all. The successful integration and management of new businesses involves numerous risks that could adversely affect CML's growth and profitability, including: the risk that CML's management may not be able to successfully manage the new operations and that the integration may place significant demands on its management, diverting their attention from existing operations; the risk that CML's operational, financial, and management systems may be incompatible with, or inadequate to effectively integrate and manage, new systems; the risk that the new businesses may require substantial financial resources that otherwise could be used in the development of other aspects of CML's business; the risk that new businesses may result in liabilities and contingencies which could be significant to CML's operations; and the risk that personnel from CML's new businesses and its existing businesses may not be able to work together successfully, which could affect the operation of its business. There is no assurance that CML will be able to successfully integrate its new businesses and its failure to do so could adversely affect its business, operating results, and financial condition.

Liability and Insurance

Due to the nature of the services provided by CML, general liability claims may be asserted against CML with respect to the diagnostic services provided to patients, including, but not limited to, claims arising from reporting inaccurate results. Providing medical services subjects physicians to the risk of professional malpractice and other similar claims in Canada. Our relationships with contracted radiologists need to be structured in a manner that does not constitute the practice of medicine by us or subject us to professional malpractice claims for acts or omissions of these physicians. We believe that our service contracts with radiologists are structured in a manner that meets these objectives, but there remains a risk that such claims may be made against us. Although CML carries insurance for its laboratory and imaging operations, there can be no assurance that CML will have coverage of sufficient scope to satisfy any liability claim. CML believes that it will be able to obtain adequate insurance coverage in the future at acceptable costs, but there can be no assurance that it will be able to do so or that it will not incur significant liabilities in excess of policy limits. Any such claims that exceed the scope of coverage or applicable policy limits or an inability to obtain adequate coverage could have a material adverse effect on CML's business, financial condition, and results of operations.

Patient Referrals

The success of a community-based laboratory or imaging centre in Canada is dependent upon physician referrals of patients. Referrals are made by physicians who have no contractual obligation or economic incentive to refer patients to laboratories or centres operated by CML. CML's centres compete for referrals with its major competitors in the private sector and with local service providers in the communities in which CML operates. CML is not dependent on any single referral source for a material portion of its revenue; however, if a sufficiently large number of physicians elected at any time to discontinue referring patients to CML, its business, financial condition, and results of operations would be materially adversely affected.

Technological Change and Obsolescence

The technology used in the diagnostic services business is constantly undergoing development and change. New technologies may be developed, or existing technologies refined, which could render CML's existing equipment technologically or economically obsolete. The development of new technologies or new applications for existing technologies may require CML to adapt its existing systems or acquire new systems in order to successfully compete. Due to cost factors, competitive considerations or other constraints, there can be no assurance that CML will be able to acquire or have access to any new or improved equipment that CML may need in order to serve its stakeholders. Any inability of CML to provide state-of-the-art technologies may adversely affect CML's business, financial condition, and results of operation.

Key Personnel

CML's success depends on the skills, experience and effort of its senior management. The unplanned loss of services of one or more members of CML's key senior management personnel could significantly weaken CML's management expertise and its ability to deliver its services efficiently and profitably. In addition, the success of CML's laboratories and imaging centres depends on employing or contracting, as the case may be, qualified professionals such as technologists and radiologists. Currently, there is a shortage of qualified technologists and radiologists in certain parts of Canada that have been trained in an analog environment. While management believes that CML will be sufficiently staffed to effectively provide services to patients, the loss of health care professionals or the inability to recruit these individuals in CML's markets could adversely affect CML's ability to operate its business efficiently and profitably.

Privacy Laws

As a company that provides community-based laboratory testing and medical imaging services, CML is subject to certain privacy laws in Canada regulating the use, disclosure, transmission and retention of confidential personal information, violations of which could result in substantial liability and expenses to comply with such laws. CML has implemented a program of information protection practices to comply with such regulations. Notwithstanding the foregoing, however, diligence and/or insurance coverage may not protect CML from all regulatory action and liability, particularly liability that may arise from its own negligent actions or misconduct. In such circumstances, CML could be materially and adversely affected if it is required to respond to regulatory action, pay damages, or bear the costs of defending any claim which is beyond the level of CML's insurance coverage. Further, there can be no assurance that CML will be able to maintain such insurance coverage on terms acceptable to it.

Compliance with Laws and Regulations Affecting Public Companies

Any future changes to the laws and regulations affecting public companies, including compliance with National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings of the Canadian Securities Administrators ("NI 52-109") – and other applicable securities laws and regulation and related rules and policies, may cause CML to incur increased costs as it evaluates the implications of the new rules and responds to new requirements. Delays or a failure to comply could result in enforcement actions, the assessment of other penalties and civil suits.

These laws and regulations may make it more expensive for CML to provide indemnities to its officers and directors and may make it more difficult to obtain certain types of insurance, including liability insurance for directors and officers. CML may, therefore, be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for CML to attract and retain qualified persons to serve on its Board of Directors, or as executive officers. CML may be required to hire additional personnel and utilize additional outside legal, accounting and advisory services, all of which could cause general and administrative costs to increase beyond what CML currently has budgeted. CML monitors developments with respect to these laws, rules and regulations, and it cannot predict or estimate the amount of the additional costs it may incur or the timing of such costs.

CML is required annually to review and report on the effectiveness of its internal control over financial reporting in accordance with NI 52-109. The results of this review are reported in CML's MD&A for the year ended December, 2012.

CML's Chief Executive Officer and Chief Financial Officer are required to report on the effectiveness of CML's internal control over financial reporting. Management's review is designed to provide reasonable assurance, not absolute assurance, that all material weaknesses existing within CML's internal controls are identified. Material weaknesses represent deficiencies existing in CML's internal controls that may not prevent or detect a misstatement occurring which could have a material adverse effect on the quarterly or annual financial statements of CML. In addition, management cannot provide assurance that the remedial actions being taken by CML to address any material weaknesses identified will be successful, nor can management provide assurance that no further material weaknesses will be identified within its internal controls over financial reporting in future years. If CML fails to maintain effective internal controls over its financial reporting, there is the possibility of errors or omissions occurring, or misrepresentations in CML's disclosures, which could have a material adverse effect on CML's business, its financial statements and the value of the CML common shares.

Risks Relating to the Common Shares

Payment of Dividends

Any decision to declare and pay dividends on the common shares will be made by the Board of Directors, in its sole and absolute discretion, and will depend on numerous factors including, without limitation, CML's results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors beyond the control of CML, or that the Board of Directors deems relevant at the time.

Structural Subordination of the Common Shares

In the event of a bankruptcy, liquidation, or reorganization of CML or any of its subsidiaries, holders of certain of their indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets of CML and those subsidiaries before any assets are made available for distribution to CML or its shareholders. The common shares will be effectively subordinated to most of the indebtedness and other liabilities of CML and its subsidiaries. Subject to the terms of the Credit Agreement, CML and its subsidiaries will be limited in their ability to incur secured and, in some respects, unsecured indebtedness.

Leverage and Restrictive Covenants

CML has third-party debt service obligations with respect to borrowings under the Credit Agreement. In addition, subject to the terms of the Credit Agreement, CML may borrow additional funds from other third parties. The degree to which CML is leveraged could significantly impact the amount of cash available to pay dividends on its common shares. The consequences of CML's borrowing activities to CML and to the holders of common shares, include: (i) limiting CML's ability to obtain additional financing for working capital; (ii) a portion of CML's cash flow from operations will be dedicated for the payment of the interest on its indebtedness; and (iii) certain of CML's borrowings may be at variable rates of interest, exposing CML to the risk of increased interest rates. CML's ability to make scheduled payments of interest on, or to refinance, its indebtedness, will depend on its future cash flow, which is subject to the operations of CML's business, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control. These factors might inhibit CML from refinancing the indebtedness on favourable terms, or at all.

The Credit Agreement contains restrictive covenants that limit the discretion of CML's management with respect to numerous aspects of the business of CML and may, in certain circumstances, restrict CML's ability to pay dividends on its common shares. These covenants place restrictions on, among other things, the ability of CML to incur additional indebtedness, to make loans or advances to, or investments in, any other person, to create security interests to complete mergers, amalgamations, and acquisitions, to pay dividends or make certain other payments, investments, loans, and guarantees and to sell or otherwise dispose of assets. In addition, the Credit Agreement includes financial covenants requiring the borrower to satisfy financial ratios. A failure of CML to comply with its obligations under the Credit Agreement or with respect to other future indebtedness, which could be secured or unsecured, could result in an event of default which, if not cured or waived, could permit the acceleration of the relevant indebtedness. If any indebtedness is so accelerated, there can be no assurance that CML's assets would be sufficient to repay in full the indebtedness. If CML is not able to meet its future debt service obligations, it risks the loss of some or all of its assets to foreclosure, sale, litigation, or other proceedings that could involve the assets of CML. In such circumstances, there can also be no assurance that the credit facilities would be able to be refinanced.

Capital Investment

The timing and amount of capital expenditures by CML will directly affect the amount of cash available for dividends to shareholders. Dividends may be reduced, or even eliminated, at times when the Board of Directors of CML deems it necessary to make significant capital or other expenditures.

Tax Related Risks

The income of CML will be taxed in accordance with Canadian tax laws, which may be changed in a manner that could adversely affect the amount of cash available to pay dividends to shareholders.

Unpredictability and Volatility of Price of Common Shares

The prices at which the common shares of CML will trade cannot be predicted. The market price of the common shares could be subject to significant fluctuations in response to variations in quarterly operating results, general market conditions, and other factors. The annual yield on the common shares as compared to the annual yield on other financial instruments may also influence the price of common shares in the publicly-traded markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the common shares.

Dilution

CML is authorized to issue an unlimited number of common shares, and subject to certain exceptions, an unlimited number of preferred shares for such consideration and on such terms and conditions as are established by the Board of Directors, without the approval of any shareholders. Further issuances of common shares will dilute the interests of existing shareholders.

Future Sales of Common Shares

Sales of a substantial number of common shares in the public market or otherwise could adversely affect the prevailing market prices of the common shares and could impair CML's ability to raise additional capital through an offering of its equity securities.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets out the name, province or state of residence of each of the directors of CML as at March X, 2013 and indicates their principal occupations within the five preceding years. The table below also indicates the date upon which each director was elected or appointed as a trustee of the Fund, and a director of CML Healthcare Inc. prior to the Arrangement, each of whom became a director of CML upon completion of the Arrangement and will hold office until the next annual meeting of CML's shareholders or until their respective successors have been duly elected or appointed, subject to their earlier resignation or removal.

Name	Principal Occupations Within Five Preceding Years	Date of Election/ Appointment
Gery J. Barry Connecticut, U.S.	**Mr. Gery J. Barry** has been the President of MedImpact International, LLC, a company which offers quality management services and software to both health care providers and payors in overseas markets, since 2010. Prior thereto, Mr. Barry had established a successful consulting practice, Barry-Global Strategic Services, a firm offering expertise in health insurance and health care quality management. From mid-2008 to 2009, Mr. Barry was Chief Strategy Officer of Aetna, Inc. (NYSE: AET), a leading U.S. based provider of health care, dental, pharmacy, group life, and disability insurance, and employee benefits. From 2004 to 2008, Mr. Barry was President and Chief Executive Officer of Blue Cross and Blue Shield of Louisiana, a mutual insurance company providing group and individual health and medical benefits to more than one million members. From 1996 to 2003, Mr. Barry was President and Chief Executive Officer of Liberty Health (formerly Ontario Blue Cross) – during this period Mr. Barry served in various leadership roles within the Canadian health care sector at large. Mr. Barry holds a Bachelor of Science (Honors Mathematics) from the University of Notre Dame, and a Masters Degree (Applied Mathematics) from Rutgers University. He is a Fellow of the Society of Actuaries. Mr. Barry is a member of the Human Resources Committee, the Innovation and Quality Committee and Chair of the Nominating and Corporate Governance Committee.	August 6, 2009
Dr. Joseph Fairbrother Ontario, Canada	**Dr. Joseph Fairbrother, BM, FRCP (C)** has been the Corporate Chief and Medical Director of the Department of Diagnostic Imaging at the William Osler Health System, one of the largest community Hospital Imaging departments in Canada, since 2003. He graduated in Medicine from the University of Southampton, England and is a Fellow, and previously an examiner, of the Royal College of Physicians and Surgeons of Canada. From 2004 to 2007 Dr. Fairbrother was a member of the executive committee responsible for the commissioning and implementation of the Brampton Civic Hospital, a $1 billion Private Finance Initiative project in Brampton, Ontario. For the past 15 years Dr. Fairbrother has held senior leadership positions in medical administration, including medical directorships and membership on executive committees, medical advisory committees and Province of Ontario advisory panels. Dr. Fairbrother is the Chair of the Innovation and Quality Committee, and a member of the Human Resources Committee and the Nominating and Corporate Governance Committee.	May 24, 2007

Robert P. Fisher Jr. Florida, U.S.	**Mr. Robert P. Fisher Jr.** has been the President of George F. Fisher, Inc., a private investment company that manages a portfolio of public and private investments, since 2002. Prior to that time, Mr. Fisher held various positions with Goldman, Sachs & Co. in New York for 19 years, ultimately serving as Managing Director and head of its Canadian Corporate Finance and Canadian Investment Banking units for eight years. Mr. Fisher has been involved in numerous initial public offerings of equity and debt securities, mergers and acquisitions, privatizations and financial recapitalizations for U.S., Canadian and international corporations and government agencies. Mr. Fisher is also the Founder and President of Fields for Kids, Inc., a non-profit organization dedicated to fundraising, consulting and advocacy for soccer and athletic field development in the New York area. Mr. Fisher holds a Bachelor of Arts in Economics and History from Dartmouth College and a Masters Degree of Arts in Law and Diplomacy from The Fletcher School at Tufts University. Mr. Fisher is a member of each of the Audit Committee and the Nominating and Corporate Governance Committee, and is the Chair of the Human Resources Committee.	May 6, 2010
Patrice E. Merrin Ontario, Canada (Chairman)	**Ms. Patrice E. Merrin** is Chairman of the Board and acted as interim Chief Executive Officer of CML from May, 2011 to February, 2012. Ms. Merrin is an independent consultant and corporate director. She was President and Chief Executive Officer and Director of Luscar Ltd., Canada's largest producer of thermal coal, from 2005 to 2006, having been Executive Vice President since 2004; during her tenure, Luscar was owned equally by Sherritt International Corporation (TSX:S) and Ontario Teachers' Pension Plan Board. From 1999 to 2004, Ms. Merrin was Executive Vice President and Chief Operating Officer of Sherritt International. She is a director of Ornge and the Climate Change and Emissions Management Corporation and was a Director of the NB Power Group from 2007 to 2009. She was a member of the National Advisory Panel on Sustainable Energy Science & Technology 2005-2006, and from 2003-2006 was a member of the National Round Table on the Environment and the Economy. She holds a Bachelor of Arts degree from Queen's University and completed the Advanced Management Programme at INSEAD. Ms. Merrin is a member of the Audit Committee, the Human Resources Committee, and the Nominating and Governance Committee.	March 27, 2008
Stephen R. Wiseman, C.A. Ontario, Canada	**Stephen R. Wiseman, C.A.** is a former Chairman of the Board of the Company. Mr. Wiseman is a former senior partner with Taylor Leibow LLP, Chartered Accountants, Hamilton, Ontario, and is a member of the Canadian Institute of Chartered Accountants and the Institute of Chartered Accountants of Ontario. Mr. Wiseman also holds a C.M.A. designation from the Society of Management Accountants, and a C.F.E. designation from the Association of Certified Fraud Examiners. Mr. Wiseman graduated from the University of Ottawa with both a B. Comm. and an M.A. (Economics) and from McMaster University with an M.B.A. Mr. Wiseman is Chair of the Audit Committee. Mr. Wiseman also serves as a director of Cipher Pharmaceuticals Inc.	May 17, 2005

Peter van der Velden Ontario, Canada	**Mr. Peter van der Velden** has been the Managing General Partner of Lumira Capital Investment Management Inc. since March 2012, a venture capital investment company with $200M under management, including recently established Lumira Capital II and the Merck Lumira Biosciences Fund. From August 2005 to March 2012. Mr. Van der Velden was the President & CEO of Lumira Capital (formerly MDS Capital), one of Canada's largest and oldest life sciences and medtech dedicated venture capital firms. From September 2001 to August 2005, was the Managing Director and Co-Founder of Fusion Capital, a boutique investment bank providing corporate finance and mergers and acquisition advisory services exclusively to private Canadian technology-centric businesses. Prior to founding Fusion, Mr. van der Velden held management roles at Taurus Capital (Investment Banking) and Bedford Capital (Private Equity). Mr. van der Velden holds a Masters of Business Administration from the Schulich School of Business and a Masters of Science (Pathology) and a Bachelor of Science, both from Queens University. Mr. van der Velden is currently also the President of the Canadian Venture Capital and Private Equity Association and his other current board positions include: LCC Legacy Holdings, Spinal Kinetics, Milcom Ventures, Craigleith Ski Club and the Canadian Venture Capital and Private Equity Association. Mr. van der Velden is a member of the Innovation and Quality Committee, the Nominating and Corporate Governance Committee, and the Audit Committee.	January 8, 2013

The following table sets out the name, province of residence and position held of each of the executive officers of CML as of the date of this Annual Information Form.

Name and Residency	**Position**
Thomas G. Wellner[(1)] Ontario, Canada	President and Chief Executive Officer
Tom S. Weber Ontario, Canada	Executive Vice President and Chief Financial Officer

Note:

(1) Prior to joining CML in February 2012, Mr. Wellner was President and Chief Executive Officer of Wellner Capital Advisors from July 2011, President and Chief Executive Officer of Therapure Biopharma Inc. from April 2008 to June 2011, Global Brand Development Leader, Insulin and Devices for Eli Lilly and Company from November 2007 to March 2008 and prior thereto from 2004 to 2007 President and General Manager of Lilly Deutschland, GmbH.

As at December 31, 2012, the directors and executive officers of CML, as a group, beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 111,287 common shares of CML with an aggregate market value of approximately $739,000, representing approximately 0.1% of the outstanding common shares of CML. In addition, as at December 31, 2012, under CML's Deferred Share Unit Plan, the directors held 104,091 Deferred Share Units with an aggregate market value of approximately $721,000.

Audit Committee

The Audit Committee of CML is responsible for the oversight and supervision of CML's accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, and the quality and integrity of financial statements. In addition, the Audit Committee is responsible for directing the auditors' examination into specific areas.

Education and Experience

As at March 20, 2013, the Audit Committee of CML was composed of the following persons. The education and experience of each Audit Committee member relevant to such members' responsibilities as a member of the Audit Committee are also set out below.

Name	Relevant Education and Experience
Patrice E. Merrin Ontario, Canada (Chairman)	**Ms. Patrice E. Merrin** is Chairman of the Board and acted as interim Chief Executive Officer of CML from May, 2011 to February, 2012. Ms. Merrin is an independent consultant and corporate director. She was President and Chief Executive Officer and Director of Luscar Ltd., Canada's largest producer of thermal coal, from 2005 to 2006, having been Executive Vice President since 2004; during her tenure, Luscar was owned equally by Sherritt International Corporation (TSX:S) and Ontario Teachers' Pension Plan Board. From 1999 to 2004, Ms. Merrin was Executive Vice President and Chief Operating Officer of Sherritt International.
Peter van der Velden Ontario, Canada	**Mr. Peter van der Velden** has been the Managing General Partner of Lumira Capital Investment Management Inc. since March 2012, a venture capital investment company with $200M under management, including recently established Lumira Capital II and the Merck Lumira Biosciences Fund. From August 2005 to March 2012. Mr. Van der Velden was the President & CEO of Lumira Capital (formerly MDS Capital), one of Canada's largest and oldest life sciences and medtech dedicated venture capital firms. From September 2001 to August 2005, was the Managing Director and Co-Founder of Fusion Capital, a boutique investment bank providing corporate finance and mergers and acquisition advisory services exclusively to private Canadian technology-centric businesses.
Stephen R. Wiseman, C.A. (Chair)	**Stephen R. Wiseman, C.A.** is a former Chairman of the Board of the Company. Mr. Wiseman is a former senior partner with Taylor Leibow LLP, Chartered Accountants, Hamilton, Ontario, and is a member of the Canadian Institute of Chartered Accountants and the Institute of Chartered Accountants of Ontario. Mr. Wiseman also holds a C.M.A. designation from the Society of Management Accountants, and a C.F.E. designation from the Association of Certified Fraud Examiners. Mr. Wiseman graduated from the University of Ottawa with both a B. Comm. and an M.A. (Economics) and from McMaster University with an M.B.A. Mr. Wiseman also serves as a director of Cipher Pharmaceuticals Inc.
Robert P. Fisher, Jr.	**Mr. Robert P. Fisher Jr.** has been the President of George F. Fisher, Inc., a private investment company that manages a portfolio of public and private investments, since 2002. Prior to that time, Mr. Fisher held various positions with Goldman, Sachs & Co. in New York for 19 years, ultimately serving as Managing Director and head of its Canadian Corporate Finance and Canadian Investment Banking units for eight years. Mr. Fisher has been involved in numerous initial public offerings of equity and debt securities, mergers and acquisitions, privatizations and financial recapitalizations for U.S., Canadian and international corporations and government agencies. Mr. Fisher holds a Bachelor of Arts in Economics and History from Dartmouth College and a Masters Degree of Arts in Law and Diplomacy from The Fletcher School at Tufts University.

The Board of Directors of CML has determined that each member of the Audit Committee is independent and financially literate. Independent means free from any direct or indirect material relationship with CML which, in the view of the Board, could reasonably interfere with the exercise of a member's independent judgment as more particularly described in National Instrument 52-110 – Audit Committees. Financially literate means having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by CML's financial statements.

Audit Committee Charter

Set forth as Schedule A to this Annual Information Form is the full text of the Charter of the Audit Committee of CML.

Audit Committee Oversight

At no time during CML's most recently completed fiscal year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Pre-approval Policies and Procedures

The Audit Committee approved, on a case by case basis, all non-audit services provided to CML and its subsidiaries by its external auditors, PricewaterhouseCoopers LLP.

External Auditor Service Fees (By Category)

The fees paid or payable by CML to PricewaterhouseCoopers LLP, CML's external auditors, for the periods noted below for audit and non-audit services were as follows:

	2011	**2012**
PricewaterhouseCoopers LLP		
Audit Fees[(1)]	$826,699	$522,620
Audit-Related Fees[(2)]	$55,456	$15,385
Tax Fees[(3)]	$287,662	$117,620
All Other Fees[(4)]	$6,667	$31,381
Total	**$1,176,485**	**$687,007**

(1) This category is intended to capture all fees in respect of services performed in order to comply with Canadian generally accepted auditing standards ("**GAAS**"). In some cases, these may include an appropriate allocation of fees for tax services or accounting consultations, to the extent such services were necessary to comply with GAAS.

(2) This category generally consists of fees in respect of assurance and related services reasonably related to the performance of the audit or review of the financial statements not reported under "audit fees". Included are such things as employee benefit plan audits, due diligence relating to mergers and acquisitions, accounting consultations and audits in connection with acquisitions, internal control reviews, attest services that are not required by statute or regulation, and consultation concerning financial accounting and reporting standards. The audit-related services actually provided by the external auditors in respect of fiscal 2011 and 2012 consisted of due diligence relating to mergers and acquisitions, and accounting consultations relating to IFRS.

(3) This category includes all fees in respect of services performed by the. auditors' tax professionals, except those services required in order to comply with GAAS which are included under "audit fees". Tax services include tax compliance, tax planning and tax advice.

(4) This category captures fees in respect of all services not falling under any of the foregoing three categories.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is responsible for developing CML's approach to governance issues, making recommendations to the Board of Directors with respect to the nomination of directors and periodically reviewing the composition and effectiveness of the directors and the contribution of individual directors.

The Board of Directors has determined that all of the members of the Nominating and Corporate Governance Committee of CML are independent.

Human Resources Committee

The Human Resources Committee is responsible for developing CML's approach to compensation issues, including the following:

- reviewing and approving compensation of CML's Chief Executive Officer;
- recommending to the Board of Directors non-Chief Executive Officer compensation, incentive-based plans, and equity-based plans; and
- reviewing compensation disclosure in public documents.

The Board of Directors has determined that all of the members of the Human Resources Committee are independent.

Innovation and Quality Committee

The Innovation and Quality Committee is responsible for providing oversight of, and counsel on, matters relating to technology and innovation, acting as a liaison between the Board of Directors and management with respect to activities relating to new growth opportunities and the quality of the organization's products and services, while enhancing the directors' understanding of the current strategic direction of CML.

The Board of Directors has determined that all of the members of the Innovation and Quality Committee are independent.

DIVIDEND RECORD AND POLICY

During the year ended December 31, 2012, CML paid monthly cash dividends on the outstanding common shares of $0.0629 per common share.

As noted under "History of the Business – Recent Developments" above, dividends in 2013 will be declared on a quarterly basis instead of monthly. On March 7, 2013, The Board of Directors declared a quarterly dividend of $0.1325 per common share, payable April 19, 2013 to shareholders of record at the close of business on March 28, 2013. While the Board of Directors of CML currently anticipates a quarterly dividend of $0.1325 per common share, there can be no guarantee the current policy will be maintained. As a corporation, CML's dividend policy is subject to the discretion of its Board of Directors. Future dividends, if any, will depend on the operations and assets of CML and will be subject to various factors, including, without limitation, CML's earnings, financial requirements, the satisfaction of solvency tests imposed by the *Business Corporations Act* (Ontario) for the declaration of dividends and other factors that the directors may deem relevant from time to time.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of CML consist of an unlimited number of common shares and an unlimited number of preferred shares issuable in series, of which 89,842,397 common shares and no preferred shares were issued and outstanding as at the date of this Annual Information Form. The following is a summary of the rights, privileges, restrictions and conditions attaching to the securities which comprise the authorized capital of CML.

Common Shares

Holders of common shares are entitled to one vote per share at meetings of shareholders of CML; to receive dividends if, as, and when declared by the Board of Directors of CML; and to receive pro rata the remaining property and assets of CML upon its dissolution or winding-up, subject to the rights of shares having priority over the common shares. Holders of common shares may make use of the various shareholder remedies available pursuant to the *Business Corporations Act* (Ontario).

Preferred Shares

Each series of preferred shares will consist of such number of shares and having such rights, privileges, restrictions, and conditions as may be determined by the Board of Directors of CML, prior to the issuance thereof, provided that the Board of Directors will not be permitted to issue preferred shares representing 25% or more of the aggregate number of outstanding common shares at any time. Holders of preferred shares, except as required by law, will not be entitled to vote at meetings of shareholders of CML. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution, or winding-up of CML, whether voluntary or involuntary, the preferred shares are entitled to preference over the common shares and any other shares ranking junior to the preferred shares from time to time and may also be given such other preferences over the common shares and any other shares ranking junior to the preferred shares as may be determined at the time of creation of such series. The preferred shares have not been created as, and are not intended to be, an anti-takeover mechanism.

MARKET FOR SECURITIES

Market for Securities

The common shares of CML were listed and posted for trading on the Toronto Stock Exchange on January 4, 2011 under the symbol "CLC", at which time the trust units of the Fund were delisted.

Trading Price and Volume

The following tables show the monthly range of high and low prices per common share and total monthly volumes traded on the Toronto Stock Exchange during the 12 months ended December 31, 2012.

Month	Price per Common Share($) Monthly High	Price per Common Share($) Monthly Low	Common Share Total Monthly Volume
January 2012	$10.59	$9.54	4,285,838
February 2012	$10.79	$10.34	2,870,473
March 2012	$10.99	$10.31	4,181,876
April 2012	$11.00	$10.39	2,565,271
May 2012	$10.71	$9.52	4,086,148
June 2012	$10.12	$8.97	2,764,556
July 2012	$10.07	$9.38	2,438,920
August 2012	$9.25	$8.28	7,495,489
September 2012	$9.02	$8.38	6,319,611
October 2012	$8.89	$8.36	3,745,419
November 2012	$8.65	$5.42	17,287,653
December 2012	$6.74	$6.45	3,800,907

Prior Sales

During the year ended December 31, 2012, CML did not issue any common shares.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

CML is not involved in any legal proceeding or regulatory action which would have a material adverse effect on CML on a consolidated basis.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

In the normal course of business, CML leases facilities at market rates from companies that are subject to significant influence or are controlled by Dr. John D. Mull, the founder of the Company and a director of the Company until May 9, 2012, and/or a member of his family. In particular, Dr, John D. Mull and a family member have an indirect interest in the land and premises at 6560 Kennedy Road, Mississauga, Ontario, L5T 2X4 where CML's central laboratory is located. CML's aggregate rent expense for all such premises totalled approximately $831,250 for the year ended December 31, 2012.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common shares is Canadian Stock Transfer Company Inc. at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

The following are the material contracts, other than contracts in the ordinary course of business, and material contracts in the ordinary course of business required to be listed, that were entered into by CML or its Subsidiaries in 2012, or prior to 2012 but which are still in effect:

1. The Credit Agreement described under "Description of the Business - Credit Facilities".

EXPERTS

The financial statements of the Company for the year ended December 31, 2012 have been audited by PricewaterhouseCoopers LLP, which is independent in accordance with the auditors' rules of professional conduct in the Province of Ontario.

ADDITIONAL INFORMATION

Additional information relating to CML may be found on the System for Electronic Document Analysis and Retrieval which can be accessed at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of CML's securities, and securities authorized for issuance under equity compensation plans, if applicable, will be contained in CML's information circular for its annual meeting of shareholders to be held on May 8, 2013. Additional financial information is provided in the financial statements and management's discussion and analysis of the Company for the year ended December 31, 2012.

SCHEDULE A

CHARTER OF THE AUDIT COMMITTEE OF CML HEALTHCARE INC.

CHARTER OF THE AUDIT COMMITTEE OF CML HEALTHCARE INC.

GENERAL

1. PURPOSE AND RESPONSIBILITIES OF THE COMMITTEE

1.1 Purpose

The primary purpose of the Committee is to assist Board oversight of:

(a) the integrity of the Corporation's financial statements and of the accounting and financial reporting practices and procedures of the Corporation;

(b) the adequacy of the internal and accounting controls and procedures of the Corporation;

(c) the External Auditor's qualifications and independence;

(d) the performance of the Corporation's internal audit function and the External Auditor; and

(e) the Corporation's compliance with legal and regulatory requirements, to the extent that such requirements are relevant to the foregoing.

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions

In this Charter:

(a) "Board" means the Board of Directors of the Corporation;

(b) "Chair" means the chair of the Committee;

(c) "Committee" means the audit committee of the Board;

(d) "Corporation" means CML HealthCare Inc.;

(e) "Directors" means the directors of the Corporation;

(f) "External Auditor" means the Corporation's independent auditor; and

(g) "IFRS" means International Financial Reporting Standards.

Any words or terms with initial capital letters which are not defined herein shall have the meanings ascribed thereto in the charter of the Board.

2.2 Interpretation

The provisions of this Charter are subject to the provisions of the by-laws of the Corporation and any Applicable Laws.

CONSTITUTION AND FUNCTIONING OF THE COMMITTEE

3. ESTABLISHMENT AND COMPOSITION OF THE COMMITTEE

3.1 Establishment of the Audit Committee

The Committee is hereby continued with the constitution, function and responsibilities herein set forth.

3.2 Appointment and Removal of Members of the Committee

(a) Board Appoints Members. The members of the Committee shall be appointed by the Board.

(b) Annual Appointments. The appointment of members of the Committee shall take place annually at the first meeting of the Board after a meeting of the Shareholders at which Directors are elected, provided that if the appointment of members of the Committee is not so made, the Directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.

(c) Vacancies. The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Directors.

(d) Removal of Member. Any member of the Committee may be removed from the Committee by a resolution of the Board.

3.3 Number of Members

The Committee shall consist of three or more Directors.

3.4 Independence of Members

Each member of the Committee shall be independent as defined under Applicable Laws.

3.5 Financial Literacy

(a) Financial Literacy Requirement. Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee.

(b) Definition of Financial Literacy. "Financially literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

3.6 Audit Committee Financial Expert

(a) Attributes of an Audit Committee Financial Expert. To the extent possible, the Board will appoint to the Committee at least one Director who has the following attributes:

(i) an understanding of generally accepted accounting principles and financial statements;

(ii) ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

(iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more persons engaged in such activities;

(iv) an understanding of internal controls and procedures for financial reporting; and

(v) an understanding of audit committee functions.

(b) Experience of the Audit Committee Financial Expert. To the extent possible, the Board will appoint to the Committee at least one Director who acquired the attributes in (a) above through:

(i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions (or such other qualification as the Board interprets such qualification in its business judgment);

(ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;

(iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or

(iv) other relevant experience.

4. COMMITTEE CHAIR

4.1 Board to Appoint Chair

The Board shall appoint the Chair from the members of the Committee (or, if it fails to do so, the members of the Committee shall appoint the Chair from among its members).

4.2 Chair to be Appointed Annually

The designation of the Committee's Chair shall take place annually at the first meeting of the Board after a meeting of Shareholders at which Directors are elected, provided that if the designation of Chair is not so made, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

5. COMMITTEE MEETINGS

5.1 Quorum

A quorum of the Committee shall be a majority of its members.

5.2 Secretary

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

5.3 Time and Place of Meetings

The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; provided, however, the Committee shall meet at least quarterly. Subject to the Corporation's by-laws, Directors shall receive 48 hours' notice of any meeting of the Committee.

5.4 In Camera Meetings

As part of each meeting of the Committee at which the Committee recommends that the Board approve the annual audited financial statements or at which the Committee approves the quarterly financial statements, the Committee shall meet separately with each of:

(a) management;

(b) the External Auditor; and

(c) the internal auditor, if any.

5.5 Right to Vote

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

5.6 Invitees

The Committee may invite Directors, officers and employees of the Corporation or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee. The External Auditor shall receive notice of each meeting of the Committee and shall be entitled to attend any such meeting at the Corporation's expense.

5.7 Regular Reporting

The Committee shall report to the Board at the Board's next meeting the proceedings at the meetings of the Committee and all recommendations made by the Committee at such meetings.

6. AUTHORITY OF COMMITTEE

6.1 Retaining and Compensating Advisors

The Committee shall have the authority to engage independent counsel and other advisors as the Committee may deem appropriate in its sole discretion and to set and pay the compensation for any advisors employed by the Committee. The Committee shall not be required to obtain the approval of the Board in order to retain or compensate such consultants or advisors.

6.2 Subcommittees

The Committee may form and delegate authority to subcommittees if deemed appropriate by the Committee.

6.3 Recommendations to the Board

The Committee shall have the authority to make recommendations to the Board, but shall have no decision-making authority other than as specifically contemplated in this Charter.

7. REMUNERATION OF COMMITTEE MEMBERS

7.1 Remuneration of Committee Members

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

7.2 Directors' Fees

No member of the Committee may earn fees from the Corporation or any of its subsidiaries other than Directors' fees (which fees may include cash and/or securities or options or other in-kind consideration ordinarily available to Directors, as well as all of the regular benefits that other Directors receive). For greater certainty, no member of the Committee shall accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation or any of its subsidiaries.

SPECIFIC DUTIES AND RESPONSIBILITIES

8. INTEGRITY OF FINANCIAL STATEMENTS

8.1 Review and Approval of Financial Information

(a) Annual Financial Statements. The Committee shall review and discuss with management and the External Auditor the Corporation's audited annual financial statements and related MD&A together with the report of the External Auditor thereon and, when appropriate, shall recommend to the Board that the Board approve the audited annual financial statements.

(b) Interim Financial Statements. The Committee shall review and discuss with management and the External Auditor and, when appropriate, shall recommend to the Board that the Board approve the Corporation's interim unaudited financial statements and related MD&A.

(c) Material Public Financial Disclosure. The Committee shall discuss with management and the External Auditor:

(i) the types of information to be disclosed, and the type of presentation to be made, in connection with earnings press releases,

(ii) financial information and earnings guidance (if any) to be provided to analysts, investors and rating agencies, and

(iii) press releases containing financial information (paying particular attention to any use of "pro forma" or "adjusted" non-IFRS information),

and, when appropriate, shall recommend to the Board that the Board approve any such material financial disclosure prior to its release to the public.

(d) Procedures for Review. The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements (other than financial statements, MD&A and earnings press releases, which are dealt with elsewhere in this Charter) and shall periodically assess the adequacy of those procedures.

(e) Accounting Treatment. The Committee shall review and discuss with management and the External Auditor:

(i) major issues regarding accounting principles and financial statement presentations including any significant changes in the Corporation's selection or application of accounting principles and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies;

(ii) analyses prepared by management and/or the External Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative IFRS methods on the financial statements;

(iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Corporation's financial statements;

(iv) the management certifications of the financial statements as required by applicable securities laws in Canada or otherwise; and

(v) pension plan financial statements, if any.

9. EXTERNAL AUDITOR

9.1 External Auditor

(a) Authority with Respect to External Auditor. As a representative of the Corporation's Shareholders, the Committee shall be directly responsible for the nomination, compensation and oversight of the work of the External Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation. In the discharge of this responsibility, the Committee shall:

(i) have sole responsibility for recommending to the Board the person to be proposed to the Corporation's Shareholders for appointment as External Auditor for the above-described purposes as well as the responsibility for recommending such External Auditor's compensation and determining at any time whether the Board should recommend to the Corporation's Shareholders whether the incumbent External Auditor should be removed from office;

(ii) review the terms of the External Auditor's engagement, discuss the audit fees with the External Auditor and be solely responsible for approving such audit fees; and

(iii) require the External Auditor to confirm in its engagement letter each year that the External Auditor is accountable to, and shall report directly to, the Committee as the representative of Shareholders.

(b) Independence. The Committee shall satisfy itself as to the independence of the External Auditor. As part of this process the Committee shall:

(i) assure the regular rotation of the lead audit partner as required by law and consider whether, in order to ensure continuing independence of the External Auditor, the Corporation should rotate periodically, the audit firm that serves as External Auditor;

(ii) require the External Auditor to submit on a periodic basis to the Committee a formal written statement delineating all relationships between the External Auditor and the Corporation and its subsidiaries and that the Committee is responsible for actively engaging in a dialogue with the External Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the External

Auditor and for recommending that the Board take appropriate action in response to the External Auditor's report to satisfy itself of the External Auditor's independence;

(iii) address non-audit services provided by the External Auditor as described in clause (d) below; and

(iv) review and approve the policy setting out the restrictions on the Corporation and its subsidiaries hiring partners, employees and former partners and employees of the Corporation's current or former External Auditor.

(c) Issues Between External Auditor and Management. The Committee shall:

(i) review any problems experienced by the External Auditor in conducting the audit, including any restrictions on the scope of the External Auditor's activities or in access to requested information;

(ii) review any disagreements with management and, to the extent possible, resolve any disagreements between management and the External Auditor regarding financial reporting; and

(iii) review with the External Auditor:

(A) any accounting adjustments that were proposed by the External Auditor, but were not made by management;

(B) any communications between the audit team and audit firm's national office respecting significant auditing or accounting issues presented by the engagement;

(C) any management or internal control letter issued, or proposed to be issued, by the External Auditor to the Corporation; and

(D) the performance of the Corporation's internal audit function and internal auditors.

(d) Non-Audit Services.

(i) The Committee shall either:

(A) approve any non-audit services provided by the External Auditor or the external auditor of any subsidiary of the Corporation to the Corporation (including its subsidiaries); or

(B) adopt specific policies and procedures for the engagement of non-audit services, provided that such pre-approval policies and procedures are detailed as to the particular service, the Committee is informed of each non-audit service and the procedures do not include delegation of the Committee's responsibilities to management.

(ii) The Committee may delegate to one or more members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in the previous section, provided that such member or members must present any non-audit services so approved to the full Committee at its first scheduled meeting following such pre-approval.

(iii) The Committee shall instruct management to promptly bring to its attention any services performed by the External Auditor which were not recognized by the Corporation at the time of the engagement as being non-audit services.

(e) Evaluation of External Auditor. The Committee shall evaluate the External Auditor each year, and present its conclusions to the Board. In connection with this evaluation, the Committee shall:

(i) review and evaluate the performance of the lead partner of the External Auditor;

(ii) obtain the opinions of management and of the persons responsible for the Corporation's internal audit function with respect to the performance of the External Auditor; and

(iii) obtain and review a report by the External Auditor describing:

(A) the External Auditor's internal quality-control procedures;

(B) to the extent permitted by Applicable Laws and by the Canadian Public Accountability Board, any material issues raised by the most recent internal quality-control review, or peer review, of the External Auditor's firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the External Auditor's firm, and any steps taken to deal with any such issues; and

(C) all relationships between the External Auditor and the Corporation (for the purposes of assessing the External Auditor's independence).

(f) Review of Management's Evaluation and Response. The Committee shall:

(i) review management's evaluation of the External Auditor's audit performance;

(ii) review the External Auditor's recommendations, and review management's response to, and subsequent follow-up on, any identified weaknesses;

(iii) review management's response to significant internal control recommendations of the internal audit staff and the External Auditor;

(iv) receive regular reports from management and receive comments from the External Auditor, if any, on:

(A) the Corporation's principal financial risks;

(B) the systems implemented to monitor those risks; and

(C) the strategies (including hedging strategies) in place to manage those risks; and

(g) recommend to the Board whether any new material strategies presented by management should be considered appropriate and approved.

10. INTERNAL AUDIT FUNCTION

10.1 Internal Auditor

In connection with the Corporation's internal audit function, the Committee shall:

(a) review the terms of reference of the internal auditor, if any, and meet with the internal auditor as the Committee may consider appropriate to discuss any concerns or issues;

(b) in consultation with the External Auditor and the internal audit group, review the adequacy of the Corporation's internal control structure and procedures designed to ensure compliance with laws and regulations and any special audit steps adopted in light of material deficiencies and controls;

(c) review the internal control report prepared by management, including management's assessment of the effectiveness of the Corporation's internal control structure and procedures for financial reporting; and

(d) periodically review with the internal auditor any significant difficulties, disagreements with management or scope restrictions encountered in the course of the work of the internal auditor.

11. COMPLIANCE WITH LEGAL AND REGULATORY REQUIREMENTS

11.1 Risk Assessment and Risk Management

The Committee shall discuss the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures and shall report to the Board with respect thereto.

11.2 Related Party Transactions

The Committee shall review and approve all related party transactions in which the Corporation is involved or which the Corporation proposes to enter into.

11.3 Whistleblowing Policy

The Committee shall put in place, subject to approval by the Board, procedures for:

(a) the receipt, retention and treatment of complaints received by the Corporation or its subsidiaries regarding accounting, internal accounting controls or auditing matters; and

(b) the confidential, anonymous submission by employees of the Corporation or its subsidiaries of concerns regarding questionable accounting or auditing matters.

12. ANNUAL PERFORMANCE REVIEW

On an annual basis, the Committee shall follow the process established by the Board and overseen by the Nominating and Corporate Governance Committee for reviewing the performance of the Committee.

13. CHARTER REVIEW

The Committee shall review and assess the adequacy of this Charter annually and recommend to the Board any changes it deems appropriate.

14. EFFECTIVE DATE

This Charter was approved the Board as of January 1, 2011, including all members of the Audit Committee. Any amendments to this Charter require the specific approval of the Audit Committee.