



Afexa Life Sciences Inc.

CORPORATE GOVERNANCE GUIDELINES AND DIRECTOR EXPECTATIONS	CGNC Updated and Approved:	June 7, 2011
	Board Approval:	June 9, 2011

INTRODUCTION:

The Board of Directors and the members of Afexa Life Sciences' Management are committed to high standards of corporate governance. These Corporate Governance Guidelines and Director Expectations affirm Afexa's commitment to maintaining high standards of corporate governance, embracing the intent of the law and going beyond the letter of the law.

The Board of Directors has responsibility for the overall stewardship for the Company, establishing the overall policies and standards for the Company in the operation of its business, and reviewing and approving the strategic plans. In addition, the Board monitors and assesses overall performance and progress in meeting the Company's goals. Day-to-day management is the responsibility of the Chief Executive Officer (CEO) and senior Management. To this end, the Board has adopted the following guidelines that identify the personal and professional conduct expected of the Directors and its corporate governance responsibilities.

I. BOARD ORGANIZATION AND MEMBERSHIP

1. Chair of the Board: It is the intent of the Board that the Chair of the Board is independent from the Company unless there is a compelling reason to do otherwise.
2. Lead Director: In a situation where the Chair of the Board is not an independent director, the Corporate Governance and Nominating Committee shall nominate an independent director to serve as Lead Director. This nomination will be approved by a majority of independent directors.
3. Other Executive Positions: The Board may, from time to time, appoint other positions within the Executive of the Board.
4. Size of Board: The Company's articles of incorporation allow for up to 10 Directors to serve on the Board. The Board of Directors will determine the optimum number up to ten to serve at any given time in order to provide a diversity of expertise and opinions and to allow effective committee organization, yet be small enough for efficient meeting and

decision-making. A smaller or larger Board may be appropriate at any given time, depending on the circumstances. The Corporate Governance and Nominating Committee is mandated to review the size of the Board from time to time and recommend changes in size to the Board when appropriate.

5. Board Membership Criteria: The Board recognizes the critical importance of attracting Directors with integrity, competencies and capabilities, as well as the motivation to carry out the stewardship of the Company. As such, the Board seeks members from diverse professional and personal backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. The Corporate Governance and Nominating Committee of the Board is responsible for reviewing with the Board from time to time the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. When considering a new member, this assessment will include an individual's qualification as independent, as well as consideration of diversity, skills and experience in the context of the needs of the Board. The Corporate Governance and Nominating Committee provides the process to determine what competencies and skills the Board as a whole should have, and applies this process to the recruitment process for new Directors. Exceptional candidates who do not meet the entire outlined criterion may still be considered. Invitation to join the Board will be extended by the Chair, on behalf of the entire Board.

Directors should advise the Chair of the Board in advance of accepting an invitation to serve on another public company board.

6. Independence of Outside Directors: The Corporate Governance and Nominating Committee undertakes an annual review to determine the existence of any relationships with the Company and to ensure the majority of Directors are independent to the Company, that all Committee Chairs are independent and, where any relationships exist, the Director is acting appropriately. All members of the Audit Committee, Human Resources and Compensation Committee and the Corporate Governance and Nominating Committee are independent. The Board annually determines the independent status of each Director, based on the Corporate Governance and Nominating Committee's recommendations.
7. Mix of Inside and Outside Directors: It is the policy of the Company that the Board consist of a majority of outside and independent Directors.
8. Retirement:
Under the conditions outlined below, the Director will tender his or her resignation for consideration by the Corporate Governance and Nominating Committee. The Committee will recommend to the Board the action, if any, to be taken with respect to the tendered resignation.

- (a) Term Limits: The Board does not favour term limits for Directors, but believes that it is important to monitor overall Board performance. Therefore, the Chair shall review each Director's continuation on the Board annually. This will allow each Director the opportunity to conveniently confirm his or her desire to continue as a member of the Board and will allow for orderly succession of Directors to keep the Board appropriately balanced in terms of skills and experience. While fixed terms could help ensure that there are fresh ideas and views available to the Board, they have the disadvantage of losing the contribution of Directors who have developed through time, increased insight into the Company and its operations and who, therefore, can be expected to provide an increasing contribution to the Board as a whole.
- (b) Retirement Age Policy: No person shall be nominated by the Board to serve as a Director after he or she has passed his or her 75th birthday, unless the Board has voted, on an annual basis, to waive, or continue to waive, the mandatory retirement age of such person as a Director.
- (c) Resignation Policy - Non-independent Directors: Non-independent Directors shall offer to resign from the Board upon their resignation, removal or retirement as an Officer of the Company.
- (d) Directors Changing Their Present Job Responsibilities: The Board expects Directors to offer to resign from the Board upon a change in their business position including, without limitation, retirement from the position on which their original nomination was based. It is not the sense of the Board that in every instance the Directors who retire or change from the position they held when they came on the Board should necessarily leave the Board. There should, however, be an opportunity for the Board through the Chair and the Corporate Governance and Nominating Committee to review the continued appropriateness of Board membership under the circumstances.
- (e) Meeting Attendance: It is understood that each Director has a duty to attend, whenever possible, all meetings of the Board and of each committee of which he or she is a member, as well as the Annual Meeting of Shareholders.

II. CONDUCT, MEETINGS AND EXPECTATIONS

- 1. Directors' Conduct: The basic responsibility of the Directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders under a code of conduct outlined in the Board mandate and the Company's Code of Conduct. In discharging that obligation, Directors should be entitled to rely on the honesty and integrity of the Company's officers, employees, outside advisors and independent auditors.

Directors are expected to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Directors are expected to review meeting materials prior to Board and committee meetings and, when possible, should communicate in advance of meetings any questions or concerns that they wish to discuss so that Management will be prepared to address the same. Each Director's attendance at, and preparation for, Board meetings and meetings of committees on which they serve, shall be considered by the Chair and Corporate Governance and Nominating Committee when recommending Director nominees.

The Board believes it is the responsibility of senior Management and the Board to create and maintain a culture of integrity throughout the organization. The Board has delegated to the Corporate Governance and Nominating Committee, oversight of compliance with the Company's Code of Conduct.

All Directors are expected to act at all times in accordance with the requirements of the Company's *Living our Values: Afexa Code of Conduct*, which shall be applicable to each Director. This obligation shall at all times include, without limitation, strict adherence to the Company's policies with respect to conflicts of interest, confidentiality, protection of the Company's assets, ethical conduct in all business dealings and respect for and compliance with applicable laws. Any waiver of the requirements of Afexa's *Code of Conduct* shall be subject to the approval of the Board of Directors and would be followed by the appropriate public disclosure. On an annual basis all Directors will be expected to review the Code and provide a signed document indicating they have fulfilled this requirement.

2. Board Meetings:

- (a) Selection of Agenda Items: The Chair or Lead Director should establish the agenda for Board meetings and discuss such with the CEO. Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting, subjects that are not on the agenda for that meeting.
- (b) Executive Sessions: The Board will hold executive sessions during each scheduled Board meeting, without the non-independent Director(s) and any members of the Company's Management, whether or not they are Directors, who may otherwise be present. In most cases, the Chair will preside over executive sessions. The annual proxy statement shall disclose how interested persons may communicate with independent directors.
- (c) Distribution of Materials: To the extent practicable, the Company shall distribute written materials sufficiently in advance of meetings to allow Directors sufficient time to review and reflect on key issues and generally prepare for the discussion

at the meeting. Management will strive to distribute materials seven days in advance of Board meetings. A Board portal will also be used for electronic communication of meeting materials.

- (d) Attendance of Non-Directors: The Board believes that attendance of key executive officers, by invitation, augments the meeting process. Management attendees are excused for any agenda items that are reserved for discussion among Directors only.
 - (e) Number of Meetings: The Board has six to eight regularly scheduled meetings a year. In addition, special meetings may be called from time to time as determined by the needs of the business. Directors are expected, where possible, to attend all meetings. Meetings may be conducted with members present, or by telephone or other communications facilities that permit all persons participating in the meeting to hear or communicate with each other.
3. Strategic Planning: The Directors are responsible for the overall vision and long-term direction of the Company, including risk and return expectations and non-financial goals, and Management is expected to respond to the Board's direction. Consequently, at least one meeting is set aside each year for a substantial strategy planning session in which the Board reviews strategic options and risks and discusses strategies developed by Management. Management regularly reports to the Board on the Company's progress in achieving strategic objectives. It is the role of the Board to review, question, validate and approve material changes in the strategies of the Company.
 4. Conflicts of Interest: Directors shall avoid any action, position or interest that conflicts with an interest of the Company, or gives the appearance of a conflict. The Company annually solicits information from Directors in order for the Corporate Governance and Nominating Committee to monitor potential conflicts of interest and to safeguard the independence of Directors. Directors are expected to be mindful of their fiduciary obligations to the Company.
 5. Succession Planning: The Board plans for the succession to the position of CEO. To assist the Board, the CEO annually meets with the Board to discuss potential successors as Chief Executive Officer. The CEO shall also have in place at all times a confidential written procedure for the timely and efficient transfer of his or her responsibilities in the event of his or her sudden incapacitation or departure, including recommendations for longer-term succession arrangements.

The CEO shall also review periodically with the Board of Directors the performance of other key members of the senior Management of the Company, as well as potential succession arrangements for such Management members, including a review of any development plans recommended for such individuals.

The Corporate Governance and Nominating Committee will ensure that there is a succession plan for Directors and the Company's Chair.

6. Director Compensation: The Human Resources and Compensation Committee in accordance with the policies and principles set forth in its mandate will determine the form and amount of Director compensation. The Compensation Committee annually reviews the compensation of Directors in light of the time commitments, comparative fees, risks and responsibilities. The Committee makes recommendations to the Board for consideration when it believes changes in compensation are warranted.
7. Share Ownership by Directors: The Board has determined that ownership of the Company's shares by Directors is a positive step in helping Directors align their interests with those of the shareholders. The Board has recommended share ownership guidelines to its Directors and Officers.
8. Continuing Director Education and Orientation: New Directors are provided with an orientation and education program that includes written information about the duties and obligations of Directors, the business and operations of the Company, documents from recent Board meetings, and opportunities for meetings and discussion with senior Management and other Directors. The details of the orientation of each new Director are tailored to that Director's individual needs and areas of interest. In addition, the Company will financially support continuing education programs directly related to Director performance and in line with the Continuing Education Policy.
9. Assessing Board Performance: The Board, through the Corporate Governance and Nominating Committee, will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Corporate Governance and Nominating Committee shall determine the nature of the evaluation, supervise the conduct of the evaluation, and prepare an assessment of the Board's performance, to be discussed with the full Board. In addition, formal interviews are undertaken annually by the Chair of the Board, based on the results of the self-evaluation. The Board has a written mandate that is reviewed annually.
10. Formal Evaluation of the Chief Executive Officer: The Human Resources and Compensation Committee conducts an annual review of the performance of the Chief Executive Officer as measured against objectives established mutually in the prior year by the Committee and the CEO. The results of this annual review are communicated to the Board's independent Directors who then make an evaluation of the overall performance of the CEO. The Board Chair and the Chair of the Human Resources and Compensation Committee communicate this performance evaluation to the CEO. The evaluation is used in deliberations concerning the CEO's annual compensation.
11. Board's Expectations of Management: The Chief Executive Officer will provide to the Board a detailed job description for the office of CEO that specifically outlines his/her

responsibilities. The job description will be reviewed annually by the Human Resources and Compensation Committee.

The Board believes the quality and completeness of information which Management provides to the Board is critical to the proper functioning of the Board. Directors must have confidence in the data gathering, analysis and reporting functions of Management. The Corporate Governance and Nominating Committee monitors the nature and timeliness of the information requested of and provided by Management to the Board so that the Board is able to determine if the Board can be more effective in identifying problems and opportunities for the Company.

12. Access to Officers and Employees: Board members have complete and open access to the Company's Officers. Board members who wish to have access to other members of Management should coordinate such access through the Company officers. Similarly, officers and employees who wish access to Board members will also coordinate such access through the officers or CEO, with the exception of direct Committee interaction.
13. Shareholder Communication and Interaction with Third Parties: The Board believes that in their accountability to the Company's owners, they should make every effort to help shareholders better understand their policies with respect to governance, and their Management oversight and control responsibilities. Communication with shareholders will be undertaken using print, Company web site and web casts, and Annual General Meetings where questions are encouraged. The Board, or the appropriate committee thereof, reviews the content of the Company's major communications to shareholders and the investing public, including the quarterly and annual reports, and approves the management information circular, the annual information form and any prospectuses that may be issued. The goal of the Board and the Company is to attain continuous and conspicuous disclosure of all significant facts, policies and procedures to all shareholders simultaneously. The Board believes that it is the function of Management to speak for the Company and that the Chair or Lead Director should speak for the Board.

On an annual basis the Corporate Governance and Nominating Committee will review the Company's Corporate Disclosure Policy and evaluate the Company's compliance with the policy.

14. Board Authority: As a functioning body, the Board and each committee have the power to hire independent legal, financial or other advisors, as they may deem necessary, without consulting or obtaining the approval of any Officer of the Company in advance.
15. Limits to Management Authority: The Board, through the Audit Committee, establishes a written policy outlining general authority guidelines that place limits on Management's approval authority depending on the nature and size of the proposed transaction. These limits anticipate that some flexibility exists within approved budgets but otherwise must not be exceeded without prior Board or appropriate committee approval.

16. Principal Risks: The Board is responsible for understanding the principal risks associated with the Company's business on an ongoing basis and it is the responsibility of Management to assure that the Board and its committees are kept well informed of these changing risks on a timely basis. A risk assessment document – Risks Points and Controls -- has been developed for and is reviewed annually by the Audit Committee. The Company employs a Compliance Officer who is responsible for Risk Management Oversight and the processes related to risk assessment and design and testing of disclosure and internal controls in support of CEO/CFO certification. It is important that the Board understands and supports the key risk decisions of Management, which includes comprehending the appropriate balance between risks and rewards.
17. Internal Controls: Fundamental to the discharge of the Board's overall responsibilities is the existence of control systems that can in part ensure the effective discharge of these responsibilities. A balance has to be achieved between controls related to financial or other matters that give the Board reasonable assurances that its responsibilities are discharged and, at the same time, avoiding the creation of an unnecessarily bureaucratic and costly system of control mechanisms. The confidence of the Board in the ability and integrity of Management is the paramount control mechanism.

The Board has delegated to the Audit Committee the responsibility for the oversight of internal control over financial reporting procedures, to determine their effectiveness, and to monitor compliance with the internal control procedures. The Audit Committee requires Management to implement and maintain appropriate systems of internal controls and meets with the Company's external auditors, and with Management, on at least a quarterly basis to oversee the effectiveness of the internal control systems. The Committee will meet at least annually with external auditors, with Management not present.

18. Disclosure Controls and Procedures: Securities regulators require the application of diligence to the disclosure of all material aspects of a company's condition, including non-financial information, on major business activities. Legislation and Regulations in Canada require issuers to have Disclosure Controls and Procedures (DCP) for the preparation and dissemination of all corporate information to the investment community. The Audit Committee has responsibility for the oversight of internal controls over financial reporting procedures, of which DCP are a component. The Corporate Governance and Nominating Committee ensures the DCP are in line with securities regulations.
19. Confidentiality: The Board believes maintaining confidentiality of information and deliberations is imperative. Information learned during the course of service on the Board is to be held confidential and used solely in furtherance of the Company's business.

III. BOARD COMMITTEES

Committees shall be established by the Board from time to time to facilitate and assist in the execution of the Board's responsibilities. Committees may be standing or *ad hoc*. There are currently three standing committees: Audit Committee, Human Resources and Compensation Committee, and Corporate Governance and Nominating Committee.

Rotation of Committee Assignments and Chairs. Committee assignments and the designation of committee chairs should be based on the Director's knowledge, interests and areas of expertise. The Board does not favour mandatory rotation of committee assignments or chairs. The Board believes the benefits of experience and continuity are more important than rotation. Committee members and chairs may be rotated in response to changes in membership of the Board and in all cases should be rotated only if rotation is likely to increase committee performance.

Committee Mandates. Each committee shall have its own mandate. The mandates will set forth the purposes, goals and responsibilities of the committees. The mandates will also provide that each committee will annually evaluate its own performance and review its mandate. In addition the Corporate Governance and Nominating Committee will evaluate adherence by each of the Audit Committee, Human Resources and Compensation Committee and Corporate Governance and Nominating Committee of the Board to their respective mandates.

IV. SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The Company has a responsibility to the communities in which it operates, as well as to its shareholders. To allow appropriate Board review and input, Management shall prepare and present to the Corporate Governance and Nominating Committee an annual review of the policies, practices and contributions made in fulfillment of the Company's social and environmental responsibilities.

V. ANNUAL REVIEW

The Corporate Governance and Nominating Committee will review these corporate governance guidelines, policies and procedures and, if necessary, make recommendations for changes to such guidelines to ensure relevancy and compliance.

VI. DISCLOSURE OF CORPORATE GOVERNANCE GUIDELINES

These corporate governance guidelines will be made available in writing, upon request and will be posted on the Company's web site.