

Unanimous Shareholder Agreement

between

Sairiyo Therapeutics Inc.

and

the Shareholders named herein

dated as of

July 18, 2023

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Unanimous Shareholder Agreement

This Agreement (as executed and as it may be amended, modified, supplemented or restated from time to time, as provided herein, this "**Agreement**"), is dated as of July 18, 2023, between

SAIRIYO THERAPEUTICS INC., a corporation formed under the laws of Ontario (the "**Corporation**")

and

PHARMADRUG INC., a corporation formed under the laws of Ontario (the "**Majority Shareholder**")

and

PHARMATHER INC., a corporation formed under the laws of Ontario (the "**Minority Shareholder**") and, together with the Majority Shareholder, the "**Initial Shareholders**") and each other Person who after the date hereof acquires Shares of the Corporation and becomes a party to this Agreement by executing a Joinder Agreement (such Persons, collectively with the Initial Shareholders, the "**Shareholders**").

RECITALS

WHEREAS, the Corporation was formed for the purposes of conducting and operating the Business;

AND WHEREAS, as of the date hereof, the Majority Shareholder owns 51% of the issued and outstanding Common Shares of the Corporation and the Minority Shareholder owns 49% of the issued and outstanding Common Shares of the Corporation; and

AND WHEREAS, the Initial Shareholders and the other parties hereto deem it in their best interests and in the best interests of the Corporation to set forth in this Agreement their respective rights and obligations in connection with their investment in the Corporation.

NOW THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I Definitions

Section 1.01 Definitions. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in this Section 1.01.

"**Act**" means the *Business Corporations Act* (Ontario).

"**Affiliate**" means with respect to any Person, any other Person who, directly or indirectly (including through one or more intermediaries), controls, is controlled by, or is under common control with, such Person. For purposes of this definition, "control", when used with respect to any specified Person, shall mean the power to, directly or indirectly, direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities or partnership or other ownership interests, by contract or otherwise; and the terms "controlling" and "controlled" shall have correlative meanings.

"**Agreement**" has the meaning set forth in the preamble.

"**Applicable Law**" means all applicable provisions of (a) statutes, laws (including the common law), rules, regulations, decrees, ordinances, codes, proclamations, declarations or orders of any Governmental Authority; (b) any consents or approvals of any Governmental Authority; and (c) any orders, decisions, advisory or interpretative opinions, injunctions, judgments, awards, decrees of, or agreements with, any Governmental Authority.

"**Board**" has the meaning set forth in Section 2.01(a).

"**Business**" repurposing and developing improved formulations of naturally derived compounds for serious, rare, and life-threatening diseases.

"**Business Day**" means a day other than a Saturday, Sunday or other day on which banks in the City of Toronto, Ontario, Canada are authorized or required to close.

"**By-laws**" means the by-laws of the Corporation, as amended, modified, supplemented or restated from time to time in accordance with the terms of this Agreement.

"**Change of Control**" means: (a) the sale of all or substantially all of the consolidated assets of the Corporation and the Subsidiaries to a Third Party Purchaser; (b) a sale resulting in no less than a majority of the Shares (or other voting shares of the Corporation) on a Fully Diluted Basis being held by a Third Party Purchaser; or (c) an amalgamation, arrangement, recapitalization or reorganization of the Corporation that results in the inability of the Shareholders to designate or elect a majority of the Board or the board of directors of the Corporation's parent body corporate.

"**Claimant**" has the meaning set forth in Section 9.11(f).

"**Closing Date**" means, unless otherwise agreed by the parties to the transaction of purchase and sale, in the case of a purchase and sale under Section 3.04(b), means the date determined under Section 3.04(d).

"**Constating Documents**" means the articles and the by-laws of the Corporation.

"**Corporation**" has the meaning set forth in the preamble.

"**Deadlock**" has the meaning set forth in Section 2.05.

"**Director**" has the meaning set forth in Section 2.01(a).

"Dispute" has the meaning set forth in Section 9.11(a).

"Encumbrance" means any lien, claim, charge, mortgage, pledge, security interest, option, preferential arrangement, right of first refusal, right of first offer, encumbrance, adverse claim or other restriction or limitation of any nature whatsoever.

"Excluded Securities" means any Shares or other equity securities issued in connection with: (a) a grant to any existing or prospective consultants, employees, officers or Directors under any stock option, employee share purchase or similar equity-based plans or other compensation agreement; (b) the exercise or conversion of options to purchase Shares, or Shares issued to any existing or prospective consultants, employees, officers or Directors under any stock option, employee share purchase or similar equity-based plans or any other compensation agreement; (c) any acquisition by the Corporation of the shares, assets, properties or business of any Person; (d) any amalgamation, arrangement or other business combination involving the Corporation; (e) the commencement of any Initial Public Offering or any transaction or series of related transactions involving a Change of Control; (f) a share split, stock dividend or any similar recapitalization; or (g) any issuance of Financing Equity, in each case, approved in accordance with the terms of this Agreement.

"Exercise Period" has the meaning set forth in Section 4.01(c).

"Exercising Shareholder" has the meaning set forth in Section 4.01(e).

"Financial Year" means the 12-month period ending on the last day of December.

"Financing Equity" means any Shares, warrants or other similar rights to purchase Shares issued to lenders or other institutional investors (excluding the Shareholders) in any arm's length transaction providing debt financing to the Corporation.

"Fully Diluted Basis" means, as of any date of determination: (a) with respect to all Shares, all issued and outstanding Shares and all Shares issuable upon the exercise of conversion of any outstanding Share Equivalents as of such date, whether or not such Share Equivalent is at the time exercisable or convertible; or (b) with respect to any specified class or series of Shares, all issued and outstanding Shares of such class or series and all such Shares of such class or series issuable upon the conversion or exercise of any outstanding Share Equivalents as of such date, whether or not such Share Equivalent is at the time exercisable or convertible.

"Fundamental Matter" means any of the actions specified in Section 2.03(b), Section 2.03(q) or Section 2.03(s).

"GAAP" means the standards, as they exist from time to time, as set forth in the *CPA Canada Handbook - Accounting*, applied on a consistent basis with prior years.

"Government Approval" means any authorization, consent, approval, waiver, exception, variance, order, exemption, publication, filing, declaration, concession, grant, franchise, agreement, permission, permit or licence of, from or with any Governmental Authority, the giving notice to, or registration with, any Governmental Authority or any other action in respect of any Governmental Authority.

"Governmental Authority" means any federal, provincial, territorial, municipal, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of law), or any arbitrator, court or tribunal of competent jurisdiction.

"Initial Public Offering" means any underwritten public offering pursuant to a preliminary prospectus and prospectus filed in accordance with the *Securities Act* and receipts issued in respect thereof in accordance with the *Securities Act*.

"Initial Shareholders" has the meaning set forth in the preamble.

"Information" has the meaning set forth in Section 5.01(a).

"Issuance Notice" has the meaning set forth in Section 4.01(b).

"Joinder Agreement" means the joinder agreement in form and substance of Exhibit "A" attached hereto.

"Majority Directors" has the meaning set forth in Section 2.01(a)(i).

"Majority Shareholder" has the meaning set forth in the preamble.

"Minority Directors" has the meaning set forth in Section 2.01(a)(ii).

"Minority Shareholder" has the meaning set forth in the preamble.

"New Securities" has the meaning set forth in Section 4.01(a).

"Notice" has the meaning set forth in Section 9.03.

"Offered Shares" has the meaning set forth in Section 3.02(a).

"Offering Shareholder" has the meaning set forth in Section 3.02(a).

"Offering Shareholder Notice" has the meaning set forth in Section 3.02(b).

"Permitted Transferee" means, with respect to any Shareholder, any Affiliate of such Shareholder.

"Person" means an individual, corporation, body corporate, partnership, joint venture, Governmental Authority, unincorporated organization, trust, association or other entity.

"Pre-Emptive Pro Rata Portion" has the meaning set forth in Section 4.01(c).

"Pre-Emptive Shareholder" has the meaning set forth in Section 4.01(a).

"Proposed Transferee" has the meaning set forth in Section 3.03(a).

"**Purchasing Shareholder**" has the meaning set forth in Section 3.02(d).

"**Related Party Agreement**" means any agreement, arrangement or understanding between the Corporation and any Shareholder or any Affiliate of a Shareholder or any Director, officer or employee of the Corporation.

"**Representative**" means, with respect to any Person, any, and all, directors, officers, employees, consultants, financial advisors, counsel, accountants and other agents of such Person.

"**Request**" has the meaning set forth in Section 9.11(f).

"**Respondent**" has the meaning set forth in Section 9.11(f).

"**ROFR Notice**" has the meaning set forth in Section 3.02(d).

"**ROFR Notice Period**" has the meaning set forth in Section 3.02(d).

"**ROFR Rightholder**" has the meaning set forth in Section 3.02(a).

"**Sale Notice**" has the meaning set forth in Section 3.03(b).

"**Securities Act**" means the *Securities Act* (Ontario), and the rules thereunder, which shall be in effect at the time.

"**Selling Shareholder**" has the meaning set forth in Section 3.03(a).

"**Share Equivalents**" means any stock option and any other security or obligation that is by its terms, directly or indirectly, convertible into or exchangeable or exercisable for Shares, and any option, warrant or other right to subscribe for, purchase or acquire Shares or Share Equivalents (disregarding any restrictions or limitations on the exercise of such rights).

"**Shareholders**" has the meaning set forth in the preamble.

"**Shares**" means the shares in the capital of the Corporation and any securities issued in respect thereof, or in substitution therefor, in connection with any share split, stock dividend or consolidation, or any recapitalization, amalgamation, arrangement, reorganization, exchange or similar reclassification.

"**Subsidiary**" means with respect to any Person, any other Person of which a majority of the outstanding shares or other equity interests having the power to vote for directors or comparable managers are owned, directly or indirectly, by the first Person.

"**Supermajority Approval**" means with respect to any matter that must be approved by the Board (a) the affirmative vote at a meeting of the Board of 100% of the Directors present at any such meeting of the Board or (b) the unanimous written consent of the entire Board in lieu of a meeting.

"**Tag-Along Notice**" has the meaning set forth in Section 3.03(c).

"Tag-Along Period" has the meaning set forth in Section 3.03(c).

"Tag-Along Sale" has the meaning set forth in Section 3.03(a).

"Tag-Along Shareholder" has the meaning set forth in Section 3.03(a).

"Third Party Purchaser" means any Person who, immediately before the contemplated transaction, (a) does not directly or indirectly own or have the right to acquire any outstanding Shares or (b) is not a Permitted Transferee of any Person who directly or indirectly owns or has the right to acquire any Shares.

"Transfer" means to, directly or indirectly, sell, transfer, assign, pledge, encumber, hypothecate or similarly dispose of, either voluntarily or involuntarily, or to enter into any contract, option or other arrangement or understanding with respect to the sale, transfer, assignment, pledge, Encumbrance, hypothecation or similar disposition of, any Shares owned by a Person or any interest (including a beneficial interest) in any Shares owned by a Person.

"Trigger Date" means one year following the date the Genvion Program is successfully completed such that the Corporation is able to apply to use PD-001, (the Corporation's patented, orally bioavailable version of cepharanthine) in a human clinical trial.

"Waived ROFR Transfer Period" has the meaning set forth in Section 3.02(f).

Section 1.02 Interpretation. For purposes of this Agreement: (a) the words "include", "includes" and "including" shall be deemed to be followed by the words "without limitation"; (b) the word "or" is not exclusive; (c) the words "herein", "hereof", "hereby", "hereto" and "hereunder" refer to this Agreement as a whole; (d) whenever the singular is used herein, the same shall include the plural, and whenever the plural is used herein, the same shall include the singular, where appropriate; and (e) whenever the masculine is used herein, the same shall include the feminine, and whenever the feminine is used herein, the same shall include the masculine, where appropriate. The definitions given for any defined terms in this Agreement shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. Unless the context otherwise requires, references herein: (x) to Articles, Sections, Exhibits and Schedules mean the Articles and Sections of, and Exhibits and Schedules attached to, this Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. The Exhibits and Schedules referred to herein shall be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein. Unless otherwise stated in this Agreement, all dollar amounts referred to in this Agreement are stated in Canadian currency.

ARTICLE II
Management and Operation of the Corporation

Section 2.01 Board of Directors

- (a) The Shareholders agree that the business and affairs of the Corporation shall be managed through a board of directors (the "**Board**") consisting of three members (each, a "**Director**"). The Directors shall be elected to the Board in accordance with the following procedures:
- (i) The Majority Shareholder shall have the right to designate two Directors, who shall initially be Daniel Cohen and Paul McClory (the "**Majority Directors**"); and
 - (ii) The Minority Shareholder shall have the right to designate one Director, who shall initially be Fabio Chianelli (the "**Minority Directors**").
- (b) If the Majority Shareholder and its Permitted Transferees cease to own at least (i) 50% of the issued and outstanding Shares, then (x) the number of Directors the Majority Shareholder shall have the right to designate under Section 2.01(a)(i) shall be reduced by one, (y) the Majority Shareholder shall cause one of its Directors to resign, and (z) the Shareholders shall appoint a nominee of the Minority Shareholder to fill such vacancy; or (ii) 29% of the issued and outstanding Shares, then (x) the Majority Shareholder shall cease to have the right to designate any Directors under Section 2.01(a)(ii), (y) the Majority Shareholder shall cause all of its Directors to resign, and (z) except as otherwise consented to by the Minority Shareholder, the Shareholders shall decrease the size of the Board to eliminate such vacancy..
- (c) If the Minority Shareholder and its Permitted Transferees increase their ownership above 50% but thereafter cease to own at least 50% (x) the number of Directors the Minority Shareholder shall have the right to designate under Section 2.01(b) shall be reduced by one, (y) the Majority Shareholder shall cause one of its Directors to resign, and (z) the Shareholders shall appoint a nominee of the Minority Shareholder to fill such vacancy; or (ii) 29% of the issued and outstanding Shares, then (x) the Minority Shareholder shall cease to have the right to designate any Directors hereunder, (y) the Minority Shareholder shall cause all of its Directors to resign, and (z) except as otherwise consented to by the Majority Shareholder, the Shareholders shall decrease the size of the Board to eliminate such vacancy.
- (d) Each Shareholder shall vote all Shares over which such Shareholder has voting control and shall take all other necessary or desirable actions within such Shareholder's control (including in its capacity as shareholder or director of the Corporation or otherwise, and whether at an annual or special meeting of the Shareholders or by written resolution in lieu of a meeting) to elect to the Board

any individual designated by an Initial Shareholder under Section 2.01(a) or Section 2.01(b).

- (e) Each Initial Shareholder shall have the right at any time to remove (with or without cause) any Director designated by such Initial Shareholder for election to the Board and each other Shareholder shall vote all Shares over which such Shareholder has voting control and shall take all other necessary or desirable actions within such Shareholder's control (including in its capacity as shareholder or director of the Corporation or otherwise, and whether at an annual or special meeting of the Shareholders or by written resolution in lieu of a meeting) to remove from the Board any individual designated by such Initial Shareholder that such Initial Shareholder desires to remove under this Section 2.01. Except as provided in the preceding sentence, unless an Initial Shareholder shall otherwise consent in writing, no other Shareholder shall take any action to cause the removal of any Directors designated by an Initial Shareholder.
- (f) If a vacancy is created on the Board at any time and for any reason (whether as a result of death, disability, retirement, resignation or removal under Section 2.01(e)), the Initial Shareholder who designated such individual shall have the right to designate a different individual to replace such Director, and each other Shareholder shall vote all Shares over which such Shareholder has voting control and shall take all other necessary or desirable actions within such Shareholder's control (including in its capacity as shareholder or director of the Corporation or otherwise, and whether at an annual or special meeting of the Shareholders or by written resolution in lieu of a meeting) to elect to the Board any individual designated by such Initial Shareholder.
- (g) The Board shall have the right to establish any committee of Directors as the Board shall deem appropriate from time to time. Subject to this Agreement, the Constatng Documents and Applicable Law, committees of the Board shall have the rights, powers and privileges granted to such committee by the Board from time to time. Any delegation of authority to a committee of Directors to take any action must be approved in the same manner as would be required for the Board to approve such action directly. Any committee of Directors shall be composed of the same proportion of Majority Directors and Minority Directors as the Initial Shareholders shall then be entitled to appoint to the Board under this Section 2.01; *provided that*, for so long as the Minority Shareholder has the right to designate a Director to the Board, any committee composed of Directors shall consist of at least one nominee of the Initial Shareholder then having the fewest nominees.

Section 2.02 Meetings of the Board of Directors

- (a) The Board will meet no less than four times a year at such times and in such places as the Board shall designate from time to time. In addition to the regular meetings contemplated by the foregoing sentence, ad hoc meetings of the Board may be called by any Director or Initial Shareholder on no less than two Business Days' prior written notice of the time, place and agenda of the meeting.

- (b) The Directors may participate in any meeting of the Board by means of video conference, teleconference or other similar communications equipment by means of which all participants can communicate adequately with each other during the meeting, and such participation shall constitute such Director's presence in person at the meeting.
- (c) The presence of a majority of Directors then in office shall constitute a quorum; *provided that* at least one nominee of the Initial Shareholder then having the fewest nominees is present at such meeting. If a quorum is not achieved at any duly called meeting, such meeting may be postponed to a time no earlier than 48 hours after written notice of such postponement has been given to the Directors. If no nominee of the Initial Shareholder then having the fewest nominees is present for two consecutive meetings, then the presence, in person, of Directors designated by Shareholders holding at least 50% of the voting shares shall constitute a quorum for the next meeting.
- (d) Unless otherwise restricted by this Agreement, any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all Directors or members of such committee, as the case may be, consent thereto in writing or by electronic transmission, and the writings or electronic transmissions are filed with the minutes of proceedings of the Board or committee.
- (e) The Corporation shall pay all fees, charges and expenses (including travel and related expenses) incurred by each Director in connection with: (i) attending the meetings of the Board and all committees thereof and (ii) conducting any other business or activities of the Corporation requested by the Corporation.

Section 2.03 Voting Arrangements. In addition to any vote or approval of the Board or the Shareholders of the Corporation required by Applicable Law, and provided that no Shareholder holds 61% or more of the outstanding Shares, without Supermajority Approval the Corporation shall not, and shall not enter into any commitment to:

- (a) amend, modify or waive the articles of the Corporation or its By-laws;
- (b) (i) make any material change to the nature of the Business conducted by the Corporation or (ii) enter into any business other than the Business;
- (c) adopt or modify in any material respect an annual budget, operating budget or business plan for the Corporation;
- (d) (i) issue Shares or other equity securities of the Corporation to any Person or (ii) enter into or effect any transaction or series of related transactions involving the repurchase, redemption or other acquisition of Shares from any Person, in each case, other than any Excluded Securities approved according to this Agreement or as otherwise contemplated by this Agreement;

- (e) incur any indebtedness, pledge or grant an Encumbrance on any assets or guarantee, assume, endorse or otherwise become responsible for the obligations of any other Person in excess of \$25,000 in a single transaction or series of related transactions;
- (f) make any loan, advance or capital contribution to any Person in excess of \$25,000;
- (g) enter into, amend in any material respect, waive or terminate any Related Party Agreement other than the entry into a Related Party Agreement that is on an arm's length basis and on terms no less favourable to the Corporation than those that could be obtained from a third party that is not an Affiliate of a Shareholder;
- (h) enter into or effect any transaction or series of related transactions involving the purchase, lease, licence, exchange or other acquisition (including by amalgamation, arrangement, acquisition of shares or acquisition of assets) by the Corporation of any assets or equity interests of any Person having a cost in excess of \$25,000, other than in the ordinary course of business consistent with past practice;
- (i) enter into or effect any transaction or series of related transactions involving the sale, lease, licence, exchange or other disposition (including by amalgamation, arrangement, sale of shares or sale of assets) by the Corporation of any assets, other than sales of inventory in the ordinary course of business consistent with past practice;
- (j) establish a Subsidiary or enter into any partnership, joint venture or similar business arrangement;
- (k) enter into or amend any material term of (i) any employment agreement or arrangement with any senior employee, (ii) the compensation (including salary, bonus, deferred compensation or otherwise) or benefits of any senior employee, (iii) any stock option, employee share purchase or similar equity-based plans, (iv) any benefit, severance or other similar plan; or (v) any annual bonus plan or any management equity plan;
- (l) settle any action, lawsuit, dispute or other proceeding or otherwise assume any liability with a value in excess of \$25,000 or agree to the provision of any equitable relief by the Corporation;
- (m) declare a dividend;
- (n) grant any security interest over any assets of the Corporation;
- (o) purchase for cancellation any Shares of the Corporation, other than as contemplated herein;

- (p) appoint or remove (with or without cause) any officer or change the Corporation's signing authorities;
- (q) initiate or consummate an Initial Public Offering or make a public offering and sale of Shares or any other securities;
- (r) make any investments in any other Person in excess of \$25,000; or
- (s) dissolve, wind-up or liquidate the Corporation or initiate a bankruptcy proceeding involving the Corporation.

If any Shareholder holds 61% or more of the outstanding Shares then, except where required by applicable Law, all decisions of the Board or the Shareholders of the Corporation shall require the approval of a simple majority of the Board or a simple majority of the outstanding Shares, as applicable.

Section 2.04 Post Genvion Program Financing. After the Trigger Date, either Shareholder may cause the Corporation to proceed with a debt or equity financing. If the parties are unable to agree on the terms of such financing the terms shall be determined by the Board representative(s) of the Shareholder who is proposing such financing, provided that such terms are commercially reasonable.

Section 2.05 Deadlock If at two successive meetings of the Board, the Directors are unable to reach a decision by the required vote regarding any Fundamental Matter submitted for consideration by the Board at such meetings (a "**Deadlock**"), the Deadlock shall be mediated (the "**Mediation**") within 15 days from the date a written request for mediation is made by any Initial Shareholder. The Mediation shall take place in Toronto, Ontario and shall be in English. The Mediation shall be conducted before a single mediator to be agreed upon by the Initial Shareholders. If the Initial Shareholders cannot agree on the mediator, each Initial Shareholder shall select a mediator and such mediators shall together unanimously select a neutral mediator who will conduct the mediation. Each Initial Shareholder shall bear the fees and expenses of its mediator and all the Shareholders shall equally bear the fees and expenses of the final mediator. Any resolution agreed to by the Initial Shareholders in writing shall be final and binding on the Corporation and the Initial Shareholders

Section 2.06 Subsidiaries. With respect to any Subsidiary that is established in accordance with the terms of this Agreement, the Initial Shareholders shall have the same management, voting and board of director representation rights with respect to such Subsidiary as the Initial Shareholders have with respect to the Corporation. The Initial Shareholders shall, and shall cause their Director designees to, take all such actions as may be necessary or desirable to give effect to this provision.

Section 2.07 Officers. The officers of the Corporation shall be:

Name:	Office:
Daniel Cohen	President and CEO

Keith Li	Chief Financial Officer and Corporate Secretary
Owen van Cauwenberghe	Chief Science Officer

The parties hereto agree that in the event that the Majority Shareholder's holdings fall below 50% that operational control and the ability to appoint replacement officers shall be held by the Minority Shareholder and its Board nominee(s). Should the Majority Shareholder thereafter regain ownership of 50% or more of the outstanding Shares such control shall revert to the Majority Shareholder.

ARTICLE III Transfer of Interests

Section 3.01 General Restrictions on Transfer

- (a) Except as permitted under **Section 3.01(b)** or in accordance with the procedures described in **Section 3.02**, or Section 3.03, each Shareholder agrees that such Shareholder will not, directly or indirectly, voluntarily or involuntarily Transfer any of its Shares.
- (b) The provisions of Section 3.01(a), Section 3.02, and Section 3.03 shall not apply to any of the following Transfers by any Shareholder of any of its Shares:
 - (i) to a Permitted Transferee; or
 - (ii) under an amalgamation, arrangement or other business combination of the Corporation with a Third Party Purchaser that has been approved in compliance with Section 2.03(i).
- (c) In addition to any legends required by Applicable Law, each certificate representing the Shares shall bear a legend substantially in the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A UNANIMOUS SHAREHOLDER AGREEMENT (A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE CORPORATION). NO TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY BE MADE EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF SUCH UNANIMOUS SHAREHOLDER AGREEMENT. THE HOLDER OF THIS CERTIFICATE, BY ACCEPTANCE OF THIS CERTIFICATE, AGREES TO BE BOUND BY ALL OF THE PROVISIONS OF SUCH UNANIMOUS SHAREHOLDER AGREEMENT."

- (d) Prior notice shall be given to the Corporation by the transferor of any Transfer (whether or not to a Permitted Transferee) of any Shares. Before consummation of any Transfer by any Shareholder of any of its Shares, such party shall cause the

transferee thereof to execute and deliver to the Corporation a Joinder Agreement and agree to be bound by the terms and conditions of this Agreement. Upon any Transfer by any Shareholder of any of its Shares in accordance with the terms of this Agreement, the transferee thereof shall be substituted for, and shall assume all the rights and obligations under this Agreement of, the transferor thereof.

- (e) Notwithstanding any other provision of this Agreement, each Shareholder agrees that it will not, directly or indirectly, Transfer any of its Shares, except as permitted under the *Securities Act* and other applicable provincial or territorial securities laws, and then, if requested by the Corporation, only upon delivery to the Corporation of an opinion of counsel in form and substance satisfactory to the Corporation to the effect that such Transfer may be effected without filing a preliminary prospectus and a prospectus under the *Securities Act* (or other applicable provincial or territorial legislation). In any event, the Board may refuse the Transfer to any Person if such Transfer would have a material adverse effect on the Corporation as a result of any regulatory or other restrictions imposed by any Governmental Authority.
- (f) Any Transfer or attempted Transfer of any Shares in violation of this Agreement shall be null and void, no such Transfer shall be recorded on the Corporation's books and the purported transferee in any such Transfer shall not be treated (and the purported transferor shall continue to be treated) as the owner of such Shares for all purposes of this Agreement.

Section 3.02 Right of First Refusal

- (a) If at any time a Shareholder (such Shareholder, an "**Offering Shareholder**") receives a bona fide offer from any Third Party Purchaser to purchase all or any portion of the Shares (the "**Offered Shares**") owned by the Offering Shareholder and the Offering Shareholder desires to Transfer the Offered Shares (other than Transfers that are permitted by Section 3.01(b)), then the Offering Shareholder must first make an offering of the Offered Shares to each other Shareholder (each such Shareholder, a "**ROFR Rightholder**") in accordance with the provisions of this Section 3.02.
- (b) The Offering Shareholder shall, within five Business Days of receipt of the offer from the Third Party Purchaser, give written notice (the "**Offering Shareholder Notice**") to the Corporation and the ROFR Rightholders stating that it has received a bona fide offer from a Third-Party Purchaser and specifying:
 - (i) the number of Offered Shares to be Transferred by the Offering Shareholder;
 - (ii) the identity of the Third-Party Purchaser;
 - (iii) the per share purchase price and the other material terms and conditions of the Transfer, including a description of any non-cash consideration in sufficient detail to permit the valuation thereof; and

- (iv) the proposed date, time and location of the closing of the Transfer, which shall not be less than 60 days from the date of the Offering Shareholder Notice.

The Offering Shareholder Notice shall constitute the Offering Shareholder's offer to Transfer the Offered Shares to the ROFR Rightholders, which offer shall be irrevocable until the end of the ROFR Notice Period.

- (c) By delivering the Offering Shareholder Notice, the Offering Shareholder represents and warrants to the Corporation and to each ROFR Rightholder that: (i) the Offering Shareholder has the entire right, title and interest in and to the Offered Shares; (ii) the Offering Shareholder has all the corporate power and capacity and has taken all necessary action to Transfer such Offered Shares as contemplated by this Section 3.02; and (iii) the Offered Shares are free and clear of any and all Encumbrances other than those arising as a result of or under the terms of this Agreement.
- (d) Upon receipt of the Offering Shareholder Notice, each ROFR Rightholder shall have 10 Business Days (the "**ROFR Notice Period**") to elect to purchase all (and not less than all) of the Offered Shares by delivering a written notice (a "**ROFR Notice**") to the Offering Shareholder and the Corporation, stating that it offers to purchase such Offered Shares on the terms specified in the Offering Shareholder Notice. Any ROFR Notice shall be binding upon delivery and irrevocable by the applicable ROFR Rightholder. If more than one ROFR Rightholder delivers a ROFR Notice, each such ROFR Rightholder (the "**Purchasing Shareholder**") shall be allocated the number of shares equal to the product of (x) the total number of Offered Shares and (y) a fraction determined by dividing (A) the number of Shares owned by such Purchasing Shareholder as of the date of the Offering Shareholder Notice, by (B) the total number of Shares owned by all of the Purchasing Shareholders as of such date.
- (e) Each ROFR Rightholder that does not deliver a ROFR Notice during the ROFR Notice Period shall be deemed to have waived all such ROFR Rightholder's rights to purchase the Offered Shares under this Section 3.02.
- (f) If no Shareholder delivers a ROFR Notice in accordance with Section 3.02(d), the Offering Shareholder may, during the 60 day period immediately following the expiration of the ROFR Notice Period, which period may be extended for a reasonable time not to exceed 90 days to the extent reasonably necessary to obtain any Government Approvals (the "**Waived ROFR Transfer Period**") and subject to the provisions of Section 3.03, Transfer all of the Offered Shares to the Third Party Purchaser on terms and conditions no more favourable to the Third Party Purchaser than those set forth in the Offering Shareholder Notice. If the Offering Shareholder does not Transfer the Offered Shares within such period or, if such Transfer is not consummated within the Waived ROFR Transfer Period, the rights provided hereunder shall be deemed to be revived and the Offered Shares shall not be Transferred to the Third Party Purchaser unless the Offering Shareholder

sends a new Offering Shareholder Notice in accordance with, and otherwise complies with, this Section 3.02.

- (g) Each Shareholder shall take all actions as may be reasonably necessary to consummate the Transfer contemplated by this Section 3.02, including entering into agreements and delivering certificates and instruments and consents as may be deemed necessary or appropriate.
- (h) At the closing of any Transfer under this Section 3.02, the Offering Shareholder shall deliver to the Purchasing Shareholder(s) the certificate or certificates representing the Offered Shares to be sold (if any), accompanied by executed forms of share transfers, against receipt of the purchase price therefor from such Purchasing Shareholder(s) by certified cheque or bank draft, or by wire transfer of immediately available funds.

Section 3.03 Tag-Along Rights

- (a) If, at any time, a Shareholder who (together with its Permitted Transferees) holds no less than 25% of the outstanding Common Shares (the "**Selling Shareholder**") proposes to Transfer any of its Shares to a Third-Party Purchaser (the "**Proposed Transferee**"), each other Shareholder (each, a "**Tag-Along Shareholder**") shall be permitted to participate in such Transfer (a "**Tag-Along Sale**") on the terms and conditions set forth in this Section 3.03.
- (b) Before the consummation of any such Transfer of Shares described in Section 3.03(a), and after satisfying its obligations under Section 3.02, the Selling Shareholder shall deliver to the Corporation and each other Shareholder a written notice (a "**Sale Notice**") of the proposed Tag-Along Sale subject to this Section 3.03 no later than 10 Business Days before the closing date of the Tag-Along Sale. The Sale Notice shall refer to the Tag-Along Shareholders' rights hereunder and shall describe in reasonable detail:
 - (i) the aggregate number of Shares the Proposed Transferee has offered to purchase;
 - (ii) the identity of the Proposed Transferee;
 - (iii) the proposed date, time and location of the closing of the Tag-Along Sale;
 - (iv) the per share purchase price and the other material terms and conditions of the Transfer, including a description of any non-cash consideration in sufficient detail to permit the valuation thereof; and
 - (v) a copy of any form of agreement proposed to be executed in connection therewith.
- (c) Each Tag-Along Shareholder shall exercise its right to participate in a Transfer of Shares by the Selling Shareholder subject to this Section 3.03 by delivering to the

Selling Shareholder a written notice (a "**Tag-Along Notice**") stating its election to do so and specifying the number of Shares to be Transferred by it no later than five Business Days after receipt of the Sale Notice (the "**Tag-Along Period**"). The offer of each Tag-Along Shareholder set forth in a Tag-Along Notice shall be irrevocable, and, to the extent such offer is accepted, such Tag-Along Shareholder shall be bound and obligated to Transfer Shares on the terms and conditions set forth in this Section 3.03. The Selling Shareholder and each Tag-Along Shareholder shall have the right to Transfer subject to this Section 3.03, the number of Shares equal to the product of (x) the aggregate number of Shares the Proposed Transferee proposes to buy as stated in the Sale Notice and (y) a fraction (A) the numerator of which is equal to the number of Shares then held by the Selling Shareholder or such Tag-Along Shareholder, as the case may be, and (B) the denominator of which is equal to the number of Shares then held by all of the Shareholders (including, for the avoidance of doubt, the Selling Shareholder).

- (d) Each Tag-Along Shareholder who does not deliver a Tag-Along Notice in compliance with Section 3.03(c) shall be deemed to have waived all of such Tag-Along Shareholder's rights to participate in such Transfer, and the Selling Shareholder shall (subject to the rights of any participating Tag-Along Shareholder) thereafter be free to Transfer to the Proposed Transferee its Shares at a price for each Share that is no greater than the price for each Share set forth in the Sale Notice and on such other terms and conditions which are not materially more favourable to the Selling Shareholder than those set forth in the Sale Notice without any further obligation to the non-accepting Tag-Along Shareholders.
- (e) Each Tag-Along Shareholder participating in a Transfer under this Section 3.03 shall receive the same consideration for each Share as the Selling Shareholder after deducting such Tag-Along Shareholder's proportionate share of the related expenses in accordance with Section 3.03(g).
- (f) Each Tag-Along Shareholder shall make or provide the same representations, warranties, covenants, indemnities and agreements as the Selling Shareholder makes or provides in connection with the Tag-Along Sale (except that in the case of representations, warranties, covenants, indemnities and agreements pertaining specifically to the Selling Shareholder, the Tag-Along Shareholder shall make the comparable representations, warranties, covenants, indemnities and agreements pertaining specifically to itself); *provided that* all representations, warranties, covenants and indemnities shall be made by the Selling Shareholder and each Tag-Along Shareholder severally and not jointly and any indemnification obligation in respect of breaches of representations and warranties shall be pro rata based on the consideration received by the Selling Shareholder and each Tag-Along Shareholder, in each case in an amount not to exceed the aggregate proceeds received by the Selling Shareholder and each such Tag-Along Shareholder in connection with any Tag-Along Sale.
- (g) The fees and expenses of the Selling Shareholder incurred in connection with a Tag-Along Sale and for the benefit of all Shareholders participating in the Tag-

Along Sale (it being understood that costs incurred by or on behalf of the Selling Shareholder for its sole benefit will not be considered to be for the benefit of all such Shareholders), to the extent not paid or reimbursed by the Corporation or the Proposed Transferee, shall be shared by all the Shareholders participating in the Tag-Along Sale on a pro rata basis, based on the aggregate consideration received by each such Shareholder; *provided that* no Shareholder shall be obligated to make or reimburse any out-of-pocket expenditure before the consummation of the Tag-Along Sale.

- (h) Each Tag-Along Shareholder shall take all actions as may be reasonably necessary to consummate the Tag-Along Sale, including entering into agreements and delivering certificates and instruments, in each case consistent with the agreements being entered into and the certificates being delivered by the Selling Shareholder.
- (i) The Selling Shareholder shall have 90 days after the expiration of the Tag-Along Period in which to Transfer the Shares described in the Sale Notice, on the terms set forth in the Sale Notice (which 90 day period may be extended for a reasonable time not to exceed 120 days to the extent reasonably necessary to obtain any Government Approvals). If at the end of such 90 day period, the Selling Shareholder has not completed such Transfer, the Selling Shareholder may not then effect a Transfer of Shares subject to this Section 3.03 without again fully complying with the provisions of this Section 3.03.

Section 3.04 Deemed Offer

- (a) A Shareholder shall be deemed to have irrevocably offered to sell all the Shares owned by them to the other Shareholder for the price and in the manner set out in Section 3.04(e) on the day on which Bankruptcy Proceedings by or against that Shareholder are commenced.
- (b) The other Shareholder may, in addition to any other rights or remedies they may have, elect to purchase all, but not less than all, of the Shares owned by the Shareholder making such deemed offer, for the price and in the manner set out in Section 3.04(e) by giving notice of their election within 5 Business Days after the date of the applicable event referred to in Section 3.04(a).
- (c) The aggregate purchase price for Shares sold under Section 3.04(a) shall be satisfied by certified cheque or bank draft payable at the registered office of the Corporation on the closing date.
- (d) Unless otherwise agreed, a transaction of purchase and sale of Shares under Section 3.04(b) shall take place on the last Business Day of the 30 day period commencing the date on which the final determination of the purchase price is made if a valuation is made under Section 3.04(e).
- (e) The purchase price for each Share to be sold under Section 3.04(b) shall be the fair market value of such Shares determined by the Corporation's Auditor as of

the end of the calendar month immediately preceding the event giving rise to the sale. The Corporation's Auditor may retain the services of a professional business valuer to determine the fair market value of the Shares. The cost of all appraisals and valuations shall be borne by the Shareholder required to sell its Shares.

- (f) If the vendor fails to complete the transaction of purchase and sale on the Closing Date under this Section 3.04, the purchaser may, in addition to any other rights or remedies they may have, complete the transaction of purchase sale in accordance with this Section 3.04(f). If the purchaser deposits that portion of the purchase price due on the Closing Date into an account at a branch of the Corporation's bank in the name of the Corporation in trust for the vendor, then, from and after the date of such deposit (and even though the certificates evidencing the Shares held by the vendor have not been delivered to the purchaser), the purchase of the Shares owned by the vendor shall be deemed to have been fully completed and all right, title, benefit and interest, both at law and in equity, in and to the Shares shall be conclusively deemed to have been transferred and assigned to and become vested in the purchaser and all right, title, benefit and interest, both at law and in equity, of the vendor in and to the Shares shall cease. The purchaser shall deposit to that account the balance of the purchase price from time to time as and when due, and the vendor shall be entitled to receive the purchase price so deposited from time to time as and when due, without interest. All interest on the deposited funds shall accrue to the benefit of the Corporation. The vendor shall be entitled to receive that portion of the purchase price deposited with the Corporation's bank account upon delivery to the Corporation of certificates evidencing the Shares so purchased, duly endorsed in blank for transfer.

ARTICLE IV Pre-Emptive Rights

Section 4.01 Pre-Emptive Right

- (a) The Corporation hereby grants to each Shareholder (each, a "**Pre-Emptive Shareholder**") the right to purchase its pro rata portion of any new Shares (other than any Excluded Securities) (the "**New Securities**") that the Corporation may from time to time propose to issue or sell to any party.
- (b) The Corporation shall give written notice (an "**Issuance Notice**") of any proposed issuance or sale described in Section 4.01(a) to the Pre-Emptive Shareholders within five Business Days after any meeting of the Board at which any such issuance or sale is approved. The Issuance Notice shall set forth the material terms and conditions of the proposed issuance, including:
- (i) the number of New Securities proposed to be issued and the percentage of the Corporation's outstanding Common Shares, on a fully diluted basis, that such issuance would represent;

- (ii) the proposed issuance date, which shall be at least 20 days from the date of the Issuance Notice; and
 - (iii) the proposed purchase price for each share.
- (c) Each Pre-Emptive Shareholder shall for a period of 15 days after the receipt of an Issuance Notice (the "**Exercise Period**") have the right to elect irrevocably to purchase, at the purchase price set forth in the Issuance Notice, the amount of New Securities equal to the product of (x) the total number of New Securities to be issued by the Corporation on the issuance date and (y) a fraction determined by dividing (A) the number of Shares owned by such Pre-Emptive Shareholder immediately before such issuance by (B) the total number of Shares outstanding on such date immediately before such issuance (the "**Pre-Emptive Pro Rata Portion**") by delivering a written notice to the Corporation. Such Pre-Emptive Shareholder's election to purchase New Securities shall be binding and irrevocable.
- (d) A Shareholder may either take its full pro rata share of any New Securities or none of the New Securities. If the Minority Shareholder is the only Shareholder that acquires New Securities then notwithstanding the terms set forth in the Issuance Notice, the Minority Shareholder shall be entitled to increase its percentage ownership of the outstanding Shares from 49% to 51% for \$250,000. Thereafter if either the Majority Shareholder or the Minority Shareholder are the only participating shareholders, then notwithstanding the terms of the Issuance Notice they may increase their respective percentage ownership of the outstanding Shares by 10% for \$100,000. A Shareholder may not be diluted below a 10% ownership interest in the Corporation regardless of whether it subscribes for any additional Shares in a future issuance of Shares from treasury. If either Shareholder is diluted to 10% of the outstanding Shares the other Shareholder shall have the option of acquiring such Shareholder's remaining shares based on an independent third party valuation of such Shares which valuation shall not take into account any minority discount.
- (e) Upon the consummation of the issuance of any New Securities in accordance with this Section 4.01, the Corporation shall deliver to each Shareholder who elects to exercise its rights under Section 4.01(b) (each an "**Exercising Shareholder**") certificates (if any) evidencing the New Securities, which New Securities shall be issued free and clear of any Encumbrances (other than those arising under this Agreement and those attributable to the actions of the purchasers thereof), and the Corporation shall so represent and warrant to the purchasers thereof, and further represent and warrant to such purchasers that such New Securities shall be, upon issuance thereof to the Exercising Shareholders and after payment therefor, duly authorized, validly issued, fully paid and non-assessable. Each Exercising Shareholder shall deliver to the Corporation the purchase price for the New Securities purchased by it by certified cheque or bank draft, or by wire transfer of immediately available funds. Each party to the purchase and sale of New Securities shall take all such other actions as may be reasonably necessary to

consummate the purchase and sale including entering into such additional agreements as may be necessary or appropriate.

ARTICLE V Confidentiality

Section 5.01 Confidentiality

- (a) Each Shareholder shall, and shall cause its Representatives to, keep confidential and not divulge any information (including all budgets, business plans and analyses) concerning the Corporation, including its assets, business, operations, financial condition or prospects (collectively, "**Information**"), and to use, and cause its Representatives to use, such Information only in connection with the operation of the Corporation; *provided that*: (i) nothing herein shall prevent any Shareholder from disclosing such Information (A) upon the order of any court or Governmental Authority, (B) upon the request or demand of any Governmental Authority having jurisdiction over such Shareholder, (C) to the extent compelled by legal process or required or requested pursuant to an order for production from a non-party or other discovery requests, (D) to the extent necessary in connection with the exercise of any remedy hereunder, (E) to other Shareholders, (F) to such Shareholder's Representatives that in the reasonable judgment of such Shareholder need to know such Information or (G) to any potential Permitted Transferee in connection with a proposed Transfer of Shares from such Shareholder as long as such transferee agrees to be bound by the provisions of this Section 5.01 as if a Shareholder, and (ii) in the case of Section 5.01(a)(i)(A), (B) or (C), such Shareholder shall notify the other parties hereto of the proposed disclosure as far in advance of such disclosure as practicable and use reasonable efforts to ensure that any Information so disclosed is accorded confidential treatment, when and if available.

- (b) The restrictions set out in Section 5.01(a) shall not apply to Information that (i) is or becomes generally available to the public other than as a result of a disclosure by a Shareholder or any of its Representatives in violation of this Agreement; (ii) is or becomes available to a Shareholder or any of its Representatives on a non-confidential basis before its disclosure to the receiving Shareholder and any of its Representatives, (iii) is or has been independently developed or conceived by such Shareholder without use of the Corporation's Information or (iv) becomes available to the receiving Shareholder or any of its Representatives on a non-confidential basis from a source other than the Corporation, any other Shareholder or any of their respective Representatives, *provided that* such source is not known by the recipient of the Information to be bound by a confidentiality agreement with the disclosing Shareholder or any of its Representatives.

ARTICLE VI
Information Rights

Section 6.01 Inspection Rights

- (a) The Corporation shall, and shall cause its officers, Directors and employees to, (i) afford each Shareholder that owns at least 5% of the Corporation's outstanding Common Shares and the Representatives of each such Shareholder, during normal business hours and upon reasonable notice, reasonable access at all reasonable times to its officers, employees, auditors or accountants, properties, offices, plants and other facilities and to all books and records, and (ii) afford such Shareholder the opportunity to consult with its officers from time to time regarding the Corporation's affairs, finances and accounts as each such Shareholder may reasonably request upon reasonable notice.
- (b) The right set forth in Section 6.01(a) shall not and is not intended to limit any rights that the Shareholders may have with respect to the books and records of the Corporation, or to inspect its properties or discuss its affairs, finances and accounts under the Act.

ARTICLE VII
Representations and Warranties

Section 7.01 Representations and Warranties. Each Shareholder, severally and not jointly, represents and warrants to the Corporation and each other Shareholder that:

- (a) Such Shareholder is a corporation existing under the laws of its jurisdiction of organization.
- (b) Such Shareholder has the corporate power and capacity to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement, the performance of its obligations hereunder and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action of such Shareholder. Such Shareholder has duly executed and delivered this Agreement.
- (c) This Agreement constitutes the legal, valid and binding obligation of such Shareholder, enforceable against such Shareholder in accordance with its terms except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, arrangement, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, require no action by or in respect of, or filing with, any Governmental Authority.

- (d) The execution, delivery and performance by such Shareholder of this Agreement and the consummation of the transactions contemplated hereby do not (i) conflict with or result in any violation or breach of any provision of any of the constating or organizational documents of such Shareholder, (ii) conflict with or result in any violation or breach of any provision of any Applicable Law or (iii) require any approval or other action by any Person under any provision of any material agreement or other instrument to which the Shareholder is a party.
- (e) Except for this Agreement, such Shareholder has not entered into or agreed to be bound by any other agreements or arrangements of any kind with any other party with respect to the Shares, including agreements or arrangements with respect to the acquisition or disposition of the Shares or any interest therein or the voting of the Shares (whether or not such agreements and arrangements are with the Corporation or any other Shareholder).

ARTICLE VIII

Term and Termination

Section 8.01 Termination. This Agreement shall terminate upon the earliest of:

- (a) the consummation of an Initial Public Offering;
- (b) the consummation of an amalgamation, arrangement, take-over bid or other business combination involving the Corporation whereby the Shares become a security that is listed or admitted to trading on the Toronto Stock Exchange, the TSX Venture Exchange or NASDAQ Stock Market trading system;
- (c) the date on which none of the Shareholders holds any Shares;
- (d) the dissolution, liquidation or winding up of the Corporation; or
- (e) upon the unanimous agreement of the Shareholders.

Section 8.02 Effect of Termination

- (a) The termination of this Agreement shall terminate all further rights and obligations of the Shareholders under this Agreement except that such termination shall not effect:
 - (i) the existence of the Corporation;
 - (ii) the obligation of any party to pay any amounts arising on or before the date of termination, or as a result of or in connection with such termination;
 - (iii) the rights that any Shareholder may have by operation of law as a shareholder of the Corporation; or

- (iv) the rights contained in this Agreement that, by their terms, are intended to survive termination of this Agreement.
- (b) The following provisions shall survive the termination of this Agreement: this Section 8.02 and Section 5.01, Section 9.01, Section 9.02, Section 9.03, Section 9.08, Section 9.10, Section 9.11 and Section 9.12.

ARTICLE IX Miscellaneous

Section 9.01 Expenses. Except as otherwise expressly provided in this Agreement, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

Section 9.02 Release of Liability. If any Shareholder shall Transfer all of the Shares held by such Shareholder in compliance with the provisions of this Agreement without retaining any interest therein, then such Shareholder shall cease to be a party to this Agreement and shall be relieved and have no further liability arising hereunder for events occurring from and after the date of such Transfer.

Section 9.03 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder (each, a "Notice") shall be in writing and shall be deemed to have been given: (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient; or (d) on the fifth day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such Notice must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a Notice given in accordance with this Section 9.03):

If to Corporation:	2905 - 77 King Street West Toronto, Ontario M5K 1H1 E-mail: dcohen@pharmadrug.co Attention: President and CEO
with a copy to (which shall not constitute notice):	Fogler, Rubinoff LLP Suite 3000, 77 King Street West Toronto, Ontario M5K 1G8 Facsimile: 416-941-8852 E-mail: eroblin@foglers.com

If to Pharmadrug Inc.:

Attention: Eric Roblin
2905 - 77 King Street West
Toronto, Ontario
M5K 1H1
E-mail: dcohen@pharmadrug.co
Attention: President and CEO

with a copy to (which shall not constitute notice):

Fogler, Rubinoff LLP
Suite 3000, 77 King Street West
Toronto, Ontario
M5K 1G8
Facsimile: 416-941-8852
E-mail: eroblin@foglers.com

Attention: Eric Roblin

If to PharmaTher Inc.:

82 Richmond Street East
Toronto, Ontario
M5C 1P1
E-mail: fabioc@pharmather.com
Attention: President and CEO

Section 9.04 Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

Section 9.05 Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

Section 9.06 Entire Agreement. This Agreement and the Constatng Documents constitute the sole and entire agreement of the parties with respect to the subject matter contained herein and therein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency or conflict between this Agreement and any Constatng Document, the Shareholders and the Corporation shall, to the extent permitted by Applicable Law, amend such Constatng Document to comply with the terms of this Agreement.

Section 9.07 Successors and Assigns. This Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their respective successors and permitted assigns.

Section 9.08 No Third-Party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing herein, express or implied, is intended to

or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 9.09 Amendment and Modification; Waiver. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each party hereto. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section 9.10 Governing Law. All issues and questions concerning the application, construction, validity, interpretation and enforcement of this Agreement shall be governed by and construed in accordance with the laws of the province of Ontario and the federal laws of Canada applicable therein without giving effect to any choice or conflict of law provision or rule (whether of the province of Ontario or any other jurisdiction)].

Section 9.11 Dispute Resolution

- (a) Unless otherwise specifically set out herein, to the fullest extent permitted by all then applicable Laws, in the event of the occurrence of any controversy, dispute or claim arising out of, in connection with, or in relation to the interpretation, performance or breach of this Agreement, any action taken by a party hereto pursuant to this Agreement, or otherwise arising out of or referable to the execution or performance of this Agreement (in this Section 9.11, a "Dispute"), such Dispute shall be determined by arbitration conducted in the City of Toronto in the Province of Ontario in accordance with the *Arbitration Act, 1991*, (Ontario) and a party(ies) hereto seeking arbitration of a Dispute shall so notify the other party(ies) hereto against which arbitration is being sought by notice in writing (in this Section 9.11, an "Arbitration Notice"), which Arbitration Notice shall set out reasonable particulars of the Dispute in respect of which arbitration is so being sought. The parties intend that the provisions of this Section 9.11 to arbitrate be valid, enforceable and irrevocable.
- (b) The parties to an arbitration in respect of a Dispute shall attempt to mutually agree on a single duly qualified arbitrator; provided that, if they cannot mutually agree on a single arbitrator within twenty (20) days after the date on which the Arbitration Notice was sent by the party(ies) seeking arbitration, within ten (10) days following the end of such twenty (20) day period, the accountant of the Corporation shall conclusively select the duly qualified and independent arbitrator, which arbitrator must be a Person who is independent and arm's length to each of the Shareholders and the Corporation. The arbitrator which is mutually agreed to or selected, as the case may be, in respect of a Dispute in accordance

with the foregoing provisions of this Section 9.11(b) is hereinafter referred to in this Section 9.11 as the "Arbitrator".

- (c) The Arbitrator shall conduct the arbitration proceedings in relation to the Dispute before such Arbitrator in the English language and in accordance with the applicable rules of the *Arbitration Act, 1991* (Ontario) and, forthwith following the conclusion of such arbitration proceedings, the Arbitrator shall set forth his or her decision in writing (which decision shall enumerate in reasonable detail the basis therefor) and a copy of such decision shall be sent by the Arbitrator to each party to such arbitration.
- (d) To the fullest extent permitted by all then applicable Laws:
 - (i) any controversy concerning whether a Dispute is an arbitrable matter or as to the interpretation or enforceability of this Section 9.11 shall be determined by the Arbitrator; and
 - (ii) any judgment or award rendered by the Arbitrator shall be final, conclusive and binding (clerical errors and omissions and fraud only excepted) and judgment may be entered on any final, unappealable arbitration award by any provincial or federal court having jurisdiction thereof.
- (e) The fees, expenses and charges of any arbitration pursuant to this Section 9.11 shall be allocated among the parties to the arbitration in such manner as the Arbitrator shall determine, acting reasonably.
- (f) The parties hereto agree that the arbitration proceedings, as well as the fact such proceedings occurred, shall be kept confidential by the parties thereto and may only be disclosed to their personal representatives and legal, accounting and other professional advisors or as required by all then applicable Laws and insofar as is necessary to confirm, correct, vacate or enforce the award.
- (g) Notwithstanding the provisions of this Section 9.11, in no event shall this Section 9.11 be deemed to preclude a party hereto from instituting legal action seeking relief in the nature of a restraining order, an injunction, interim or permanent injunctive relief, specific performance or the like in order to protect its rights, and, if any party hereto shall resort to legal action for such types of relief, such party shall not be deemed to have waived its rights to cause such matter or any other matter to be referred to arbitration pursuant to this Section 9.11.

Section 9.12 Equitable Remedies. Each party hereto acknowledges that the other parties hereto would be irreparably damaged in the event of a breach or threatened breach by such party of any of its obligations under this Agreement and hereby agrees that, in the event of a breach or a threatened breach by such party of any such obligations, each of the other parties hereto shall, in addition to any and all other rights and remedies that may be available to them in respect of such breach, be entitled to seek an injunction from a court of competent jurisdiction (without any requirement to post a bond or other security) granting such parties specific performance by such

party of its obligations under this Agreement. If any party commences an action to enforce the covenants contained in this Agreement (or obtain any other remedy in respect of any breach thereof), the prevailing party in the action shall be entitled to receive, in addition to all other damages to which it may be entitled, the costs incurred by such party in conducting the action, including reasonable legal fees, disbursements and charges.

Section 9.13 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

SAIRIYO THERAPEUTICS INC.

By /s/ "Daniel Cohen"

Name: Daniel Cohen

Title: Chief Executive Officer

PHARMADRUG INC.

By /s/ "Daniel Cohen"

Name: Daniel Cohen

Title: Chief Executive Officer

PHARMATHER INC.

By /s/ "Fabio Chianelli"

Name: Fabio Chianelli

Title: Chief Executive Officer