



SUMMARY OF EXISTING AND NEW SHAREHOLDER RIGHTS PLANS

Afexa Life Sciences Inc. ("Afexa") adopted the shareholder rights plan (the "Existing Shareholder Rights Plan") summarized herein on January 25, 2010. The Existing Shareholder Rights Plan was approved by 98.5% of the Shareholders represented by proxy or in attendance at the meeting on March 18, 2010. On August 12, 2011 Afexa adopted an additional shareholder right plan (the "New Shareholder Rights Plan"), also summarized herein. The purpose of both the Existing and New Shareholder Rights Plans is to:

- (i) provide the board of directors of Afexa (the "Board of Directors") and holders (the "Shareholders") of the common shares (the "Common Shares") of Afexa with sufficient time to properly consider any take-over bid made for Afexa and allow enough time for competing bids and alternative proposals to emerge;
- (ii) ensure that all Shareholders are treated fairly in any transaction involving a change of control of Afexa; and
- (iii) ensure that all Shareholders have an equal opportunity to participate in the benefits of a take-over bid.

The Existing and New Shareholder Rights Plans encourage potential acquirers to negotiate the terms of any offer for Common Shares with the Board of Directors or, alternatively, to make a Permitted Bid (as defined in the both the Existing and New Shareholder Rights Plans) without the approval of the Board of Directors.

The summaries of the Existing and New Shareholder Rights Plans set out herein only includes the material terms and conditions of the Existing and New Shareholder Rights Plans. The summary is qualified by and is subject to the full terms and conditions of the Existing and New Shareholder Rights Plans. The full text of the Existing Shareholder Rights Plan is contained in an agreement (the "Existing Agreement") dated as of January 25, 2010 between Afexa and Computershare Trust Company of Canada, as rights agent and is available on SEDAR at www.sedar.com. The full text of the New Shareholder Rights Plan is contained in an agreement (the "New Agreement") dated as of August 12, 2011 between Afexa and Computershare Trust Company of Canada, as rights agent and is available on SEDAR at www.sedar.com.

Existing Shareholder Rights Plan

Issuance of Rights

The Existing Shareholder Rights Plan provides that one right (a "Right") would be issued in respect of each of the outstanding Common Shares to Shareholders as of the effective date of the Existing Agreement, as well as in respect of each Common Share issued after the effective date of the Existing Agreement and prior to the Separation Time (as defined below).

Trading of Rights

Notwithstanding the effectiveness of the Existing Shareholder Rights Plan, the Rights are not exercisable until the Separation Time and certificates representing the Rights have not been sent to the Shareholders. Certificates for the Common Shares issued after the effective date of the Existing Shareholder Rights Plan contain a notation incorporating the Existing Shareholder Rights Plan by reference. Until the Separation Time, or earlier termination or expiry of the Rights, the Rights are evidenced by and transferred with the associated Common Shares and the surrender for transfer of any certificate representing Common Shares will also constitute the surrender for transfer of the Rights associated with those Common Shares. After the Separation Time, the Rights will become exercisable and begin to trade separately from the associated Common Shares. The initial "Exercise Price" under each Right in order to acquire a Common Share is four times the Market Price at the Separation Time. Market Price is defined as the average of the daily closing prices per share of such securities on each of the 20 consecutive trading days through and including the trading day immediately preceding the Separation Time.

Separation of Rights

The Rights will become exercisable and begin to trade separately from the associated Common Shares at the "Separation Time" which is generally the close of business on the tenth trading day after the earliest to occur of:

1. a public announcement that a person or a group of affiliated or associated persons has acquired beneficial ownership of 20% or more of the outstanding Common Shares (becoming an "Acquiring Person") other than as a result of (i) a reduction in the number of Common Shares outstanding, (ii) a "Permitted Bid" or "Competing Permitted Bid" (as defined below), (iii) acquisitions of Common Shares in respect of which the Board of Directors has waived the application of the Existing Agreement, (iv) other specified exempt acquisitions in which the Shareholders participate on a *pro rata* basis, or (v) an acquisition by a person of Common Shares upon the exercise, conversion or exchange of a security convertible, exercisable or exchangeable into a Voting Share received by a person pursuant to (ii), (iii) or (iv);
2. the date of commencement of, or the first public announcement of an intention of any person (other than Afexa or any of its subsidiaries) to commence, a take-over bid (other than a Permitted Bid or a Competing Permitted Bid) where the Common Shares subject to the bid owned by that person (including affiliates, associates and others acting jointly or in concert therewith) would constitute 20% or more of the outstanding Common Shares; and

3. the date upon which a Permitted Bid or Competing Permitted Bid ceases to be such.

As soon as practicable following the Separation Time, separate certificates evidencing rights (“Rights Certificates”) will be mailed to the holders of record of the Common Shares as of the Separation Time and the Rights Certificates alone will evidence the Rights.

When Rights Become Exercisable

After the Separation Time, each Right entitles the holder thereof to purchase one Common Share at the Exercise Price. Following a transaction which results in a person becoming an Acquiring Person (a “Flip-in-Event”), the Rights entitle the holder thereof (other than a holder who is an Acquiring Person) to receive, upon exercise, such number of Common Shares which have an aggregate market value (as of the date of the Flip-In Event) equal to twice the then Exercise Price of the Rights. In such event, however, any Rights beneficially owned by an Acquiring Person (including affiliates, associates and others acting jointly or in concert therewith), or a transferee or any such person, will be void. A Flip-in-Event does not include acquisitions approved by the Board of Directors or acquisitions pursuant to a Permitted Bid or Competing Permitted Bid.

Permitted Bids

The Existing Shareholder Rights Plan includes a “Permitted Bid” concept whereby a take-over bid will not trigger a separation of the Rights (and will not cause the Rights to become exercisable) if the bid meets certain conditions. A “Permitted Bid” is defined as an offer to acquire Common Shares or securities that are eligible to be converted into Common Shares for cash or securities made by means of a take-over bid circular where the Common Shares (including Common Shares that may be acquired upon conversion of securities convertible into Common Shares) subject to the offer, together with Common Shares beneficially owned by the offeror at the date of the offer (including its affiliates, associates and others acting jointly or in concert therewith), constitute 20% or more of the outstanding Common Shares and that also complies with the following additional provisions:

4. the bid must be made to all the holders of Common Shares as registered on the books of Afexa other than the offeror; and
5. the bid must contain the following irrevocable and unqualified conditions:
 - (a) no Common Shares will be taken up or paid for prior to the close of business on the 60th day following the date of the bid and then only if more than 50% of the Common Shares held by Independent Shareholders (as defined below) have been deposited or tendered to the bid and not withdrawn;
 - (b) Common Shares may be deposited pursuant to the bid, unless it is withdrawn, at any time prior to the date Common Shares are first taken up or paid for under the bid;
 - (c) Common Shares deposited pursuant to the bid may be withdrawn until taken up or paid for; and

- (d) if the deposit condition referred to in (b)(i) above is satisfied, the offeror will extend the bid for deposit of Common Shares for at least ten business days from the date such extension is publicly announced.

“Independent Shareholders” is defined as holders of Common Shares other than (i) an Acquiring Person, (ii) any offeror making a take-over bid, (iii) any affiliate or associate of an Acquiring Person or offeror, (iv) persons acting jointly or in concert with an Acquiring Person or offeror, and (v) the trustee of employee benefit, stock purchase or certain other plans or trusts for employees of Afexa or its wholly-owned subsidiaries unless the beneficiaries of such plans or trusts direct the voting or tendering to a take-over bid of the Common Shares.

Competing Permitted Bids

A “Competing Permitted Bid” is a take-over bid made after a Permitted Bid has been made and prior to expiry of such Permitted Bid that satisfies all of the provisions of a Permitted Bid, except that it must remain open for acceptance until at least the later of (i) 35 days after the date of the bid and (ii) 60 days after the earliest date on which another Permitted Bid then in existence was made, and only if at that date more than 50% of the Common Shares owned by Independent Shareholders have been deposited to the Competing Permitted Bid and not withdrawn.

Redemption and Waiver

Under the Existing Shareholder Rights Plan, the Board of Directors can (i) waive the application of the Existing Shareholder Rights Plan to enable a particular take-over bid to proceed, in which case the Existing Shareholder Rights Plan will be deemed to have been waived with respect to any other take-over bid made prior to the expiry of any bid subject to such waiver, or (ii) redeem all but not less than all the Rights at a redemption price of \$0.0001 per Right at any time prior to a Flip-in-Event. Rights are deemed to have been redeemed if a bidder successfully completes a Permitted Bid or a bid in respect of which the Board of Directors has waived the application of the Existing Shareholder Rights Plan.

Protection Against Dilution

The Exercise Price, the number and nature of securities which may be purchased upon the exercise of Rights and the number of Rights outstanding are subject to adjustment from time to time to prevent dilution in the event of stock dividends, subdivisions, consolidations, reclassifications or other changes in the outstanding Common Shares, *pro rata* distributions to holders of Common Shares and other circumstances where adjustments are required to appropriately protect the interests of the holders of Rights.

New Shareholder Rights Plan

The following is a summary of the principal terms of the New Shareholder Rights Plan. The terms of the New Shareholder Rights Plan are substantially the same as those contained in the above summary regarding the Existing Shareholder Rights Plan, except that the rights issued under the New Shareholder Rights Plan as described above under “Separation of Rights” become exercisable if a person acquires 15% or more of the Common Shares. As is the case in the Existing Shareholder Rights Plan, a Permitted Bid must be made by way of a take-over bid circular prepared in compliance with applicable securities laws and, in addition to certain other conditions such as the tender of at least 50% of the Common Shares referred to above, must remain open for 60 days. In the event a take-over bid does not meet the Permitted Bid requirements of the New Shareholder Rights Plan, the rights issued

under the plan will entitle Shareholders, other than any Shareholder or Shareholders involved in the take-over bid, to purchase additional Common Shares of Afexa at a significant discount to the market price of the Common Shares at that time.