

*This is an important document that requires your careful review and consideration. If you are in doubt as to how you deal with this document, you should consult with your investment dealer, stockbroker, lawyer or other professional advisor.*



**Notice of Special Meeting  
and  
Management Information Circular  
Proposed amalgamation of  
AFEXA LIFE SCIENCES INC.  
and  
1625907 ALBERTA LTD.  
a wholly-owned subsidiary of  
VALEANT PHARMACEUTICALS INTERNATIONAL, INC.**

**October 31, 2011**



Afexa Life Sciences Inc.

9604 – 20th Avenue NW  
Edmonton, Alberta  
T6N 1G1

## NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that the special meeting (the "**Meeting**") of the holders (the "**Shareholders**") of common shares ("**Common Shares**") of Afexa Life Sciences Inc. (the "**Corporation**") will be held on December 12, 2011 at 9:00 a.m. (Calgary Time) at 4300 Bankers Hall West, 888 3<sup>rd</sup> Street S.W., Calgary, AB, T2P 5C5, for the following purposes:

1. to consider and, if deemed appropriate, to pass, with or without amendment, a special resolution (the "**Amalgamation Resolution**"), the full text of which is attached as Appendix A to the Management Proxy Circular accompanying this Notice of Meeting (the "**Circular**"), approving the amalgamation (the "**Amalgamation**") of the Corporation and 1625907 Alberta Ltd. (the "**Offeror**"), a wholly-owned subsidiary of Valeant Pharmaceuticals International, Inc. ("**Valeant**") substantially upon the terms and conditions set forth in the amalgamation agreement dated October 31, 2011 (the "**Amalgamation Agreement**") entered into between the Corporation and the Offeror, attached as Appendix B to the Circular, all as more particularly described in the Circular; and
2. to transact such other business as may properly come before the Meeting or any adjournment thereof.

Accompanying this Notice of Meeting are: (1) the Circular; (2) a form of proxy; and (3) the letter of transmittal sent to Shareholders (the "**Meeting Materials**"). All of the Meeting Materials are also available under the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

The board of directors of the Corporation (the "**Afexa Board**") has established the date of record for the Meeting as the close of business on November 10, 2011 (the "**Record Date**"). Shareholders of record as of the close of business on the Record Date are entitled to vote at the Meeting or any adjournment thereof either in person or by proxy. If you are a registered shareholder and acquired your Common Shares after November 10, 2011 and you wish to vote at the Meeting, you must contact the Corporation's transfer agent, Computershare Trust Company of Canada, no later than two (2) days prior to the Meeting and request in writing that your name be included on the list of shareholders entitled to vote at the Meeting, and you must produce properly endorsed share certificates or establish in some other way that you own the Common Shares.

If you are a *non-registered Shareholder* of the Corporation and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or such other intermediary. The time deadlines established by your intermediary for return of voting instructions may be in advance of the proxy deadline set out below and you are urged to follow the direction of your broker or other intermediary as to the delivery instructions and time deadlines for your voting instructions.

If you are a *registered Shareholder* and are unable to attend the Meeting in person, please exercise your right to vote by dating, signing and returning the accompanying form of proxy to Computershare Trust Company of Canada, the Corporation's transfer agent. To be valid, completed proxy forms must be dated, completed, signed and deposited with our transfer agent, Computershare Trust Company of Canada, (i) by mail using the enclosed return envelope or one addressed to Computershare Trust Company of Canada, Proxy Department, 135 West Beaver Creek, P.O. Box 300, Richmond Hill, Ontario, L4B 4R5, (ii) by hand delivery to Computershare Trust Company of Canada, 9<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, or (iii) by facsimile to (416) 263-9524 or 1-866-249-7775. If you vote through the Internet, you may also appoint another person to be your proxyholder. Please go to

[www.investorvote.com](http://www.investorvote.com) and follow the instructions. You will require your 15-digit control number found on your proxy form. Your proxy or voting instructions must be received in each case no later than 9:00 a.m. (Calgary Time) on December 8, 2011 or, if the Meeting is adjourned, 48 hours (excluding Saturdays and holidays) before the beginning of any adjournment of the Meeting.

**Pursuant to Section 191 of the ABCA, a registered Shareholder may dissent in respect of the Amalgamation Resolution. If the Amalgamation Resolution is passed and the Amalgamation is completed, dissenting Shareholders who have complied with the procedures set forth in the ABCA will be entitled to be paid the fair value of their Common Shares. This right is summarized in the Circular and the text of Section 191 of the ABCA is set forth in Appendix C to the Circular. Failure to comply strictly with the requirements of Section 191 of the ABCA may result in the loss or unavailability of any right to dissent.**

**DATED** at Edmonton, Alberta, the 31st day of October 2011.

**BY ORDER OF THE BOARD OF DIRECTORS**

*(signed) Robert Chai-Onn*

Robert Chai-Onn, Chairman of the Board

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## MANAGEMENT INFORMATION CIRCULAR

**The Amalgamation has been neither approved nor disapproved by any securities regulatory authority, nor has any securities regulatory authority passed upon the fairness or merits of the Amalgamation or upon the accuracy or adequacy of the information contained in this document. Any representation to the contrary is unlawful.**

### **Forward-looking Information**

This Circular contains forward-looking information (as defined in the Securities Act (Alberta)) that are based on expectations, estimates and projections as of the date of this Circular. These forward-looking statements can often, but not always, be identified by the use of forward-looking terminology such as "plans", "predicts", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

In addition to being subject to a number of assumptions, forward-looking statements in this Circular 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. In addition, a number of other risks are 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 Circular 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 Afexa Board 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 Circular.

### **Information Contained in this Circular**

The information contained in this Circular is given as at October 31, 2011, except where otherwise noted. The information contained in this Circular concerning Valeant and the Offeror is based solely upon information provided to the Corporation by Valeant or upon publicly available information. With respect to this information, the Afexa Board has relied exclusively upon Valeant, without independent verification. The Corporation assumes no responsibility for the accuracy or completeness of such information, nor for the failure by such other persons to disclose facts or events which may have occurred or which may affect the completeness or accuracy of such information but which is unknown to the Corporation.

No person is authorized to give any information or make any representation not contained in this Circular and, if given or made, such information or representation should not be relied upon as having been authorized by us. This Circular does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation of an offer or proxy solicitation. The delivery of this Circular will not, under any circumstances, create an implication that there has been no change in the information set forth herein since the date of this Circular.

### **Currency**

All references to "\$" mean Canadian dollars.

**Notice to Shareholders in the United States.**

This Circular has been prepared in accordance with disclosure requirements in effect in Canada, which differ from disclosure requirements in the United States. Any financial information included in this Circular has been prepared in accordance with Canadian generally accepted accounting principles, which differ in certain respects from generally accepted accounting principles in the United States, and, accordingly, may not be comparable to financial information of United States companies. Shareholders who are not residents of Canada should be aware that the Amalgamation of the Corporation with the Offeror and the subsequent redemption of the Amalco Redeemable Preferred Shares may have tax consequences both in Canada and in the United States which may not be described fully herein. The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that we are organized under the laws of Canada, that all of our officers and directors are residents of Canada and that most of our assets are located outside of the United States.

## SUMMARY

*The following is a summary of the Circular and is qualified in its entirety by the detailed provisions contained in the Notice and elsewhere in this Circular. Certain terms used in this summary are defined in the Glossary. Shareholders are encouraged to read the Notice and this Circular in its entirety.*

### **Date, Time and Place of Meeting**

The Meeting will be held on December 12, 2011 at 9:00 a.m. (Calgary Time) at 4300 Bankers Hall West, 888 3<sup>rd</sup> Street S.W., Calgary, AB, T2P 5C5.

### **Record Date**

The record date for the determination of Shareholders entitled to notice of and to vote at the Meeting is as of the close of business on November 10, 2011.

### **Special Business to Be Conducted at the Meeting**

The Meeting has been called for the purpose of considering and, if thought advisable, to pass, the Amalgamation Resolution, being a special resolution of the Shareholders approving the Amalgamation. A copy of the full text of the Amalgamation Resolution is attached to this Circular as Appendix A.

### **Background to the Amalgamation**

For a detailed description of the background to the Amalgamation, see "Information Regarding the Amalgamation – Background to the Amalgamation".

### **Description of the Amalgamation**

If the Amalgamation Resolution is approved and the conditions set out in the Amalgamation Agreement are satisfied, the Corporation and the Offeror will amalgamate and continue as "Afexa Life Sciences Inc."

On the Effective Date, each issued and outstanding Common Share, other than those held by Dissenting Shareholders and the Offeror, will be exchanged for one Amalco Redeemable Preferred Share. Following the Amalgamation, the Amalco Redeemable Preferred Shares will be immediately redeemed at the Redemption Price by Amalco, such that Valeant will then own, directly and indirectly, all of the outstanding Amalco Common Shares. All Shareholders, other than the Dissenting Shareholders and the Offeror, will be paid, a cash amount equal to the Redemption Price, being \$0.85 per Amalco Redeemable Preferred Share on the Redemption Date. The consideration to be paid by Amalco on redemption of the Amalco Redeemable Preferred Shares will be funded directly or indirectly by the Offeror.

The Effective Date of the Amalgamation is expected to be as soon as practicable after the Meeting. See "Information Regarding the Amalgamation" for further information on the Amalgamation and the Amalgamation Agreement.

### **Approval of the Afexa Board**

The Afexa Board, having considered, among other things, the factors described under "Background to the Amalgamation" above, has concluded that the Amalgamation is in the best interests of the Corporation and the Shareholders. The Afexa Board has unanimously approved the Amalgamation. See "Information Regarding the Amalgamation - Approval of the Afexa Board".

## Shareholder Approval Requirements

In accordance with the ABCA and MI 61-101, the Amalgamation Resolution must be approved by: (i) not less than 66 2/3% of the votes cast by all holders of Common Shares present in person or represented by proxy at the Meeting and entitled to vote on the Amalgamation Resolution; and (ii) not less than 50% + 1 of the votes cast by holders of the Common Shares present in person or represented by proxy at the Meeting and entitled to vote in order to meet the minority approval requirement set out in MI 61-101.

The Offeror, which owns 89,453,438 Common Shares representing approximately 81.6% of the issued and outstanding Common Shares, has advised the Corporation that it intends to vote all of its Common Shares in favour of the Amalgamation Resolution. **The votes attached to the Common Shares held by the Offeror are sufficient to pass the Amalgamation Resolution. The Offeror is therefore in a position to have the Amalgamation approved.** See "Information Regarding the Amalgamation - Approval Requirements".

## Deposit of Share Certificates and Redemption of Common Shares

The Letter of Transmittal (printed on blue paper) sent to Shareholders with this Circular sets out the details of the procedure to be followed by each registered Shareholder for delivering certificates representing Common Shares to the Depositary.

Non-registered Shareholders whose Common Shares are registered in the name of an investment dealer, stockbroker, bank, trust company or other nominee must contact their nominee holder to arrange for the surrender of their Common Shares.

No share certificates representing Amalco Redeemable Preferred Shares will be issued to holders of Common Shares upon the Amalgamation becoming effective.

As soon as practicable after the Redemption Date, assuming due delivery of the required documentation, Amalco shall cause the Depositary to forward cheques representing the Redemption Price to which a Shareholder is entitled. Unless the Shareholder who deposits share certificates instructs the Depositary to hold the cheque for pick-up by checking the appropriate box on the Letter of Transmittal, the Depositary will forward by first class insured mail, postage prepaid, cheques representing the Redemption Price for each Amalco Redeemable Preferred Share redeemed, payable in Canadian funds to the holders of such Amalco Redeemable Preferred Shares.

If a Shareholder fails to present and surrender the Common Share certificates held by such Shareholder in accordance with the Letter of Transmittal, such Shareholder will not be entitled to receive a cheque representing all of the proceeds payable to that Shareholder until the Shareholder delivers all such share certificates to the Depositary. Under no circumstances will interest accrue or be paid by Amalco or the Depositary on any outstanding amounts of money owed to a Shareholder regardless of any delay in making such payment.

Any share certificate, which prior to the Effective Date, represented issued and outstanding Common Shares which has not been surrendered on or prior to the sixth anniversary of the Effective Date will cease to represent any claim or interest of any kind or nature against Amalco or the Depositary. See "Information Regarding the Amalgamation - Deposit of Common Share Certificates and Redemption of Common Shares".

## Dissenting Shareholder Rights

Under the provisions of Section 191 of the ABCA, a Dissenting Shareholder is required to send to the Corporation a written objection (a "**Dissent Notice**") to the Amalgamation Resolution in respect of approval of the Amalgamation. In addition to any other right a holder of Common Shares may have, and subject to the provisions of the ABCA, a Shareholder entitled to dissent under Section 191 of the ABCA and who complies with the dissent procedure under Section 191 of the ABCA is entitled to be paid the fair value of the Common Shares held by the Shareholder in respect of which the Shareholder dissents, determined as at the close of business on the last business day before the day on which the Amalgamation Resolution is passed by the Shareholders.

The text of Section 191 of the ABCA is set out in Appendix C hereto. Holders of Common Shares who may wish to dissent should refer to Appendix C. **The Corporation suggests that any Shareholder seeking to exercise such rights obtain his or her own legal advice as to the manner of exercising such rights and the implication for the Shareholder.** See "Information Regarding the Amalgamation - Dissenting Shareholder Rights".

### **Certain Canadian Federal Income Tax Considerations**

Generally, a Shareholder whose Common Shares are exchanged into Amalco Redeemable Preferred Shares on the Amalgamation will not realize any capital gain or capital loss as a result of the conversion.

Generally, on the redemption of Amalco Redeemable Preferred Shares received by a Shareholder on the Amalgamation, the Shareholder will be considered to have disposed of such shares for proceeds of disposition equal to the Redemption Price multiplied by the number of such Amalco Redeemable Preferred Shares held by such Shareholder. The Shareholder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition of the Amalco Redeemable Preferred Shares, net of any reasonable costs of disposition, exceed (or are less than) the aggregate adjusted cost base to the Shareholder of such shares, as described in "Certain Canadian Federal Income Tax Considerations" below. The tax treatment of capital gains and capital losses under the Tax Act is discussed in "Certain Canadian Federal Income Tax Considerations" below.

**Shareholders are urged to read "Certain Canadian Federal Income Tax Considerations" below and to consult their own tax advisors for advice with respect to the tax consequences to them of the Amalgamation and the redemption of Amalco Redeemable Preferred Shares received on the Amalgamation.** See "Certain Canadian Federal Income Tax Considerations".

### **Information on Valeant and the Offeror**

Valeant is a multinational specialty pharmaceutical company that develops, manufactures and markets a broad range of pharmaceutical products primarily in the areas of neurology, dermatology and branded generics.

The Offeror was incorporated on August 26, 2011 under the laws of Alberta and is a direct wholly-owned subsidiary of Valeant. The Offeror was formed for the purpose of making the Offer and has not carried on any business prior to the date hereof, other than in respect of the Offer.

Valeant's common shares are traded on the Toronto Stock Exchange (the "TSX") and the New York Stock Exchange under the symbol "VRX". Valeant is a reporting issuer (or the equivalent thereof) in all of the provinces of Canada and files its continuous disclosure documents with the relevant Canadian securities regulatory authorities, which are available at [www.sedar.com](http://www.sedar.com) and in the United States under the U.S. Exchange Act and files its continuous disclosure documents with the SEC, which are available at [www.sec.gov](http://www.sec.gov). See "Information on Valeant and the Offeror".

### **Solicitation of Proxies and Voting Instructions**

#### ***Registered Shareholders Voting Information***

If you are a registered Shareholder, you may vote in person at the Meeting or you may appoint another person to represent you as proxyholder and vote your Common Shares at the Meeting. To be valid, completed proxy forms must be dated, completed, signed and deposited with our transfer agent, Computershare Trust Company of Canada, (i) by mail using the enclosed return envelope or one addressed to Computershare Trust Company of Canada, Proxy Department, 135 West Beaver Creek, P.O. Box 300, Richmond Hill, Ontario, L4B 4R5, (ii) by hand delivery to Computershare Trust Company of Canada, 9<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, or (iii) by facsimile to (416) 263-9524 or 1-866-249-7775. If you vote through the Internet, you may also appoint another person to be your proxyholder. Please go to [www.investorvote.com](http://www.investorvote.com) and follow the instructions. You will require your 15-digit control number found on your proxy form. Your proxy or voting instructions must be

received in each case no later than 9:00 a.m. (Calgary Time) on December 8, 2011 or, if the Meeting is adjourned, 48 hours (excluding Saturdays and holidays) before the beginning of any adjournment of the Meeting.

A registered Shareholder who has submitted a proxy form may revoke it by:

- (a) completing and signing a proxy form bearing a later date and depositing it with the Depository as described under the heading "Solicitation of Proxies and Voting Instructions – Appointment of Proxies"; or
- (b) depositing an instrument in writing executed by the Shareholder or by the Shareholder's attorney authorized in writing: (i) at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting or any adjournment of the Meeting at which the proxy form is to be used, or (ii) with the Chairman of the Meeting prior to the beginning of the Meeting on the day of the Meeting or prior to the beginning of any adjournment of the Meeting on the day of the adjourned Meeting; or
- (c) in any other manner permitted by law.

A non-registered Shareholder may be able to revoke a voting instruction form or a waiver of the right to receive Meeting Materials and to vote given to an intermediary. Non-registered Shareholders should contact their intermediary to discuss whether this is possible and the steps that would be required to do so. See "Solicitation of Proxies and Voting Instructions - Revocation of Proxies" for instructions on how to revoke a proxy.

#### ***Non-Registered Shareholders Voting Information***

Only registered Shareholders or the persons they appoint as their proxyholders are permitted to attend and vote at the Meeting. However, in many cases, Common Shares beneficially owned by a non-registered Shareholder are registered either:

- (a) in the name of an intermediary, such as a bank, trust company, securities dealer or broker, or a trustee or administrator of a self-administered RRSP, RRIF, RESP or similar plan; or
- (b) in the name of a depository such as CDS Clearing and Depository Services Inc. or "CDS".

In accordance with Canadian securities laws, we have distributed copies of the Meeting Materials to CDS and intermediaries for onward distribution to non-registered Shareholders.

Intermediaries are required to forward Meeting Materials to non-registered Shareholders who have not waived the right to receive them. Typically, intermediaries will use a service company to forward the Meeting Materials to non-registered Shareholders. Non-registered Shareholders who have not waived the right to receive Meeting Materials will receive either a voting instruction form or, less frequently, a proxy form. The purpose of these forms is to permit non-registered Shareholders to direct the voting of the Common Shares they beneficially own. Non-registered Shareholders should carefully follow the instructions on the forms they receive and contact their intermediaries promptly if they need assistance.

#### **The Depository**

We have engaged Computershare Investor Services Inc. to receive the Letters of Transmittal and related documentation deposited in connection with the redemption of the Amalco Redeemable Preferred Shares and to deliver the Redemption Price pursuant to the Amalgamation. Computershare Investor Services Inc. may be contacted by telephone toll free (North America) at 1-800-564-6253 or by email at [corporateactions@computershare.com](mailto:corporateactions@computershare.com).

**Effect of the Amalgamation on TSX Listing**

Following the completion of the Amalgamation, the Common Shares will be de-listed from the TSX and we will cause the Corporation to cease to be a reporting issuer (or equivalent) in all the provinces of Canada in which the Corporation is currently a reporting issuer (or the equivalent).

## GLOSSARY OF TERMS

"**ABCA**" means the *Business Corporations Act* (Alberta), as amended;

"**Afexa**" or the "**Corporation**" means Afexa Life Sciences Inc. and, where the context requires, following the Amalgamation, Amalco.

"**Afexa Board**", "**Board of Directors**" or "**Board**" means the board of directors of the Corporation.

"**Amalco**" means the corporation continuing from the amalgamation of the Corporation and the Offeror in accordance with the terms of the Amalgamation Agreement.

"**Amalco Common Shares**" means the common shares in the capital of Amalco having the rights, privileges, restrictions and conditions described in Schedule A to the Amalgamation Agreement.

"**Amalco Redeemable Preferred Share**" means a redeemable preferred share in the capital of Amalco having the rights, privileges, restrictions and conditions described in Schedule A to the Amalgamation Agreement.

"**Amalgamation**" means the amalgamation of the Corporation and the Offeror pursuant to the ABCA on the terms and conditions set out in the Amalgamation Agreement.

"**Amalgamation Agreement**" means the amalgamation agreement entered into by the Corporation and the Offeror and attached to this Circular as Appendix B.

"**Amalgamation Resolution**" means the special resolution of the Shareholders concerning the Amalgamation to be considered at the Meeting, substantially in the form set forth in Appendix A to this Circular.

"**Arm's Length**" has the meaning ascribed thereto in the Tax Act.

"**Articles of Amalgamation**" means the articles of amalgamation in respect of the Amalgamation, required by the ABCA to be sent to the Registrar, along with certain other documents, to give effect to the Amalgamation.

"**business day**" means any day other than a Saturday or Sunday on which chartered banks in the city of Calgary, Alberta and in the city of Toronto, Ontario are open for business.

"**CDS**" means CDS & Co., the nominee of CDS Clearing and Depository Services Inc., a clearing agency of which securities brokers or dealers are participants.

"**Circular**" means this management proxy circular for the Meeting.

"**Common Shares**" means the common shares of the Corporation.

"**Depository**" means Computershare Investor Services Inc., the depository appointed by the Corporation in order to, among other things, receive the Letters of Transmittal and related documentation deposited in connection with the redemption of the Amalco Redeemable Preferred Shares and pay the Redemption Price to holders of Amalco Redeemable Preferred Shares.

"**Dissent Notice**" means a written objection by a registered Shareholder to the Amalgamation Resolution sent in accordance with Section 191 of the ABCA.

"**Dissenting Shareholder**" means a registered Shareholder who, in connection with the Amalgamation Resolution, has duly delivered a Dissent Notice and a demand for payment and has not voted for the Amalgamation Resolution or withdrawn its objection.

"**DTC**" means the Depository Trust Company or its nominee, which at the date hereof is Cede & Co.

"**Effective Date**" means the date shown on the certificate of amalgamation issued by the Registrar on receipt of the Articles of Amalgamation and the other documents required in connection therewith.

"**Letter of Transmittal**" means the letter of transmittal (printed on blue paper) accompanying the Circular.

"**Meeting**" means the special meeting of Shareholders to be held on December 12, 2011 at 9:00 a.m. (Calgary Time) to consider, among other things, the approval of the Amalgamation Resolution, and any adjournments thereof.

"**Meeting Materials**" means the Notice, Circular, Letter of Transmittal and form of proxy.

"**Minority Shareholders**" means the holders of Common Shares other than those who are not eligible to vote in connection with minority approval of the Amalgamation as provided for by MI 61-101.

"**MI 61-101**" means Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions*, of the Ontario Securities Commission and the Autorité des marchés financiers, as amended.

"**non-registered Shareholders**" means Shareholders who do not hold Common Shares in their own name as such Common Shares are registered in the name of a depository (such as CDS or DTC) or an intermediary (such as a bank, trust company, stockbroker, or trustee or administrator of a self-administered RRSP, RRIF, RESP or similar plan).

"**Notice**" means the notice of the Meeting accompanying this Circular.

"**Offer**" means the offer dated September 6, 2011 made by the Offeror to acquire all of the issued and outstanding Common Shares at a price of \$0.85 in cash per Common Share, as amended by a notice of variation dated October 3, 2011 and a notice of extension dated October 17, 2011.

"**Offeror**" means 1625907 Alberta Ltd., a wholly-owned subsidiary of Valeant.

"**Record Date**" means November 10, 2011, the record date for determining Shareholders entitled to receive notice of and to vote at the Meeting.

"**Redemption Price**" means \$0.85 in cash per Amalco Redeemable Preferred Share that the Shareholders (other than the Dissenting Shareholders and the Offeror) will receive pursuant to the redemption of the Amalco Redeemable Preferred Shares immediately following the Amalgamation.

"**Registrar**" means the Registrar of Corporations or the Deputy Registrar of Corporations appointed under the ABCA.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval maintained by the Canadian Securities Administrators.

"**Shareholders**" means the holders of the Common Shares.

"**Support Agreement**" means the support agreement dated August 30, 2011, between the Corporation, the Offeror and Valeant, as amended on September 30, 2011.

"**Take-Over Bid Circular**" means the take-over bid circular relating to the Offer dated September 6, 2011, as amended by a notice of variation dated October 3, 2011 and a notice of extension dated October 17, 2011.

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time.

**"Total Cash Consideration"** means the total consideration payable upon redemption of the Amalco Redeemable Preferred Shares issued upon the conversion of the Common Shares in accordance with the terms of the Amalgamation and redeemed immediately after the Amalgamation becoming effective on the Effective Date, being \$0.85 in cash per Amalco Redeemable Preferred Share.

**"TSX"** means the Toronto Stock Exchange.

**"U.S. Exchange Act"** means the *United States Securities and Exchange Act of 1934*, as amended.

**"Valeant"** means Valeant Pharmaceuticals International, Inc.

## SOLICITATION OF PROXIES AND VOTING INSTRUCTIONS

This Circular is furnished in connection with the solicitation of proxies to be used at the Meeting to be held on December 12, 2011 at 9:00 a.m. (Calgary Time) at 4300 Bankers Hall West, 888 3<sup>rd</sup> Street S.W., Calgary, AB, T2P 5C5, and at all adjournments thereof, for the purposes set forth in the accompanying Notice. The Corporation expects that the solicitation will be made primarily by mail but proxies may also be solicited personally by the Corporation's employees. The solicitation of proxies by this Circular is being made by or on behalf of the Corporation's management and the Corporation will bear the total cost of the solicitation. The information contained in this Circular is given as at the date hereof, except where otherwise noted.

### Appointment of Proxies

The enclosed proxy form names representatives of management who are directors and/or officers of the Corporation. **A Shareholder has the right to appoint some other person or company, who need not be a Shareholder, to represent them at the Meeting, and may do so by inserting the name of the other person or company in the blank space provided in the proxy form.**

To be valid, completed proxy forms must be dated, completed, signed and deposited with our transfer agent, Computershare Trust Company of Canada, (i) by mail using the enclosed return envelope or one addressed to Computershare Trust Company of Canada, Proxy Department, 135 West Beaver Creek, P.O. Box 300, Richmond Hill, Ontario, L4B 4R5, (ii) by hand delivery to Computershare Trust Company of Canada, 9<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, or (iii) by facsimile to (416) 263-9524 or 1-866-249-7775. If you vote through the Internet, you may also appoint another person to be your proxyholder. Please go to [www.investorvote.com](http://www.investorvote.com) and follow the instructions. You will require your 15-digit control number found on your proxy form. Your proxy or voting instructions must be received in each case no later than 9:00 a.m. (Calgary Time) on December 8, 2011 or, if the Meeting is adjourned, 48 hours (excluding Saturdays and holidays) before the beginning of any adjournment of the Meeting.

### Notice to Non-Registered Shareholders

The information set forth in this section is of importance to many Shareholders, as a substantial number of Shareholders do not hold Common Shares in their own name. Non-registered Shareholders should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder's name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such Common Shares are registered under the name of CDS. Common Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the non-registered Shareholder. Without specific instructions, the broker/nominees are prohibited from voting Common Shares for their clients.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from non-registered Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by non-registered Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a non-registered Shareholder by its broker is identical to the form of proxy provided to registered Shareholders; however, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the non-registered Shareholder.

The Corporation has retained Broadridge Financial Solutions Inc. ("**Broadridge**") to forward the meeting materials to non-registered Shareholders. Broadridge will provide such non-registered Shareholders with a voting instruction form, which must be completed and signed by the non-registered Shareholder in accordance with the directions on the voting instruction form. Non-registered Shareholders are permitted to attend the Meeting. Should a non-registered Shareholder wish to attend and vote at the Meeting in person (or have another person attend and vote

on behalf of the non-registered Shareholder), the non-registered Shareholder should advise Broadridge in accordance with the instructions set out on the voting instruction form.

Non-registered Shareholders should carefully follow the instructions of their intermediaries or Broadridge including any instructions as to the time within which non-registered Shareholders will be required to return voting instruction forms to the intermediaries or Broadridge.

### **Revocation of Proxies**

A Shareholder who has submitted a proxy form may revoke it by:

- (a) completing and signing a proxy form bearing a later date and depositing it with the Depository as described above under the heading "Appointment of Proxies"; or
- (b) depositing an instrument in writing executed by the Shareholder or by the Shareholder's attorney authorized in writing: (i) at our registered office at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof at which the proxy form is to be used, or (ii) with the Chairman of the Meeting prior to the beginning of the Meeting on the day of the Meeting or prior to the beginning of any adjournment thereof on the day of the adjourned Meeting; or
- (c) in any other manner permitted by law.

A non-registered Shareholder may be able to revoke a voting instruction form or a waiver of the right to receive Meeting Materials and to vote given to an intermediary. A non-registered Shareholder should contact their intermediary to discuss whether this is possible and the steps that would be required to do so.

### **Proxy Voting**

In connection with any ballot that may be called for, the management representatives named in the enclosed proxy form will vote the Common Shares FOR or AGAINST the Amalgamation Resolution in accordance with the instructions of the Shareholder as indicated on the proxy form (provided that it is properly completed and signed). In the absence of such direction, Common Shares to which the proxy relates will be voted by the management representatives FOR the Amalgamation Resolution.

The enclosed proxy form gives the named management representatives discretionary authority with respect to amendments or variations to matters identified in the Notice and with respect to any other matters which may properly come before the Meeting. At the date of this Circular, we are not aware of any such amendments, variations or other matters.

**The execution or exercise of a proxy or voting instruction form does not constitute a written objection for the purpose of exercising dissent rights under Section 191 of the ABCA. For information on rights of Dissenting Shareholders, see "Dissenting Shareholder Rights".**

### **SPECIAL BUSINESS TO BE CONDUCTED AT THE MEETING**

The Meeting has been called to ask the Shareholders to consider and, if deemed appropriate, to pass, with or without amendment, the Amalgamation Resolution approving the Amalgamation. A copy of the full text of the Amalgamation Resolution is attached to this Circular as Appendix A.

## INFORMATION REGARDING THE AMALGAMATION

### Background to the Amalgamation

Commencing in July 2011, Afexa was approached by Paladin Labs Inc. ("**Paladin**") regarding a potential business opportunity between Afexa and Paladin. As Afexa was in the midst of a strategic planning process, the Afexa Board determined that it was not an appropriate time to have such discussions.

On July 15, 2011, Paladin sent a letter to Afexa offering to purchase Common Shares at a price of \$0.55 for a minimum of 66 2/3% of the outstanding Common Shares. After the letter was received, Paladin issued a news release advising that it had acquired Common Shares at prices between \$0.36 and \$0.55 giving Paladin beneficial ownership of a total of 15,421,300 Common Shares or approximately 14.94% of Afexa's total outstanding Common Shares.

The Afexa Board met on July 16, 2011 and instructed the management of Afexa to begin preparations for a market canvass for superior proposals if Paladin were to proceed with a formal offer, including by updating and populating an electronic due diligence site, gathering names for a list of potential strategic or financial bidders for Afexa and preparing financial forecasts and a management presentation.

Following a meeting held on July 19, 2011 between Paladin and Afexa, Paladin entered into a confidentiality and standstill agreement with Afexa expiring on August 5, 2011 and held exclusive discussions with Afexa with respect to potential license arrangements.

Throughout the period from July 16 to August 10, 2011, the Afexa Board and Scotia Capital Inc., with input from the management of Afexa, worked to identify financial and strategic parties that would potentially be interested in acquiring Afexa, but for a majority of that period was not permitted, by the terms of the exclusivity and standstill agreement with Paladin, to seek alternative transactions.

On August 9, 2011, the Afexa Board, at a regularly scheduled meeting, met and appointed a special committee of directors independent of management (the "**Special Committee**") to consider, analyze and negotiate the Paladin Offer (as defined below) and any alternatives thereto, to consider whether the Paladin Offer is or any alternative is in the best interests of Afexa and its Shareholders, and to make recommendations to the Afexa Board in respect of the matters that the Special Committee considers to be relevant in response to the Paladin Offer. The Special Committee was comprised of William White, John Rogers, Maurice (Ted) Bilyea and Douglas Gilpin. The Special Committee was authorized to engage its own financial, legal and other advisors to assist it.

On August 10, 2011, Paladin commenced an unsolicited take-over bid for all of Afexa's outstanding Common Shares at a price of \$0.55 per share or 0.013 common shares of Paladin for each Common Share of Afexa (the "**Paladin Offer**").

On August 11, 2011, the Special Committee retained Osler, Hoskin & Harcourt LLP as its legal advisor.

In August, 2011, Scotia Capital Inc. contacted, on a confidential basis, in excess of 70 financial and strategic parties that were approved by the Afexa Board, to gauge their interest in participating in a sales process. These parties included all of the strategic and financial parties that were believed to be logical acquirors of Afexa or alternatively, strategic partners for Afexa in delivering better Shareholder value than a sale of Afexa. Confidentiality agreements were signed with a number of parties and these parties were subsequently provided with a confidential information memorandum regarding Afexa.

On August 12, 2011, J. Michael Pearson, the Chairman and Chief Executive Officer of Valeant, contacted Jack Moffatt, the former President and Chief Executive Officer of Afexa, to discuss Valeant's interest in pursuing a potential transaction with Afexa. To advance discussions and the exchange of confidential information, the parties agreed to meet in person and entered into the Confidentiality Agreement on August 16, 2011.

On August 17, 2011, Mr. Pearson, Robert Chai-Onn, the Executive Vice President, General Counsel and Corporate Secretary of Valeant, Thomas Schlader, the President of Valeant Canada and other members of Valeant management met with members of management of Afexa, including Jack Moffat, then President and Chief Executive Officer, Jacqueline Shan, Chief Scientific Officer, Michael Obert, Chief Legal Officer & Senior Vice President Corporate Development, Allan Cleiren, Chief Financial Officer & Senior Vice President Operations, Tracey Ramsey, Chief Marketing Officer & Senior Vice President Sales, in Edmonton to discuss a potential transaction. Thereafter, Valeant continued to conduct its due diligence and held discussions with Scotia Capital Inc. regarding Valeant's potential willingness to make an all cash offer to acquire all of the outstanding Common Shares of Afexa.

On August 22, 2011, the Afexa Board concluded that the Paladin Offer was inadequate and not in the best interests of Afexa or its Shareholders and unanimously resolved to recommend to the Shareholders that they reject the Paladin Offer, take no action and not tender their Common Shares thereto.

On August 23, 2011, Valeant sent a non-binding letter of intent to Afexa confirming Valeant's interest in acquiring Afexa. The letter of intent included proposed terms and conditions of the acquisition, including an aggregate acquisition price of \$76 million, a 30-day go-shop period, a break fee and Valeant's right to match should Afexa accept a superior proposal. The letter of intent provided for a 7-day exclusivity period to negotiate and finalize a support agreement.

On August 24, 26 and 27, 2011, the Special Committee held various meetings with its legal advisors and on August 24, 2011, additionally with Afexa's financial and legal advisors to consider the Valeant proposal and to authorize further discussions and negotiations with Valeant.

On August 25, 2011, Eric Choi of Scotia Capital Inc. and Messrs. Pearson and Chai-Onn held a telephone conference during which certain aspects of the August 23<sup>rd</sup> letter of intent were discussed and during which Mr. Choi conveyed certain matters on behalf of the Special Committee, in an effort to advance negotiations. The August 23<sup>rd</sup> letter of intent was not executed as Afexa did not wish to enter into exclusive discussions with Valeant during its canvass of potential alternative acquirers. The parties discussed negotiating a support agreement directly given Afexa's unwillingness to enter into an exclusivity period with Valeant and negotiated a break fee of \$3.75 million.

On August 26, 2011, a draft support agreement among Valeant, the Offeror and Afexa (the "**Support Agreement**") was circulated by Afexa's legal advisors for review by Valeant and its legal advisors.

Negotiations between Valeant and Afexa and their respective legal advisors with respect to the Support Agreement, and the ongoing due diligence of Afexa's affairs by Valeant, continued during the week-end on August 27 and August 28, 2011. In the morning of Sunday August 28, 2011, a management due diligence call was held between representatives of Afexa and Valeant and their respective legal advisors.

On August 29, 2011, the Special Committee met to consider the Offer, the draft Support Agreement and receive the financial advice of Scotia Capital Inc. and the legal advice of Afexa's legal counsel and legal counsel to the Special Committee and to consider other factors relevant to the proposed transaction. Scotia Capital Inc. provided the Special Committee with its oral opinion (subsequently confirmed in writing to the Afexa Board) that, as of the date and subject to the assumptions, qualifications and limitations set forth therein, the consideration offered for the Common Shares under the Offer was fair, from a financial point of view, to Shareholders. After further discussion, the Special Committee concluded that the Offer was in the best interests of Afexa and its Shareholders. Subject to the satisfactory resolution of issues that remained outstanding at the time of the meeting, the Special Committee unanimously resolved to recommend to the Afexa Board that it support the Offer and recommend to Shareholders that they accept the Offer and deposit their Common Shares under the Offer.

Later that day, the Afexa Board met with Afexa's legal and financial advisors and the Special Committee's legal advisor to consider the Offer, the draft Support Agreement and to receive the report and recommendations of the Special Committee and to receive the financial advice of Scotia Capital Inc. and to consider other factors relevant to the proposed transaction. Scotia Capital Inc. made a presentation to the Board of Directors in respect of the proposed transaction and provided the Afexa Board with its oral opinion (subsequently confirmed in writing)

that, based upon certain assumptions, qualifications and limitations set forth therein, the consideration offered for the Common Shares under the Offer was fair, from a financial point of view, to Shareholders. After further discussion, the Afexa Board 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 Offer is fair to all Shareholders, that it would be in the best interests of Afexa to support and facilitate the Offer and enter into the support agreement and recommend that Shareholders tender their Common Shares to the Offer.

Negotiations between Valeant and Afexa and their respective legal advisors with respect to the final terms of the Support Agreement continued until the morning of August 30, 2011, at which point the Support Agreement was executed. Each of Valeant and Afexa issued a press release before the opening of markets on August 30, 2011 announcing the terms of the Offer and the Support Agreement and the recommendation of the Afexa Board that Shareholders accept the Offer. All of the directors and officers of Afexa and their associates and affiliates who beneficially own or exercise control over any Common Shares or options entered into the Lock-Up Agreements effective August 30, 2011.

The Offeror offered to acquire all of the issued and outstanding Common Shares in the capital of Afexa at a price of \$0.71 in cash per Common Share by way of a take-over bid circular dated September 6, 2011.

On September 14, 2011, Paladin announced that it was extending the expiry time of its offer to acquire the outstanding Common Shares of Afexa to 8:00 p.m. (Toronto time) on September 28, 2011.

On September 23, 2011, the Alberta Securities Commission (the "**Commission**") held a hearing with respect to an application by Paladin to cease trade Afexa's shareholder rights plans.

On September 25, 2011, Paladin announced an intention to increase its offer to acquire Common Shares of Afexa for \$0.81 in cash per Common Share or 0.0217 of a Paladin share for each Common Share, subject to the issuance of a cease trade order with respect to Afexa's shareholder rights plans.

On September 26, 2011, Valeant announced its intention to raise its offer for Afexa to \$0.85 in cash per Common Share, subject to Afexa's agreement to certain amendments to the Support Agreement.

On September 26, 2011, the Commission issued an order, effective on September 30, 2011, pursuant to which the Commission ordered, inter alia, that trading must cease with respect to any securities issued or to be issued in connection with the shareholder rights plans.

On September 26, 2011, Paladin confirmed its increased offer to acquire Common Shares of Afexa for \$0.81 in cash per Common Share or 0.0217 of a Paladin share for each Common Share.

On September 28, 2011, Afexa announced that due to the announcement by Valeant on September 26, 2011 of its intention to increase its Offer, Afexa recommended that Shareholders take no action to tender their Common Shares to the amended Paladin Offer.

After careful consideration, in consultation with its financial and legal advisors, of the terms and conditions of the increased Offer by Valeant, the Afexa Board recommended that Shareholders accept the increased Valeant Offer and not tender their Common Shares to the Paladin Offer. The Special Committee and the Afexa Board 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 Offer and the Afexa Board 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 Offer is fair to all Shareholders, that it would be in the best interests of Afexa to support and facilitate the increased Offer and recommend that Shareholders tender their Common Shares to the increased Offer.

As part of its recommendation of the increased Offer, the Afexa Board also approved an amendment to the Support Agreement provided for an increase in the offer price from \$0.71 in cash per Common Share to \$0.85 in cash per Common Share, the removal of the minimum tender condition and an increase of the termination fee payable to the Offeror in certain circumstances proportional to the increase in the aggregate purchase price payable by the Offeror under its increased Offer. The Offeror varied the terms and conditions of the Offer in accordance with the terms of the amendment to the Support Agreement by way of a notice of variation dated October 3, 2011.

On October 3, 2011, Paladin announced that it would not be taking up any shares under its offer since a condition of its offer could not be fulfilled.

On October 17, 2011, as all of the conditions to the Offer had been satisfied, the Offeror announced that it had taken-up a total of 80,929,921 Common Shares validly deposited at the expiry time of the Offer, representing approximately 73.8% of the outstanding Common Shares on a fully-diluted basis. As a result, the Offeror is in a position to privatize Afexa by completing a subsequent acquisition transaction as described in the Offer documents.

On October 17, 2011, the Offeror extended its offer until 5:00 p.m. (Edmonton time) on October 27, 2011 to allow Afexa shareholders an additional opportunity to tender their Common Shares.

The Support Agreement provides that following the acquisition by the Offeror of more than 50% of the outstanding common shares of Afexa on a fully-diluted basis, the Offeror has the right to appoint a number of directors of Afexa equal to the Offeror's pro rata share ownership in Afexa. As a result, on October 18, 2011, five existing directors of Afexa resigned and the Offeror appointed six of the eight members of the Afexa Board. The six nominees of the Offeror appointed to the Afexa Board are G. Mason Morfit, Katharine Stevenson and Ronald Farmer, who are directors of Valeant and are independent of both Valeant and Afexa, and Thomas Schlader, Robert Chai-Onn and Rajiv De Silva, who are officers of Valeant. Two of the independent directors of Afexa prior to the acquisition by the Offeror, J. Douglas Gilpin and Maurice Bilyea, remain as directors of Afexa.

On October 27, 2011, Valeant announced that a total of 8,523,517 additional Common Shares were validly deposited at the expiry time of its Offer. As all of the conditions of the Offer were satisfied, the Offeror took and paid for all of the deposited Common Shares. Accordingly, after giving effect to the take-up of deposited Common Shares on October 17, 2011 and on October 27, 2011, the Offeror now holds approximately 81.6% of the outstanding Common Shares on a fully-diluted basis.

On October 31, 2011, the Afexa Board approved the Amalgamation Agreement and the Circular.

## **Description of the Amalgamation**

### ***General***

If the Amalgamation Resolution is approved and the conditions set out in Amalgamation Agreement are satisfied, the Corporation and the Offeror will amalgamate and continue as "Afexa Life Sciences Inc."

### ***Treatment of Common Shares***

Pursuant to the terms of the Amalgamation Agreement, on the Effective Date, each issued and outstanding Common Share, other than those held by Dissenting Shareholders and the Offeror, will be exchanged for one Amalco Redeemable Preferred Share. Following the Amalgamation, the Amalco Redeemable Preferred Shares will be immediately redeemed at the Redemption Price by Amalco, such that the Offeror will then own, directly and indirectly, all of the outstanding Common Shares of Amalco. All Shareholders, other than the Dissenting Shareholders and the Offeror, will be paid, upon delivery of the certificates representing their Common Shares, a cash amount equal to the Redemption Price, being \$0.85 per Amalco Redeemable Preferred Share.

The Effective Date of the Amalgamation is expected to be as soon as practicable after the Meeting.

### ***Effect of the Amalgamation on TSX Listing***

Following the completion of the Amalgamation, the Common Shares will be de-listed from the TSX and we will cause the Corporation to cease to be a reporting issuer (or equivalent) in all the provinces of Canada in which Afexa is currently a reporting issuer (or equivalent).

### **Amalgamation Agreement**

The following summary of the Amalgamation Agreement is qualified in its entirety by reference to the full text of the form of Amalgamation Agreement which is attached as Appendix B to this Circular. For a full description of the provisions of the Amalco Common Shares and the Amalco Redeemable Preferred Shares, see Schedule A to the Amalgamation Agreement. Dissenting Shareholders will be entitled to be paid the fair value of their Common Shares in accordance with the ABCA. For a summary of such dissent rights, see "Dissenting Shareholder Rights" and Appendix C to this Circular.

If the Amalgamation Resolution is approved, the Amalgamation will be effected in accordance with the Amalgamation Agreement attached as Appendix B to this Circular. Subject to obtaining the requisite approval of the Shareholders and the filing of Articles of Amalgamation, the Amalgamation will become effective on the Effective Date, at which time the Corporation and the Offeror will amalgamate and continue as Amalco. On the Effective Date:

- (a) each issued and outstanding Common Share (other than those held by Dissenting Shareholders and the Offeror) will be exchanged for one Amalco Redeemable Preferred Share, each of which will be redeemed as soon as practicable following the Amalgamation for the Redemption Price;
- (b) each issued and outstanding Common Share held by the Offeror will be cancelled without any repayment of capital in respect thereof;
- (c) each issued and outstanding Common Share held by a Dissenting Shareholder will be cancelled and each Dissenting Shareholder will be entitled to be paid the fair value of such Common Shares.

In accordance with the ABCA, on the Effective Date:

- (a) the Amalgamation will become effective and the Corporation and the Offeror will be amalgamated and continued as one corporation under the terms and conditions described in the Amalgamation Agreement;
- (b) the property of each of the Corporation and the Offeror will continue to be the property of Amalco;
- (c) Amalco will continue to be liable for the obligations of each of the Corporation and the Offeror;
- (d) an existing cause of action, claim or liability to prosecution by or against the Corporation or the Offeror will be unaffected;
- (e) a civil, criminal or administrative action or proceeding pending by or against the Corporation or the Offeror may be continued to be prosecuted by or against Amalco;
- (f) a conviction against, or ruling, order or judgment in favour of or against, the Corporation or the Offeror may be enforced by or against Amalco; and
- (g) the Articles of Amalgamation will be deemed to be the articles of incorporation of Amalco and the certificate of amalgamation will be deemed to be the certificate of incorporation of Amalco.

The Amalgamation Agreement is subject to certain conditions (any of which may be waived by the mutual consent of the Corporation and the Offeror), including that:

- (a) the Amalgamation Agreement and the transactions contemplated thereby, including in particular the Amalgamation, shall have been approved by the Shareholders and the shareholder of the Offeror in accordance with the provisions of the ABCA and any other applicable regulatory requirements;
- (b) consummation of the Amalgamation shall not have been restrained, enjoined or otherwise prohibited or made illegal by any applicable law, including any order, injunction, decree or judgment of any court or other governmental entity; no such law that would have such an effect shall have been promulgated, entered, issued or determined by any court or other governmental entity to be applicable to the Amalgamation; and no action or proceeding shall be pending or threatened by any governmental entity or other person on the Effective Date before any court or other governmental entity to restrain, enjoin or otherwise prevent the consummation of the Amalgamation, or to recover any material damages or obtain other material relief as a result of such transactions, or that otherwise relates to the application of any such law; and
- (c) all necessary governmental or regulatory approvals and consents in respect of the Amalgamation shall have been obtained on terms satisfactory to the Corporation and the Offeror or any applicable governmental or regulatory waiting period shall have expired or been terminated.

It is also a condition to the Corporation's obligations under the Amalgamation Agreement that the Offeror shall have deposited sufficient funds with the Depositary (by wire transfer or other means satisfactory to the Depositary) to pay the Total Cash Consideration upon redemption of the Amalco Redeemable Preferred Shares.

The Amalgamation Agreement may be terminated by the Afexa Board or the board of directors of the Offeror at any time prior to the Amalgamation becoming effective, notwithstanding the approval of the Amalgamation Resolution.

#### **Exemption from Formal Valuation Requirement**

The Amalgamation constitutes a "business combination" for the purposes of MI 61-101. MI 61-101 provides that unless exempted, a corporation proposing to carry out a business combination is required to prepare a formal valuation of the affected securities and, subject to certain exceptions, any non-cash consideration being offered thereof, and provide to the holders of the affected securities a summary of such valuation or the entire valuation.

An exemption is available under MI 61-101 from the aforementioned valuation requirement for certain second step business combinations. An exemption is available where all of the following conditions are satisfied: (i) the business combination is effected by the Offeror or an affiliate of the Offeror in respect of Common Shares not acquired pursuant to the Offer, (ii) the business combination is completed no later than 120 days after the expiry of the Offer, (iii) the consideration per Common Share paid by the Offeror or an affiliate of the Offeror in the business combination is at least equal in value to the consideration per Common Share paid under the Offer and is in the same form as the consideration per Common Share paid by the Offeror under the Offer, (iv) the Offeror discloses in the take-over bid circular that it intends to acquire the remainder of the securities under a statutory right of compulsory acquisition or under a business combination no later than 120 days after the expiry of the Offer for consideration per Common Share at least equal in value to and in the same form as the consideration that the tendering holders of Common Shares in the take-over bid were entitled to receive in the Offer, (iv) the take-over bid disclosure documents describe the expected Canadian tax consequences to a Shareholder of both the Offer and the business combination (if, at the time the bid was made, the tax consequences arising from a business combination were reasonably foreseeable to the Offeror, and were reasonably expected to be different from the tax consequences of tendering to the Offer), and the Offeror has disclosed that the Canadian tax consequences to a Shareholder of a business combination may differ from the tax consequences to such Shareholder having Common Shares acquired pursuant to the Offer if, at the time the Offer was made, the Offeror could not reasonably foresee the tax consequences arising from the business combination.

The consideration offered under the Amalgamation is at least equal in value to, and in the same form as the consideration offered under the Offer and the Offeror believes that the additional requirements referenced above have been complied with. Accordingly, the aforementioned exemption from the requirement to prepare a valuation in connection with the Amalgamation is being relied upon.

### **Voting Shares and Principal Holders of Voting Shares**

The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares. As at the close of business on October 31, 2011, there were issued and outstanding 109,606,840 Common Shares and nil preferred shares.

To the knowledge of the directors and officers of the Corporation, the only person beneficially owning (directly or indirectly) or exercising control or direction over more than 10% of the voting rights attached to all Common Shares of the Corporation is the Offeror, which beneficially owns 89,453,438 Common Shares, representing approximately 81.6% of the outstanding Common Shares.

### **Approval of the Afexa Board**

The Afexa Board, having considered, among other things, the factors described under "Background to the Amalgamation" above has concluded that the Amalgamation is in the best interests of the Corporation and the Shareholders. The Afexa Board has unanimously approved the Amalgamation and authorized the execution by the Corporation of the Amalgamation Agreement as well as the mailing of the Meeting Materials to Shareholders.

The Redemption Price per Amalco Redeemable Preferred Share that Shareholders are entitled to receive under the Amalgamation is equal in value to the consideration per Common Share paid to Shareholders who deposited their Common Shares under the Offer.

### **Shareholder Approval Requirements**

In accordance with the ABCA and MI 61-101, the Amalgamation Resolution must be approved by: (i) not less than 66 2/3% of the votes cast by all holders of Common Shares present in person or represented by proxy at the Meeting and entitled to vote on the Amalgamation Resolution; and (ii) not less than 50% + 1 of the votes cast by holders of the Common Shares present in person or represented by proxy at the Meeting and entitled to vote in order to meet the minority approval requirement set out in MI 61-101.

The Offeror, which owns 89,453,438 Common Shares representing approximately 81.6% of the issued and outstanding Common Shares, has advised the Corporation that it intends to vote all of its Common Shares in favour of the Amalgamation Resolution. **The votes attached to the Common Shares held by the Offeror are sufficient to pass the Amalgamation Resolution. The Offeror is therefore in a position to have the Amalgamation approved.** See "Information Regarding the Amalgamation - Approval Requirements".

### **Minority Approval Requirement**

Pursuant to MI 61-101, unless exempted, in addition to any other required Shareholder approval, in order to complete a business combination, the approval of a majority of the votes cast by Minority Shareholders must be obtained unless an exemption is available or discretionary relief is granted by applicable securities regulatory authorities. In relation to the Amalgamation, the Minority Shareholders will be, subject to any available exemption of discretionary relief granted by the applicable securities regulatory authorities as required, all Shareholders other than the Offeror (other than in respect of Common Shares acquired pursuant to the Offer as described below), any "interested party", any "related party" of the Offeror or any other "interested party", including any director or senior officer of the Offeror, affiliate or insider to the Offeror or any of their directors or senior officers and any "joint actor" with any of the foregoing persons (in each case within the meaning of MI 61-101).

However, MI 61-101 provides that the Offeror may treat Common Shares acquired pursuant to the Offer as "minority" Common Shares and vote them in favour of a business combination provided that, among other things: (a) the business combination is completed no later than 120 days after the expiry of the Offer; (b) the consideration for each Common Share in the business combination is at least equal in value to and in the same form as the consideration paid pursuant to the Offer; and (c) the Shareholder who deposited such Common Shares to the Offer (i) was not a "joint actor" (within the meaning of MI 61-101) with the Offeror in respect of the Offer, (ii) a direct or indirect party to any "connected transaction" to the Offer (for the purpose of MI 61-101) or (iii) entitled to receive, directly or indirectly, in connection with the Offer, a "collateral benefit" (for purposes of MI 61-101) or consideration per Common Share that is not identical in amount and form to the entitlement of the general body of Shareholders in Canada of Common Shares.

The consideration offered under the Amalgamation is at least equal in value to and in the same form as the consideration paid to Shareholders under the Offer and the Offeror believes that the additional requirements referenced above have been complied with. Accordingly, the Offeror intends to cause Common Shares acquired pursuant to the Offer to be voted in favour of such transaction and, where permitted by MI 61-101, to be counted as part of any minority approval required in connection with any such transaction. To the knowledge of the Offeror, after reasonable inquiry, no Common Shares would be required to be excluded in determining whether "minority" approval for a business combination has been obtained for the purposes of MI 61-101.

### **Deposit of Common Share Certificates and Redemption of Common Shares**

The Letter of Transmittal (printed on blue paper) sent to registered Shareholders with this Circular sets out the details of the procedure to be followed by each registered Shareholder for delivering certificates representing Common Shares to the Depositary. If the Amalgamation is not completed, the Letter of Transmittal will be of no effect and we will cause the Depositary to return all deposited share certificates for Common Shares to the registered holders thereof as soon as possible.

Non-registered Shareholders owning Common Shares that are registered in the name of a broker, investment dealer, bank, trust company or other nominee must contact their nominee holder to arrange for the surrender of their Common Share certificates. No share certificates representing Amalco Redeemable Preferred Shares will be issued to holders of Common Shares upon the Amalgamation becoming effective.

As soon as practicable after the Redemption Date, assuming due delivery of the required documentation, Amalco shall cause the Depositary to forward cheques representing the Redemption Price to which a Shareholder is entitled. Unless the Shareholder who deposits share certificates instructs the Depositary to hold the cheque for pick-up by checking the appropriate box on the Letter of Transmittal, the Depositary will forward by first class insured mail, postage prepaid, cheques representing the Redemption Price for each Amalco Redeemable Preferred Share redeemed, payable in Canadian funds to the holders of such Amalco Redeemable Preferred Shares.

The Depositary will act as the agent of persons who have deposited Common Shares pursuant to the Amalgamation for the purpose of receiving payment from Amalco and transmitting payment from Amalco to such persons, and receipt of payment by the Depositary will be deemed to constitute receipt of payment by persons depositing Common Shares.

The holders of Amalco Redeemable Preferred Shares so redeemed shall thereafter have no rights against Amalco in respect of such shares other than to receive payment for such shares. Any share certificate, which prior to the Effective Date, represented issued and outstanding Common Shares which has not been surrendered on or prior to the sixth anniversary of the Effective Date will cease to represent any claim or interest of any kind or nature against Amalco or the Depositary.

**If a Shareholder fails to present and surrender the share certificates held by such Shareholder in accordance with the Letter of Transmittal, such Shareholder will not be entitled to receive a cheque representing all of the proceeds payable to that Shareholder until the Shareholder delivers all such share certificates to the Depositary. Under no circumstances will interest accrue or be paid by Amalco or the**

**Depository on any outstanding amounts of money owed to a Shareholder regardless of any delay in making such payment.**

### **Lost Certificates**

If a certificate representing Common Shares has been lost or destroyed, the Letter of Transmittal should be completed as fully as possible and forwarded, together with a letter describing the loss, to the Depository. The Depository will respond with the replacement requirements, which must be properly completed and submitted to the Depository.

### **Dissenting Shareholder Rights**

Under the provisions of Section 191 of the ABCA, a Dissenting Shareholder is required to send to the Corporation at or before the Meeting a Dissent Notice. In addition to any other right a holder of Common Shares may have, and subject to the provisions of the ABCA, a Shareholder entitled to dissent under Section 191 of the ABCA and who complies with the dissent procedure under Section 191 of the ABCA is entitled to be paid the fair value of the Common Shares held by the Shareholder in respect of which such Shareholder dissents, determined as at the close of business on the last business day before the day on which the Amalgamation Resolution is passed by the Shareholders.

The text of Section 191 of the ABCA is set out in Appendix C hereto. Holders of Common Shares who may wish to dissent should refer to this Appendix. A Shareholder may only exercise the right to dissent under Section 191 of the ABCA in respect of Common Shares which are registered in that Shareholder's name. Failure by a Dissenting Shareholder to adhere strictly to the requirements of Section 191 of the ABCA may result in the loss of such Dissenting Shareholder's rights under that section. **The Corporation suggests that any Shareholder seeking to exercise such rights obtain his or her own legal advice as to the manner of exercising such rights and the implications for the Shareholder.**

Non-registered Shareholders who hold their Common Shares through a broker, custodian, nominee or other intermediary and wish to exercise dissent rights should be aware that only the registered holders of such Common Shares are entitled to dissent. A non-registered Shareholder should ensure that such Shareholder's Common Shares are registered in such Shareholder's name prior to the Meeting in order for such Shareholder's dissent to be properly made. A registered Shareholder, such as a broker, who holds Common Shares as nominee for several non-registered Shareholders, some of whom wish to dissent, should ensure that such Common Shares are validly registered in the names of such Dissenting Shareholders prior to the Meeting in order to ensure that dissent rights are not lost.

The ABCA does not provide, and the Corporation will not assume, that a vote against the Amalgamation Resolution constitutes a Dissent Notice. The ABCA does not provide for partial dissent and, accordingly, a Shareholder may only dissent with respect to all of the Common Shares held by such Shareholder or on behalf of any one non-registered Shareholder whose Common Shares are registered in such Shareholder's name.

## **INFORMATION ON VALEANT AND THE OFFEROR**

Valeant is a multinational specialty pharmaceutical company that develops, manufactures and markets a broad range of pharmaceutical products primarily in the areas of neurology, dermatology and branded generics.

The Offeror was incorporated on August 26, 2011 under the laws of Alberta and is a direct wholly-owned subsidiary of Valeant. The Offeror was formed for the purpose of making the Offer and has not carried on any business prior to the date hereof, other than in respect of the Offer.

Valeant's common shares are traded on the TSX and the New York Stock Exchange under the symbol "VRX". Valeant is a reporting issuer (or the equivalent thereof) in all of the provinces of Canada and files its continuous disclosure documents with the relevant Canadian Securities Authorities, which are available at

www.sedar.com and in the United States under the U.S. Exchange Act and files its continuous disclosure documents with the SEC, which are available at www.sec.gov.com.

Prior to the Effective Date, the Offeror will be required by the terms of the Amalgamation Agreement to deliver the Total Cash Consideration to the Depository which will be paid to Shareholders (other than Dissenting Shareholders and the Offeror) upon the redemption of the Amalco Redeemable Preferred Shares.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Stikeman Elliott LLP, the following summary describes the principal Canadian federal income tax considerations under the Tax Act of the Amalgamation and the redemption of Amalco Redeemable Preferred Shares received on the Amalgamation generally applicable to a Shareholder who, for the purposes of the Tax Act and at all relevant times, (i) is or is deemed to be resident in Canada, (ii) holds the Common Shares and the Amalco Redeemable Preferred Shares as capital property, and (iii) deals at Arm's Length and is not affiliated with Valeant, the Offeror or the Corporation (a "**Holder**").

Common Shares and Amalco Redeemable Preferred Shares generally will be considered capital property to a Holder unless the Holder holds such shares in the course of carrying on a business, or the Holder has acquired them in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain Holders whose Common Shares or Amalco Redeemable Preferred Shares might not otherwise qualify as capital property may be eligible to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have such shares and every other "Canadian security" (as defined in the Tax Act) owned by such Holder deemed to be capital property in the taxation year of the election and all subsequent taxation years. Holders whose Common Shares or Amalco Redeemable Preferred Shares might not otherwise be capital property should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to a Holder (i) that is a "financial institution" or a "specified financial institution" (as defined in the Tax Act), (ii) an interest in which is a "tax shelter investment" for purposes of the Tax Act, (iii) that is an "authorized foreign bank" within the meaning of the Tax Act, or (iv) that is a corporation that has elected in the prescribed form and manner and has otherwise met the requirements to use functional currency tax reporting as set out in the Tax Act. In addition, this summary is not applicable to a Holder that acquired Common Shares or Amalco Redeemable Preferred Shares on the exercise of an employee stock option. Accordingly, Holders should consult their own tax advisors with respect to their particular circumstances, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

This summary is based on the provisions of the Tax Act in force on the date hereof and counsel's understanding of the current published administrative and assessing policies and practices of the Canada Revenue Agency (the "**CRA**"). This summary takes into account all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and assumes that all such Tax Proposals will be enacted in the form proposed. No assurances can be given that the Tax Proposals will be enacted in the form proposed, if at all. This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative decision, action or interpretation, nor does it address provincial, territorial or foreign income tax legislation or considerations. The provisions of provincial income tax legislation vary from province to province in Canada and in some cases differ from federal income tax legislation.

This summary assumes that, based on the Amalgamation Agreement, there shall be allocated to (i) the Amalco Redeemable Preferred Shares stated capital and paid-up capital (as defined in the Tax Act) an amount equal to the aggregate Redemption Price thereof, and (ii) the Amalco Common Shares stated capital and paid-up capital (as defined in the Tax Act) an amount equal to the aggregate paid-up capital (as defined in the Tax Act) attributable to the shares of the Offeror and the Corporation (other than the shares of the Corporation held by a Dissenting Shareholder and the Offeror) less the amounts allocated to the stated capital account for the Amalco Redeemable Preferred Shares.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, Holders are urged to consult their own tax advisors having regard to their own particular circumstances, including the application and effect of the income and other tax laws of any country, province, territory, state or local tax authority.**

### **Disposition of Common Shares on Amalgamation**

A Holder whose Common Shares are exchanged for Amalco Redeemable Preferred Shares on the Amalgamation will not realize any capital gain or capital loss as a result of the conversion. The Holder will be considered to have disposed of its Common Shares for proceeds of disposition equal to the aggregate adjusted cost base of such Common Shares to the Holder immediately before the Amalgamation and to have acquired Amalco Redeemable Preferred Shares at an aggregate cost equal to such proceeds of disposition, which will represent the aggregate adjusted cost base of such shares to the Holder.

### **Redemption of Amalco Redeemable Preferred Shares**

On the redemption of Amalco Redeemable Preferred Shares received by a Holder on the Amalgamation, the Holder will be considered to have disposed of such shares for proceeds of disposition equal to the Redemption Price multiplied by the number of such Amalco Redeemable Preferred Shares held by such Holder. The Holder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition of such Amalco Redeemable Preferred Shares, net of any reasonable costs of disposition, exceed (or are less than) the aggregate adjusted cost base to the Holder of such shares, as described above. The tax treatment of capital gains and capital losses under the Tax Act is discussed below.

### **Dissenting Shareholders**

Under the current administrative practice of the CRA, Holders who exercise their right of dissent in respect of the Amalgamation should be considered to have disposed of their Common Shares for proceeds of disposition equal to the amount paid by Amalco to them for such Common Shares less the amount of any interest awarded by the court. Such dissenting Holders will realize a capital gain (or capital loss) to the extent that those proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the aggregate adjusted cost base of the Common Shares immediately before the Amalgamation to such Holders. Any interest awarded by the court to a Holder who is a Dissenting Shareholder will be included in the Holder's income. The tax treatment of capital gains and capital losses under the Tax Act is discussed below. Because of uncertainties under the relevant legislation as to whether such amounts (other than interest) paid to Dissenting Shareholders would be treated entirely as proceeds of disposition, or in part as the payment of a deemed dividend, Dissenting Shareholders should consult their own tax advisors in this regard.

### **Taxation of Capital Gains or Losses**

A Holder who, as described above, realizes a capital gain or a capital loss on the disposition of Amalco Redeemable Preferred Shares or, in the case of a Holder who is a Dissenting Shareholder, on the disposition of Common Shares, will generally be required to include in income one-half of any such capital gain ("**taxable capital gain**") and must apply one-half of any such capital loss ("**allowable capital loss**") against taxable capital gains realized in the same taxation year, all in accordance with the detailed rules in the Tax Act. Allowable capital losses in excess of taxable capital gains for the taxation year of disposition may ordinarily be carried back and deducted in any of the three preceding years or carried forward and deducted in any following year, against taxable capital gains realized in such years in accordance with the detailed rules of the Tax Act.

If the Holder is a corporation, any capital loss realized on the disposition of Amalco Redeemable Preferred Shares or, in the case of a Holder who is a Dissenting Shareholder, on the disposition of Common Shares may, in certain circumstances, be reduced by the amount of certain dividends previously received or deemed to have been received on such shares and, in the case of a disposition of Amalco Redeemable Preferred Shares, on the Common

Shares converted on the Amalgamation, to the extent and under the circumstances described in the Tax Act. Holders should consult their own tax advisors for specific information regarding the application of these rules.

Similar rules may apply where the corporation is a member of a partnership or a beneficiary of a trust that owns such shares, or where a trust or partnership of which the corporation is a beneficiary or a member is itself a member of a partnership or a beneficiary of a trust that owns such shares.

A Holder that is throughout the year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional 6 $\frac{2}{3}$ % refundable tax on certain investment income, including taxable capital gains.

The realization of a capital gain by an individual or a trust (other than certain specified trusts) may affect the individual's or the trust's liability for alternative minimum tax under the Tax Act. Holders should consult their own tax advisors with respect to alternative minimum tax provisions.

### PRICE RANGE AND TRADING VOLUMES OF COMMON SHARES

The Common Shares are listed and posted for trading on the TSX. The following table sets forth, for the six-month period preceding the date of this Circular, the high and low trading prices and the trading volume of the Common Shares on the TSX for the periods indicated:

	TSX		
	High	Low	Volume
<b>2011</b>			
October.....	\$0.85	\$0.84	3,639,013
September.....	\$0.95	\$0.73	12,264,849
August.....	\$0.72	\$0.47	6,675,355
July.....	\$0.59	\$0.35	7,430,085
June.....	\$0.42	\$0.37	605,458
May.....	\$0.46	\$0.39	757,698

Source: TSX

Note: High and low data represents high and low closing prices.

The closing price of the Common Shares on the TSX on August 29, 2011, the last trading day immediately prior to the announcement of the Offeror's intention to make the Offer on August 30, 2011, was \$0.59. The closing price of Common Shares on the TSX on October 28, 2011, the last trading day on which the Common Shares traded prior to the date of this Circular, was \$0.84. The Offer price of \$0.85 represents a 56% premium to Afexa's 30-day trading day volume weighted average of the Common Shares on the TSX as of August 29, 2011. The Offer price represents a premium of 143% over the closing price of the Common Shares on the TSX on July 14, 2011, the last trading day prior to the announcement by Paladin of market purchases on July 15, 2011.

### OWNERSHIP OF SECURITIES

Other than as stated below, none of the Offeror or Valeant, any of their directors and officers, any associates or affiliate of an insider, any insider of the Offeror or Valeant (other than a director or officer of the Offeror) or any person acting jointly or in concert with the Offeror, beneficially owns or exercises control or direction over any of the securities of Afexa.

The Offeror beneficially owns and exercises control or direction over 89,453,438 Common Shares, representing approximately 81.6% of the outstanding Common Shares.

## DIVIDEND RECORD AND POLICY

The Corporation has not declared or paid any dividends in the two years preceding the date hereof.

### PREVIOUS PURCHASES AND SALES; PREVIOUS DISTRIBUTIONS

No Common Shares, or securities convertible into Common Shares, have been issued to the current directors, officers or other insiders of the Corporation during the two years preceding the date hereof, other than as indicated below.

Name	Nature of Issue	Date of Issue	Number of Common Shares / Options	Issue / Exercise Price per Common Share (\$)
Allan Cleiren	Grant of Options	March 17, 2010	40,000	\$0.64
	Grant of Options	February 15, 2011	40,000	\$0.51
Lei Ling	Grant of Options	March 17, 2010	35,000	\$0.64
	Grant of Options	February 15, 2011	35,000	\$0.51
G. Warren Michaels	Grant of Options	March 17, 2010	35,000	\$0.64
	Grant of Options	February 15, 2011	35,000	\$0.51
Michael Obert	Grant of Options	February 17, 2010	600,000	\$0.76
	Grant of Options	March 17, 2010	40,000	\$0.64
	Grant of Options	February 15, 2011	40,000	\$0.51
Tracey Ramsay	Grant of Options	February 15, 2011	600,000	\$0.51
	Grant of Options	February 15, 2011	40,000	\$0.51
Jacqueline Shan	Grant of Options	February 17, 2010	98,684	\$0.76
	Grant of Options	February 15, 2011	150,980	\$0.51
Sharla Sutherland	Grant of Options	March 17, 2010	35,000	\$0.64
	Grant of Options	February 15, 2011	35,000	\$0.51

### INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this Circular, to the knowledge of the directors and officers of the Corporation, no informed person of the Corporation, no director of the Corporation, no associate or affiliate of an informed person or director of a person or company that is itself an "informed person" or subsidiary of the Corporation, no person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Corporation carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation at the date hereof, or any associate or affiliate thereof, had any material interest, direct or indirect, in any transaction since the beginning of the Corporation's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

## **INTEREST OF PERSONS IN THE MATTERS TO BE ACTED UPON AND THE MEETING**

Each of Robert Chai-Onn, Rajiv De Silva and Thomas Schlader, who were appointed to the Afexa Board following the take-up by the Offeror of the Common Shares pursuant to the Offer, also serve as executive officers of Valeant or a subsidiary of Valeant. Each of G. Mason Morfit, Katharine Stevenson and Ronald Farmer, who were appointed to the Afexa Board following the take-up by the Offeror of the Common Shares pursuant to the Offer, also serve as directors of Valeant. The Amalgamation is being proposed in order to allow the Offeror to acquire the Common Shares that were not deposited under the Offer such that the Corporation will become a wholly-owned subsidiary of Valeant. None of the current members of the Afexa Board holds, directly or indirectly, any Common Shares.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The Corporation's auditors are Ernst & Young LLP. The Corporation's transfer agent and registrar is Computershare Trust Company of Canada at its principal office at 9<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1.

## **OTHER BUSINESS**

Management is not aware of any matter to come before the Meeting other than the matters referred to in the Notice of the Meeting. However, if any other matter properly comes before the Meeting, the accompanying form of proxy confers discretionary authority to vote with respect to amendments or variations to matters identified in the Notice of the Meeting and with respect to other matters that properly may come before the Meeting.

**DIRECTORS' APPROVAL**

The Board of Directors has approved the contents and the sending of this Circular to the Shareholders.

**DATED** at Edmonton, Alberta, the 31st day of October, 2011.

**BY ORDER OF THE BOARD OF DIRECTORS**

*(signed) Robert Chai-Onn*

Robert Chai-Onn, Chairman of the Board

**CONSENT OF STIKEMAN ELLIOTT LLP**

To: The Board of Directors of Afexa Life Sciences Inc. (the "**Corporation**")

We hereby consent to the reference to our opinion contained under "Certain Canadian Federal Income Tax Considerations" in the management information circular of the Corporation dated October 31, 2011 made by the Corporation to the holders of common shares of the Corporation.

(Signed) STIKEMAN ELLIOTT LLP

Montréal, Canada  
October 31, 2011

**APPENDIX A**  
**AMALGAMATION RESOLUTION OF AFEA LIFE SCIENCES INC.**

**"RESOLVED AS A SPECIAL RESOLUTION THAT:**

1. the amalgamation (the "**Amalgamation**") of Afexa Life Sciences Inc. (the "**Corporation**") and 1625907 Alberta Ltd. (the "**Offeror**") pursuant to the provisions of Section 181 of the *Business Corporations Act* (Alberta) and upon the terms and conditions set forth in the amalgamation agreement (the "**Amalgamation Agreement**") dated October 31, 2011 between the Corporation and the Offeror attached as Appendix B to the management information circular (the "**Circular**") of the Corporation dated October 31, 2011, as such agreement may be amended, be and is hereby approved;
2. the execution and delivery by the Corporation of the Amalgamation Agreement be and is hereby ratified and approved;
3. the articles of amalgamation of the corporation continuing from the Amalgamation ("**Amalco**") shall be the same as the articles set forth in Schedule A of the Amalgamation Agreement;
4. the by-laws of the Offeror shall, *mutatis mutandis*, be the by-laws of Amalco, such by-laws to be supplemented, amended or repealed, after the Amalgamation becoming effective, in accordance with the provisions of the *Business Corporations Act* (Alberta) relating to the making, amending and repealing of by-laws;
5. the board of directors of the Corporation be and is hereby authorized to revoke this resolution at any time prior to the Amalgamation becoming effective without further approval of the shareholders of the Corporation and to determine not to proceed with the Amalgamation; and
6. any one of the officers or directors of the Corporation, for and on behalf of the Corporation, be and is hereby authorized to do all such acts and things and sign and execute or cause to be signed and executed all such instruments, agreements and documents as in the opinion of such officer or director may be necessary or desirable to complete the transactions contemplated by the foregoing resolutions, the execution and delivery thereof and the doing of all such acts and things being conclusive evidence of such determination, provided any such amendments do not reduce the Redemption Price, as defined in the Circular.

**APPENDIX B  
AMALGAMATION AGREEMENT**

Amalgamation agreement dated October 31, 2011

**BETWEEN:** **1625907 ALBERTA LTD**, a corporation existing under the laws of the Province of Alberta (hereinafter referred to as "**Newco**")

**AND:** **AFEXA LIFE SCIENCES INC.** a corporation existing under the laws of the Province of Alberta (hereinafter referred to as "**Afexa**").

**PREAMBLE**

**WHEREAS** Newco and Afexa have agreed to amalgamate pursuant to the *Business Corporations Act* (Alberta) (the "**ABCA**") and upon the terms and conditions hereinafter set forth (the "**Amalgamation**"), with the amalgamated company to be referred to herein as "**Amalco**";

**WHEREAS** Newco is a wholly-owned subsidiary of Valeant Pharmaceuticals International, Inc. ("**Valeant**") and has not carried on an active business other than in connection with its offer to acquire the outstanding shares of Afexa dated September 6, 2011, as amended;

**WHEREAS** the authorized capital of Afexa consists of an unlimited number of common shares (the "**Common Shares**") and an unlimited number of preferred shares;

**WHEREAS** there are no issued and outstanding preferred shares in the capital of Afexa;

**WHEREAS** upon the Amalgamation, each issued and outstanding Common Share in the capital of Afexa (other than those held by Dissenting Shareholders (as described hereafter) and Newco) will be converted into one redeemable preferred share of Amalco (the "**Amalco Redeemable Preferred Shares**") having the rights, privileges, restrictions and conditions set forth for such redeemable preferred shares in Schedule A attached hereto;

**WHEREAS** upon the Amalgamation, each issued and outstanding Common Share in the capital of Afexa held by Newco will be cancelled;

**WHEREAS** upon the Amalgamation, each issued and outstanding Common Share held by Dissenting Shareholders will be cancelled and Dissenting Shareholders will be entitled to be paid the fair value of their Common Shares in accordance with Section 191 of the ABCA;

**WHEREAS** upon the Amalgamation, each issued and outstanding common share in the share capital of Newco (the "**Newco Common Shares**") will be converted into one common share of Amalco (the "**Amalco Common Shares**") having the rights, privileges, restrictions and conditions set forth for such common shares in Schedule A attached hereto;

**WHEREAS** Newco and Afexa have each made disclosure to the other of their respective assets and liabilities;

**WHEREAS** each of Afexa and Newco will contribute to Amalco all of its assets, subject to its liabilities, as such exist, immediately before the Effective Date; and

**WHEREAS** it is desirable that this Amalgamation be effected.

**NOW THEREFORE** in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged) the parties agree as follows:

## ARTICLE 1 INTERPRETATION

### 1.1 Definitions

In this Agreement, the following terms will have the following meanings:

"**ABCA**" has the meaning set forth in the preamble;

"**Agreement**" means this Amalgamation Agreement, including all schedules thereto;

"**Amalco**" means the corporation continuing from the amalgamation of the Amalgamating Corporations in accordance with the terms of this Agreement;

"**Amalco Common Shares**" has the meaning set forth in the preamble;

"**Amalco Redeemable Preferred Shares**" has the meaning set forth in the preamble;

"**Amalgamating Corporations**" means Newco and Afexa;

"**Amalgamation**" has the meaning set forth in the preamble;

"**Certificate of Amalgamation**" means the Certificate of Amalgamation to be issued by the Registrar under the ABCA in respect of the Amalgamation;

"**Common Shares**" has the meaning set forth in the preamble;

"**Computershare**" means Computershare Investor Services Inc., acting as depositary;

"**Dissenting Shareholder**" means a registered Shareholder, who, in connection with the special resolution of the Shareholders which approves the Amalgamation, has duly delivered to Afexa a written objection and a demand for payment within the time limits and in the manner prescribed by Section 191 of the ABCA with respect to such Shareholder's Common Shares and has not voted for the Amalgamation Resolution or withdrawn its objection;

"**Dollars**" or "**\$**" means the lawful currency of Canada;

"**Effective Date**" means the date shown on the certificate of amalgamation issued by the Registrar on receipt of the articles of amalgamation and the other documents required in connection therewith;

"**Meeting**" means the special meeting (and any adjournments thereof) of Shareholders held to consider the special resolution which approves the Amalgamation upon the terms and conditions set forth in this Agreement;

"**Newco**" has the meaning set forth in the preamble;

"**Newco Common Shares**" has the meaning set forth in the preamble;

"**Registrar**" means the Registrar of Corporations or the Deputy Registrar of Corporations appointed under the ABCA;

"**Shareholder**" means the shareholders of Afexa;

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time;

"**Total Cash Consideration**" means the total consideration payable upon redemption of the Amalco Redeemable Preferred Shares issued upon the conversion of the Common Shares in accordance with the terms of the

Amalgamation and redeemed immediately after the Amalgamation becoming effective on the Effective Date, being \$0.85 in cash per Amalco Redeemable Preferred Share; and

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

## **1.2 Other terms**

Words and phrases used in this Agreement and defined in the ABCA will have the same meaning in this Agreement as in the ABCA unless the context otherwise requires.

## **1.3 Preamble and Schedules**

The preamble and schedules to this Agreement form an integral part hereof.

# **ARTICLE 2 AMALGAMATION**

## **2.1 Agreement to Amalgamate**

The Amalgamating Corporations do hereby agree to amalgamate pursuant to the provisions of the ABCA as of the Effective Date and to continue as one corporation on the terms and conditions set out in this Agreement. Subject to the terms and conditions of this Agreement, each of the parties hereto agrees to use its reasonable commercial efforts prior to the Effective Date to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or advisable to complete the transactions contemplated by this Agreement and the Amalgamation.

## **2.2 Name**

The name of Amalco will be "Afxa Life Sciences Inc."

## **2.3 Registered Office**

The registered office of Amalco will be 9604, 20th Avenue, Edmonton, Alberta T6N 1G1.

## **2.4 Authorized Capital**

Amalco will be authorized to issue: (a) an unlimited number of Amalco Common Shares; and (b) an unlimited number of Amalco Redeemable Preferred Shares.

The Amalco Common Shares and the Amalco Redeemable Preferred Shares will have the rights, privileges, restrictions and conditions set forth in Schedule A to this Agreement.

## **2.5 Business**

There will be no restriction on the business which Amalco is authorized to carry on.

## **2.6 Number of Directors**

The board of directors of Amalco will, until otherwise changed in accordance with the ABCA, consist of a minimum number of one and a maximum number of ten directors.

## **2.7 Initial Directors**

The number of first directors of Amalco will be 3. The first directors of Amalco will be the persons whose names and addresses appear below:

<u>Name</u>	<u>Address</u>	<u>Canadian Resident</u>
Thomas Schlader	7150 Mississauga Road Mississauga, Ontario L5N 8M5	Yes
Robert Chai-Onn	700 U.S. Highway 202/206 Bridgewater, New Jersey USA 08807	No
Rajiv De Silva	700 U.S. Highway 202/206 Bridgewater, New Jersey USA 08807	No

## **2.8 Amalgamation**

On the Effective Date:

- (a) Newco and Afexa shall be amalgamated under the provisions of the ABCA and shall continue as one corporation;
- (b) each issued and outstanding Common Share (other than those held by Dissenting Shareholders or Newco) will be exchanged for one Amalco Redeemable Preferred Share;
- (c) each issued and outstanding Common Share held by Newco will be cancelled without any repayment of capital in respect thereof;
- (d) each issued and outstanding Common Share held by each Dissenting Shareholder will be cancelled and each Dissenting Shareholder will become entitled to be paid the fair value of such Common Share in accordance with the ABCA; and
- (e) each issued and outstanding Newco Common Share will be exchanged for one Amalco Common Share.

## **2.9 By-laws**

The by-laws of Amalco, until repealed, amended or altered, will be the by-laws of Newco.

## **2.10 Contribution of Assets**

Each of Afexa and Newco will contribute to Amalco all of its assets, subject to its liabilities, as such exist, immediately before the Effective Date.

## **2.11 Stated Capital Account**

There will be added to the stated capital account of Amalco maintained for:

- the Amalco Redeemable Preferred Shares, an amount equal to the Total Cash Consideration;
- the Amalco Common Shares, an amount determined by the following formula;

$$(A + B) - C$$

where:

A is the amount of the aggregate paid-up capital (as defined in the Tax Act) of the Newco Common Shares;

B is the amount of the aggregate paid-up capital (as defined in the Tax Act) of the Common Shares (other than with respect to the Common Shares held by Newco and the Dissenting Shareholders); and

C is the amount equal to the Total Cash Consideration.

## **2.12 Share Certificates**

No share certificates representing Amalco Redeemable Preferred Shares will be issued to shareholders of Amalco upon completion of the Amalgamation. Certificates representing Common Shares will be deemed to represent Amalco Redeemable Preferred Shares received on Amalgamation.

## **2.13 Stale Certificates**

Any certificate formerly representing Common Shares which is not deposited with Computershare or its successor prior to the sixth anniversary of the Effective Date will cease to represent a right or claim of any kind or nature.

# **ARTICLE 3 EFFECT OF THE AMALGAMATION**

## **3.1 Effect of the Amalgamation**

On the Effective Date:

- (a) the Amalgamating Corporations are amalgamated and continue as one corporation, Amalco, under the terms and conditions of this Agreement;
- (b) the Amalgamating Corporations cease to exist as entities separate from Amalco;
- (c) the property, rights and assets of each of the Amalgamating Corporations shall become the property, rights and assets of Amalco;
- (d) Amalco shall assume and become liable for all the obligations of each of the Amalgamating Corporations;
- (e) any existing cause of action, claim or liability to prosecution pending by or against either of the Amalgamating Corporations will be unaffected;
- (f) any civil, criminal or administrative action or proceeding pending by or against either of the Amalgamating Corporations may be continued to be prosecuted by or against Amalco;
- (g) any conviction against, or ruling, order or judgment in favour or against, either of the Amalgamating Corporations may be enforced by or against Amalco; and
- (h) the Articles of Amalgamation will be deemed to be the Articles of Incorporation of Amalco and the Certificate of Amalgamation will be deemed to be the Certificate of Incorporation of Amalco.

## **ARTICLE 4 GENERAL PROVISIONS**

### **4.1 Conditions**

This Agreement and the obligations of the parties hereto to complete the transactions contemplated hereby, including without limitation the Amalgamation, are subject to the fulfillment of the following conditions (any of which may be waived by the mutual consent of Afexa and Newco):

- (a) this Agreement and the transactions contemplated hereby, including without limitation the Amalgamation, will have been approved by not less than 66 2/3% of the votes cast by holders of the Common Shares present in person or represented by proxy at the Meeting and entitled to vote;
- (b) this Agreement and the transactions contemplated hereby, including without limitation the Amalgamation, shall have received "minority approval" as required by Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;
- (c) the consummation of the Amalgamation shall not have been restrained, enjoined or otherwise prohibited or made illegal by any applicable law, including any order, injunction, decree or judgment of any court or other governmental entity; no such law that would have such an effect shall have been promulgated, entered, issued or determined by any court or other governmental entity to be applicable to the Amalgamation; and no action or proceeding shall be pending or threatened by any governmental entity or other person on the Effective Date before any court or other governmental entity to restrain, enjoin or otherwise prevent the consummation of the Amalgamation, or to recover any material damages or obtain other material relief as a result of such transactions, or that otherwise relates to the application of any such law;
- (d) all necessary governmental or regulatory approvals and consents in respect of the Amalgamation shall have been obtained on terms satisfactory to Afexa and Newco or any applicable governmental or regulatory waiting period shall have expired or been terminated; and
- (e) Newco shall have deposited sufficient funds with Computershare (by bank transfer or other means satisfactory to Computershare) to pay the Total Cash Consideration upon redemption of the Amalco Redeemable Preferred Shares.

### **4.2 Dissenting Shareholders**

Common Shares that are held by a Dissenting Shareholder who complies with Section 191 of the ABCA in all respects and does not withdraw his dissent before the Effective Date will not be exchanged as prescribed by Section 2.8(b) hereof but will be cancelled in accordance with Section 191 of the ABCA as prescribed by Section 2.8(d) hereof.

### **4.3 Amendment**

This Agreement may at any time and from time to time before or after the holding of the Meeting be amended by written agreement of the parties hereto without, subject to applicable law, further notice to or authorization on the part of their respective shareholders, provided that no such amendment will change the provisions hereof regarding the consideration to be received by Shareholders in exchange for their Common Shares without approval by the Shareholders, given in the same manner as required for the approval of the Amalgamation.

### **4.4 Termination**

This Agreement may, prior to the filing of the Articles of Amalgamation and related documents with the Registrar, be terminated by the board of directors of either of the Amalgamating Corporations, notwithstanding the approval of this Agreement by the shareholders of each of the Amalgamating Corporations.

#### **4.5 Filing of Documents**

Subject to Section 4.4 hereof, upon the shareholders of each of the Amalgamating Corporations approving this Agreement by special resolution in accordance with the ABCA and subject to the other provisions of this Agreement, the Amalgamating Corporations will jointly file with the Registrar the Articles of Amalgamation and such other documents as may be required.

#### **4.6 Governing Law**

This Agreement will be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.

#### **4.7 Further Assurances**

Each of the parties hereto agrees to execute and deliver such further instruments and to do such further reasonable acts and things as may be necessary or appropriate to carry out the intent of this Agreement.

#### **4.8 Counterparts**

This Agreement may be signed in counterparts and each such counterpart will constitute an original document and such counterparts, taken together, will constitute one and the same instrument.

#### **4.9 Entire Agreement**

This Agreement constitutes the entire agreement between the parties pertaining to the subject matter of this Agreement. There are no warranties, conditions, or representations (including any that may be implied by statute) and there are no agreements in connection with such subject matter except as specifically set forth or referred to in this Agreement. No reliance is made on any warranty, representation, opinion, advice or assertion of fact made either prior to, contemporaneous with, or after entering into this Agreement, or any amendment or supplement thereto, by any party to this Agreement or its directors, officers, employees, agents or affiliates, to any other party to this Agreement or its directors, officers, employees, agents or affiliates, except to the extent that the same has been reduced to writing and included as a term of this Agreement, and none of the parties to this Agreement has been induced to enter into this Agreement or any amendment or supplement by reason of any such warranty, representation, opinion, advice or assertion of fact. Accordingly, there will be no liability, either in tort or in contract, assessed in relation to any such warranty, representation, opinion, advice or assertion of fact, except to the extent contemplated above.

**IN WITNESS WHEREOF** the parties have executed this Agreement as of the date first written above.

**AFEXA LIFE SCIENCES INC.**

By: (signed)\_\_\_\_\_

**1625907 ALBERTA LTD.**

By: (signed)\_\_\_\_\_

## SCHEDULE A

### SHARE CAPITAL OF AMALCO

The authorized capital of Afexa Life Sciences Inc. (the "**Corporation**") shall consist of: (a) one class of shares, to be designated as "**Common Shares**", in an unlimited number; and (b) one class of shares, to be designated as "**Redeemable Preferred Shares**" in an unlimited number, which shares shall have the following rights, privileges, restrictions and conditions:

#### **DEFINITIONS**

In these Articles:

"**Act**" means the *Business Corporations Act* (Alberta);

"**Amalgamation**" means the amalgamation of Afexa Life Sciences Inc. and 1625907 Alberta Ltd. to continue as the Corporation in accordance with the amalgamation agreement dated October 31, 2011;

"**Corporation**" means Afexa Life Sciences Inc., being the corporation resulting from the Amalgamation;

"**Depository**" means Computershare Investor Services Inc.; and

"**Tax Act**" means the Income Tax Act (Canada) and the regulations adopted thereunder.

#### **COMMON SHARES**

The Common Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

**Voting Rights:** Each Common Share shall entitle the holder thereof to one vote at all meetings of the shareholders of the Corporation (except meetings at which only holders of another specified class of shares are entitled to vote pursuant to the provisions hereof or pursuant to the provisions of the Act).

**Dividends:** The holders of the Common Shares shall be entitled to receive non-cumulative dividends, as and when declared by the board of directors of the Corporation, subject to the rights, privileges, restrictions and conditions attaching to the Redeemable Preferred Shares and to any other class of shares ranking prior to the Common Shares.

**Liquidation, Dissolution or Winding-up:** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or any other distribution of its assets among its shareholders for the purpose of winding up its affairs, subject to the rights, privileges, restrictions and conditions attaching to the Redeemable Preferred Shares and to any other class of shares ranking prior to the Common Shares, the holders of the Common Shares shall be entitled to receive the remaining property of the Corporation.

#### **REDEEMABLE PREFERRED SHARES**

The Redeemable Preferred Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

##### **1. Definitions:**

(a) "**Aggregate Redemption Amount**" means the Redemption Amount payable for all of the applicable Redeemable Preferred Shares to be redeemed on any given Redemption Date;

(b) **"Redemption Date"** means, for any Redeemable Preferred Shares, their applicable date of redemption which shall occur immediately after the issuance from time to time of such Redeemable Preferred Shares;

(c) **"Redemption Amount"** means C\$0.85 per Redeemable Preferred Share.

**2. Voting Rights:**

The Redeemable Preferred Shares shall be non-voting shares and, subject to the Act, holders of Redeemable Preferred Shares shall not be entitled to receive notice of, attend or vote at any meetings of shareholders of the Corporation.

**3. Redemption:**

Subject to the provisions of the Act, the Corporation shall, on each Redemption Date, redeem the applicable Redeemable Preferred Shares and pay the applicable Aggregate Redemption Amount in accordance with Section 3b), as follows:

- a) Notice: Except as hereinafter provided or as otherwise determined by the Corporation, no notice of redemption or other act or formality on the part of the Corporation shall be required to call Redeemable Preferred Shares for redemption.
- b) Delivery of Aggregate Redemption Amount: On or before the Redemption Date, the Corporation shall deliver or cause to be delivered to the Depositary at its principal office in the City of Toronto, the applicable Aggregate Redemption Amount.
- c) Payment of Aggregate Redemption Amount: From and after the applicable Redemption Date, (i) the Depositary shall pay and deliver or cause to be paid and delivered to the order of the respective holders of the applicable Redeemable Preferred Shares, by way of cheque, on presentation and surrender at the office of the Depositary in the City of Toronto of the certificate representing the common shares of the Corporation's predecessor, Afexa Life Sciences Inc., which were converted into Redeemable Preferred Shares upon the Amalgamation and the holder's Letter of transmittal or such other documents as the Corporation or the Depositary may, in its discretion, consider acceptable and (ii) the holders of such Redeemable Preferred Shares shall not be entitled to exercise any of the rights of shareholders in respect thereof except to receive from the Depositary the Redemption Amount therefor unless payment of the aforesaid Aggregate Redemption Amount has not been made in accordance with the foregoing provisions, in which case the rights of such shareholder will remain unaffected. Under no circumstances will interest on the Redemption Amount be payable by the Corporation or the Depositary whether as a result of any delay in paying the Redemption Amount or otherwise.
- d) Discharge of Obligations: Immediately after the Amalgamation or the issuance of the Redeemable Preferred Shares in the event they are issued subsequent to the Amalgamation, and subject to the delivery to and receipt by the Depositary of the applicable Aggregate Redemption Amount pursuant to Section 3b) above, each applicable Redeemable Preferred Share shall irrevocably be deemed to be redeemed and cancelled, the Corporation shall be fully and completely discharged from its obligations with respect to the payment of the applicable Aggregate Redemption Amount to such holders of such Redeemable Preferred Shares, and the rights of such holders shall be limited to receiving from the Depositary the Redemption Amount payable to them on presentation and surrender of the said certificates held by them or other documents as specified above. Subject to the requirements of applicable law with respect to unclaimed property, if the applicable Aggregate Redemption Amount has not been fully claimed in accordance with the provisions hereof within six years of the Redemption Date, the unclaimed Redemption Amount shall be forfeited to the Corporation.

- e) Lost Certificates: In the event any certificate which, immediately prior to the applicable Redemption Date, represented one or more common shares of the Corporation's predecessor, Afexa Life Sciences Inc., which were converted into Redeemable Preferred Shares upon the Amalgamation and redeemed immediately after pursuant to this Section 3, or which represented any Redeemable Preferred Shares to redeemed in accordance with these articles, shall have been lost, stolen or destroyed, the Depositary shall, upon the making of an affidavit of that fact by the holder claiming such certificate to be lost, stolen or destroyed, issue in exchange for such lost, stolen or destroyed certificate, a cheque for the applicable Redemption Amount deliverable in accordance with such holder's letter of transmittal. When authorizing such issuance or payment in exchange for the lost, stolen or destroyed certificate, the holder to whom cash is to be paid or delivered shall, as a condition precedent to the issuance or payment thereof, give a bond satisfactory to the Corporation and the Depositary in connection with any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

#### **4. Liquidation, Dissolution or Winding-up**

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or any other distribution of its assets among its shareholders for the purpose of winding up its affairs, and subject to the extinguishment of the rights of holders of Redeemable Preferred Shares upon satisfaction of the Redemption Amount in respect of each Redeemable Preferred Share, holders of the Redeemable Shares shall be entitled to receive in priority to the holders of the Common Shares or any other shares ranking junior to the Redeemable Preferred Shares, an amount equal to the Redemption Amount (less any tax required to be withheld by the Corporation) for each Redeemable Preferred Share held by them respectively and no more. After payment to the holders of Redeemable Preferred Shares of the amounts so payable to them as hereinbefore provided, they shall not be entitled to share in any further distribution of the property and assets of the Corporation.

#### **5. Specified Amount**

The amount of C\$0.85 is the amount specified in respect of each Redeemable Preferred Share for purposes of Subsection 191(4) of the Tax Act.

#### **6. Withholding Tax**

In connection with any consideration payable to any holder of Redeemable Preferred Shares, including in connection with a redemption of Redeemable Preferred Shares, the Corporation shall be entitled to deduct and withhold any such amounts as the Corporation is required to deduct and withhold with respect to such payment under the Tax Act or any provision of provincial, local or foreign tax law or regulations. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the Redeemable Preferred Shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority.

**APPENDIX C**  
**SECTION 191 OF THE ABCA**

**Shareholder's right to dissent**

191(1) Subject to Sections 192 and 242, a holder of shares of any class of a corporation may dissent if the corporation resolves to

- (a) amend its articles under Section 173 or 174 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,
- (b) amend its articles under Section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,
  - (b.1) amend its articles under Section 173 to add or remove an express statement establishing the unlimited liability of shareholders as set out in Section 15.2(1),
- (c) amalgamate with another corporation, otherwise than under Section 184 or 187,
- (d) be continued under the laws of another jurisdiction under Section 189, or
- (e) sell, lease or exchange all or substantially all its property under Section 190.

(2) A holder of shares of any class or Series of shares entitled to vote under Section 176, other than Section 176(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that Section .

(3) In addition to any other right the shareholder may have, but subject to subsection (20), a shareholder entitled to dissent under this Section and who complies with this Section is entitled to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the last business day before the day on which the resolution from which the shareholder dissents was adopted.

(4) A dissenting shareholder may only claim under this Section with respect to all the shares of a class held by the shareholder or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)

- (a) at or before any meeting of shareholders at which the resolution is to be voted on, or
- (b) if the corporation did not send notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent, within a reasonable time after the shareholder learns that the resolution was adopted and of the shareholder's right to dissent.

(6) An application may be made to the Court after the adoption of a resolution referred to in subsection (1) or (2),

- (a) by the corporation, or
- (b) by a shareholder if the shareholder has sent an objection to the corporation under subsection (5),

to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this Section, or to fix the time at which a shareholder of an unlimited liability corporation who dissents under this Section ceases to become liable for any new liability, act or default of the unlimited liability corporation.

(7) If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay the shareholder an amount considered by the directors to be the fair value of the shares.

(8) Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder

- (a) at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or
- (b) within 10 days after the corporation is served with a copy of the application, if a shareholder is the applicant.

(9) Every offer made under subsection (7) shall

- (a) be made on the same terms, and
- (b) contain or be accompanied with a statement showing how the fair value was determined.

(10) A dissenting shareholder may make an agreement with the corporation for the purchase of the shareholder's shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.

(11) A dissenting shareholder

- (a) is not required to give security for costs in respect of an application under subsection (6), and
- (b) except in special circumstances must not be required to pay the costs of the application or appraisal.

(12) In connection with an application under subsection (6), the Court may give directions for

- (a) joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation,
- (b) the trial of issues and interlocutory matters, including pleadings and questioning under Part 5 of the *Alberta Rules of Court*,
- (c) the payment to the shareholder of all or part of the sum offered by the corporation for the shares,
- (d) the deposit of the share certificates with the Court or with the corporation or its transfer agent,
- (e) the appointment and payment of independent appraisers, and the procedures to be followed by them,
- (f) the service of documents, and
- (g) the burden of proof on the parties.

(13) On an application under subsection (6), the Court shall make an order

- (a) fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application,

- (b) giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders,
- (c) fixing the time within which the corporation must pay that amount to a shareholder, and
- (d) fixing the time at which a dissenting shareholder of an unlimited liability corporation ceases to become liable for any new liability, act or default of the unlimited liability corporation.

(14) On

- (a) the action approved by the resolution from which the shareholder dissents becoming effective,
- (b) the making of an agreement under subsection (10) between the corporation and the dissenting shareholder as to the payment to be made by the corporation for the shareholder's shares, whether by the acceptance of the corporation's offer under subsection (7) or otherwise, or
- (c) the pronouncement of an order under subsection (13),

whichever first occurs, the shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shareholder's shares in the amount agreed to between the corporation and the shareholder or in the amount of the judgment, as the case may be.

(15) Subsection (14)(a) does not apply to a shareholder referred to in subsection (5)(b).

(16) Until one of the events mentioned in subsection (14) occurs,

- (a) the shareholder may withdraw the shareholder's dissent, or
- (b) the corporation may rescind the resolution,

and in either event proceedings under this Section shall be discontinued.

(17) The Court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder, from the date on which the shareholder ceases to have any rights as a shareholder by reason of subsection (14) until the date of payment.

(18) If subsection (20) applies, the corporation shall, within 10 days after

- (a) the pronouncement of an order under subsection (13), or
- (b) the making of an agreement between the shareholder and the corporation as to the payment to be made for the shareholder's shares,

notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(19) Notwithstanding that a judgment has been given in favour of a dissenting shareholder under subsection (13)(b), if subsection (20) applies, the dissenting shareholder, by written notice delivered to the corporation within 30 days after receiving the notice under subsection (18), may withdraw the shareholder's notice of objection, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to the shareholder's full rights as a shareholder, failing which the shareholder retains a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do to or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(20) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due, or
- (b) the realizable value of the corporation's assets would by reason of the payment be less than the aggregate of its liabilities.

RSA 2000 cB-9 s191;2005 c40 s7;2009 c53 s30