FORM 51-102F3
Material Change Report

1. Name and Address of Company:

Pediapharm Inc. (the "Issuer")
225 - 1 Place du Commerce
Verdun, QC H3E 1A2

2. Date of Material Change(s):

September 19, 2016

3. News Release:

A news release was disseminated September 19, 2016 through the facilities of Marketwire.

4. Summary of Material Change(s):

The Issuer announces an exclusive licensing agreement with a company owned by Mr. Gerard Leduc, a globally known pharmaceutical executive for drug product Relaxa®.

5. Full Description of Material Change

5.1 Full Description of Material Change:

"Pediapharm Inc. (the "Company") is pleased to announce it has signed an exclusive licensing agreement (the "Licensing Agreement") with a company owned by Mr. Gerard Leduc (the "Licensor"), a globally known pharmaceutical executive for drug product Relaxa® (the "Product"). Under the terms of the Licensing Agreement, Pediapharm has the exclusive right to manufacture, promote, market, sell and distribute the Product globally. In return, Pediapharm will pay the Licensor royalties based on annual net sales of the Product.

Pursuant to the terms of the Licensing Agreement, Pediapharm has the right to acquire the Product at any time until the seventh anniversary of the effective date of the Licensing Agreement. The aggregate price payable for the Product during such term shall be five million dollars ($5,000,000) plus a two percent (2%) royalty on the annual net sales of the Product up to a maximum of one million five hundred thousand dollars ($1,500,000) (the "Option Exercise Price"). Moreover, for the term commencing on the fifth anniversary of the effective date of the Licensing Agreement and ending on seventh anniversary of the effective date of the licensing agreement, the Licensor will have the option to sell the Product to Pediapharm for the same Option Exercise Price.

Relaxa®, a PEG 3350 based product, is used for the treatment of occasional constipation. The prevalence of constipation exceeds that of frequently reported conditions such as migraines, asthma, diabetes and coronary heart disease (1). Although more common in the elderly, it is a prevailing condition in children where constipation accounts for almost 5% of pediatric visits (2). Of all products used to treat constipation, the PEG 3350 based products are the fastest growing now that they are becoming the standard of care.

The Canadian Pediatric Society (the "CPS") guidance supports PEG 3350 as first line in acute and chronic constipation management. Furthermore, the CPS states that "PEG 3350 is a safe, effective and well-tolerated long-term treatment for constipation." (1,3)

"Acquiring a product with existing sales has been our focus in the last 12 months. We have been very disciplined, both in terms of financial structures as well as synergies and we are thrilled to have been able to achieve this in a way that it is immediately accretive with no use of our cash, no share dilution and no additional debt", stated Sylvain Chretien, President and Chief Executive Officer of Pediapharm. He added: "Annual sales of Relaxa®, based on the trend of the last 12 months, is approximately $3 million, which will have an immediate impact on our top and bottom line and importantly, Relaxa® has a strategic commercial fit with our signature product, NYDA®. While all existing revenue from Relaxa® is presently generated in Canada, we are also confident to be able to generate additional revenue outside of Canada", concluded Mr. Chretien.

"With this acquisition, we are able to reach our objective to accelerate our growth with an accretive transaction through a very favorable transaction structure", said Benoît Hébert, Pediapharm's Vice-President of Business Development and Licensing. "This provides us with some financial flexibility for our upcoming product launches while providing us with the flexibility to complete the outright acquisition of the product rights if and when needed. This is certainly a transaction structure we hope to replicate in the near future."

About Relaxa®
Relaxa® is a laxative composed of polyethylene glycol 3350 (PEG 3350). It is indicated for the treatment of occasional constipation in adults (≥ 18 years). Relaxa® is available in jars of 510g and in boxes of 30 individual 17g sachets. PEG 3350 has the strongest peer-reviewed medical evidence for short-term and longer-term effectiveness compared to other laxatives. For more information, visit www.relaxa.ca.

(1) Understanding the Prevalence and Impact of Constipation in Canada. A Special Report from the Canadian Digestive Health Foundation. Feb 2014
(2) van den Berg MM, Benninga MA, Di Lorenzo C. Epidemiology of childhood constipation: A systematic review. Am J Gastroenterol 2006;101:2401-9
(3) Paediatr Child Health 2011;16(10):661-5 Managing functional constipation in children

5.2 Disclosure for Restructuring Transaction:

Not Applicable

6. Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102 *Continuous Disclosure Obligations*:

Not Applicable

7. Omitted Information:

Not Applicable

8. Executive Officer Knowledgeable of Material Change:

Roland Boivin
Chief Financial Officer
Telephone: (514) 762-2626 ext. 202

9. Date of Report:

September 26, 2016