

This document is important and requires your immediate attention. If you are in doubt as to how to respond to the offers described in this document, you should consult your investment dealer, stockbroker, lawyer or other professional advisor. Enquiries concerning the information in this document should be directed to Georgeson, the information agent retained by Afexa Life Sciences Inc., at the telephone number or email address listed on the back page of this Notice of Change.



Afexa Life Sciences Inc.

## **NOTICE OF CHANGE TO THE DIRECTORS' CIRCULAR**

of

**AFEXA LIFE SCIENCES INC.**

Relating to Increased Valeant Offer by

**1625907 ALBERTA LTD.,**

a wholly-owned subsidiary of

**VALEANT PHARMACEUTICALS INTERNATIONAL, INC.**

**The Board of Directors unanimously recommends that Shareholders accept the Increased Valeant Offer and tender their Common Shares to the Increased Valeant Offer.**

The following is also a

## **NOTICE OF CHANGE TO DIRECTORS' CIRCULAR**

of

**AFEXA LIFE SCIENCES INC.**

Relating to the Amended Paladin Offer by

**PALADIN LABS INC.**

**The Board of Directors unanimously recommends that Shareholders reject the Amended Paladin Offer and not tender their Common Shares to the Amended Paladin Offer. The Board of Directors advises that Shareholders who have already tendered any of their Common Shares to the Amended Paladin Offer should withdraw them immediately.**

Information contained in this Notice of Change varies and updates certain information contained in the directors' circular dated August 22, 2011 issued by the Board of Directors of Afexa Life Sciences Inc. with respect to the original offer made by Paladin Labs Inc. dated August 10, 2011 and should be read in conjunction therewith. This Notice of Change also varies and updates certain information contained in the directors' circular dated September 6, 2011 issued by the Board of Directors of Afexa Life Sciences Inc. with respect to the original offer made by 1625907 Alberta Ltd. dated September 6, 2011 and should be read in conjunction therewith.

### **Notice to United States Shareholders:**

*The Amended Paladin Offer and the Increased Valeant Offer to which this Notice of Change relates is made for the securities of a Canadian issuer. The enforcement by investors of civil liabilities under the United States federal securities law may be affected adversely by the fact that the issuer is located in a foreign country and that its officers and directors are residents of a foreign country.*

**October 3, 2011**



## QUESTIONS AND ANSWERS ABOUT THE INCREASED VALEANT OFFER

### What is the Offeror offering?

The Offeror, a wholly-owned subsidiary of Valeant, has offered to acquire all of the Common Shares of Afexa for \$0.85 per Common Share. The Increased Valeant Offer is open for acceptance by Shareholders until 5:00 p.m. (Edmonton time) (the “**Expiry Time**”) on October 17, 2011 (the “**Expiry Date**”). Full details concerning the conditions to the Increased Valeant Offer are set out in the Valeant Circular (including in the Valeant Notice included in the same package as this Notice of Change).

### Should I accept or reject the Increased Valeant Offer?

Your Board of Directors unanimously recommends that Shareholders accept the Increased Valeant Offer and tender their Common Shares.

### Why should I accept the Increased Valeant Offer?

The Board of Directors has unanimously accepted the Increased Valeant Offer for the following reasons:

1. *The Increased Valeant Offer of \$0.85 per Common Share represents a 19.7% premium to the Valeant Offer of \$0.71 per Common Share and, before Paladin’s announcement that it will not be taking up any Common Shares under the Amended Paladin Offer, a 4.9% premium to the \$0.81 cash consideration offered under the Amended Paladin Offer and a 5.6% premium to the Paladin share consideration offered under the Amended Paladin Offer based on the September 30, 2011 closing price of the Paladin shares.*
2. *Scotia Capital Inc. has delivered a written opinion stating that the consideration offered for the Common Shares under the Increased Valeant Offer is fair, from a financial point of view, to Shareholders.*

A summary of the reasons for the unanimous recommendation of the Board of Directors is included on page 3 of this Notice of Change to the Directors’ Circulars.

### How do I accept the Increased Valeant Offer?

The Offeror has indicated that if you are a registered Shareholder, you can accept the Increased Valeant Offer by, among other things, delivering to the Offeror’s depository, Computershare Investor Services Inc., before the Expiry Date of the Increased Valeant Offer: (a) the certificate(s) representing your Common Shares; (b) a letter of transmittal (printed on yellow paper) accompanying the Valeant Circular (or a manually signed photocopy thereof) properly completed and executed in accordance with the instructions set out in the letter of transmittal accompanying the Valeant Circular; and (c) all other documents required by the instructions set out in the letter of transmittal accompanying the Valeant Circular. In addition, the Offeror has indicated that if you cannot deliver all of the necessary documents to the Offeror’s depository in time, you may be able to complete and deliver to the Offeror’s depository the notice of guaranteed delivery (printed on pink paper) accompanying the Valeant Circular (or a manually signed photocopy thereof), provided you are able to comply fully with its terms. See the Valeant Notice for additional instructions on accepting the Increased Valeant Offer.

If your Common Shares are held with an investment dealer, stockbroker, bank, trust company, intermediary or other nominee, please contact such investment dealer, stockbroker, bank, trust company, intermediary or other nominee to instruct them to tender your Common Shares to the Increased Valeant Offer.

### What is the status of the Amended Paladin Offer?

On October 3, 2011, Paladin announced that it will not take up and pay for any Common Shares under the Amended Paladin Offer due to a condition of the Amended Paladin Offer not being met. Therefore, when the Amended

Paladin Offer expires on October 7, 2011 at 8:00 p.m. (Toronto time), any Common Shares that have been tendered to the Amended Paladin Offer will not be taken up by Paladin.

**Can I withdraw my Common Shares if I have already tendered to the Amended Paladin Offer?**

**YES.** According to the Paladin Circular, you can withdraw your Common Shares:

- (a) at any time before your Common Shares have been taken up by Paladin (which Paladin has announced will not occur under the Amended Paladin Offer);
- (b) if your Common Shares have not been paid for by Paladin within three business days after having been taken up by Paladin; or
- (c) up until the tenth day following the day Paladin files a notice announcing that it has changed or varied the Amended Paladin Offer unless, among other things, prior to filing such notice Paladin has taken up your Common Shares or the change in the Amended Paladin Offer consists solely of an increase in the consideration offered and the Amended Paladin Offer is not extended for more than ten days.

**How do I withdraw my Common Shares from the Amended Paladin Offer?**

We recommend you contact your broker or Georgeson, the information agent retained by Afexa, at the telephone number or the email address listed at the end of this Q&A for information on how to withdraw your Common Shares from the Amended Paladin Offer.

**Who do I ask if I have more questions?**

Your Board of Directors recommends that you read the information contained in this Notice of Change. Please contact Georgeson, the information agent retained by Afexa, with any questions or requests for assistance that you might have.



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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Notice of Change to the directors' circulars ("**Notice of Change**") should be read together with the directors' circular dated August 22, 2011 (the "**Paladin Offer Directors' Circular**") recommending that Afexa Shareholders REJECT the Paladin Offer and the directors' circular dated September 6, 2011 (the "**Valeant Offer Directors' Circular**") recommending that Afexa Shareholders ACCEPT the Valeant Offer.

Certain statements in this Notice of Change may constitute forward looking information within the meaning of securities laws. These statements can be identified by expressions of belief, expectation or intention, as well as those statements that are not historical fact. In some cases, forward looking information can be identified by the use of terms such as "may", "will", "should", "project", "expect", "believe", "plan", "scheduled", "intend", "estimate", "forecast", "predict", "potential", "continue", "anticipate" or other similar expressions concerning matters that are not historical facts. Forward looking information may relate to management's future outlook and anticipated events or results, and may include statements or information regarding the future plans or prospects of Afexa.

Forward-looking statements contained in this Notice of Change are based on a number of assumptions that may prove to be incorrect, including, but not limited to actions taken by the Offeror or Valeant; actions taken by Paladin; actions taken by Shareholders in respect of the Increased Valeant Offer or the Amended Paladin Offer; the possible effect of the Increased Valeant Offer or the Amended Paladin Offer on Afexa's business; expectations related to future sales of commercialized products, the timing, duration and results of clinical trials, the timing and results of regulatory reviews, the safety and efficacy of Afexa's product candidates and the indications for which Afexa's product candidates might be developed; competitive conditions in the life sciences and technology industry; general economic conditions; and changes in laws, rules and regulations applicable to Afexa.

In addition to being subject to a number of assumptions, forward-looking statements in this Notice of Change involve known and unknown risks, uncertainties and other factors that may cause actual results and developments to be materially different from those expressed or implied by such forward-looking statements, including the risks identified in the filings by Afexa with the Canadian provincial securities regulatory authorities, including Afexa's annual information form for the fiscal year ended March 31, 2011.

The Board of Directors believes that the expectations reflected in the forward-looking statements contained in this Notice of Change are reasonable as at the date hereof, but no assurance can be given that these expectations will prove to be correct. In addition, although Afexa and the Board of Directors have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Accordingly, you should not place undue reliance on any forward-looking statements contained in this Notice of Change.

## REFERENCES TO CURRENCY

All references to dollar amounts contained herein are to Canadian dollars, unless otherwise indicated.

## INFORMATION REGARDING PALADIN, THE OFFEROR AND VALEANT

Certain information herein relating to Valeant, the Offeror, the Increased Valeant Offer, Paladin and the Amended Paladin Offer have been derived from the Valeant Circular, the Paladin Circular and other public sources. Neither the Board of Directors nor Afexa assumes any responsibility for the accuracy or completeness of such information or for any failure by Valeant, the Offeror or Paladin to disclose events that may have occurred or that may affect the significance or accuracy of any such information.

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## NOTICE OF CHANGE TO THE DIRECTORS' CIRCULARS

Capitalized words and terms in this Notice of Change have the same meanings as set forth in the Glossary attached as Schedule A to this Notice of Change and elsewhere in this Notice of Change. The information contained in this Notice of Change is given as of October 3, 2011, except as otherwise indicated.

### *Increased Valeant Offer*

This Notice of Change is issued by the board of directors (the “**Board of Directors**” or the “**Board**”) of Afexa Life Sciences Inc. (“**Afexa**”) in connection with the directors’ circular dated September 6, 2011 and the offer (the “**Valeant Offer**”) by 1625907 Alberta Ltd. (the “**Offeror**”), a wholly-owned subsidiary of Valeant Pharmaceuticals International, Inc. (“**Valeant**”), to purchase all of the outstanding common shares of Afexa (the “**Common Shares**”), including Common Shares that may become issued and outstanding upon the exercise, exchange or conversion of any securities that are exercisable or exchangeable for or convertible into Common Shares, together with the associated rights outstanding under the Shareholder Rights Plans, for \$0.71 in cash per Common Share, upon the terms and subject to the conditions set forth in the Valeant Offer as described in the accompanying take-over bid circular dated September 6, 2011, as amended and supplemented by the notice of variation dated October 3, 2011 (the “**Valeant Notice**”) (as amended and supplemented, the “**Valeant Circular**”) (the “**Increased Valeant Offer**”). The value of the original Valeant Offer was approximately \$75.8 million and the value of the Increased Valeant Offer is approximately \$91.4 million.

The Valeant Offer was made pursuant to the terms and conditions of an acquisition support agreement dated August 30, 2011 between Afexa, the Offeror and Valeant (the “**Acquisition Support Agreement**”).

On September 30, 2011, each of Afexa and Valeant issued a press release announcing that the previous offer of \$0.71 per Common Share has been increased to \$0.85 per Common Share and that certain changes had been made to the Acquisition Support Agreement, as described below. No other changes were made to the original Valeant Offer. Afexa also announced that it was advising Shareholders to tender their Common Shares to the Increased Valeant Offer and not to tender their Common Shares to the Amended Paladin Offer.

In connection with the Increased Valeant Offer, the Offeror, Valeant and Afexa have amended the Acquisition Support Agreement to: (i) increase the break fee payable in the circumstances provided for in the Support Agreement proportionately to the increase in the aggregate purchase price being offered by Valeant, representing a total break fee of \$4.5 million; (ii) remove the minimum tender condition such that the Offeror will take-up and pay for any and all Common Shares tendered to the Offer if the other conditions of the Offer are satisfied or waived by the Offeror; and (iii) agree that Afexa will use commercially reasonable efforts to assist the Offeror in obtaining lock-up agreements from certain shareholders on substantially the same terms as the existing Lock-Up Agreements.

The Amendment Agreement also contains certain additional consequential changes to the Acquisition Support Agreement described below under “Amendments to the Acquisition Support Agreement”.

### *Amended Paladin Offer*

This Notice of Change also relates to the directors’ circular dated August 22, 2011 and to the unsolicited offer dated August 10, 2011 (the “**Paladin Offer**”) made by Paladin Labs Inc. (“**Paladin**”) to acquire any and all of the outstanding Common Shares of Afexa and any associated rights issued under the Existing Shareholder Rights Plan, other than Common Shares already owned by Paladin and its affiliates, for either \$0.55 in cash for each Common Share or 0.013 common shares of Paladin for each Common Share, and further upon the terms and subject to the conditions set forth in the offer of Paladin to purchase and accompanying take-over circular dated August 10, 2011, as amended by the notice of extension dated September 14, 2011 (the “**First Paladin Notice**”), and as further amended and supplemented by the notice of variation and extension dated September 26, 2011 (the “**Second Paladin Notice**”) (as amended and supplemented, the “**Paladin Circular**”) (the “**Amended Paladin Offer**”).

On September 14, 2011, Paladin amended their offer through the First Paladin Notice by extending the period for the acceptance of the Paladin Offer to 8:00 p.m. (Toronto time) on September 28, 2011. On September 26, 2011, Paladin amended their offer through the Second Paladin Notice by: (i) extending the period for acceptance of the Paladin Offer to 8:00 p.m. (Toronto time) on October 7, 2011; (ii) increasing the original Paladin Offer of \$0.55 per Common Share or 0.013 common shares of Paladin for each Common Share to \$0.81 per Common Share or 0.0217 in common shares of Paladin for each Common Share; and (iii) adding a condition to the Paladin Offer that no increase shall have been made to the “Termination Fee” as such term is defined in the Acquisition Support Agreement and, in Paladin’s reasonable determination, Valeant shall not benefit from any additional “break” or termination fees under any similar agreement or arrangement with Afexa. This condition, like any of Paladin’s conditions to the Amended Paladin Offer, can be waived by Paladin.

On October 3, 2011, Paladin announced that it will not take up any Common Shares under the Amended Paladin Offer due to the non-fulfilment of one of the conditions to the Amended Paladin Offer, namely that no increase shall have been made to the break fee, as described above. Therefore, Paladin will not take up any Common Shares when the Amended Paladin Offer expires on October 7, 2011.

## RECENT DEVELOPMENTS

### *Other Developments*

On September 9, 2011, Afexa issued a press release announcing the appointment of William B. White as Interim Chief Executive Officer, effective October 1, 2011, when the contract of Jack Moffatt, the current President and Chief Executive Officer, expires on September 30, 2011. On September 30, 2011, Afexa also announced that Jack Moffatt was resigning as a member of the Board of Directors effective October 1, 2011.

On September 22, 2011, Radiant Investment Management Ltd. (“**Radiant**”) announced that it had acquired, on behalf of certain funds managed by Radiant, 524,500 Common Shares. Immediately after that acquisition, Radiant owned, or exercised control or direction over, an aggregate of 5,600,000 Common Shares, representing approximately 5.43% of the issued and outstanding Common Shares.

### *Recent Developments Concerning the Acquisition Support Agreement and Valeant Offer*

On August 30, 2011, Afexa entered into the Acquisition Support Agreement pursuant to which it agreed to support the offer by the Offeror to acquire all of the Common Shares for \$0.71 per Common Share. Each of the directors and officers of Afexa on August 30, 2011 and their associates and affiliates holding Common Shares and options to purchase Common Shares (“**Options**”) entered into lock-up agreements with the Offeror pursuant to which they agreed to tender all of their Common Shares to the Valeant Offer. The Acquisition Support Agreement and Lock-Up Agreements were filed with the Canadian securities regulatory authorities and are available at [www.sedar.com](http://www.sedar.com). Afexa’s material change report which describes the proposed transaction with the Offeror has been filed with the Canadian securities regulatory authorities and is available at [www.sedar.com](http://www.sedar.com).

On September 9, 2011, the Offeror mailed a take-over bid circular to Shareholders and holders of Options (“**Optionholders**”) in connection with the Valeant Offer. The Valeant Offer Directors’ Circular was mailed to Shareholders and Optionholders with the take-over bid circular.

On September 19, 2011, the Alberta Securities Commission (the “**ASC**”) heard an application by Valeant and the Offeror under which they sought standing as parties to the ASC hearing on the Shareholder Rights Plans, referred to below in “Recent Developments – Recent Developments Concerning the Paladin Offer”. Also on September 19, 2011, the ASC issued an order designating Valeant and the Offeror as parties to the hearing.

On September 26, 2011, Valeant announced that it intended to increase the Valeant Offer to \$0.85 per Common Share, subject to Afexa’s agreement to certain amendments to the Acquisition Support Agreement. On September 28, 2011, Afexa announced that due to the announcement by Valeant, it recommended that Shareholders take no action to tender their Common Shares to the Amended Paladin Offer.

On September 30, 2011, Valeant announced the execution of the Amendment Agreement and the Increased Valeant Offer and Afexa additionally announced that the Board of Directors was unanimously recommending that Shareholders tender their Common Shares to the Increased Valeant Offer and not tender their Common Shares to the Amended Paladin Offer.

#### *Recent Developments Concerning the Paladin Offer*

On September 14, 2011, Paladin announced that it had extended the expiry date of the Paladin Offer to 8:00 p.m. (Toronto time) on September 28, 2011, and filed and mailed the First Paladin Notice to Shareholders to that effect.

On September 23, 2011, the ASC heard an application by Paladin for an order to cease trade, and in effect, invalidate Afexa's Shareholder Rights Plans. Afexa as well as Valeant and the Offeror made submissions to the ASC opposing the application. On September 26, 2011, the ASC issued an order that the Shareholder Rights Plans and the rights issued thereunder be cease traded effective 12:01 a.m. (Calgary time) September 30, 2011.

On September 25, 2011, Paladin announced that subject to Afexa's two shareholder rights plans being cease traded by the ASC, it intended to increase the Paladin Offer to \$0.81 per Common Share or 0.0217 of a Paladin share for each Common Share. On September 26, 2011, Paladin announced the Amended Paladin Offer, and filed and mailed a notice of variation and extension to Shareholders in respect of the terms of the Amended Paladin Offer and the extension of the Amended Paladin Offer to 8:00 p.m. (Toronto time) on October 7, 2011.

On October 3, 2011, as described above under "Notice of Change to the Directors' Circulars – Amended Paladin Offer", Paladin announced that it will not take up any Common Shares under the Amended Paladin Offer when it expires October 7, 2011.

### **BOARD OF DIRECTORS' RECOMMENDATION**

**THE BOARD OF DIRECTORS OF AFEXA UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS ACCEPT THE INCREASED VALEANT OFFER AND TENDER THEIR COMMON SHARES TO THE INCREASED VALEANT OFFER.**

**Shareholders who have tendered Common Shares to the Amended Paladin Offer and who wish to obtain advice or assistance in withdrawing their Common Shares are urged to contact their broker or Georgeson at the telephone number or email address listed on the back page of this Notice of Change.**

### **ANALYSIS AND REASONS FOR ACCEPTING THE INCREASED VALEANT OFFER**

After careful consideration, in consultation with its financial and legal advisors, of the terms and conditions of the Increased Valeant Offer, the Board of Directors recommends that Shareholders ACCEPT the Increased Valeant Offer and TENDER their Common Shares to the Increased Valeant Offer and NOT TENDER their Common Shares to the Amended Paladin Offer. This recommendation of the Board to Afexa Shareholders is based on the reasons provided in the Paladin Offer Directors' Circular and the Valeant Offer Directors' Circular and on the following additional reasons:

1. *The Increased Valeant Offer of \$0.85 per Common Share represents a 19.7% premium to the Valeant Offer of \$0.71 per Common Share and, before Paladin's announcement that it will not be taking up any Common Shares under the Amended Paladin Offer, a 4.9% premium to the \$0.81 cash consideration offered under the Amended Paladin Offer and a 5.6% premium to the Paladin share consideration offered under the Amended Paladin Offer based on the September 30, 2011 closing price of the Paladin shares.*

The initial Paladin Offer implied a \$58.2 million value for Afexa, which was increased by the initial Valeant Offer to \$75.8 million, by the Amended Paladin Offer to \$86.9 million and by the Increased Valeant Offer to \$91.4 million.

2. *Scotia Capital Inc. has delivered a written opinion stating that the consideration offered for the Common Shares under the Increased Valeant Offer is fair, from a financial point of view, to Shareholders.*

A copy of the written opinion is attached as Schedule B.

The Special Committee and the Board of Directors carefully considered the outcome of the go-shop process, and the likelihood of any offers emerging from other bidders exceeding the value of the Increased Valeant Offer and the Board of Directors has unanimously determined, upon the recommendation of the Special Committee, and after consultation with their financial and legal advisors, that the consideration to be offered for Common Shares pursuant to the Increased Valeant Offer is fair to all Shareholders, that it would be in the best interests of Afexa to support and facilitate the Increased Valeant Offer and recommend that Shareholders tender their Common Shares to the Increased Valeant Offer.

In determining that Shareholders should accept the Increased Valeant Offer and tender their Common Shares to the Increased Valeant Offer and that Afexa should enter into the Amendment Agreement, the Board of Directors considered Paladin's condition in the Amended Paladin Offer that the break fee among Valeant, the Offeror and Afexa not be increased. The condition, like all of the conditions to the Amended Paladin Offer, is waivable by Paladin. The Board of Directors considered the best interests of the Shareholders as a whole and determined that the increase to the break fee required by Valeant and the Offeror was necessary to achieve a higher price per Common Share for the Shareholders and determined that it was in the best interests of Afexa to enter into the Amendment Agreement. Further, the Board of Directors determined that the increase to the break fee, proportionate to the increase in the aggregate purchase price being offered by Valeant was both reasonable and appropriate in the circumstances.

The Board also considered the removal of the minimum tender condition Valeant and the Offeror required to make the Increased Valeant Offer and determined that (i) as the removal of the minimum tender condition would put Valeant and the Offeror on the same terms as Paladin, which did not have a minimum tender condition to its offer; and (ii) as the removal was a necessary term in order to have Valeant and the Offeror make the Increased Valeant Offer, the removal of the minimum tender condition was in the best interests of Afexa and of Shareholders as a whole.

Detailed reasons for the Board of Directors' prior recommendation of the offer by Valeant can be found in the Valeant Offer Directors' Circular.

The foregoing summary of the information and factors considered by the Board in reaching its conclusion and recommendation is not intended to be exhaustive. The members of the Board evaluated the various factors summarized above in light of their own knowledge of the business, financial condition and prospects of Afexa, and based upon the advice of the Board's financial and legal advisors. In view of the numerous factors and developments considered in connection with its evaluation of the Increased Valeant Offer and the Amended Paladin Offer, the Board of Directors did not find it practicable to, and did not quantify or otherwise attempt to assign relative weight to specific factors in reaching its conclusion and recommendation. In addition, individual members of the Board of Directors may have given different weight to different factors. The conclusion and recommendation of the Board of Directors was made after careful consideration, evaluation and deliberation of all of the information and factors involved.

#### **AMENDMENTS TO THE ACQUISITION SUPPORT AGREEMENT**

In addition to the amendments to the Acquisition Support Agreement described above under "Notice of Change to the Directors' Circular – Increased Valeant Offer", the Amendment Agreement also contains certain additional consequential amendments which are described below. Defined terms used herein under "Acquisition Support Agreement" have the meanings ascribed thereto under the Acquisition Support Agreement, as amended by the Amendment Agreement.

In respect of Board of Directors representation after the Effective Time, the Amendment Agreement provides that once the Offeror has taken-up and paid for such number of Common Shares equal to or in excess of

50.01% of the outstanding Common Shares on a fully-diluted basis (instead of 66 2/3% in the original Acquisition Support Agreement) and from time to time thereafter, the Offeror shall be entitled to designate a number of directors of the Board of Directors, and any members of committees thereof, determined on a pro rata basis based on the proportion of the Common Shares on a fully-diluted basis then held or controlled by the Offeror, such number of directors or members of committees rounded up to the nearest whole number, and Afexa will not frustrate the attempts of the Offeror to do so and covenants to co-operate with the Offeror, subject to applicable Law and stock exchange requirements, to enable the designees of the Offeror to be elected or appointed to the Board of Directors, and any committees thereof and to constitute the applicable percentage of directors or members of committees, including, without limitation, at the request of the Offeror, by using its reasonable commercial efforts to increase the size of the Board of Directors and reasonable commercial efforts to secure the resignations of existing directors.

In respect of the circumstances under which the break fee is payable, the Amendment Agreement amends the last circumstance under which the break fee is payable (as described in the Valeant Offer Directors' Circular in paragraph (c) under "Arrangements Relating to the Valeant Offer – Acquisition Support Agreement – Termination Fees") to provide that if prior to the Expiry Time, an Acquisition Proposal is publicly announced or any Person has publicly announced an intention to make an Acquisition Proposal, and such Acquisition Proposal has not expired, been withdrawn or been publicly abandoned, and (A) the Offeror has not taken up and paid for under the Increased Valeant Offer at least 50.01% of the outstanding Common Shares on a fully-diluted basis, and (B) an Acquisition Proposal is or shall have been consummated no later than nine months following the Expiry Time, in which case the Termination Fee shall be paid to the Offeror concurrently with the consummation of such Acquisition Proposal. However, for the purposes of the above clause (B), the definition of "Acquisition Proposal" shall have the meaning assigned to such term in Section 1.1 of the Acquisition Support Agreement, except that:

- references to "20% or more of any voting or equity securities of Afexa" in subparagraph (a) of the definition of "Acquisition Proposal" shall be replaced by: "a percentage of outstanding securities of any class of voting or equity securities of Afexa which is equal to or greater than the percentage of outstanding securities of any class of voting or equity securities of Afexa taken up and paid for by the Offeror pursuant to the [Increased Valeant] Offer"; and
- any take-over bid, tender offer or exchange offer for any class of voting or equity securities of Afexa referenced in subparagraph (b) of the definition of "Acquisition Proposal" shall only be deemed to be consummated for the purposes of the above clause (B) where the person making such take-over bid, tender offer or exchange offer, together with any persons acting jointly or in concert, acquires a percentage of outstanding securities of any class of voting or equity securities of Afexa under the take-over bid, tender offer or exchange offer which, together with other voting or equity securities beneficially owned by such person or any persons acting jointly or in concert, is equal to or greater than the percentage of outstanding securities of any class of voting or equity securities of Afexa taken up and paid for by the Offeror pursuant to the Increased Valeant Offer.

The Amendment Agreement amends the definition of "Effective Time" from the time that the Offeror first takes up Common Shares validly deposited under the Valeant Offer in accordance with the Acquisition Support Agreement to the time that the Offeror shall have taken up and paid for, pursuant to the Valeant Offer, such number of Common Shares equal to 50.01% of the outstanding Common Shares on a fully-diluted basis.

#### **OPINION OF FINANCIAL ADVISOR**

On September 29, 2011, Scotia Capital delivered an oral fairness opinion (subsequently confirmed in writing) to the Board of Directors, concluding that, on the basis of the assumptions, limitations and qualifications set forth in the opinion delivered by Scotia Capital, as of that date, the consideration offered for the Common Shares pursuant to the Increased Valeant Offer was fair, from a financial point of view, to Shareholders other than Valeant.

The full text of the written opinion of Scotia Capital is attached as Schedule B to this Directors' Circular. You are urged to read the opinion carefully and in its entirety for a description of the procedures followed, matters considered and limitations on the review undertaken. The opinion addresses only the adequacy of the consideration offered pursuant to the Increased Valeant Offer to Shareholders, from a financial point of view. The descriptions

and opinions do not constitute a recommendation to Shareholders as to whether they should tender their Common Shares.

### **INTENTION OF DIRECTORS AND OFFICERS WITH RESPECT TO THE OFFERS**

Pursuant to the Lock-Up Agreements, each director and officer of Afexa and each of their associates and affiliates who own Common Shares or Options has agreed to accept the Valeant Offer and tender their respective Common Shares to the Valeant Offer.

### **NO MATERIAL CHANGE**

Except as otherwise described or referred to in this Notice of Change, or otherwise publicly disclosed, the directors or senior officers of Afexa are not aware of any information that indicates any material change in the affairs of Afexa since August 19, 2011, the date of the last publicized interim financial report of Afexa.

### **ARRANGEMENTS BETWEEN AFEXA AND ITS DIRECTORS AND OFFICERS**

Other than as described in the Valeant Offer Directors' Circular, the Paladin Offer Directors' Circular, no agreement, commitment or understanding has been made, or is proposed to be made, between Afexa and any of its directors or officers pursuant to which a payment or other benefit is to be made or given by way of compensation for loss of office or as to their remaining in or retiring from office if the Increased Valeant Offer or the Amended Paladin Offer is successful.

### **OTHER TRANSACTIONS**

Except as set forth in this Notice of Change, there are no transactions, Board of Directors' resolutions, signed agreements in principle or signed contracts that relate to or would result in: (a) an extraordinary transaction such as a merger, reorganization or liquidation involving Afexa or any of its subsidiaries; (b) the purchase, sale, license or transfer of a material amount of assets of Afexa or any of its subsidiaries; (c) an issuer bid, other tender offer for or other acquisition of Common Shares by Afexa, any of its subsidiaries or any other person; or (d) any material change in the present capitalization or indebtedness of Afexa.

Notwithstanding the foregoing, the Amended Acquisition Support Agreement allows the Board of Directors, in certain limited circumstances, to respond to unsolicited Superior Proposals (as defined in the Amended Acquisition Support Agreement and as described in the Valeant Offer Directors' Circular). Subject to the terms of the Amended Acquisition Support Agreement, Afexa does not intend to disclose the possible terms of any such Superior Proposal until an agreement relating thereto has been reached or as otherwise may be required by law.

### **SHAREHOLDER RIGHTS PLANS**

On September 23, 2011, the ASC held a hearing to consider an application by Paladin for an order to cease trade and, in effect, invalidate the Shareholder Rights Plans. On September 26, 2011, the ASC issued an order that the Shareholder Rights Plans be cease traded effective 12:01 a.m. (Calgary time) September 30, 2011.

### **OWNERSHIP OF SECURITIES OF AFEXA**

The following table sets forth the names and positions of each director and officer of Afexa and the number and percentage of Common Shares, options, restricted share units ("RSUs") and deferred share units ("DSUs") of Afexa beneficially owned, or over which control or direction is exercised by each such person and, where known after reasonable enquiry, by each associate and affiliate of any insider of Afexa, each associate and affiliate of Afexa, any insider of Afexa other than a director or officer of Afexa and each person acting jointly or in concert with Afexa as of October 3, 2011.

<b>Name and Position</b>	<b>Number and Percentage of Common Shares Beneficially Owned or Controlled<sup>(2)</sup></b>	<b>Number and Percentage of Options to Acquire Common Shares<sup>(3)</sup></b>	<b>Number and Percentage of RSUs<sup>(4)</sup></b>	<b>Number and Percentage of DSUs<sup>(5)</sup></b>
Maurice (Ted) Bilyea Director	49,000 0.05%	--	--	180,379 25.51%
Robert Church Director	138,245 <sup>(6)</sup> 0.13%	--	--	59,074 8.36%
Allan Cleiren Chief Financial Office and Senior Vice President Operations	72,323 <sup>(7)</sup> 0.07%	720,000 10.86%	--	--
Douglas Gilpin Director	--	--	--	129,223 18.28%
Annalisa King Director	6,000 <sup>(8)</sup> 0.006%	--	--	2,841 0.40%
Lei Ling Vice President, Product Development	133,095 0.13%	105,000 1.58%	--	--
G. Warren Michaels Vice President, Communications	70,146 0.07%	105,000 1.58%	150,000 9.77%	--
Michael Obert Chief Legal Officer and Senior Vice President Corporate Development	26,410 0.03%	680,000 10.26%	--	--
Tracey Ramsay Chief Marketing Officer and Senior Vice President Sales	--	640,000 9.65%	--	--
John Rogers Director	100,000 0.10%	--	--	146,311 20.69%
Jacqueline Shan Chief Scientific Officer	6,123,324 <sup>(9)</sup> 5.93%	424,664 6.41%	424,664 27.66%	--
Sharla Sutherland Vice President, Scientific & Regulatory Affairs	13,489 0.01%	130,000 1.96%	--	--
David Weyant Director	130,000 0.13%	--	--	155,182 22.95%
William White Chairman of the Board and Interim Chief Executive Officer	--	--	--	33,996 4.81%
Paladin Labs Inc.	15,421,300 14.95%	--	--	--

- (1) The information as to securities beneficially owned, directly or indirectly, or over which control or direction is exercised, not being within the knowledge of Afexa, has been furnished by the respective directors and officers.
- (2) As of October 3, 2011, there were 103,210,926 Common Shares outstanding.

- (3) As of October 3, 2011, there were options to acquire up to 6,629,664 Common Shares outstanding.
- (4) As of October 3, 2011, there were 1,535,439 RSUs outstanding.
- (5) As of October 3, 2011, there were 707,005 DSUs outstanding.
- (6) Includes 10,245 Common Shares held by Gina Church, the spouse of Robert Church.
- (7) Includes 11,000 Common Shares held by Nancy Cleiren, the spouse of Allan Cleiren.
- (8) Includes 6,000 Common Shares held by Tim King, the spouse of Annalisa King.
- (9) Includes 134,099 Common Shares held by the RRSP of Yuejiun Eugene Yang, the spouse of Jacqueline Shan.

### **TRADING IN SECURITIES OF AFEAX**

Except as set out in Schedule C hereto, during the six months preceding the date hereof, no director or officer of Afexa and, to the knowledge of the directors and officers of Afexa after reasonable enquiry, other than Paladin, no insider of Afexa, no associate or affiliate of any director, officer or other insider of Afexa and no associate or affiliate or any person or company acting jointly or in concert with Afexa has traded any securities or rights to acquire securities of Afexa.

### **OTHER INFORMATION**

Except as disclosed in this Notice of Change, there is no information that is known to the Board of Directors that would reasonably be expected to affect the decision of Afexa Shareholders to accept or reject the Increased Valeant Offer or the Amended Paladin Offer.

### **STATUTORY RIGHTS**

Securities legislation in certain of the provinces and territories of Canada provides security holders of Afexa with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, if there is a misrepresentation in a circular or notice that is required to be delivered to those security holders. However, such rights must be exercised within prescribed time limits. Security holders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult a lawyer.

### **APPROVAL OF NOTICE OF CHANGE**

The content of this Notice of Change has been approved and the delivery thereof has been authorized by the Board.

**CONSENT OF SCOTIA CAPITAL INC.**

We hereby consent to the references to the opinion dated September 30, 2011 of our firm in the cover letter to the notice of change to the directors' circulars of Afexa Life Sciences Inc. dated October 3, 2011 (the "Notice of Change"), to references to the foregoing opinion in the Notice of Change under the captions "Questions and Answers About the Increased Valeant Offer", "Analysis and Reasons for Accepting the Increased Valeant Offer" and "Opinion of Financial Advisor" and to the inclusion of the foregoing opinion in the Notice of Change.

Dated the 3<sup>rd</sup> day of October, 2011.

**SCOTIA CAPITAL INC.**

By:

*Scotia Capital Inc.*

**CERTIFICATE**

DATED: October 3, 2011

The foregoing, together with the directors' circular dated August 22, 2011 recommending Shareholders REJECT the Amended Paladin Offer and the directors' circular dated September 6, 2011 recommending Shareholders ACCEPT the Increased Valeant Offer contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

On behalf of the Board of Directors



**William B. White**

**Chair of the Board and Interim Chief Executive  
Officer**



**John A. Rogers**

**Chair of the Special Committee**

## SCHEDULE A

### GLOSSARY

*Unless the context otherwise requires or where otherwise provided, the following words and terms shall have the meanings set forth below when used in this Notice of Change.*

“ABCA” means the *Business Corporations Act* (Alberta).

“Offeror” means 1625907 Alberta Ltd., a corporation existing under the ABCA.

“Acquisition Support Agreement” means the acquisition support agreement dated August 30, 2011 among Afexa, the Offeror and Valeant.

“Afexa” means Afexa Life Sciences Inc., a corporation existing under the ABCA.

“affiliate” has the meaning ascribed thereto in the *Securities Act* (Alberta).

“Amended Acquisition Support Agreement” means the Acquisition Support Agreement as amended by the Amendment Agreement.

“Amended Paladin Offer” means the Paladin Offer, as amended and supplemented by the First Paladin Notice and the Second Paladin Notice.

“Amendment Agreement” means the amendment to the acquisition support agreement dated September 30, 2011 among Afexa, the Offeror and Valeant.

“ASC” means the Alberta Securities Commission.

“associate” has the meaning ascribed thereto in the *Securities Act* (Alberta).

“Board” or “Board of Directors” means the board of directors of Afexa.

“CBCA” means the *Canada Business Corporations Act*.

“Common Shares” means the common shares of Afexa.

“directors” means the members of the Board of Directors being, as of the date of this Notice of Change, William White, Maurice (Ted) Bilyea, Robert Church, Douglas Gilpin, Annalisa King, John Rogers and David Weyant.

“Existing Shareholder Rights Plan” means the shareholder rights plan adopted by the Board of Directors on January 25, 2010.

“First Paladin Notice” means the Notice of Extension dated September 14, 2011 of Paladin.

“Georgeson” means Georgeson Shareholder Communications Canada Inc., the information agent retained by Afexa.

“Increased Valeant Offer” means the Valeant Offer, as amended and supplemented by the Valeant Notice.

“Lock-Up Agreement” means each of the lock-up agreements dated August 30, 2011 between the Offeror and all of the directors and officers of Afexa at such date who own Common Shares or Options and their respective associates and affiliates and “Lock-Up Agreements” means all such agreements, collectively.

“New Shareholder Rights Plan” means the shareholder rights plan adopted by the Board of Directors on August 12, 2011.

“officer” has the meaning ascribed thereto in the *Securities Act* (Alberta).

“Paladin” means Paladin Labs Inc., a corporation existing under the CBCA.

“Paladin Circular” means the offer to purchase and accompanying take-over bid circular dated August 10, 2011 of Paladin relating to the Paladin Offer as amended and supplemented by the First Paladin Notice and the Second Paladin Notice.

“Paladin Offer Directors’ Circular” means the directors’ circular of Afexa dated August 22, 2011 relating to the Board of Directors’ recommendation to reject the Paladin Offer.

“Paladin Offer” means the original offer made by Paladin to acquire all of the outstanding Common Shares and any associated rights issued under the Existing Shareholder Rights Plan, other than Common Shares already owned by Paladin and its affiliates, for either \$0.55 in cash for each Common Share or 0.013 common shares of Paladin for each Common Share.

“Scotia Capital” means Scotia Capital Inc., the financial advisor retained Afexa in connection with the Paladin Offer to provide advice to the Board of Directors and the Special Committee.

“Second Paladin Notice” means the Notice of Variation and Extension dated September 26, 2011 of Paladin.

“Shareholder Rights Plans” means the Existing Shareholder Rights Plan and New Shareholder Rights Plan.

“Shareholders” means the holders of the Common Shares.

“Special Committee” means the special committee of directors appointed by the Board of Directors in connection with the Paladin Offer.

“Valeant Circular” means the offer to purchase and accompanying take-over bid circular dated September 6, 2011 of Valeant and the Offeror relating to the Valeant Offer as amended and supplemented by the Valeant Notice.

“Valeant Offer Directors’ Circular” means the directors’ circular of Afexa dated September 6, 2011 relating to the Board of Directors’ recommendation to accept the Valeant Offer.

“Valeant Notice” means the Notice of Variation dated October 3, 2011 of Valeant and the Offeror

“Valeant Offer” means the original offer made by the Offeror to acquire all of the outstanding Common Shares and any associated rights issued under the Shareholder Rights Plans, other than Common Shares, for \$0.71 in cash for each Common Share.

**SCHEDULE B**  
**OPINION OF SCOTIA CAPITAL**

**Scotia Capital Inc.**  
*Scotia Plaza*  
40 King Street West  
Box 4085, Station "A"  
Toronto, Ontario  
Canada M5W 2X6



September 30, 2011

Special Committee of the Board of Directors  
The Board of Directors  
Afexa Life Sciences Inc.  
9604 – 20th Avenue  
Edmonton, Alberta T6N 1G1

To the Members of the Special Committee of the Board and the Members of the Board:

We understand that Afexa Life Science Inc. (the “Company”) is considering a transaction whereby Valeant Pharmaceuticals International, Inc. or one of its wholly-owned subsidiaries (the “Acquirer”), will acquire all of the outstanding common shares (the “Shares”) of the Company by way of a take-over bid (the “Transaction”). Pursuant to the terms of the agreement to be entered into by the Company and the Acquirer (the “Agreement”), holders of the Shares will receive C\$0.85 in cash per Share (the “Consideration”). The terms of the Agreement relating to the proposed transaction are to be more fully described in a disclosure document, which will be mailed to the shareholders of the Company (the “Disclosure Document”).

**Background and Engagement of Scotia Capital**

Scotia Capital was retained by the Board of Directors of the Company on July 15, 2011 pursuant to an engagement letter (the “Engagement Agreement”) to perform such financial advisory and investment banking services for the Company as are customary in transactions of this type including assisting the Company in analyzing strategic alternatives and, if requested, structuring, negotiating and effecting a Transaction (as defined in the Engagement Agreement). The Special Committee and the Board of Directors has requested that Scotia Capital provide its opinion (the “Opinion”) as to the fairness, from a financial point of view, of the Consideration to be received by the holders of the Shares (other than the Acquirer and its affiliates) (the “Company Shareholders”). The terms of the Engagement Agreement provide that Scotia Capital is to be paid a fee for its services as financial advisor, including fees that are contingent on the completion of such transaction(s). In addition, Scotia Capital is to be reimbursed for its reasonable out-of-pocket expenses and to be indemnified in certain circumstances.

The Special Committee and the Board of Directors has not instructed Scotia Capital to prepare, and Scotia Capital has not prepared, a formal valuation of the Company or any of its securities or assets, and the Opinion should not be construed as such. Scotia Capital has, however, conducted such analyses as it considered necessary in the circumstances to prepare and deliver the Opinion.

Subject to the terms of the Engagement Agreement, Scotia Capital consents to the inclusion of the Opinion in its entirety and a summary thereof in the Disclosure Document and to the filing of the Opinion, as necessary, with the securities commissions, stock exchanges and other similar regulatory authorities in Canada.

### **Overview of Afexa Life Sciences Inc.**

The Company is a life sciences and technology corporation headquartered in Canada and engaged primarily in the research, development and commercialization of natural medicines for health maintenance and disease prevention. The Company's lead product is COLD-FX® and the Company has developed, patented and commercialized a proprietary technology, known as ChemBioPrint® ("CBP"), which it employs to discover and two-dimensionally (chemically and biologically) standardize natural health products.

### **Credentials of Scotia Capital**

Scotia Capital represents the global corporate and investment banking and capital markets business of Scotiabank Group ("Scotiabank"), one of North America's premier financial institutions. In Canada, Scotia Capital is one of the country's largest investment banking firms with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. Scotia Capital has participated in a significant number of transactions involving private and public companies and has extensive experience in preparing fairness opinions.

The Opinion expressed herein represents the opinion of Scotia Capital as a firm. The form and content of the Opinion have been approved for release by a committee of directors and other professionals of Scotia Capital, all of whom are experienced in merger, acquisition, divestiture, fairness opinion and valuation matters.

### **Relationships of Scotia Capital**

Neither Scotia Capital nor any of its affiliates, is an insider, associate or affiliate (as those terms are defined in the Securities Act (Ontario)) of the Company, Acquirer or any of their respective associates or affiliates. Scotia Capital has in the past provided and may in the future provide, traditional banking, financial advisory and investment banking services to Afexa.

Scotia Capital acts as a trader and dealer, both as principal and agent, in the financial markets in Canada, the United States and elsewhere and, as such, it and Scotiabank, may have had and may have positions in the securities of the Company, or its affiliates from time to time and may have executed or may execute transactions on behalf of such companies or clients for which it receives compensation. As an investment dealer, Scotia Capital conducts research on securities and may, in the ordinary course of business, provide research reports and investment advice to its clients on investment matters, including with respect to the Company or any of its affiliates, or with respect to the Transaction.

### **Scope of Review**

In preparing the Opinion, Scotia Capital has reviewed, considered and relied upon, without attempting to verify independently the completeness or accuracy thereof, among other things:

- (a) the acquisition support agreement (the "Support Agreement") dated August 30, 2011 between the Acquirer, the Company and 1625907 Alberta Ltd.;
- (b) a letter from the Acquirer dated September 27, 2011 (the "Increased Offer Letter") which set forth certain amendments to the Support Agreement;
- (c) annual reports of the Company for the fiscal years ended March 31, 2011, March 31, 2010 and September 30, 2009;

- (d) the Notice of Annual Meeting of Shareholders and the Management Information Circular of the Company for the fiscal years ended March 31, 2011, March 31, 2010 and September 30, 2009;
- (e) annual information forms of the Company for the fiscal years ended March 31, 2011, March 31, 2010 and September 30, 2009;
- (f) unaudited quarterly reports of the Company for the three-month period ended June 30, 2011;
- (g) the Company's financial projections for the fiscal years ended March 31, 2012 to March 31, 2021;
- (h) a confidential information memorandum (the "CIM") prepared by the Company in connection with the process leading to the announcement of the Transaction;
- (i) various detailed internal Company management reports;
- (j) discussions with senior management of the Company;
- (k) discussions with the Company's legal counsel;
- (l) discussions with other potential interested parties;
- (m) public information relating to the business, operations, financial performance and stock trading history of the Company and other selected public companies considered by us to be relevant;
- (n) public information with respect to other transactions of a comparable nature considered by us to be relevant;
- (o) representations contained in separate certificates addressed to Scotia Capital, as of the date hereof, from senior officers of the Company as to the completeness, accuracy and fair presentation of the information upon which the Opinion is based; and
- (p) such other corporate, industry and financial market information, investigations and analyses as Scotia Capital considered necessary or appropriate in the circumstances.

Scotia Capital has not, to the best of its knowledge, been denied access by the Company to any information requested by Scotia Capital.

### **Prior Valuations**

The Company has represented to Scotia Capital that, to the best of its knowledge, there have been no prior valuations (as defined for the purposes of Multilateral Instrument 61-101 of the Ontario Securities Commission and the Autorité des marchés financiers of Quebec) of the Company or any of its material assets or subsidiaries prepared within the past twenty-four (24) months.

### **Assumptions and Limitations**

The Opinion is subject to the assumptions, explanations and limitations set forth below.

Scotia Capital has, subject to the exercise of its professional judgment, relied, without independent verification, upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions and representations obtained by it from public sources, or that was provided to us, by the Company, and its associates and affiliates and advisors (collectively, the "Information"), and we have assumed that this Information did not omit to state any material fact or any fact necessary to be stated to make that information not misleading. The Opinion is conditional upon the completeness, accuracy and fair presentation of such Information. With respect to the Company's financial projections provided to Scotia Capital by management of the Company and

used in the analysis supporting the Opinion, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of management of the Company as to the matters covered thereby, and in rendering the Opinion we express no view as to the reasonableness of such forecasts or budgets or the assumptions on which they are based.

Senior management of the Company has represented to Scotia Capital in certificates delivered as at the date hereof, among other things, that to the best of their knowledge (a) the Company has no information or knowledge of any facts public or otherwise not specifically provided to Scotia Capital relating to the Company or any of its subsidiaries or affiliates which would reasonably be expected to affect materially the Opinion; (b) with the exception of forecasts, projections or estimates referred to in (d), below, the written Information provided to Scotia Capital by or on behalf of the Company in respect of the Company and its subsidiaries or affiliates, in connection with the Transaction is or, in the case of historical information or data, was, at the date of preparation, true and accurate in all material respects, and no additional material, data or information would be required to make the data provided to Scotia Capital by the Company not misleading in light of circumstances in which it was prepared; (c) to the extent that any of the Information identified in (b), above, is historical, there have been no changes in material facts or new material facts since the respective dates thereof which have not been disclosed to Scotia Capital or updated by more current Information that has been disclosed; and (d) any portions of the Information provided to Scotia Capital which constitute forecasts, projections or estimates were prepared using the assumptions identified therein, which, in the reasonable opinion of the Company, are (or were at the time of preparation) reasonable in the circumstances.

The Opinion is rendered on the basis of the securities markets, economic, financial and general business conditions prevailing as at the date hereof and the conditions and prospects, financial and otherwise, of the Company and its subsidiaries and affiliates, as they were reflected in the Information. In its analyses and in preparing the Opinion, Scotia Capital made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, which Scotia Capital believes to be reasonable and appropriate in the exercise of its professional judgment, many of which are beyond the control of Scotia Capital or any party involved in the Transaction.

For the purposes of rendering the Opinion, Scotia Capital has also assumed that the representations and warranties of each party contained in the Agreement are true and correct in all material respects and that each party will perform all of the covenants and agreements required to be performed by it under the Transaction and that the Company will be entitled to fully enforce its rights under the Agreement and receive the benefits therefrom in accordance with the terms thereof.

The Opinion has been provided for the sole use and benefit of the Special Committee and the Board of Directors of the Company in connection with, and for the purpose of, its consideration of the Transaction and may not be relied upon by any other person. Our opinion does not constitute a recommendation to any shareholder of the Company as to how such shareholder should vote or act with respect to the Transaction. The Opinion is given as of the date hereof, and Scotia Capital disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to the attention of Scotia Capital after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Opinion after the date hereof, Scotia Capital reserves the right to change, modify or withdraw the Opinion.

Our opinion does not address the relative merits of the Transaction as compared to other business strategies or transactions that might be available with respect to the Company or the Company's underlying business decision to effect the Transaction. At your direction, we have not been asked to, nor do we, offer any opinion as to the material terms (other than the Consideration) of the Agreement or the form of the Transaction.

**Conclusion**

Based upon and subject to the foregoing, Scotia Capital is of the opinion that, as of the date hereof, the Consideration to be received by the Company Shareholders pursuant to the Transaction is fair from a financial point of view to such Company Shareholders.

Yours very truly,

*Scotia Capital Inc.*

**SCOTIA CAPITAL INC.**

**SCHEDULE C****TRADING IN SECURITIES OF AFEXA**

<u>Name</u>	<u>Date of Trade</u>	<u>Number of Common Shares</u>	<u>Price per Common Share \$</u>	<u>Nature of Transactions</u>
Allan Cleiren	April 5, 2011	1,013.078479	\$0.51	Purchases under Employee Share Purchase Plan
	April 5, 2011	253.274522	\$0.51	
	April 21, 2011	270.931706	\$0.48	
	April 21, 2011	1,083.789754	\$0.48	
	May 5, 2011	1,110.506728	\$0.47	
	May 5, 2011	277.632055	\$0.47	
	May 19, 2011	302.015169	\$0.43	
	May 19, 2011	1,208.037297	\$0.43	
	June 6, 2011	1,291.658973	\$0.40	
	June 6, 2011	322.920993	\$0.40	
	June 21, 2011	339.478424	\$0.38	
	June 21, 2011	1,357.887416	\$0.38	
	July 11, 2011	1,311.228299	\$0.39	
	July 11, 2011	327.813419	\$0.39	
	July 22, 2011	230.658481	\$0.56	
	July 22, 2011	922.616068	\$0.56	
	August 5, 2011	258.337437	\$0.50	
	August 5, 2011	1,033.329748	\$0.50	
	August 18, 2011	226.613941	\$0.57	
	August 18, 2011	906.438222	\$0.57	
	September 6, 2011	176.943882	\$0.73	
	September 6, 2011	707.761831	\$0.73	
	September 20, 2011	698.201907	\$0.74	
	September 20, 2011	174.553855	\$0.74	

Name	Date of Trade	Number of Common Shares	Price per Common Share \$	Nature of Transactions
Lei Ling	April 5, 2011	142.980399	\$0.51	Purchases under Employee Share Purchase Plan
	April 5, 2011	285.941190	\$0.51	
	April 21, 2011	305.899433	\$0.48	
	April 21, 2011	152.960205	\$0.48	
	May 5, 2011	313.440293	\$0.47	
	May 5, 2011	156.730893	\$0.47	
	May 19, 2011	170.495828	\$0.43	
	May 19, 2011	340.968276	\$0.43	
	June 6, 2011	364.570476	\$0.40	
	June 6, 2011	182.297738	\$0.40	
	June 21, 2011	191.644861	\$0.38	
	June 21, 2011	383.263441	\$0.38	
	July 11, 2011	185.059646	\$0.39	
	July 11, 2011	370.093915	\$0.39	
	July 22, 2011	260.408193	\$0.56	
	July 22, 2011	130.213025	\$0.56	
	August 5, 2011	145.838553	\$0.50	
	August 5, 2011	291.657106	\$0.50	
	August 18, 2011	127.929772	\$0.57	
	August 18, 2011	255.841999	\$0.57	
September 6, 2011	199.765629	\$0.73		
September 6, 2011	99.889664	\$0.73		
September 20, 2011	98.540428	\$0.74		
September 20, 2011	197.067343	\$0.74		

Name	Date of Trade	Number of Common Shares	Price per Common Share \$	Nature of Transactions
G. Warren	April 5, 2011	285.941190	\$0.51	Purchases under Employee Share Purchase Plan
Michaels	April 5, 2011	142.980399	\$0.51	
	April 21, 2011	152.960205	\$0.48	
	April 21, 2011	305.899433	\$0.48	
	May 5, 2011	313.440293	\$0.47	
	May 5, 2011	156.730893	\$0.47	
	May 19, 2011	170.495828	\$0.43	
	May 19, 2011	340.968276	\$0.43	
	June 6, 2011	182.297738	\$0.40	
	June 6, 2011	364.570476	\$0.40	
	June 21, 2011	383.263441	\$0.38	
	June 21, 2011	191.644861	\$0.38	
	July 11, 2011	370.093915	\$0.39	
	July 11, 2011	185.059646	\$0.39	
	July 22, 2011	130.213025	\$0.56	
	July 22, 2011	260.408193	\$0.56	
	August 5, 2011	145.838553	\$0.50	
	August 5, 2011	291.657106	\$0.50	
	August 18, 2011	127.929772	\$0.57	
	August 18, 2011	255.841999	\$0.57	
	September 6, 2011	199.765629	\$0.73	
	September 6, 2011	99.889664	\$0.73	
	September 20, 2011	98.540428	\$0.74	
	September 20, 2011	197.067343	\$0.74	

Name	Date of Trade	Number of Common Shares	Price per Common Share \$	Nature of Transactions
Michael Obert	April 5, 2011	269.607856	\$0.51	Purchases under Employee Share Purchase Plan
	April 5, 2011	539.215712	\$0.51	
	April 21, 2011	288.426058	\$0.48	
	April 21, 2011	576.852115	\$0.48	
	May 5, 2011	591.072348	\$0.47	
	May 5, 2011	295.536174	\$0.47	
	May 19, 2011	321.491723	\$0.43	
	May 19, 2011	642.983445	\$0.43	
	June 6, 2011	687.491470	\$0.40	
	June 6, 2011	343.745735	\$0.40	
	June 21, 2011	722.741865	\$0.38	
	June 21, 2011	361.370932	\$0.38	
	July 11, 2011	348.953667	\$0.39	
	July 11, 2011	697.907334	\$0.39	
	July 22, 2011	491.066674	\$0.56	
	July 22, 2011	245.533337	\$0.56	
	August 5, 2011	274.997272	\$0.50	
	August 5, 2011	549.994543	\$0.50	
	August 18, 2011	241.227970	\$0.57	
	August 18, 2011	482.455941	\$0.57	
	September 6, 2011	188.354756	\$0.73	
	September 6, 2011	376.709512	\$0.73	
	September 20, 2011	185.810599	\$0.74	
	September 20, 2011	371.621198	\$0.74	

Name	Date of Trade	Number of Common Shares	Price per Common Share \$	Nature of Transactions
Jacqueline Shan	April 5, 2011	314.549035	\$0.51	Purchases under Employee Share Purchase Plan
	April 5, 2011	629.078461	\$0.51	
	April 21, 2011	336.483083	\$0.48	
	April 21, 2011	672.987142	\$0.48	
	May 5, 2011	344.799368	\$0.47	
	May 5, 2011	689.577242	\$0.47	
	May 19, 2011	750.139559	\$0.43	
	May 19, 2011	375.081470	\$0.43	
	June 6, 2011	802.065048	\$0.40	
	June 6, 2011	401.045024	\$0.40	
	June 21, 2011	843.190082	\$0.38	
	June 21, 2011	421.608182	\$0.38	
	July 11, 2011	407.121071	\$0.39	
	July 11, 2011	814.216763	\$0.39	
	July 22, 2011	286.461512	\$0.56	
	July 22, 2011	572.905168	\$0.56	
	August 5, 2011	320.836817	\$0.50	
	August 5, 2011	641.653634	\$0.50	
	August 18, 2011	281.438480	\$0.57	
	August 18, 2011	562.859416	\$0.57	
	September 6, 2011	439.489864	\$0.73	
	September 6, 2011	219.751781	\$0.73	
	September 20, 2011	216.783537	\$0.74	
	September 20, 2011	433.553560	\$0.74	

Name	Date of Trade	Number of Common Shares	Price per Common Share \$	Nature of Transactions
Sharla Sutherland	April 5, 2011	138.882360	\$0.51	Purchases under Employee Share Purchase Plan
	April 5, 2011	277.784327	\$0.51	
	April 21, 2011	148.576128	\$0.48	
	April 21, 2011	297.173233	\$0.48	
	May 5, 2011	304.498980	\$0.47	
	May 5, 2011	152.238743	\$0.47	
	May 19, 2011	165.609154	\$0.43	
	May 19, 2011	331.241690	\$0.43	
	June 6, 2011	354.070606	\$0.40	
	June 6, 2011	177.072803	\$0.40	
	June 21, 2011	186.152023	\$0.38	
	June 21, 2011	372.330327	\$0.38	
	July 11, 2011	179.755551	\$0.39	
	July 11, 2011	359.536480	\$0.39	
	July 22, 2011	126.480918	\$0.56	
	July 22, 2011	252.979694	\$0.56	
	August 5, 2011	283.337189	\$0.50	
	August 5, 2011	141.658595	\$0.50	
	August 18, 2011	248.543757	\$0.57	
	August 18, 2011	124.263107	\$0.57	
	September 6, 2011	97.026672	\$0.73	
	September 6, 2011	194.067042	\$0.73	
	September 20, 2011	191.445728	\$0.74	
September 20, 2011	95.716107	\$0.74		





**QUESTIONS OR REQUESTS FOR INFORMATION CONCERNING  
THE INFORMATION IN THIS NOTICE OF CHANGE SHOULD  
BE DIRECTED TO THE INFORMATION AGENT:**

**Georgeson**

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