



ANNUAL INFORMATION FORM

For the Year Ended March 31, 2017

January 22, 2018

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DEFINITIONS

The following is a glossary of terms and abbreviations used throughout this Annual Information Form and in the Schedules hereto.

"**ABCA**" means the *Business Corporations Act* (Alberta), as amended from time to time.

"**Affiliate**" means a Company that is affiliated with another company as described below.

A Company is an "Affiliate" of another Company if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same Person.

A Company is "controlled" by a Person if:

- (a) voting securities of the Company are held, other than by way of security only, by or for the benefit of that Person, and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Company.

A Person beneficially owns securities that are beneficially owned by:

- (a) a Company controlled by that Person, or
- (b) an Affiliate of that Person or an Affiliate of any Company controlled by that Person.

"**Amalco**" means the corporation constituted upon the Amalgamation of Pediapharm Inc. and Chelsea and named "Pediapharm Inc.".

"**Amalgamation**" means the amalgamation of Chelsea and Pediapharm Inc. under section 181 of the CBCA on the terms and conditions set forth in the Amalgamation Agreement.

"**Amalgamation Agreement**" means the amalgamation agreement dated as of October 11, 2013 between Chelsea and Pediapharm Inc.

"**Associate**" when used to indicate a relationship with a Person or Company, means:

- (a) an Issuer of which the Person or Company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the Issuer;
- (b) any partner of the Person or Company;
- (c) any trust or estate in which the Person or Company has a substantial beneficial interest or in respect of which a Person or Company serves as trustee or in a similar capacity;
- (d) in the case of a Person, a relative of that Person, including:
 - (i) that Person's spouse or child; or
 - (ii) any relative of the Person or of his spouse who has the same residence as that Person;

but

- (e) where the Exchange determines that two Persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.

"Board" means the board of directors of Pediapharm.

"Business Day" means any day other than a Saturday or Sunday or a day when banks in the City of Calgary, Alberta are not generally open for business.

"CBCA" means the *Canada Business Corporations Act*, as from time to time amended or re-enacted, and includes any regulations hereto or hereafter made pursuant to the CBCA.

"Certificate of Amalgamation" means the certificate of amalgamation issued by the Director pursuant to Subsection 185(4) of the CBCA giving effect to the Amalgamation.

"Chelsea" means Chelsea Acquisition Corporation, a public company incorporated under the ABCA with its head office and registered office located in Calgary, Alberta.

"Chelsea Shares" means the common shares in the capital of Chelsea.

"Common Share" means the common shares in the capital of Pediapharm.

"Company" unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

"Computershare" means Computershare Investor Services Inc.

"Completion of the Qualifying Transaction" means the date the Final Exchange Bulletin is issued by the Exchange.

"Corporation" means the company formed by the Amalgamation of Chelsea and Pediapharm Inc.

"CPC" means a corporation:

- (a) that has been incorporated or organized in a jurisdiction in Canada;
- (b) that has filed and obtained a receipt for a preliminary CPC Prospectus from one or more of the securities regulatory authorities in compliance with the Policy; and
- (c) in regard to which the Completion of the Qualifying Transaction has not yet occurred.

"CST" means CST Trust Company.

"Director" means the Director appointed under section 260 of the CBCA.

"Exchange" or **"TSX Venture"** means the TSX Venture Exchange Inc.

"Final Exchange Bulletin" means the Exchange bulletin which is issued following closing of the Qualifying Transaction and the submission of all required documentation and that evidences the final Exchange acceptance of the Qualifying Transaction.

"Health Canada" means the Federal department responsible for assessing healthcare products, including drugs, for their safety, efficacy and quality.

"Initial Public Offering" or **"IPO"** means a transaction that involves an Issuer issuing securities from treasury pursuant to its first Prospectus.

"Insider" if used in relation to an Issuer, means:

- (a) a director or senior officer of the Issuer;
- (b) a director or senior officer of a Company that is an Insider or subsidiary of the Issuer;
- (c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of an Issuer; or
- (d) an Issuer itself if it holds any of its own securities.

"Issuer" means a Company and its subsidiaries which have any of its securities listed for trading on the Exchange and, as the context requires, any applicant Company seeking a listing of its securities on the Exchange.

"Member" has the meaning given to it in Rule A.1.00 of the TSX Venture Rule Book and Policies.

"Pediapharm" means Pediapharm Inc., a corporation incorporated pursuant to the Amalgamation.

"Pediapharm Inc." means Pediapharm Inc. (pre-Amalgamation), a private company incorporated under the CBCA.

"Pediapharm Business" means the business of providing sales and marketing expertise for the pediatric market segment of the pharmaceutical industry. See *"Three Year History, General Developments of the Business and The Corporation's Business Strategy"*.

"Person" means a Company or individual.

"Policy" means Policy 2.4 of the Exchange Corporate Finance Manual.

"Prospectus" means a disclosure document required to be prepared in connection with a public offering of securities and which complies with the form and content requirements of a prospectus as described in applicable Securities Laws.

"Qualifying Transaction" means a transaction where a CPC acquires Significant Assets other than cash, by way of purchase, amalgamation, merger or arrangement with another Company or by other means.

"Rule D" means Rule D.100 of the TSX Venture Rule Book and Policies.

"Securities Laws" means securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time that are applicable to an Issuer.

"SEDAR" means the System for Electronic Document Analysis and Retrieval accessible at www.sedar.com.

"Significant Assets" means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any other concurrent transactions would result in the CPC meeting the Initial Listing Requirements of the Exchange.

"United States" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

All references to dollars in this Annual Information Form refer to Canadian dollars, unless otherwise indicated.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

This document includes forward-looking statements within the meaning of certain Securities Laws 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", "hope" 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: availability of additional capital; repayment of debt; recent and anticipated future losses; competition; strict regulatory environment; achievement of development goals in time frames announced and expected; marketing of the product; third-party reimbursement for the cost of the product; patent applications; potential infringement on third party patents; applicability of patents and proprietary technology; exposure to possible claims; patent litigation; changes in technology and industry standards; dependence on contract research organizations; dependence on strategic partnerships and licensees; dependency on management and key consultants and employees; product liability and insurance; future health care reforms; unforeseen emergency situations; market price of Common Shares; securities subject to market price volatility; fluctuations in future quarterly operating results; uncertainty of net proceeds; dividends; no guarantee on investment; no pre-emptive rights; refinancing; enforcement of civil liabilities; no active public trading market in the U.S.; and preparation of financial statements.

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 hereof, and elsewhere in our Management Discussion and Analysis for the year ended March 31, 2016 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 March 31, 2016 and are expressly qualified in their entirety by this cautionary language.

CORPORATE STRUCTURE

Chelsea was incorporated pursuant to the provisions of the ABCA on July 22, 2011 as Goldhold Corporation. The articles of Chelsea were amended by a certificate of amendment dated August 31, 2011 to delete the private company provisions and the restrictions on share transfers. The articles of Chelsea were amended by a certificate of amendment dated September 20, 2011 to change the name of Chelsea to "Chelsea Acquisition Corporation". On March 5, 2012, Chelsea completed its Initial Public Offering, and the Chelsea Shares commenced trading on the TSX Venture.

Pediapharm Inc. was incorporated in 2003 under the CBCA and commenced its operations in late 2007.

On December 10, 2013, Chelsea and Pediapharm Inc. amalgamated under the CBCA to form Pediapharm, which transaction constituted the "Qualifying Transaction" of Chelsea pursuant to the policies of the TSX Venture.

The head office and registered and records office of Pediapharm are both located at 225 - 1 Place du Commerce, Verdun, Québec, H3E 1A2.

GENERAL DEVELOPMENT OF THE BUSINESS

Prior to the Qualifying Transaction, Chelsea did not own any assets other than cash and had not conducted any active business operations. Since its incorporation and prior to the Qualifying Transaction, the principal activities of Chelsea consisted of completion of its financing through its Initial Public Offering and the search to complete a Qualifying Transaction.

Pediapharm Inc. was founded by its current President and Chief Executive Officer, Sylvain Chrétien, and Angelo Botter (former director of the pharmaceutical division- Abbott Laboratories, Limited), who identified the pediatric market as a growth opportunity in the Canadian pharmaceutical market.

The following describes the general development of Pediapharm's business over the last three completed financial years, being March 31, 2015, 2016 and 2017.

2015

In April 2014, Pediapharm entered into a supply and distribution agreement (the "**Supply and Distribution Agreement**") with Merz Pharma Canada, Ltd. regarding the Canadian rights to CUVPOSA™ (glycopyrrolate), an oral solution intended for pediatric chronic severe drooling (sialorrhea) associated with neurological conditions such as cerebral palsy. On August 3, 2016, Pediapharm submitted its regulatory dossier for CUVPOSA™ with Health Canada.

In June 2014, Mr. Angelo Botter resigned as a director of the Corporation. Mr. Michael Mueller was appointed to the Board.

In July 2014, the Corporation and Hoffmann-La Roche ("**Roche**") entered into an asset purchase agreement (the "**Canadian Asset Purchase Agreement**") regarding the Canadian rights to Roche's naproxen suspension (the "**Naproxen Suspension**") used to treat osteoarthritis, rheumatoid arthritis, ankylosing spondylitis and juvenile rheumatoid arthritis.

In October 2014, the Corporation and Laboratories SALVAT S.A., Ltd. ("**SALVAT**") entered into a license and supply agreement (the "**SALVAT License Agreement**") to grant Pediapharm the exclusive Canadian rights to a novel patented formulation solution.

In December 2014, Pediapharm and J. Uriach y Compañía S.A., Ltd. ("**Uriach**") entered into a license and supply agreement (the "**Uriach License and Supply Agreement**") to grant Pediapharm the exclusive Canadian rights to rupatadine, a novel second generation antihistamine with a broad profile of anti-inflammatory properties.

In February 2015, Pediapharm announced the launch of the Pediapharm Naproxen Suspension pursuant to the acquisition by Pediapharm of the Canadian rights to the Naproxen Suspension from Roche.

On March 9, 2015, Pediapharm announced the acquisition of the United States rights to Naproxen Suspension from Roche pursuant to the terms of the asset purchase agreement between Pediapharm and Roche (the "**US Asset Purchase Agreement**"). On February 1, 2016, the Corporation announced that it signed a formal asset purchase agreement with an industry third party (the "**Acquirer**") for the sale of its United States rights to Naproxen Suspension in a transaction valued at approximately US\$4.25 million (the "**Transaction**"). Financial terms of the Transaction included: payment of US\$2.25 million in cash which was received at closing and payment of US\$2.0

million in cash conditional on Pediapharm being granted approval from the Food and Drug Administration ("FDA") of the manufacturing site transfer on or before September 30, 2016. On May 11, 2016, the Corporation received FDA approval regarding the manufacturing site transfer of Naproxen Suspension for the United States market. This approval triggered the second and final payment of US\$2.0 million in cash. Pediapharm retains the rights to Naproxen suspension in Canada and will continue to commercialize using its own infrastructure.

On March 31, 2015, Pediapharm closed a private placement of secured, convertible debentures of the Corporation ("**Convertible Debentures**") and share purchase warrants of the Corporation ("**Warrants**") for aggregate gross proceeds of \$5,500,000 (the "**Offering**"). The Offering consisted of: (i) a brokered offering of an aggregate of \$4,975,000 principal amount of Convertible Debentures and 3,014,850 Warrants and (ii) a non-brokered offering of an aggregate of \$525,000 principal amount of Convertible Debentures and 318,150 Warrants.

The Convertible Debentures mature four years from the date of issue, bear interest at a rate of 12% per annum paid quarterly in cash, and are fully secured by the assets of the Corporation. The principal amount is convertible at any time at the option of the holder into Common Shares of the Corporation at a price of \$0.45 per Common Share and upon giving effect to such conversion, all accrued and unpaid interest will be paid in full. The Convertible Debentures will automatically convert into Common Shares at the conversion price if during any twenty consecutive trading days, the Common Shares trade at a volume weighted average price of at least \$0.60 on a total cumulative volume of not less than two million Common Shares. The Corporation may at any time after the second anniversary of the date of issue, and prior to maturity, repay the principal amount subject to an early repayment fee of 2% of the principal amount repaid.

Each Warrant issued pursuant to the Offering is exercisable at a price of \$0.33 per Common Share until March 30, 2019.

In connection with the brokered offering, the Corporation paid the agent a cash commission of \$118,500 and also granted the agent 359,091 broker warrants, with each such broker warrant entitling the holder to purchase one Common Share at a price of \$0.33 per Common Share until March 30, 2017.

The net proceeds from the offering were used for present and new growth opportunities of Pediapharm, as well as general working capital.

2016

On June 8, 2015, Pediapharm and G. Pohl-Boskamp GmbH & Co KG ("**Pohl-Boskamp**") announced the extension of their exclusive Canadian distribution agreement for NYDA[®] (the "**NYDA[®] Distribution Agreement**") until at least 2021 (the "**NYDA[®] Extension Agreement**"). The NYDA[®] Extension Agreement includes additional renewal clauses and similar terms and conditions as were included in the previous agreement. The NYDA[®] Extension Agreement does not contain any material financial changes from the previous agreement.

On July 24, 2015, the Corporation submitted its regulatory dossier to Health Canada for the approval by Health Canada for use of rupatadine, a novel generation of antihistamine to treat the symptoms of allergy and urticarial in both adults and children.

In November 2015, the Corporation submitted its dossier for its novel formulation of Ciprofloxacin 0.3% and Fluocinolone Acetonide 0.025% otic solution licensed from Laboratorios SALVAT in 2014. Pediapharm is seeking approval for the combination product in two indications in adults and children older than 6 months old: (i) acute otitis media in patients with tympanostomy tubes; and (ii) acute otitis external (swimmer's ear). In addition to robust clinical data, this product will be available in preservative-free, single-use containers which safeguard sterility at each dose and make it easy to ensure correct dosing and application of drops into the ear. Approval of Otixal[™] (ciprofloxacin 0.3 % and fluocinolone acetonide 0.025 %) otic solution for the treatment of acute otitis media with tympanostomy tubes ("AOMT") in pediatric patients (aged 6 months and older) was granted by Health Canada on December 8, 2016.

On December 31, 2015, the Corporation announced that Health Canada had upheld the May 2015 Notice of Deficiency - Withdrawal Letter regarding Easyhaler Budesonide, without prejudice to re-filing. Health Canada's decision, communicated through a letter received by Pediapharm on December 24, 2015, was based on recommendations contained in a report issued by a reconsideration panel and Health Canada's Office of Science. The reconsideration panel was responsible to hear arguments from Pediapharm and Health Canada's Allergy and Respiratory Drugs Division on November 20, 2015, and to submit recommendations to the Director General, who accepted them in a letter sent to the Corporation.

2017

On May 11, 2016, the Corporation announced that it received FDA approval regarding the manufacturing site transfer of Naproxen Suspension for the United States market. This approval triggered the second and final payment of US\$2 million in cash included in a previously disclosed transaction valued at US\$4.25 million regarding the United States rights to Naproxen Suspension. The acquirer, Atnahs Pharma US Limited ("Atnahs"), also owns the global rights to the Naprosyn® brand.

On July 21, 2016, the Corporation announced Health Canada's approval of rupatadine (Tablet 10mg and Oral Solution 1mg/mL) for the relief of the symptoms associated with Seasonal Allergic Rhinitis (SAR), Perennial Allergic Rhinitis (PAR) and Chronic Spontaneous Urticaria (CSU) in patients 2 years of age and older. Rupatadine is the first prescription (Rx) antihistamine being launched over the past decade with all 3 indications (SAR, PAR and CSU), including a formulation for children over 2 years of age.

On August 3, 2016, the Corporation submitted to the Canadian Health Authorities its regulatory dossier of CUVPOSA™ (glycopyrrolate) oral solution intended for pediatric chronic severe drooling (sialorrhea) associated with neurologic conditions such as cerebral palsy.

On September 19, 2016, the Corporation announced it 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.

On December 12, 2016, the Corporation announced Health Canada's approval of Otixal™ (ciprofloxacin 0.3 % and fluocinolone acetonide 0.025 %) otic solution for the treatment of acute otitis media with tympanostomy tubes ("AOMT") in pediatric patients (aged 6 months and older). Otixal™ is the first and only antibiotic and steroid combination ear drop available in single, sterile, preservative-free and unit-dose packaging.

On January 25, 2017, the Corporation announced the commercial launch of Rupall™ (rupatadine) in Canada. This innovative allergy medication is available to patients suffering from allergy and urticaria through physician prescriptions. Rupall (rupatadine) comes in two dosage forms; the tablet 10mg and Oral Solution 1mg/mL, and is indicated for the relief of the symptoms associated with Seasonal Allergic Rhinitis (SAR), Perennial Allergic Rhinitis (PAR) and Chronic Spontaneous Urticaria (CSU) in patients 2 years of age and older. Rupall (rupatadine) is the first prescription (Rx) antihistamine being launched over the past decade with all 3 indications (SAR, PAR and CSU), including a formulation for children over 2 years of age. It will be launched in the Canadian antihistamine market estimated at \$130 million⁽¹⁾. Moreover, it will benefit from 8.5 years of market exclusivity granted by Health Canada's Office of Patented Medicines and Liaison under section C.08.004.1 of the Food and Drug Regulations.

Allergic rhinitis (SAR and PAR) is an inflammatory disease of the nasal mucous membranes and it is one of the most common chronic health conditions with 20 to 25% of Canadians being affected⁽²⁾. Chronic Spontaneous Urticaria (CSU) is a severe and distressing skin condition for which discomfort associated with this disorder can often pose a serious challenge to the treating clinician and a long-term hardship for patients and their families⁽³⁾⁽⁴⁾.

1. IMS Data
2. Keith P. et al. The burden of allergic rhinitis (AR) in Canada: perspectives of physicians and patients. *Allergy, Asthma & Clinical Immunology* 2012, 8:7
3. Sussman et al. Insights and advances in chronic urticaria: a Canadian perspective *Allergy, Asthma & Clinical Immunology* 2015, 11:7
4. Ben-Shoshan et al. Psychosocial factors and chronic spontaneous urticaria: a systematic review. *Allergy* 2013; 68: 131-141

RECENT DEVELOPMENTS

On May 18, 2017, the Corporation announced the Canadian commercial launch of Otixal™ (ciprofloxacin 0.3 % and fluocinolone acetonide 0.025 %) otic solution for the treatment of acute otitis media with tympanostomy tubes ("AOMT") in pediatric patients (aged 6 months and older). Otixal™ is the first and only antibiotic and steroid combination ear drop available in single, sterile, preservative-free and unit-dose packaging. Otixal™ was launched in a growing \$20 million market⁽¹⁾. Otitis media (middle ear inflammation) is one of the most common early childhood infections in Canada⁽²⁾. In the first 3 years of life, 60% to 70% of children will have experienced at least 1 episode of acute otitis media ("AOM"), and recurrent episodes of AOM are common⁽²⁾. Children that have recurrent AOM may have tympanostomy tubes inserted through a small incision in the eardrum to help facilitate drainage of fluid from the middle ear. Tympanostomy tube insertion is the most common operation performed on children in Canada⁽³⁾. Pediapharm acquired the exclusive market rights of Otixal™ in Canada from Laboratorios SALVAT S.A. Barcelona, Spain.

1. IMS Data, June 2015.
2. Dube E & al. Burden of acute otitis media on Canadian families; *Canadian Family Physician*; Vol 57: January 2011.
3. Schmelzle et al. Acute otitis media in children with tympanostomy tubes; *Canadian Family Physician* .Vol 54: August 2008.

On July 4, 2017, the Corporation announced it closed a non-brokered private placement (the "**Private Placement**") of units of Pediapharm (the "**Units**"). Pursuant to the Private Placement, 9346-4626 Québec Inc., a private company operating as Transcan ("**Transcan**") subscribed for 14,705,883 Units at a price of \$0.34 per Unit, for aggregate proceeds to Pediapharm of \$5,000,000. Transcan is owned by Mr. Gerard Leduc, a globally known pharmaceutical executive. Each Unit is comprised of one (1) Common Share and one-half (1/2) of one common share purchase warrant of Pediapharm (a "**Warrant**"). Each whole Warrant entitles Transcan to purchase one (1) Common Share at a price of \$0.51 per share until May 24, 2020. No commissions or fees were paid in connection with the Private Placement. The gross proceeds of the Private Placement are being used to secure new business opportunities as well as to accelerate the growth of the Company's recently launched products namely, Rupall™ and Otixal™. As a result of the Private Placement, Transcan became a new insider of Pediapharm as a holder of more than 10% of the issued and outstanding Common Shares.

On September 22, 2017, Mr. Pierre Desormeau resigned as a director of the Corporation, and Mr. Benoit Gravel was appointed to the Board.

On November 1, 2017, the Corporation announced Health Canada's notice of compliance (approval) for Cuvposa™ (Glycopyrrolate oral solution 1 mg/ 5 mL) which is indicated to reduce chronic severe drooling in patients aged 3-18 years with neurologic conditions associated with problem drooling (e.g. cerebral palsy (CP)). Chronic drooling, or excessive production of saliva (sialorrhea), is a common condition found in children with CP but it may also be diagnosed in patients with other neurological disorders (i.e. severe developmental delay, autism spectrum disorders, sensory impairments, traumatic brain injuries as well as neurogenetic and metabolic disorders). It is estimated that

the cerebral palsy prevalence ranges from 110-150 out of 100 000 person in the population⁽¹⁾ while prevalence of chronic drooling in children with CP vary from 37.4% to 58%⁽²⁾. It has been estimated that 25% to 35% of children with cerebral palsy drool to varying degrees, and 10% of these children have chronic severe drooling⁽³⁾. The Company estimates that the total market potential for Cuvposa is approximately 5,000 patients in Canada. Pediapharm's partner, Merz, acquired the product in 2012. Although Cuvposa had already been made available in the United States, Merz successfully increased awareness of the possibility of treating chronic drooling to the benefit of the underserved patient population.

1 Mapping Connections: An understanding of neurological conditions in Canada <http://www.phac-aspc.gc.ca/publicat/cd-mc/mc-ec/section-3-eng.php>

2 Walshe M. & al., Interventions for drooling in children with cerebral palsy (review),

3 Drooling in children, Paediatric Child Health Vol 4 No 6 September 1999

DESCRIPTION OF THE BUSINESS

General

Pediapharm is a specialty pharmaceutical corporation that distributes innovative prescription medicines used to treat pathological conditions that mainly affect children from infancy to eighteen (18) years of age. The products that Pediapharm distributes originate from transactions whereby Pediapharm either acquires intellectual property rights through licensing agreements (commonly known as "in-licensing") that enables Pediapharm to register the drug products with Health Canada in order to commercialize them, or through outright acquisitions. Pediapharm does not produce, manufacture or develop products. For most products, Pediapharm licenses finished products and sells them. In the case of products owned by Pediapharm or where it controls the supply chain, the Corporation uses third-party manufacturers to produce the finished goods.

Pediapharm may continue to acquire products that are already commercialized in Canada. Pediapharm also commercializes non-prescription products (non-prescription drugs and medical devices) that are innovative and fulfill unmet medical needs of children but the core strategy remains on commercialising prescription (Rx) products.

Pediapharm presently does not develop any of its own products or own any patents, but may eventually partner in low-risk novel formulation development of known drugs in order to make them more amenable for pediatric use. Finally, although the core of the commercial approach is geared toward the children population, the Company also has opportunities to generate revenues in the adult market if its products are being prescribed for this patient population.

Pediapharm leases office space in Verdun, Québec which office lease expires in November 2018.

Management of Pediapharm has the necessary skill and knowledge to ensure that Pediapharm will be successful in the pharmaceutical industry. By combining industry knowledge, medical affairs knowledge, international pharmaceutical experience and a diverse product portfolio, Pediapharm is well positioned for success.

Innovative Drug Industry and Specialty Pharmaceuticals

Healthcare innovators can be segregated in various groups according to their core strategy. The large pharmaceutical companies generally develop new drugs through extensive investment in research and development. They usually have a global presence and will actively engage in the marketing and sales of their products. Mid-sized and smaller pharmaceutical or biotechnology companies will usually focus mainly on the research and earlier stage development

of compounds. Specialty pharmaceutical companies generally adopt a hybrid model and usually focus in one or few therapeutic areas which are considered non-strategic by large pharmaceutical companies. Specialty pharmaceutical companies generally do not make extensive investments in research and development, and tend commercialize either their own products or those in-licensed from research and development intensive companies.

Canadian Pharmaceutical Market

The Canadian pharmaceutical market is still considered dynamic even with the closure of research centers in the Provinces of Ontario and Québec over the years. This is demonstrated by the opening of Canadian affiliates of global corporations such as Takeda Pharmaceutical Company Limited, Eisai Co., Ltd., Otsuka Pharmaceutical Co., Ltd. and Lupin Pharmaceuticals, Inc.

Aside from local affiliates of global pharmaceutical companies, the Canadian sector has numerous smaller research and development focused biotech or pharmaceutical companies supported by a growing ecosystem of investment funds. The market is also served by a small number of specialty pharmaceutical companies that either have a niche focus or, seek to in license or acquire products in the later stage of their lifecycle (e.g. Merus Labs International Inc., Biosynt Inc., Cipher Pharmaceuticals and Knight Therapeutics Inc.).

Pediapharm operates in the niche pediatric market that it believes has been neglected over the past several decades, not because it is not attractive financially but rather since it is a smaller market that requires a constant dedicated effort.

Pediatric Market

The Canadian pediatric pharmaceutical market represents approximately \$1.0 billion annually, as estimated by Pediapharm using either the ratio of approximately 10% of U.S. figures or the sum of the value of reported pediatric prescriptions in Canada (IMS Health Inc.). The top ten (10) products in the Canadian pediatric pharmaceutical market are prescribed to treat patients suffering from infectious diseases, asthma and attention deficit hyperactivity disorder.

Since most of these conditions have either their equivalent in the adult population or are conditions that appear at a young age and are not necessarily curable, the market ultimately targeted by Pediapharm's products is far greater than the pediatric market itself. Pediapharm often benefits from the indirect positive impact on adult prescriptions of its strategically-focused commercial efforts in pediatrics.

In cases where product formulations are available for pediatric, adult or geriatric use, Pediapharm intends to maximize the product's full potential either directly, or through partnerships.

Historically, empirical dosing has been done off-label in the pediatric population. Those products, aside from not benefiting from strong safety and efficacy data to support pediatric usage, also suffer greatly from compliance (therapeutic observance) issues, as pediatric patients are refractory to swallow solid oral dosage forms, even beyond the early teenage years. Development of formulations adapted to pediatric use have been clinically and commercially successful, even if they are available for less than 30% of products used for children (GSK Public Policy on Paediatric Medicines, 2010). For instance, achieving a reduction in daily doses from TID (Ter indie – "Three Times a day") to BID (Bis indie – "Twice a day") is significant due to the complexity of providing a dose of medication to children at school, during school hours. The level of innovation varies greatly, but may encompass the development of liquid formulations, oral disintegrating tablets, oral dissolving thin films, patches, unidose sachets or ampules, and novel devices for delivery of medications.

BUSINESS STRATEGY

Key Therapeutic Areas

The pediatric pharmaceutical niche market is diverse and is composed of several medical specialties. In addition to visiting pediatricians, pediatric dermatologists, otolaryngologists, allergists, and pneumologists, Pediapharm sales representatives visit general practitioners that have a large pediatric patient base.

Pediapharm sales representatives visit physicians based on Pediapharm's prescription product portfolio. Pediapharm's approach will evolve over time as products are acquired or in-licensed. Pediapharm intends to focus on the following therapeutic areas: asthma, allergy, dermatology, central nervous system attention deficit hyperactivity disorder, infectious diseases and specialized therapeutics.

In addition to its prescription portfolio, Pediapharm commercializes certain non-prescription pharmaceutical products. Although this is not part of Pediapharm's core strategy, these non-prescription products complement the prescription products, and help to build and develop Pediapharm's corporate recognition in the marketplace.

Growth/Expansion

Pediapharm's future growth is based on significant investments in partnerships with innovators and through product and/or company acquisitions. Pediapharm has built a rigorous transaction assessment process to support its business development activities. In addition to keen market insights from key medical opinion leaders, due diligence is performed by Pediapharm to ensure pricing and market access hypotheses are sound, and that products meet regulatory requirements.

Pediapharm uses financial modeling to ensure potential transactions create value for Pediapharm in a reasonable timeframe. Pediapharm prioritizes transactions which are expected to generate positive cash flow within twenty-four (24) months once the product reaches its commercial stage.

Pediapharm also prioritizes transactions expected to complement its current product portfolio and seeks exclusive distribution rights in Canada.

Marketing Activities

The following table provides a breakdown of the marketing programs undertaken by Pediapharm and the percentage of financial resources dedicated to such marketing programs:

Marketing Programs	Percentage of Financial Resources Dedicated to Marketing Programs
Education of pharmacists and physicians regarding Pediapharm products	55%
Samples for physicians for product trial	10%
Promotional materials, including visual aids, dosage cards, clinical trial reprints, patient material and website	10%
Product reimbursement (filing process to ensure maximum reimbursement by private insurance payers and/or provincial governments)	5%
Attendance at Pharmaceutical Conventions	15%

Social media/advertising (Facebook, Twitter, bloggers, etc.)	5%
TOTAL	<u>100%</u>

Product Pricing

Pediapharm's pricing objective is to ensure that all of its products are priced in Canada to maximize the probability that such products will be listed as reimbursable by the respective provincial governments and private health insurance providers. Pediapharm's pricing objective also ensures average gross margins of approximately 70%. Typically, Pediapharm prices its products at par with its competitors' products, which are already listed as reimbursable by the respective provincial governments and private health insurance providers.

Pediapharm's Portfolio of Key Products

NYDA®

Head lice infestations are a significant problem encountered by families around the world. Although treatment products have been used for decades, eradication has not been possible. Infestations appear cyclically throughout the year with the most number of outbreaks occurring at the start of the school year.

The Canadian head lice market is estimated at approximately 800,000 units annually – (IMS Health data September 2017). As of September 30, 2017, NYDA®'s unit market share grew by 9.5% in the last 12 months to reach 23.1% unit market share. There are three (3) times of year when head lice is most prevalent and corresponding sales a NYDA® are highest: (i) during the summer months when children are at camps; (ii) in September when children go back to school; and (iii) in January when children go back to school. Based on IMS Health data 2014, 65% of the annual sales of products used to treat head lice occur between August and December of each calendar year.

NYDA® is an innovation in the treatment of head lice. Extensive clinical data supports the efficacy of NYDA® which has been reported to reach 97%, thought to be the highest of any product presently commercialized in Canada (BMC Infect. Dis. 2008; 8:115). These clinical studies were used to support the registration of the drug with Health Canada.

The effectiveness of NYDA® is based on the product's unique physical mode of action. As opposed to the pesticide treatments on the market, the "point of attack" of the physical mode of action of NYDA® is the insect's respiratory system. Specifically, NYDA® works by suffocating not only the lice, but also the nymphs and the embryos in their eggs. This is important given that head lice have become resistant to many of the pesticide therapies currently on the market.

The unique physical properties of NYDA®, including the viscosity and slow spreading properties of the solution, allow the product to readily flow into the breathing system of all developmental stages of the insect, thus leading irreversibly to the insects' suffocation and death. This physical mode of action prevents the development of resistance, unlike pesticide-based products.

NYDA® is owned by Pohl-Boskamp. On February 10, 2009, Pediapharm and Pohl-Boskamp entered into the NYDA® Distribution Agreement pursuant to which Pediapharm was granted the exclusive right to distribute NYDA® in Canada for a period of five (5) years from October 18, 2011. The NYDA® Distribution Agreement provides for an automatic two-year extension of the initial five (5) year term. In exchange for the distribution rights, Pediapharm is exclusively supplied by Pohl-Boskamp and pays a royalty on net sales of the NYDA® product on a quarterly basis for the duration of the term.

On June 8, 2015, Pediapharm and Pohl-Boskamp announced the extension of the NYDA® Distribution Agreement until at least 2021. The NYDA® Extension Agreement includes additional renewal clauses and similar terms and

conditions as were included in the previous agreement. The NYDA[®] Extension Agreement does not contain any material financial changes from the previous agreement.

RupafTM (rupatadine)

Rupatadine (Tablet 10mg and Oral Solution 1mg/mL) is indicated for the relief of the symptoms associated with Seasonal Allergic Rhinitis (SAR), Perennial Allergic Rhinitis (PAR) and Chronic Spontaneous Urticaria (CSU) in patients 2 years of age and older.

Rupatadine is the first prescription (Rx) antihistamine being launched over the past decade with all 3 indications (SAR, PAR and CSU), including a formulation for children over 2 years of age. It will be launched in the Canadian antihistamine market estimated at \$130 million¹. Moreover, it will benefit from 8.5 years of market exclusivity granted by Health Canada's Office of Patented Medicines and Liaison under section C.08.004.1 of the Food and Drug Regulations.

Allergic rhinitis (SAR and PAR) is an inflammatory disease of the nasal mucous membranes and it is one of the most common chronic health conditions with 20 to 25% of Canadians being affected². Chronic Spontaneous Urticaria (CSU) is a severe and distressing skin condition for which discomfort associated with this disorder can often pose a serious challenge to the treating clinician and a long-term hardship for patients and their families^{3,4}. The following are key attributes of rupatadine based on Pediapharm's assessment.

- Novel potent second generation antihistamine, non-sedating, with a rapid onset of action, and once a day oral administration (tablets and pediatric solution);
- Unique dual activity: blocking of both histamine H₁ and platelet-activating factor (PAF) receptors; thus, providing additional anti-allergic benefits to patients;
- Taken with or without food;
- No effect on driving ability at the therapeutic dose;
- Cardiac safety up to 10 times therapeutic dose based on results from a clinical study designed as per the ICH guidelines.

Rupatadine is owned by Uriach who have entered into the Uriach License and Supply Agreement granting Pediapharm the exclusive Canadian rights to the product.

1. *IMS Data.*
2. Keith P. et al. *The burden of allergic rhinitis (AR) in Canada: perspectives of physicians and patients. Allergy, Asthma & Clinical Immunology* 2012, 8:7.
3. Sussman et al. *Insights and advances in chronic urticaria: a Canadian perspective Allergy, Asthma & Clinical Immunology* 2015, 11:7
4. Ben-Shoshan et al. *Psychosocial factors and chronic spontaneous urticaria: a systematic review. Allergy* 2013; 68: 131-141¹.

RelaxaTM

RelaxaTM, 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)

Pursuant to the terms of the Licensing Agreement, the Corporation has the exclusive right to manufacture, promote, market, sell and distribute the Relaxa™ globally.

- (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.

Otixal™

Otixal™ (ciprofloxacin 0.3 % and fluocinolone acetonide 0.025 %) is an otic solution for the treatment of acute otitis media with tympanostomy tubes ("AOMT") in pediatric patients (aged 6 months and older). Otixal™ is the first and only antibiotic and steroid combination ear drop available in single, sterile, preservative-free and unit-dose packaging. Otixal™ was launched in a growing \$20 million market⁽¹⁾. Otitis media (middle ear inflammation) is one of the most common early childhood infections in Canada⁽²⁾. In the first 3 years of life, 60% to 70% of children will have experienced at least 1 episode of acute otitis media ("AOM"), and recurrent episodes of AOM are common⁽²⁾. Children that have recurrent AOM may have tympanostomy tubes inserted through a small incision in the eardrum to help facilitate drainage of fluid from the middle ear. Tympanostomy tube insertion is the most common operation performed on children in Canada⁽³⁾. Pediapharm acquired the exclusive market rights of Otixal™ in Canada from Laboratorios SALVAT S.A. Barcelona, Spain.

1. IMS Data, June 2015.
2. Dube E & al. Burden of acute otitis media on Canadian families; Canadian Family Physician; Vol 57: January 2011.
3. Schmelzle et al. Acute otitis media in children with tympanostomy tubes; Canadian Family Physician .Vol 54: August 2008.

Cuvposa™

Cuvposa™ (Glycopyrrolate oral solution 1 mg/ 5 mL) is indicated to reduce chronic severe drooling in patients aged 3-18 years with neurologic conditions associated with problem drooling (e.g. cerebral palsy (CP)). Chronic drooling, or excessive production of saliva (sialorrhea), is a common condition found in children with CP but it may also be diagnosed in patients with other neurological disorders (i.e. severe developmental delay, autism spectrum disorders, sensory impairments, traumatic brain injuries as well as neurogenetic and metabolic disorders). It is estimated that the cerebral palsy prevalence ranges from 110-150 out of 100 000 person in the population⁽¹⁾ while prevalence of chronic drooling in children with CP vary from 37.4% to 58%⁽²⁾. It has been estimated that 25% to 35% of children with cerebral palsy drool to varying degrees, and 10% of these children have chronic severe drooling⁽³⁾. The Company estimates that the total market potential for Cuvposa is approximately 5,000 patients in Canada. Pediapharm's partner, Merz, acquired the product in 2012. Although Cuvposa had already been made available in the United States, Merz successfully increased awareness of the possibility of treating chronic drooling to the benefit of the underserved patient population.

- 1 Mapping Connections: An understanding of neurological conditions in Canada <http://www.phac-aspc.gc.ca/publicat/cd-mc/mc-ec/section-3-eng.php>
- 2 Walshe M. & al., Interventions for drooling in children with cerebral palsy (review),
- 3 Drooling in children, Paediatric Child Health Vol 4 No 6 September 1999

Pediapharm Naproxen Suspension

Pediapharm Naproxen Suspension was acquired from Hoffman La Roche on July 2, 2014. It is primarily used for juvenile rheumatoid arthritis (JRA) in children 2 years or older due to its more flexible dose titration based on the child's weight. It is the only available liquid form of naproxen on the Canadian market. It is estimated that there are over 6,000 children presently living with arthritis in Canada.

Pediapharm Naproxen Suspension, in its suspension form, is only available under prescription (Rx) and is also indicated for the treatment of osteoarthritis, rheumatoid arthritis, ankylosing spondylitis, and juvenile idiopathic arthritis as well as for the relief of minor aches and pains in muscles, bones and joints, mild to moderate pain accompanied by inflammation in musculoskeletal injuries (sprains and strains) and primary dysmenorrhea. It is competing in a Canadian market valued at \$ 76 million (prescription tablets and suspension NSAID - IMS data 2013).

Revenues Derived from Pediapharm's Portfolio of Products

The table below provides a breakdown of the revenues derived from the pharmaceutical products sold by Pediapharm for the years ended March 31, 2016 and March 31, 2017:

Product	Year ended March 31, 2017 (\$CDN)	Percentage of Revenue	Year ended March 31, 2016 (\$CDN)	Percentage of Revenue
NYDA®	4,132,548	66.6%	3,099,379	82.6%
Relaxa™	1,505,852	24.3%	-	-
Naproxen Suspension	300,821	4.8%	174,602	4.7%
Others (including provisions)	267,918	4.3%	476,255	12.7%
Total Revenue	6,207,139	100.0%	3,750,236	100.0%

Employees

As at the year ended March 31, 2017, Pediapharm has twenty-four (24) employees, including fifteen (15) sales representatives, one (1) sales manager and eight (8) administrative staff members.

ACQUISITIONS AND DISPOSITIONS

Other than as described under General Development of the Business and Recent Developments, Pediapharm has not been a party to any significant acquisitions or dispositions for the year ended March 31, 2017.

COMPETITION

General

The pharmaceutical industry is intensely competitive in all of its phases, and Pediapharm competes with many companies that have substantially greater financial and technical resources than Pediapharm, including with respect to the recruitment and retention of qualified employees and/or consultants. There are numerous pharmaceutical companies selling pediatric products in Canada but unlike Pediapharm, none of its competition has identified this market segment as its sole commercial focus. That being said, Pediapharm competes both directly and indirectly to obtain rights to new products for the Canadian market.

Competitive Advantages

The following competitive strengths provide a solid platform for pursuing Pediapharm's goals and business objectives:

Relationships with Industry

Due to their significant experience in the pharmaceutical industry, management and staff of Pediapharm have developed deep relationships with all the key stakeholders in the pediatric market in Canada. Pediapharm leverages these relationships to maximize the execution of their business plan. These relationships, combined with industry knowledge and unique know-how of the pediatric market segment allow Pediapharm to maximize revenues while building a solid products pipeline to secure the future growth of the business.

Pediatric Market Segment

Pediapharm's unique business model makes it the first and only specialty pharmaceutical company that exclusively targets the pediatric market segment. Pediapharm's broad portfolio of pediatric products allows Pediapharm to cover 85% of the targeted audience in Canada. Since Pediapharm's focus is on the pediatric market segment, it has access to innovative pediatric products from companies around the world. Pediapharm has entered into a number of exclusive license and distribution agreements with leading global pharmaceutical companies, including Sanofi and Orion.

Management Expertise

The management team of Pediapharm is Canadian-based and has significant international pharmaceutical industry expertise of more than 30 years. Pediapharm's unique knowledge of the pediatric market segment in Canada puts Pediapharm in a position to become Canada's leading pediatric specialty pharmaceutical company.

FUTURE DEVELOPMENTS

CUVPOSATM is expected to be commercially launched in the first quarter of 2018.

Pediapharm remains very active in attempting to sign new in-licensing agreements or acquire products with existing sales, with the objective of accelerating Pediapharm's revenue, growth and profitability.

INTELLECTUAL PROPERTY

Registered Trade-Marks, Copyright and Domain Names

The tables on the next page present Pediapharm's applications and registrations for trade-marks in Canada and the US, as well as domain names, owned by or licensed to Pediapharm:

Unregistered Trade-Marks

Pediapharm owns all business and trade names, brand names, trade dress, logos, slogans and unregistered trade-marks, including all goodwill associated therewith, used in carrying on the Pediapharm Business (collectively, the "**Unregistered Trade-marks**"). Otherwise, Pediapharm does not intend to register the Unregistered Trade-marks that are actually in existence, but will nonetheless take all commercially reasonable measures to protect such Unregistered Trade-marks from infringing use.

Pediapharm Trademarks

Trade-mark	Type	Country of Registration	Date Filed	Application No.	Status	Registration	Registered Date	Expiry Date
Owned by PEDIAPHARM								
PEDIAPHARM	Word	Canada	3/3/2004	1,208,290	REGISTERED	TMA684690	3/27/2007	3/26/2022
PEDIAPHARM Logo "P"	Design	Canada	3/23/2012	1,570,184	REGISTERED	TMA 967,692	4/7/2017	4/6/2032
PEDIAPHARM	Word	Canada	3/23/2012	1,570,182	REGISTERED	TMA 967,693	4/7/2017	4/6/2032
PEDIAPHARM	Word	Canada	12/8/2014	1,706,168	ALLOWED			Registration Pending
Vapolyptus	Word	Canada	3/1/2011	1,517,136	REGISTERED	TMA 876,738	4/29/2014	4/28/2029
Vapolyptus	Design	Canada	3/1/2011	1,517,138	REGISTERED	TMA884,906	8/28/2014	8/27/2029
Kool Effect	Design	Canada	7/18/2011	1,536,042	REGISTERED	TMA852505	6/4/2013	6/3/2028
PEDIAPHARM Logo "P"	Design	USA	4/1/2015	86,584,173	REGISTERED	5288489	9/19/2017	
PEDIAPHARM	Word	USA	4/1/2015	86,584,159	REGISTERED	5288488	9/19/2017	
Licensed by partner								
Easyhaler	Word	Canada	5/24/2002	1,141,270	REGISTERED	TMA609616	5/6/2004	5/5/2019
Cuvposa	Word	Canada	3/30/2011	1,521,542	ALLOWED			Registration Pending
Otixal	Word	Canada	9/30/2015	1,748,459	REGISTERED	TMA 978,899	8/18/2017	
Rupafin	Word	Canada	5/3/2007	1,345,981	REGISTERED	TMA725585	10/8/2008	10/7/2023
Rupall	Word	Canada	2016-11-02	1,807,543	ADVERTIZED			
Rupafin Stylized "R"	Word	Canada	7/17/2015	1,737,883	REGISTERED	TMA 962,966	2/15/2017	

Pediapharm Web Domains

Domain Name	Expiration Date
CUVPOSA.CA	05/22/2019
CUVPOSA.INFO	05/22/2018
DUOXAL.CA	1/16/2018
EASY2TAKE.CA	1/16/2020
EASYHALER.CA	10/16/2018
EPICERAM.CA	03/12/2018
EPICERAM.INFO	12/16/2019
EPICREAM.CA	03/24/2018
EPICREAM.COM	03/24/2018
FACILEAPRENDRE.CA	1/16/2020
NYDA.CA	01/27/2021
NYDACOMB.CA	10/16/2019
NYDACOMB.COM	10/16/2019
OTIXAL.CA	9/29/2019
OTIXAL.COM	9/29/2019
OTIXAL.NET	9/29/2019
OTIXAL.INFO	9/29/2019
OTIXAL.ORG	9/29/2019
PEDIAPHARM.BIZ	10/27/2019
PEDIAPHARM.CA	10/19/2019
PEDIA-PHARM.CA	10/19/2019
PEDIA-PHARM.COM	05/04/2019
PEDIAPHARM.INFO	10/22/2019
PEDIAPHARM.MOBI	10/28/2019
PEDIAPHARM.NET	10/28/2019
PEDIAPHARM.ORG	10/28/2019
PEDIAPHARMNAPROXEN.CA	07/01/2019
PEDIAPHARMNAPROXEN.COM	07/01/2019
PEDIAPHARMNAPROXEN.INFO	07/01/2019
PEDIAPHARMNAPROXEN.NET	07/01/2019
RELAXA.CA	12/08/2021
RUPALL.CA	10/12/2018
RUPALL.INFO	10/12/2018
RUPATADINE.CA	9/29/2018
VAPOLYPTUS.CA	10/19/2019
VAPOLYPTUS.COM	10/19/2019

Unregistered Copyrights

Pediapharm owns all designs and copyrights used in carrying on the Pediapharm Business including, without limitation, all copyrights associated with advertising or marketing materials, website design and content and other business-related documents (collectively the "**Unregistered Copyrights**"). Pediapharm does not intend to register the Unregistered Copyrights that are actually in existence, but will nonetheless take all commercially reasonable measures to protect such Unregistered Copyrights from infringing use.

Trade Secrets and Confidential Information

Pediapharm owns trade secrets (including know-how) and confidential information which are being protected through confidentiality provisions and other similarly restrictive covenants contained in agreements entered into by Pediapharm and the parties having access to such trade secrets and confidential information. The trade secrets and confidential information owned by Pediapharm include all trade secrets and confidential information used in carrying on the Pediapharm Business including, without limitation, concept know-how, advertising materials and strategies, marketing plans and materials, clients lists, telephone numbers and operational procedures.

RISK FACTORS

An investment in Pediapharm involves significant risks that must be considered speculative due to the nature of Pediapharm's business. Readers should carefully consider the following risk factors:

Ability to Implement its Business Plan

Pediapharm's business plan is based on the licensing or acquisition of product rights for the Canadian pediatric pharmaceutical market, to obtain marketing authorization from regulatory authorities, and to leverage its sales operations to grow the sales of its products. Since Pediapharm is mainly dependant on third-parties for the development of innovative products, competitors with substantially greater financial resources may compete for the rights to those innovative products. As competition increases for product rights, Pediapharm may not be capable to acquire rights it deems financially acceptable. The inability of obtaining further product rights may impede Pediapharm's long-term growth and value creation objectives.

Regulatory Approval by Health Canada

The ability to obtain product marketing approval by Health Canada has a direct impact on future revenues and profits. There are two levels of risk: (1) no approval at all/rejection; and (2) delay in the approval. Pediapharm has a solid track record in obtaining product approvals in Canada but there may be situations where the registration submissions are rejected or its review delayed.

Pediapharm mitigates these potential risks by conducting a thorough due diligence review of available data, and if available, of the available regulatory dossier of the potential product, and by focusing its portfolio expansion strategy on products already approved in other jurisdictions, although regulatory requirements may vary. Those risks are further reduced in cases where the target products have already been approved in Canada, but have been repurposed or reformulated for optimal use in children as long as sufficient clinical data is available for registration.

Product Reimbursement by Third Party Payers

Pediapharm depends on third-party reimbursement to maximize the commercial potential of its products. In the event governmental policies drastically change, Pediapharm's product may not obtain a reimbursed status or lose its reimbursed status.

Product Supply

Pediapharm is dependent upon the supply of its products available from its partners or its third-party manufacturers. There can be no assurance that Pediapharm's partners or manufacturers will be able to maintain an adequate supply of products to fulfill all of Pediapharm's orders on a timely basis. Failure to obtain adequate product supplies or to do so at acceptable quality levels or prices could have an adverse effect on Pediapharm's business.

Any adverse developments affecting commercial manufacturing of Pediapharm's products may result in shipment delays, inventory shortages, lot failures, product withdrawals or recalls, enforcement actions, import alerts, import detentions, or other interruptions in the supply of Pediapharm's products or product candidates. Pediapharm may also have to take inventory write-offs and incur other charges and expenses for products or product candidates that fail to meet specifications, undertake costly remediation efforts or seek more costly manufacturing alternatives. Accordingly, failures or difficulties faced at any level of Pediapharm's supply chain could materially adversely affect Pediapharm's business and delay or impede the development and commercialization of any of Pediapharm's products or product candidates and could have a material adverse effect on Pediapharm's business, financial condition and results of operations.

Patent Litigation or Patent Expiry, and Generic Competition

Pediapharm could be subject to patent litigation due to either patent infringement claims or if a competitor claims invalidity of a patent. In the event litigation is required, not only it could impact financially Pediapharm and or its collaborators directly, but could also impact its financial performance on the long term if it loses patent protection.

Pediapharm products that no longer benefit from market exclusivity or lose intellectual property protection either due to litigation or expiry may become subject to generic competition. Increased generic competition would have a material adverse effect on its product sales and financial results.

Dilution

Issuances of additional securities will result in a dilution of the equity interests of any Person who is or may become a holder of Pediapharm Shares. Pediapharm may require additional funding for future development programs and potential acquisitions. Pediapharm may issue additional Pediapharm Shares in the future if further capital is required and on the exercise of outstanding warrants, options and compensation options. Sales or issuances of substantial amounts of Pediapharm Shares, or the inability to find purchasers of Pediapharm Shares, could adversely affect the market prices for Pediapharm's Shares. A decline in the market prices of Pediapharm Shares could impair Pediapharm's ability to raise additional capital through the sale of new Pediapharm Shares should it desire to do so. In addition, if additional Pediapharm Shares or securities convertible into Pediapharm Shares are sold or issued, such sales or issuances may substantially dilute the interests of Pediapharm's shareholders.

Competition

The pharmaceutical industry is intensely competitive in all of its phases, and Pediapharm competes with many companies that have substantially greater financial and technical resources than Pediapharm.

Conflicts of Interest

Certain directors and officers of Pediapharm are or may become associated with other companies which may give rise to conflicts of interest. In accordance with the CBCA, directors who are a party to a material contract or transaction or proposed material contract or transaction with Pediapharm, or directors who have a material interest in any person who is a party to a material contract or transaction or a proposed material contract or transaction with Pediapharm are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract or transaction. In addition, the directors and officers are required to act honestly and in good faith with a view to the best interests of Pediapharm. However, circumstances (including with respect to future corporate opportunities) may arise which are resolved in a manner that is unfavourable to Pediapharm.

Litigation Risk

All industries, including the pharmaceutical industry, are subject to legal claims, with and without merit. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which Pediapharm may become subject could have a material effect on Pediapharm's financial position, results of operations or business.

Securities legislation in both Canada and the U.S. make it relatively easy for shareholders to sue. This could lead to frivolous law suits which could take substantial time, money, resources and attention or force Pediapharm to settle such claims rather than seek adequate judicial remedy or dismissal of such claims.

If Pediapharm is required to defend patent infringement actions brought by third parties, or if Pediapharm sues to protect its own patent rights or otherwise to protect its proprietary information and to prevent its disclosure, it may be required to pay substantial litigation costs and managerial attention may be diverted from business operations even if the outcome is in Pediapharm's favor. If Pediapharm is required to defend its patents or trademarks against infringement by third parties, Pediapharm may be required to pay substantial litigation costs, managerial attention and financial resources may be diverted from its research and development operations even if the outcome is in its favor.

Pediapharm may not obtain adequate protection for our products through patents and other intellectual property rights and as such its competitive advantage in the marketplace may be compromised.

Dependence on Key Personnel

The success of Pediapharm depends upon attracting and retaining the services of its management team as well as Pediapharm's ability to attract and retain a sufficient number of other qualified personnel to run the business. There is substantial competition for qualified personnel in the pharmaceutical industry. As all key personnel devote their full time to the business, the loss of any member of Pediapharm's management team or other key person could have an adverse effect. Pediapharm has entered into written employment agreements with its Chief Executive Officer, Chief Financial Officer, Vice-President of Business Development & Licensing and Vice-President of Marketing and Sales.

Stock Price Volatility

The market price of Pediapharm's Shares could be subject to wide fluctuations in response to, among other things, the factors described in this "Risk Factors" section or otherwise, and other factors beyond Pediapharm's control, such as fluctuations in the valuations of companies perceived by investors to be comparable.

Furthermore, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market fluctuations, as well as general economic, systemic, political, and market conditions, such as recessions, interest rate changes, or international currency fluctuations, may negatively affect the market price of Pediapharm's Shares.

Need for Additional Financing

Pediapharm may eventually require additional capital to secure new business opportunities and product registrations, as well as clinical development programs that Pediapharm may decide to pursue. There is no assurance that Pediapharm can adequately finance its development programs which could put it at risk as a going concern, lead to delays, limit its ability to move its programs forward in a timely and satisfactory manner or abandon the programs or force it to pursue alternative strategic options; any of which would harm its business, financial condition and results of operations.

Repayment of Convertible Debentures

In the event the Convertible Debentures do not get converted into Common Shares pursuant to their terms, the Corporation may not be able to refinance the principal amount outstanding under the Convertibles Debentures or generate enough cash from operations to meet its debt obligations and will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets or seeking equity capital. There is no assurance that the Corporation will be able to repay the outstanding principal amount of any indebtedness upon maturity thereof.

Government Regulation

If Pediapharm, or any future marketing collaborators or contract manufacturers, fail to comply with applicable regulatory requirements, Pediapharm may be subject to sanctions including fines, product recalls or seizures and related publicity requirements, injunctions, total or partial suspension of production, civil penalties, suspension or withdrawals of previously granted regulatory approvals, warning or untitled letters, refusal to approve pending applications for marketing approval of new products, import or export bans or restrictions, and criminal prosecution and penalties. Any of these penalties could delay or prevent the promotion, marketing or sale of Pediapharm products and product candidates.

Intellectual Property

Pediapharm's success depends, in part, on its ability to secure and protect its trademarks and other intellectual property rights either developed internally or acquired, and to operate without infringing on the proprietary rights of others or having third parties circumvent the rights that it owns or licenses. The patent positions of health care companies, including Pediapharm, are uncertain and involve complex questions of law and fact for which important legal issues may remain unresolved. Moreover, patents issued or to be issued to its partners may not provide Pediapharm with any competitive advantage. Pediapharm's partner's patents may be challenged by third parties in patent litigation. Unauthorized disclosure of Pediapharm's

proprietary information, or that of its partners, could also harm its competitive position. Pediapharm could also inadvertently use its collaborators' data inappropriately which could lead to liability.

Many of Pediapharm's agreements for product rights are linked to extensive, complex intellectual property portfolios. Due to the nature of the intellectual property rights obtained, there can be no assurance of the validity of Pediapharm's intellectual property regardless of the due diligence performed by Pediapharm. Furthermore, since Pediapharm's partners can develop their intellectual property portfolio through collaborators, Pediapharm has no assurance such collaborators will not dispute its right to send data or know how or other intellectual property rights to third parties even in situations where this may potentially lead to liability or termination of a program licensed to Pediapharm. There are no assurances that the actions of Pediapharm's collaborators would not lead to disputes or cause Pediapharm to default with other collaborators. Pediapharm cannot be certain that a collaborator will not challenge the validity of licensed patents.

Pediapharm or its partners normally file applications for Canadian trademark registrations in connection with the products to be commercialized in Canada. Pediapharm intends to file further applications for other possible trademarks for its product candidates. No assurance can be given that any of Pediapharm's trademark applications will eventually be registered, or that the use of any registered or unregistered trademarks will confer a competitive advantage in the marketplace. Furthermore, even if Pediapharm is successful in its trademark registrations, Health Canada has their own process for drug nomenclature and their own views concerning appropriate proprietary names. No assurance can be given that Health Canada will approve of any of Pediapharm's trademarks or will not request reconsideration of one of Pediapharm's trademarks at some time in the future. The loss, abandonment, or cancellation of any of Pediapharm's trademarks or trademark applications could negatively affect the success of the product candidates to which they relate.

Moreover, some of Pediapharm's know how technology, or that of its partners, which is not patented or not patentable (developed internally or acquired through licensed intellectual property rights) may constitute trade secrets. Therefore, Pediapharm requires its consultants, advisors and collaborators to enter into confidentiality agreements and its employees to enter into invention, non-disclosure and non-compete agreements. However, no assurance can be given that such agreements will provide for a meaningful protection of Pediapharm's trade secrets, know how or other proprietary information in the event of any unauthorized use or disclosure of information. Furthermore, Pediapharm cannot provide assurance that any of its employees, consultants, contract personnel, or collaborators, either accidentally or through willful misconduct, may cause serious impact to its programs and/or its strategy. All of Pediapharm's employees have signed confidentiality agreements but there can be no assurance that they will not inadvertently or through their misconduct give trade secrets away.

Potential Product Liability

Pharmaceutical products involve an inherent risk of product liability claims and associated adverse publicity. Although Pediapharm currently maintains product liability insurance, product liability insurance is costly, availability is limited and may not always be on terms which would be acceptable to Pediapharm. In addition, third party collaborators and licensees may not protect Pediapharm from product liability claims. Product liability claims may also result in regulatory actions. A product liability claim brought against Pediapharm or withdrawal of a product from the market could have a material adverse effect upon Pediapharm and its financial condition.

Product Safety

Unexpected safety or efficacy concerns can arise with respect to Pediapharm's marketed and commercialized products, whether or not scientifically justified, leading to product recalls, withdrawals, post-approval requirements, labeling revisions, withdrawal of regulatory approvals for the affected products, issuance of safety alerts, Dear Healthcare Provider letters, or other safety notices, required labeling changes, or declining sales, as well as product liability, consumer fraud and/or other claims. If product safety issues present a public health risk, products in the field may be subject to seizure or injunctive action preventing their distribution. This could have a material adverse effect on Pediapharm's business, financial condition and results of operations.

DIVIDENDS

The Board currently does not anticipate paying any dividends but intends to retain any earnings to finance the growth and development of the business of Pediapharm. Pediapharm is only able to declare and pay dividends in accordance with the requirements of the CBCA including the requirements that the net realizable value of Pediapharm's assets exceeds its liabilities and stated capital at the time and declaration of any dividend. The directors of Pediapharm will review this policy from time to time in the context of Pediapharm's earnings, financial condition and other relevant factors.

CAPITAL STRUCTURE

Pediapharm authorized share capital consists of an unlimited number of Common Shares and an unlimited number of preferred shares issued in series. As at the year ended March 31, 2017, Pediapharm had 72,709,103 Common Shares and no preferred shares issued outstanding. There were 7,096,029 options and outstanding as at March 31, 2017. Each Common Share entitles the holder to one vote per share. The holders of Common Shares are entitled to receive notice of meetings of shareholders of Pediapharm and to vote at such meeting. The holders of the Common Shares are entitled to receive, as and when declared by the board of directors, dividends in such amounts as shall be determined by the Corporation's board of directors. The holders of Common Shares have the right to receive the remaining property of Pediapharm in the event of liquidation, dissolution or winding-up of Pediapharm, whether voluntary or involuntary.

MARKET FOR SECURITIES

The Common Shares are listed for trading on the TSX Venture and are traded under the symbol "PDP". The Common Shares were listed on December 27, 2013, following completion of the Qualifying Transaction.

Price Range and Trading Volume

The following table sets forth, for the periods indicated, price ranges and volume of trading of the Common Shares on the TSX Venture.

Common Shares

	Price Range (\$)		Trading Volume
	High	Low	
<u>2016</u>			
April	0.195	0.15	1,426,400

	Price Range (\$)		Trading Volume
	High	Low	
May	0.18	0.13	3,345,100
June	0.18	0.15	701,700
July	0.31	0.15	6,876,400
August	0.29	0.22	2,583,000
September	0.30	0.25	1,620,600
October	0.30	0.22	873,400
November	0.27	0.20	1,710,300
December	0.30	0.255	1,283,900
<u>2017</u>			
January	0.37	0.29	4,937,500
February	0.36	0.28	1,440,200
March	0.32	0.275	1,094,900

Prior Sales

During the year ended March 31, 2017, Pediapharm, issued the following securities which are outstanding but are not listed or traded on a marketplace.

<u>Date of Issuance</u>	<u>Number and Type of Securities</u>	<u>Issue/ Exercise Price Per Security</u>
July 25, 2016	2,475,000 options to purchase Common Shares	\$0.30

DIRECTORS AND OFFICERS

The following table sets forth the name, residence, position with Pediapharm, time served as a director (if applicable) and the principal occupation during the last five years of each director and officer of Pediapharm as at the date hereof. Directors are elected at the annual meetings of shareholders and serve until the next annual meeting or until a successor is elected or appointed.

Name, city and province of residence	Office held with the Corporation	Director/ Officer since	Number of Common Shares beneficially owned or over which control is exercised	Principal occupation during the last five (5) years
Pierre Lapalme ⁽²⁾ Morin-Heights, Québec, Canada	Chairman of the Board and Director	December 10, 2013	2,563,744	Chairman of the Board of the Corporation since 2009. Director of BioMarin Pharmaceutical Inc. since January 2004 (Chairman of the Board of BioMarin Pharmaceutical Inc. until June 2015). Director of Aeterna Zentaris Inc. between 2009 and May 2016. Director of INSYS Therapeutics, Inc. since 2010. Director and Chairman of the Board of GlyPharma Therapeutic Inc. since 2012.
Sylvain Chrétien Verdun, Québec, Canada	President and Chief Executive Officer and Director	December 10, 2013	8,343,797	Founder of the Corporation and President and Chief Executive Officer of the Corporation since January 2008.
Michael P. Mueller ^{(1) (2)} Toronto, Ontario, Canada	Director	May 31, 2014	510,333	Chairman of the Board of PSP Investments (Public Sector Pension Investment Board) since January 2015 and director since 2006. Director of Annidis Corporation between September 2009 and September 2016. Director of Magor Corporation between March 2013 and November 2016.
Normand Chartrand ⁽¹⁾ St-Lambert, Québec, Canada	Director	December 10, 2013	402,325	Investment manager, Fonds Québec at La Caisse de dépôt et placement du Québec since July 2016. Prior thereto, Management Consultant with Vector7 Management Consulting Inc. and with Normand Chartrand Consultant from October 2009 to July 2016.

Name, city and province of residence	Office held with the Corporation	Director/ Officer since	Number of Common Shares beneficially owned or over which control is exercised	Principal occupation during the last five (5) years
Benoit Gravel	Director	September 22, 2017	150,000	Healthcare Council Member, Gerson Lehman Group (GLP) since April 2016. Vice-President, Global Portfolio Management & Strategic Development, Sanofi Generics – Zentiva Group Czech Republic between February 2014 to February 2016. Vice-President, Diabetes & Specialized Care Unit, Sanofi Canada Inc. between March 2012 and January 2014.
Roland Boivin Montreal, Québec, Canada	Chief Financial Officer	December 10, 2013	541,458	Chief Financial Officer of Pediapharm since July 2013. Chief Financial Officer of Golden Hope Mines Limited from June 2011 to December 2013. From September 2008 to June 2016, owner and operator of his own consulting business.
Benoit Hebert Lachine, Québec, Canada	Vice-President, Business Development and Licensing	December 10, 2013	398,305	Vice-President, Business Development and Licensing of Pediapharm since September 2009. Management consultant specialized in pharmaceutical business development, strategy and transactional negotiations from 2007 to August 2009.
Richard Labelle Blainville, Québec, Canada	Vice-President, Marketing and Sales	February 18, 2014	206,959	Vice-President, Sales & Marketing of Pediapharm since February 2014. Vice-President-General Manager of Sanofi Consumer Health from October 2010 to December 2013. Commercial Director, Cardiovascular Franchise with Sanofi (Pharmaceutical) from 2008 to 2010.

Notes:

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

As at the date hereof, the directors and officers of Pediapharm as a group, beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 13,116,921 Common Shares or 15.0% of the issued and outstanding Common Shares of the Corporation.

Cease Trade Orders

To the knowledge of management of the Corporation, other than as set forth below, no director or executive officer of Pediapharm is, as of the date of this AIF, or was, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including Pediapharm) that was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the Corporation access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days, that was issued (i) while such person was acting in that capacity, or (ii) after such person was acting in such capacity and which resulted from an event that occurred while that person was acting in such capacity.

Between October 2003 and January 2009, Pierre Lapalme was a director of Bioxel Pharma Inc. ("**Bioxel**"), a company listed on the TSXV that was the subject of a cease trade order in British Columbia, issued on December 16, 2008, for its failure to complete the filing of its interim financial statements and management discussion and analysis for the financial period ended September 30, 2008. Cease trade orders were subsequently issued in the provinces of Québec, Ontario and Alberta relating to the failure of Bioxel to complete regulatory filings. These cease trade orders were issued subsequent to Bioxel's application for creditor protection, as is further described below.

Bankruptcies

To the knowledge of management of the Corporation, other than as set forth below, no director or executive officer of Pediapharm, or shareholder holding a sufficient number of securities to affect materially the control of Pediapharm is, as of the date of this AIF, or has been, within 10 years before the date hereof, a director or executive officer of any company (including Pediapharm) that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Between March 2013 and November 18, 2016, Michael Mueller was a director of Magor Corporation ("**Magor**"), a company listed on the TSXV. On November 30, 2016, Magor announced it had proactively filed a Notice of Intention to Make a Proposal ("**Notice of Intention**") pursuant to the provisions of Part III of the *Bankruptcy and Insolvency Act* (Canada). As a result, Magor was transferred to NEX, a separate board of the TSXV. Pursuant to the Notice of Intention, Ernst & Young Inc. was appointed as the trustee in the Magor's proposal proceedings and is assisting Magor in its restructuring efforts.

Mr. Lapalme was a director of Bioxel when it made, on December 12, 2008, an application to the Superior Court of Québec under the *Companies' Creditors Arrangement Act* (Canada). On January 14, 2009, Mr. Lapalme resigned as a director of Bioxel. Bioxel later made an assignment in bankruptcy on April 9, 2009.

To the knowledge of management of the Corporation, no director or executive officer of Pediapharm, or shareholder holding a sufficient number of securities to affect materially the control of Pediapharm has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation

relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the knowledge of management of Corporation, no director or executive officer of Pediapharm, or shareholder holding a sufficient number of securities to affect materially the control of Pediapharm has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has had any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

AUDIT COMMITTEE

Charter and Composition of the Audit Committee

The Audit Committee's charter is attached hereto as Schedule "A". The current members of the audit committee of the Corporation are Benoit Gravel, Normand Chartrand and Michael Mueller. Such members are all independent and are all financially literate, as such terms are defined in National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"). The Audit Committee has held four meeting(s) during the year ended March 31, 2017. The Audit Committee was formed after the Corporation became a public company on December 10, 2013.

Relevant training and experience

The three members of the Audit Committee of the Corporation have, as a group, the relevant education and mostly a vast experience as directors and officers of public companies in order to perform their responsibilities. All three members are financially literate, meaning that they have 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 be reasonably expected to be raised by the Corporation's financial statements.

The education and related experience of each of the members of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee are set out below.

Mr. Chartrand, the Chairman of the Audit Committee, is currently Investment Manager, Fonds Québec at La Caisse de dépôt et placement du Québec. From 2009 to July 2016, he was a management consultant with Vector7 Management Consulting Inc. Before that, Mr. Chartrand was Chief Financial Officer of D-Box Technologies Inc. and Kangaroo Media Inc., two companies listed on the Toronto Stock Exchange.

Mr. Mueller is currently the Chairman of PSP Investments (Public Sector Pension Investment Board) and former Chair of its Compensation Committee. From 2003 to 2005, he was President and Chief Executive Officer of MDS Capital Corporation. Prior to that, Mr. Mueller held a series of senior positions at TD Bank Financial Group, including Senior Vice President and Country Head of its USA Division, Executive Vice President of Global Credit and Vice Chairman and head of Global Investment Banking. Mr. Mueller is a former director of TM BioScience Inc., MDS Capital Corporation, the Canadian Medical Discoveries Funds I and II, the British Columbia Medical Innovations Fund, Medical Discoveries Management Corporation, Health Ventures Inc., the Canadian Venture Capital Association, Annidis Corporation and Magor Corporation.

Mr. Benoit Gravel was elected to the Board in September 2017. Mr. Gravel began his career as an economist in the energy and transportation industries in Canada with Hydro-Québec and VIA Rail. He joined the pharmaceutical industry 30 years ago at Rhône-Poulenc in Montreal as Director, Corporate Planning & Business Development. Mr. Gravel spent three years in Paris in global business development and returned to Canada as Vice-President, External Affairs, Vice-President Finance and President of Rhône Poulenc. Upon the creation of Aventis in 2000, he was appointed Vice-President, Commercial Affairs. Upon the completion of the merger between Aventis and Sanofi in 2005, Mr. Gravel held several commercial executive positions in Canada with Sanofi, his most recent Canadian position being Vice-President Diabetes & Specialized Care Patient Centered Unit. His final assignment with Sanofi prior to retirement was Vice-President, Global Portfolio Management & Strategic Development based in Prague, Czech Republic in the Global Generics division. Mr. Gravel has a Bachelor and Master degree in Economics from University of Montréal.

Audit Committee Oversight

At no time during the Corporation's financial year ended March 31, 2017 was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Reliance on Certain Exemptions

At no time during the Corporation's financial year ended March 31, 2017 has the Corporation relied on the various exemptions provided under NI 52-110. However, the Corporation is not required to comply with Parts 3 and 5 of NI 52-110 given that it is a venture issuer as defined in NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee of the Corporation has adopted specific policies and procedures for the engagement of non-audit services as described in the Audit Committee's charter.

External Auditor Service Fees

The aggregate fees billed by the Corporation's external auditors in each of the last two (2) fiscal years for audit fees are as follows:

Financial Year Ending	Audit Fees \$(1)	Audit-Related Fees \$(2)	Tax Fees \$(3)	All Other Fees \$(4)
March 31, 2017	48,500	3,000	6,200	6,000
March 31, 2016	47,500	Nil	6,200	6,000

Notes:

- (1) *Audit Fees* consist of the aggregate fees billed by the external auditors of the Corporation for audit services.
- (2) *Audited Related Fees* consist of the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements of the Corporation and are not reported under "Audit Fees" above and include the provision of comfort letters and consents, consultations concerning financial accounting and reporting of specific issues and the review of documents filed with regulatory authorities.
- (3) *Tax Fees* consist of the aggregate fees billed for tax compliance, tax advice and tax planning services, including the preparation of tax returns and claims for refund; tax consultations, such as assistance and representation in connection with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from taxing authorities; tax planning services; and consultation and planning services.
- (4) *All Other Fees* include the aggregate fees billed for products and services provided by the auditors, other than the services reported above.

CONFLICTS OF INTEREST

There are potential conflicts of interest to which the directors and officers of Pediapharm or its subsidiaries may be subject in connection with the operations of Pediapharm or its subsidiaries. Some of the directors and officers are engaged and will continue to be engaged, directly or indirectly, in other businesses, and situations may arise where some of the directors and officers will be in direct competition with Pediapharm or its subsidiaries.

Conflicts, if any, will be subject to the procedures and remedies available under the CBCA. The CBCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the CBCA.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Management of Pediapharm is not aware of any existing or contemplated legal proceedings material to Pediapharm, to which Pediapharm is, or during the financial year ended March 31, 2017 was, a party or of which any of its property is, or during the financing year ended March 31, 2017 was, subject.

Management of Pediapharm is not aware of any penalties or sanctions imposed against Pediapharm by a court relating to securities legislation or by a securities regulatory authority during the financial year ended March 31, 2017, any other penalties or sanctions imposed by a court or regulatory body against Pediapharm that would likely be considered important to a reasonable investor in making an investment decision or any settlement agreement that Pediapharm entered into before a court relating to securities legislation or with a securities regulatory authority during the financial year ended March 31, 2017.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The management of Pediapharm is not aware of any material interest, direct or indirect, that any director, executive officer, shareholder of Pediapharm holding, directly or indirectly, as beneficial owner, more than 10% of the outstanding Common Shares or any Associate or Affiliate of any such persons would have in any transaction within the three most recently completed financial years or during the current financial year which has or is reasonably expected to materially affect Pediapharm, other than what is disclosed in this Annual Information Form.

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada, at its principal office in Toronto, Ontario, is the transfer agent and registrar for the Common Shares.

MATERIAL CONTRACTS

The following are the material contracts that are material to Pediapharm within the last financial year or before the last financial year but is still in effect:

- (a) Licensing Agreement;
- (b) Uriach License and Supply Agreement;
- (c) NYDA[®] Distribution Agreement;

- (d) NYDA® Extension Agreement;
- (e) SALVAT License Agreement;
- (f) Canadian Asset Purchase Agreement;
- (g) US Asset Purchase Agreement;
- (h) Easyhaler® License Agreement dated December 2011 between Orion Corporation ("**Orion**") and Pediapharm pursuant to which Pediapharm was granted the exclusive right to market, sell and distribute the Easyhaler® Portfolio in Canada for a period of nine (9) years, to be automatically renewed for additional two (2) year periods. In exchange for the intellectual property rights and product rights, Pediapharm shares a percentage of the net sales with Orion, and under certain conditions, will issue milestone payments to Orion. The milestone payments are contingent upon the occurrence of certain specific regulatory and commercial events. Orion is responsible for the manufacturing and quality assurance of the Easyhaler® Portfolio and Pediapharm is responsible for regulatory filings with Health Canada; and
- (i) Warehouse agreement ("**Warehouse Agreement**") dated December 14, 2011, between Pediapharm Inc. and Logistic Support Unit Inc. ("**Logistic**"). Pursuant to the Warehouse Agreement, Pediapharm Inc. appointed Logistic, on a non-exclusive basis, to receive and store Pediapharm Inc. products across Canada in various Logistic warehouses, as well as to distribute Pediapharm's products in Canada. Pediapharm pays Logistic a monthly fee for these services.

See "*General Development of the Business*", "*Recent Developments*" and "*The Corporation's Strategy*".

Copies of the foregoing agreements are available on SEDAR at www.sedar.com

INTERESTS OF EXPERTS

Pediapharm's auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditors' report dated June 27, 2017 in respect of the Pediapharm's consolidated financial statements with accompanying notes as at and for the year ended March 31, 2017.

PricewaterhouseCoopers LLP has advised that they are independent with respect to Pediapharm within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants.

None of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any Associate or Affiliate of the Corporation.

ADDITIONAL INFORMATION

Additional information regarding Pediapharm may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Pediapharm's securities and securities authorized for issuance under equity compensation plan is contained in Pediapharm's information circular prepared in connection with the annual and special meeting of shareholders held on September 22, 2017.

Additional financial information is provided in the Pediapharm's consolidated financial statements for the year ended March 31, 2017, together with the accompanying report of the auditor and management's discussion & analysis filed on SEDAR.

SCHEDULE "A"

AUDIT COMMITTEE CHARTER

The following charter is adopted in compliance with *Regulation 52-110 respecting Audit Committees*.

OVERALL ROLE AND RESPONSIBILITY

The Audit Committee shall:

1. Assist the Board of Directors of the Corporation (the "**Board**") in its oversight role with respect to:
 - (a) the quality and integrity of financial information;
 - (b) the independent auditor's performance, qualifications and independence;
 - (c) the performance of the Corporation's internal audit function, if applicable;
 - (d) the Corporation's compliance with legal and regulatory requirements; and
2. Prepare such reports of the Audit Committee required to be included in the information/proxy circular of the Corporation in accordance with applicable laws or the rules of applicable securities regulatory authorities.

MEMBERSHIP AND MEETINGS

The Audit Committee shall consist of three (3) or more Directors appointed by the Board, the majority of whom shall not be officers or employees of the Corporation or any of the Corporation's affiliates. Each of the members of the Audit Committee shall satisfy the applicable independence and experience requirements of the laws governing the Corporation, and applicable securities regulatory authorities.

The Board shall designate one (1) member of the Audit Committee as the Committee Chair. Each member of the Audit Committee shall be financially literate as such qualification is interpreted by the Board in its business judgment. The Board shall determine whether and how many members of the Audit Committee qualify as a financial expert as defined by applicable law.

STRUCTURE AND OPERATIONS

The affirmative vote of a majority of the members of the Audit Committee participating in any meeting of the Audit Committee is necessary for the adoption of any resolution.

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Committee shall report to the Board on its activities after each of its meetings at which time minutes of the prior Committee meeting shall be tabled for the Board.

The Audit Committee shall review and assess the adequacy of this Charter periodically and, where necessary, will recommend changes to the Board for its approval.

The Audit Committee is expected to establish and maintain free and open communication with management and the independent auditor and shall periodically meet separately with each of them.

SPECIFIC DUTIES

Oversight of the Independent Auditor

- Make recommendations to the Board for the appointment and replacement of the independent auditor.
- Responsibility for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee.
- Authority to pre-approve all audit services and permitted non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the independent auditor.
- Evaluate the qualifications, performance and independence of the independent auditor, including: (i) reviewing and evaluating the lead partner on the independent auditor's engagement with the Corporation; and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.
- Obtain from the independent auditor and review the independent auditor's report regarding the management internal control report of the Corporation to be included in the Corporation's annual information/proxy circular, as required by applicable law.
- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law (currently at least every five years).

Financial Reporting

- Review and discuss with management and the independent auditor, as applicable:
 - prior to the annual audit the scope, planning and staffing of the annual audit;
 - the annual audited financial statements;
 - review the financial statements, prospectuses, management's discussion and analysis, annual information form and all public disclosure containing audited or unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to Board approval. The Audit Committee must be satisfied that adequate procedures are in place for the review of the Corporation's disclosure of all other financial information. The Audit Committee will periodically assess the accuracy of those procedures;
 - approve any reports for inclusion in the Corporation's Annual Report, if any, as required by applicable legislation;
 - the Corporation's quarterly financial statements, including the results of the independent auditor's review of the quarterly financial statements and any matters required to be

communicated by the independent auditor under applicable review standards;

- significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements;
 - any significant changes in the Corporation's selection or application of accounting principles;
 - any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies; and
 - other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- Discuss with the independent auditor matters relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with management.

Other Responsibilities

- Review the appointment of the Chief Financial Officer and key financial executives and formulate clear hiring policies for partners, employees, former partners and former employees of the Corporation's present and former external auditors.
- Establish, and review periodically, as the Audit Committee deems appropriate, a procedure for:
 - the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
 - the confidential, anonymous submission by employees of the Corporation or concerns regarding questionable accounting or auditing matters and resolution of such concerns, if any.
- To comply with the procedure above, the Audit Committee shall ensure that the Corporation advises all employees, by way of a written code of business conduct and ethics, that any employee who reasonably believes that questionable accounting, internal accounting controls, or auditing matters have been employed by the Corporation or their external auditors is strongly encouraged to report such concerns by way of communication directly to the Chair of the Audit Committee of the Corporation.

AUDIT COMMITTEE'S ROLE

The Audit Committee has the oversight role set out in this Charter. Management, the Board, the independent auditor and the internal auditor all play important roles in respect of compliance and the preparation and presentation of financial information. Management is responsible for compliance and the preparation of financial statements and periodic reports. Management is responsible for ensuring the Corporation's financial statements and disclosures are complete, accurate, in accordance with generally accepted accounting principles and applicable laws. The Board in its oversight role is responsible for ensuring that management fulfills its responsibilities. The independent auditor, following the completion of its annual audit, opines on the presentation, in all material respects, of the financial position and results of operations of the Corporation in accordance with Canadian generally accepted accounting principles.

FUNDING FOR THE INDEPENDENT AUDITOR AND RETENTION OF OTHER INDEPENDENT ADVISORS

The Corporation shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report and to any advisors retained by the Audit Committee. The Audit Committee shall also have the authority to retain such other independent advisors as it may, from time to time, deem necessary or advisable for its purposes and the payment of compensation therefor shall also be funded by the Corporation.

APPROVAL OF AUDIT AND REMITTED NON-AUDIT SERVICES PROVIDED BY EXTERNAL AUDITORS

Over the course of any year there will be two levels of approvals that will be provided. The first is the existing annual Audit Committee approval of the audit engagement and identifiable permitted non-audit services for the coming year. The second is in-year Audit Committee pre-approvals of proposed audit and permitted non-audit services as they arise.

Any proposed audit and permitted non-audit services to be provided by the External Auditor to the Corporation or its subsidiaries must receive prior approval from the Audit Committee, in accordance with this protocol. The Chief Financial Officer shall act as the primary contact to receive and assess any proposed engagements from the External Auditor.

Following receipt and initial review for eligibility by the primary contacts, a proposal would then be forwarded to the Audit Committee for review and confirmation that a proposed engagement is permitted.

In the majority of such instances, proposals may be received and considered by the Chair of the Audit Committee (or such other member of the Audit Committee who may be delegated authority to approve audit and permitted non-audit services), for approval of the proposal on behalf of the Audit Committee. The Audit Committee Chair will then inform the Audit Committee of any approvals granted at the next scheduled meeting.