

Pediapharm Announces Closing of Subscription Receipt Offering for Total Gross Proceeds of \$62 Million

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MONTREAL, Oct. 11, 2018 -- Pediapharm Inc. ("**Pediapharm**") (TSXV: PDP, OTCQB: PDDPF) is pleased to announce the closing today of its previously announced private placement offering (the "**Offering**") of Subscription Receipts (as defined below). The Offering consisted of both a brokered private placement (the "**Brokered Offering**"), co-led by Cormark Securities Inc. and Mackie Research Capital Corporation, as co-lead agents and joint bookrunners (the "**Agents**"), and a concurrent non-brokered private placement (the "**Non-Brokered Offering**"). The Non-Brokered Offering was assisted by Goodwood Inc. ("**Goodwood**"). Due to substantial interest, Pediapharm increased the size of the Offering from the initially announced \$60 million and today closed the Offering for aggregate gross proceeds of approximately \$62 million.

The Offering consisted of the issuance of a combination of (i) subscription receipts exchangeable for units ("**Units**"), with such Units being comprised of one (1) common share of Pediapharm ("**Common Share**") and one half (1/2) of one Common Share purchase warrant ("**Unit Subscription Receipts**"), and (ii) subscription receipts exchangeable for convertible debentures ("**Convertible Debentures**"), with such Convertible Debentures being convertible into units, each comprised of one (1) Common Share and one half (1/2) of one Common Share purchase warrant ("**Debenture Subscription Receipts**"), and, together with the Unit Subscription Receipts, the "**Subscription Receipts**". Pursuant to the Offering, Pediapharm issued 58,676,397 Unit Subscription Receipts, representing aggregate subscription proceeds of approximately \$20 million, and 42,000 Debenture Subscription Receipts, representing aggregate subscription proceeds of \$42 million.

In connection with the Offering, the Agents (a) earned cash commissions in the aggregate amount of approximately \$2,236,500 (the "**Cash Commission**"), equal to a cash fee of 7.0% for the aggregate gross proceeds raised in the Offering in excess of \$30,000,000, which Cash Commission will be held in escrow pending satisfaction of the escrow release conditions set out in the Subscription Receipt Agreement (as defined below); and (b) received 2,867,306 Common Share purchase warrants ("**Compensation Warrants**"), each one (1) Compensation Warrant being exercisable for one Common Share at an exercise price of \$0.63 per Common Share. The Compensation Warrants are exercisable for a period of 36 months following closing. Pediapharm will also pay cash commissions in the total amount of approximately \$1,090,090 to registered dealers involved in the Non-Brokered Offering (the "**Dealers' Commission**") on satisfaction of the escrow release conditions set out in the Subscription Receipt Agreement.

The Offering was completed in connection with Pediapharm's previously announced acquisitions of Medac Pharma, Inc. and Medexus Inc. (the "**Acquisitions**"). A portion of the net proceeds from the Offering will be used to fund the cash purchase price of Pediapharm's previously announced acquisition of Medac Pharma, Inc., with the balance of the proceeds to be used for the ongoing operations and strategic initiatives of Pediapharm.

The proceeds from the sale of Subscription Receipts pursuant to the Offering (including the Agents' Cash Commission and the Dealers' Commission but less certain expenses of the Agents) will be held in escrow, pursuant to the terms of a subscription receipt agreement entered into between Pediapharm, the Agents, Goodwood, and the subscription receipt agent (the "**Subscription Receipt Agreement**") concurrently with closing of the Offering, pending satisfaction of the escrow release conditions set out in the Subscription Receipt Agreement. It is expected that the Acquisitions will be completed on or about October 16, 2018, following which and assuming the satisfaction of the other escrow release conditions set out in the Subscription Receipt Agreement, the Subscription Receipts will be automatically exchanged into Convertible Debentures or Units, as applicable, and the net proceeds of the Offering will be released to Pediapharm.

The Subscription Receipts were distributed to subscribers in Canada, to investors in the United States pursuant to available exemptions from the registration requirements of the United States Securities Act of 1933, as amended, and in certain other jurisdictions. Completion of the Offering is subject regulatory approval including, but not limited to, approval of the TSX Venture Exchange. The Subscription Receipts are, and the underlying securities issuable upon exchange of the Subscription Receipts will be, subject to a four month hold period from the date of issuance of the Subscription Receipts.

Please visit Pediapharm's profile on www.sedar.com for further information with respect to the Offering and Acquisitions, including Pediapharm's news release dated September 6, 2018 announcing the Acquisitions and the Offering.

Related Party Participation in the Offering

Insiders subscribed for an aggregate of 5,982,352 Unit Subscription Receipts in the Offering. As insiders of Pediapharm participated in this Offering, it is deemed to be a "related party transaction" as defined under Multilateral Instrument 61-101-*Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**").

Neither Pediapharm, nor to the knowledge of Pediapharm after reasonable inquiry, a related party, has knowledge of any material information concerning Pediapharm or its securities that has not been generally disclosed.

The Offering is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 pursuant to subsections 5.5(c) and 5.7(1)(b)) of MI 61-101 as it was a distribution of securities for cash and neither the fair market value of the Subscription Receipts distributed to, nor the consideration received from, interested parties exceeded \$2,500,000.

Pediapharm did not file a material change report more than 21 days before the expected closing of the Offering because the details of the participation therein by related parties of Pediapharm were not settled until shortly prior to closing of the Offering and Pediapharm wished to close on an expedited basis for commercial reasons.

About Pediapharm

Pediapharm is the only Canadian specialty pharmaceutical company dedicated to serving the needs of the pediatric community. Its mission is to bring to the Canadian market the latest innovative pediatric products with the objective to improve the health and the well-being of children in Canada. Since its debut in 2008, Pediapharm has entered into numerous commercial agreements with partners from Canada and other countries around the world. Pediapharm's innovative product portfolio includes NYDA®, a breakthrough treatment for head lice; Relaxa™, an osmotic laxative used to treat constipation; EpiCeram®, a non-steroid emulsion for eczema; naproxen suspension, indicated to treat pain and inflammation due to various conditions, including Juvenile Idiopathic Arthritis; Rupall™, an innovative new allergy medication with a unique mode of action; Otixal™, the first and only antibiotic and steroid combination ear drop available in single, sterile, preservative-free and unit-dose packaging; and Cuvposa™, for chronic severe drooling, a condition affecting a significant proportion of cerebral palsy patients.

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Forward Looking Statements

This press release contains "forward-looking information" within the meaning of applicable securities legislation. Forward-looking information includes, but is not limited to, statements with respect to Pediapharm's future business operation, statements regarding the timing and completion of the proposed Acquisitions, receipt of regulatory and TSX Venture Exchange approval for the Offering, the use of the net proceeds of the Offering, the satisfaction of the escrow release conditions, the ability of the parties to satisfy, in a timely manner, the conditions to closing of the Acquisitions, and management's expectations with respect to the Acquisitions. All statements, other than of historical fact, that address activities, events or developments that Pediapharm believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding potential acquisitions and financings) are forward-looking statements. Forward-looking statements are generally identifiable by use of the words "may", "will", "should", "continue", "expect", "anticipate", "estimate", "believe", "intend", "plan" or "project" or the negative of these words or other variations on these words or comparable terminology. Forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond Pediapharm's ability to control or predict, that may cause the actual results of Pediapharm to differ materially from those discussed in the forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, among other things, without limitation, failure of the parties to satisfy the conditions necessary to complete the Acquisitions or satisfy the escrow release conditions, failure to realize the expected benefits of the Acquisitions, the risk that the operations of Pediapharm, Medac Pharma, Inc. and Medexus Inc. will not be integrated successfully or at all, the failure to obtain sufficient financing to execute Pediapharm's business plan going forward; and other risks disclosed in Pediapharm's public disclosure record on file with the relevant securities regulatory authorities. Although Pediapharm believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Pediapharm can give no assurance that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature they involve inherent risks and uncertainties. Pediapharm's actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-

looking information will transpire or occur, or if any of them do so, what benefits that Pediapharm will derive therefrom. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide securityholders with a more complete perspective on Pediapharm's future operations and such information may not be appropriate for other purposes. Readers should not place undue reliance on forward-looking statements. Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect Pediapharm's operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). The forward-looking statements included in this news release are made as of the date of this news release and Pediapharm does not undertake an obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless required by applicable securities legislation.