

Cipher Pharmaceuticals Inc.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

and

MANAGEMENT INFORMATION CIRCULAR

March 29, 2018

CIPHER PHARMACEUTICALS INC.

March 29, 2018

Dear Shareholders:

It is my great pleasure to invite you to the Annual and Special Meeting (the “**Meeting**”) of the shareholders of Cipher Pharmaceuticals Inc. (the “**Corporation**”) to be held on Thursday, May 10, 2018 at the offices of Wildeboer Dellelce LLP, Wildeboer Dellelce Place, 365 Bay Street, Suite 800, Toronto, Ontario at 11:00 a.m. (Toronto time).

The items of business to be considered and voted upon at this Meeting are described in the Notice of Annual and Special Meeting and the accompanying Management Information Circular.

You may find further information concerning the Corporation on our website: www.cipherpharma.com. We encourage you to visit our website before attending the Meeting.

Your participation at this Meeting is important. We encourage you to exercise your right to vote, which can easily be done by following the instructions provided in the Management Information Circular and form of proxy, or a voting instruction form if you are not a registered shareholder.

At the Meeting, a report on the Corporation’s affairs will be provided by senior management. You will also have the opportunity to ask questions and to meet the Corporation’s Board of Directors.

We look forward to seeing you on May 10, 2018.

Yours very truly,

“Mark Beaudet” (signed)

Mark Beaudet
Chair of the Board of Directors
Cipher Pharmaceuticals Inc.

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CIPHER PHARMACEUTICALS INC.
NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 10, 2018

NOTICE IS HEREBY GIVEN that the Annual and Special Meeting (the “**Meeting**”) of the holders of common shares of Cipher Pharmaceuticals Inc. (“**Cipher**” or the “**Corporation**”) will be held on Thursday, May 10, 2018 at the offices of Wildeboer Dellelce LLP, Wildeboer Dellelce Place, 365 Bay Street, Suite 800, Toronto, Ontario at 11:00 a.m. (Toronto time), for the following purposes:

- (a) to receive and consider the consolidated financial statements of the Corporation for the year ended December 31, 2017, together with the report of the auditor thereon;
- (b) to elect directors for the ensuing year;
- (c) to appoint the auditor for the ensuing year and to authorize the directors to fix the auditor’s remuneration;
- (d) to consider, and, if deemed advisable, approve, with or without variation, by ordinary resolution, the unallocated options, rights and other entitlements under the Corporation’s stock option plan in accordance with the rules of the Toronto Stock Exchange;
- (e) to consider, and, if deemed advisable, approve, with or without variation, by ordinary resolution, the unallocated awards, rights and other entitlements under the Corporation’s performance and restricted share unit plan in accordance with the rules of the Toronto Stock Exchange; and
- (f) to transact such other business as may properly come before the Meeting or any adjournments or postponements thereof.

Only holders (“**Shareholders**”) of record at the close of business on Thursday, March 29, 2018 (the “**Record Date**”) of common shares of the Corporation are entitled to notice of and to attend the Meeting or any adjournments or postponements thereof and to vote thereat.

Shareholders may vote in person at the Meeting or any adjournments or postponements thereof, or they may appoint another person (who need not be a Shareholder) as their proxy to attend and vote in their place.

Shareholders unable to be present at the Meeting are requested to date and sign the enclosed form of proxy and return it to Computershare Investor Services Inc., attention: Proxy Department, 100 University Ave., 8th Floor, Toronto, Ontario, M5J 2Y1, or by fax (1-866-249-7775 or 416-263-9524) not later than 5:00 p.m. (Toronto time) on May 8, 2018, or with the Chair of the Meeting before the commencement of the Meeting, or, if the Meeting is adjourned or postponed, not less than 24 hours, excluding Saturdays, Sundays and statutory holidays in Toronto, Ontario, preceding the time of such adjourned or postponed Meeting or with the Chair of the Meeting before the commencement of such adjourned or postponed Meeting. Voting can also be done by phone or internet as described in the accompanying Management Information Circular.

A Management Information Circular relating to the business to be conducted at the Meeting and, if previously requested, the Corporation’s 2017 Annual Report containing the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2017, accompany this Notice.

DATED at Toronto, Ontario this 29th day of March, 2018.

BY ORDER OF THE BOARD OF DIRECTORS

“Robert Tessarolo” (signed)
President and Chief Executive Officer

MANAGEMENT INFORMATION CIRCULAR

This Management Information Circular (the “**Circular**”) is furnished to shareholders of Cipher Pharmaceuticals Inc. (the “**Corporation**” or “**Cipher**”) in connection with the solicitation by and on behalf of the management of the Corporation of proxies to be used at the Annual and Special Meeting of Shareholders (the “**Meeting**”) of the Corporation to be held on Thursday, May 10, 2018 at the offices of Wildeboer Dellelce LLP, Wildeboer Dellelce Place, 365 Bay Street, Suite 800, Toronto, Ontario at 11:00 a.m. (Toronto time), and at any adjournment(s) or postponement(s) thereof, for the purposes set forth in the attached Notice of Annual and Special Meeting of Shareholders (the “**Notice**”).

This Circular, the Notice, the accompanying form of proxy and, if previously requested, the Corporation’s 2017 Annual Report are being mailed to shareholders of record of the Corporation as of the close of business on March 29, 2018. The Corporation will bear all costs associated with the preparation and mailing of this Circular, the Notice, the accompanying form of proxy and the Corporation’s 2017 Annual Report, as well as the cost of the solicitation of proxies. The solicitation will be primarily by mail; however, officers and regular employees of the Corporation may also directly solicit proxies (but not for additional compensation) personally, by telephone, by telefax or by other means of electronic transmission. Banks, brokerage houses and other custodians and nominees or fiduciaries will be requested to forward proxy solicitation material to their principals and to obtain authorizations for the execution of proxies and will be reimbursed for their reasonable expenses in doing so.

All amounts referred to in this Circular are presented in Canadian dollars, unless otherwise noted.

HOW TO VOTE YOUR SHARES

Your vote is important. Please read the information below to ensure your shares are properly voted.

Registered Shareholders and Non-Registered Shareholders

How you vote your shares depends on whether you are a registered shareholder or a non-registered shareholder. In either case, there are two ways you can vote at the Meeting – by appointing a proxyholder or by attending in person.

Registered Shareholder:

You are a registered shareholder if you hold one or more share certificates which indicate your name and the number of shares which you own. As a registered shareholder, you will receive a form of proxy from Computershare Investor Services Inc. (“**Computershare**”) representing the shares you hold. If you are a registered shareholder refer to “How to Vote – Registered Shareholders” below.

Non-Registered Shareholder:





You are a non-registered shareholder if an intermediary such as a securities dealer, broker, bank, trust company or other nominee holds your shares for you, or for someone else on your behalf, registered in the name of the nominee. In accordance with applicable securities laws, the Corporation distributes copies of its meeting materials to non-registered shareholders directly or to intermediaries for onward distribution to non-registered shareholders. As a non-registered shareholder, you will most likely receive a Voting Instruction Form from either Computershare on behalf of Cipher (if you are a non-objecting beneficial owner of shares willing to have your nominee disclose your ownership information to Cipher) or Broadridge Investor Communications Corporation (“**Broadridge**”) on behalf of intermediaries (if you are an objecting beneficial owner of shares not willing to have your nominee disclose your ownership information to Cipher), although in some cases you may receive a form of proxy from the securities dealer, broker, bank, trust company or other nominee holding your shares. If you are a non-registered shareholder, refer to “How to Vote - Non-Registered Shareholders” below.

How to Vote – Registered Shareholders

If you are a registered shareholder you may either vote by proxy or in person at the Meeting.

Submitting Votes by Proxy

There are four ways to submit your vote by proxy:

-  phone
-  internet
-  mail
-  fax

in accordance with the instructions on the form of proxy.

If you are voting by phone or internet, you will need the pre-printed Control Number, Holder Account Number and Access Number on your form of proxy.

A proxy submitted by mail or fax must be in writing, dated the date on which you signed it and be signed by you (or your authorized attorney). If a proxy submitted by mail or fax is not dated, it will be deemed to bear the date on which it was sent to you. If such a proxy is being submitted on behalf of a corporate shareholder, the proxy must be signed by an authorized officer or attorney of that corporation, whose title should be indicated. Documentation evidencing power to sign the proxy may be required. A form of proxy executed by a person acting as attorney or in some other representative capacity should state such person's capacity following his or her signature. Documentation evidencing power to sign the proxy may be required.

If you are voting your shares by proxy, you must ensure that your completed and signed proxy form or your phone or internet vote is received by Computershare not later than 5:00 p.m. (Toronto time) on May 8, 2018 or, if the Meeting is adjourned or postponed, not less than 24 hours excluding Saturdays, Sundays and statutory holidays in Toronto, Ontario, preceding the time of such adjourned or postponed Meeting, or is provided to the Chair of the Meeting before the commencement of the Meeting or any adjourned or postponed Meeting.

Appointment of Proxyholder

Unless you specify a different proxyholder or specify how you want your shares to be voted, the Cipher representatives whose names are pre-printed on the form of proxy (who are directors or officers of the Corporation) will vote your shares:

- **FOR** the election as directors each of the nominees named in this Circular;
- **FOR** the re-appointment of PricewaterhouseCoopers LLP as auditor and authorizing the directors to fix the auditor's remuneration;
- **FOR** the approval of all unallocated options, rights and other entitlements under the Stock Option Plan (as defined herein); and
- **FOR** the approval of all unallocated awards, rights and other entitlements under the PR Plan (as defined herein);

You have the right to appoint someone else (who need not be a shareholder) as your proxyholder; however, if you do, that person must vote your shares in person on your behalf at the Meeting. To appoint someone else your proxyholder, insert the person's name in the blank space provided on the form of proxy or complete, sign, date and submit another proper form of proxy naming that person as your proxyholder.

If you choose to vote by proxy, you are giving the person (referred to as a “**proxyholder**”) or people named on your form of proxy the authority to vote your shares on your behalf at the Meeting.

You may indicate on the form of proxy how you want your proxyholder to vote your shares, or you can let your proxyholder decide for you. If you do not specify on the form of proxy how you want your shares to be voted, your proxyholder will have the discretion to vote your shares as they see fit.

The form of proxy accompanying this Circular gives the proxyholder discretion with respect to any amendments or changes to matters described in the Notice of Annual and Special Meeting and with respect to any other matters which may properly come before the Meeting. As of the date of this Circular, management of the Corporation is not aware of any amendments, changes or other matters to be addressed at the Meeting.

Voting in Person

If you attend in person, you do not need to complete or return your form of proxy. When you arrive at the Meeting, a Computershare representative will register your attendance before you enter the Meeting.

If you vote in person at the Meeting and had previously completed and returned your form of proxy, your proxy will be automatically revoked and any votes you cast at the Meeting will count.

Revoking a Vote Made by Proxy

You have the right to revoke a proxy as to any matter on which a vote has not already been cast pursuant to its authority by one of the following methods:

- vote again by phone or internet not later than the deadline described above under “How to Vote – Registered Shareholders – Submitting Votes by Proxy”;
- deliver another completed and signed form of proxy, dated later than the first form of proxy, by mail or fax such that it is received by Computershare not later than the deadline described above under “How to Vote – Registered Shareholders – Submitting Votes by Proxy”;
- personally attend the Meeting and vote your shares; or
- in any other manner permitted by law.

How to Vote – Non-Registered Shareholders





The purpose of the below noted procedures is to permit non-registered shareholders to direct the voting of the shares they beneficially own. Non-registered shareholders should carefully follow the instructions and procedures set out in the materials they receive, including those regarding when and where the form of proxy or Voting Instructions Form is to be delivered.

Pursuant to National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”), Cipher is distributing copies of proxy related materials in connection with the Meeting directly to non-objecting beneficial holders of shares. Cipher is not relying on the notice-and-access delivery procedures set out in NI 54-101 to distribute copies of proxy-related material in connection with the Meeting. Cipher will pay the reasonable costs of intermediaries to deliver copies of proxy-related materials to objecting beneficial owners.

If you are a non-registered shareholder and Computershare has sent these materials directly to you on behalf of Cipher, your name, address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these materials directly to you, Cipher (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you and (ii) executing your proper voting instructions.

Submitting Voting Instructions

There are four ways to submit your vote by Voting Instruction Form:

-  phone
-  internet
-  mail
-  fax

in accordance with the instructions on the Voting Instruction Form.

If you are a non-registered shareholder and have received a Voting Instruction Form from Computershare, you must complete and submit your vote by phone, internet, mail or fax, in accordance with the instructions on the Voting Instruction Form. On receipt of a properly completed and submitted form, a legal form of proxy will be submitted on your behalf.

You must ensure your completed, signed and dated Voting Instruction Form or your phone or internet vote is received by Computershare not later than 5:00 p.m. (Toronto time) on May 8, 2018 or, if the Meeting is adjourned or postponed, not less than 24 hours, excluding Saturdays, Sundays and statutory holidays in Toronto, Ontario, preceding the time of such adjourned or postponed Meeting. If a Voting Instruction Form submitted by mail or fax is not dated, it will be deemed to bear the date on which it was sent to you.

If you are a non-registered shareholder and have received a Voting Instruction Form from Broadridge, please complete and submit your vote by phone, internet or mail in accordance with the instructions provided to you on the form prior to the deadline specified by Broadridge. Voting by fax is not available in this instance.

In some cases, you may have received a form of proxy instead of a Voting Instruction Form, even though you are a non-registered shareholder. Such a form of proxy will likely be stamped by the securities dealer, broker, bank, trust company or other nominee or intermediary holding your shares and be restricted as to the number of shares to which it relates. In this case, you must complete the form of proxy and submit it to Computershare as described above under “How to Vote – Registered Shareholders – Submitting Votes by Proxy”.

Voting in Person

If you have received a Voting Instruction Form and wish to attend the Meeting in person or have someone else (who need not be a shareholder) attend on your behalf, you must complete, sign and return the Voting Instruction Form in accordance with the instructions on the form in that regard. Unless prohibited by law, the person you designate to attend the Meeting will have full authority to present matters to the Meeting and vote all matters presented at the Meeting, even if those matters are not set out in the Voting Instruction Form or this Information Circular. You, or such other designated person if applicable, must then vote your shares in person at the Meeting.

If you have received a form of proxy instead of a Voting Instruction Form and wish to attend the Meeting in person or have someone else attend on your behalf, you must insert your name, or the name of the person you wish to attend on your behalf, in the blank space provided on the form of proxy. You must ensure that your completed and signed proxy form is received by Computershare not later than 5:00 p.m. (Toronto time) on May 8, 2018 or, if the Meeting is adjourned or postponed, not less than 24 hours, excluding Saturdays, Sunday and statutory holidays, in Toronto, Ontario, preceding the time of such adjourned or postponed Meeting. You, or such other designated person if applicable, must then vote your shares in person at the Meeting.

When you or your designated person arrive at the Meeting, a Computershare representative will register such attendance before you or your designated person enter the Meeting.

Revoking a Voting Instruction Form or Proxy

If you wish to revoke a Voting Instruction Form or a form of proxy as to any matter on which a vote has not already been cast pursuant to its authority and you received your Voting Instruction Form from Computershare, you may vote again by phone or internet, or by delivering another completed and signed Voting Instruction Form dated later than the first Voting Instruction Form by mail or fax to Computershare, not later in any case than the deadline described above under “How to Vote – Non-Registered Shareholders – Submitting Voting Instructions”. If you received your Voting Instruction Form from Broadridge, and voted by phone or internet, you may vote again by phone or internet prior to the deadline specified by Broadridge. If you received your Voting Instruction Form from Broadridge and voted by mail, please contact your account service provider at your intermediary for instructions should you wish to revoke your Voting Instruction Form. If you received a form of proxy from your securities dealer, broker, bank, trust company or other nominee or intermediary, please refer to “How to Vote – Registered Shareholders – Revoking a Vote Made by Proxy” above. In any case you must comply with any applicable requirements relating to the revocation of votes made by Voting Instruction Form or proxy.

RECORD DATE

The Board has fixed the close of business on March 29, 2018 as the record date (the “**Record Date**”) for the Meeting. Only holders of record of common shares at the close of business on the Record Date are entitled to receive notice of and to attend and vote at the Meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

As at March 29, 2018, there were issued and outstanding 26,762,117 common shares. Holders of common shares as at the time of taking any vote on the date of the Meeting are entitled to cast one vote per common share held by them on each matter to be acted on at the Meeting.

The following table sets forth information with respect to the only shareholder known to the directors or officers of the Corporation to own beneficially, or exercise control or direction over, directly or indirectly, more than ten percent of the issued and outstanding common shares of the Corporation (the “**common shares**”), as at March 29, 2018:

	<u>Number of Shares</u>	<u>Percentage of Common Shares</u>
Dr. John D. Mull	9,801,265 ⁽¹⁾	36.6%

(1) 9,436,150 of these shares are held by 1207407 Ontario Limited, all of the shares of which are held by Dr. Mull.

The Corporation has been advised that 1207407 Ontario Limited and Dr. John D. Mull intend to vote their common shares for the election of the management nominees named in this Circular as directors of the Corporation, for the re-appointment of PricewaterhouseCoopers LLP as auditor and to authorize the directors to fix the auditor’s remuneration, for the approval of all unallocated options, rights and other entitlements under the Stock Option Plan and the approval of all unallocated awards, rights and other entitlements under the PR Plan.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Except as otherwise disclosed in this Circular, no person who has been a director or executive officer of Cipher at any time since the beginning of the financial year ended December 31, 2017 or who is a proposed nominee for election as a director at the Meeting nor any associate or affiliate of such persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

MATTERS TO BE CONSIDERED AT THE MEETING

Financial Statements and Auditor's Report

Management, on behalf of the Board of Directors of the Corporation (the "**Board**"), will submit to the shareholders at the Meeting the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2017 and the auditor's report thereon, but no vote by the shareholders with respect thereto is required or proposed to be taken. The financial statements and auditor's report are included in the Corporation's 2017 Annual Report.

Election of Directors

Under the Articles of Incorporation of the Corporation, the Board is to consist of a minimum of one and a maximum of ten directors. The directors are authorized to determine from time to time, by resolution, the number of directors of the Corporation and the number of directors to be elected at an annual meeting of the shareholders of the Corporation, such number being within the minimum and maximum numbers provided for in the Corporation's articles. The number of directors currently is set at six, subject to an increase to seven effective as of the conclusion of the Meeting.

The Board is pleased that Dr. Laurence Terrisse-Rulleau will be standing for election at the Meeting along with Cipher's current directors who are standing for re-election.

Management proposes to nominate, and the persons named in the accompanying form of proxy, in the absence of specifications or instructions to withhold from voting on the proxy, will vote for the election of the seven persons whose names are set forth below, but will not vote for a greater number of persons than the number of nominees named in the form of proxy. Management does not contemplate that any of the nominees will be unable to serve as a director. If, as a result of circumstances not now contemplated, any nominee is unavailable to serve as a director, the proxy will be voted for the election of such other person or persons as management may select. Each director elected will hold office until the next annual meeting of shareholders of the Corporation, or until his/her respective successor is elected or appointed in accordance with applicable law and the Corporation's by-laws.

The Board has adopted a policy regarding majority voting in the election of directors. For details regarding this policy see "Majority Voting in Director Elections Policy" in Appendix B hereto. The Corporation has adopted an Advance Notice By-law with respect to the nomination of directors by shareholders as described in the Corporation's Management Information Circular dated March 31, 2015.

The following table sets forth information with respect to each of the seven management nominees for director, including the number of common shares of the Corporation beneficially owned or over which control or direction is exercised, directly or indirectly, by each such nominee, as at March 29, 2018. The information as to common shares beneficially owned or controlled or directed, directly or indirectly, not being within the knowledge of the Corporation, has been furnished by the respective nominees individually or obtained from the System for Electronic Disclosure by Insiders ("**SEDI**").

Name and Province or State of Residence of Nominee	Director Since	Other Positions and Offices Presently Held With Corporation	Principal Occupation	Cipher Common Shares
Dr. John D. Mull ⁽¹⁾ <i>Ontario, Canada</i>	January 9, 2004	--	Chief Executive Officer, Typhon Group Limited	9,799,765 ⁽²⁾
Harold Wolkin ⁽³⁾ <i>Ontario, Canada</i>	August 9, 2016	--	Retired. Former Managing Director of BMO Capital Markets, Former Vice President and Head of Investment Banking of Dundee Capital Markets	115,837
Christian Godin ⁽⁴⁾ <i>Quebec, Canada</i>	August 9, 2016	--	Retired. Former Head of Equities, Montrusco Bolton Investments Inc.	18,665 ⁽⁵⁾
Mark Beaudet ⁽⁵⁾ <i>Quebec, Canada</i>	August 9, 2016	Chair	Retired. Founder and former interim President and Chief Executive Officer of Paladin Labs Inc.	62,470
Arthur M. Deboeck <i>Gurabo, Puerto Rico</i>	May 11, 2017	--	Vice-President and General Manager of Galephar Pharmaceutical Research, Inc.	102,800
Robert D. Tessarolo <i>Ontario, Canada</i>	May 11, 2017	President and Chief Executive Officer (as of April 17, 2017)	President and Chief Executive Officer of the Corporation	32,900
Dr. Laurence Terrisse-Rulleau <i>Quebec, Canada</i>	--	--	Partner, CTI Life Sciences	--

(1) Dr. Mull is a member of the Audit Committee.

(2) An associate of Dr. Mull owns and controls an additional 17,700 common shares.

(3) Mr. Wolkin is Chair of the Audit Committee and a member of the Nominating and Governance Committee and the Compensation Committee.

(4) Mr. Godin is Chair of the Compensation Committee and a member of the Nominating and Governance Committee.

(5) Mr. Beaudet is Chair of the Board, Chair of the Nominating and Governance Committee and a member of the Audit Committee and the Compensation Committee.

The following are brief biographies of each of the nominees for director:

Dr. John D. Mull: Dr. Mull is Chief Executive Officer of Typhon Group Limited, a private equity capital corporation. Dr. Mull is the founder and former Chief Executive Officer of Cipher, as well as CML HealthCare Inc. (“CML”), Pharma Medica Research Inc. (“Pharma Medica”) and Starplex Scientific, Inc. In those capacities, he has been involved in more than 30 merger and acquisition transactions. Cipher and Pharma Medica were subsidiaries of CML prior to CML’s conversion to an income trust in 2004. At the time, CML was one of the largest operators of medical diagnostic and medical imaging facilities in Canada and the United States. Its peak market capitalization exceeded \$1.4 billion. CML merged with LifeLabs Medical Laboratory Services in 2013. Dr. Mull is a graduate of the Faculty of Medicine, University of Toronto, and completed his training in Anatomic and Clinical Pathology at the University of Michigan (Ann Arbor). He is certified in Pathology by the Royal College of Physicians and Surgeons and in Anatomic and Clinical Pathology by the American College of Physicians and Surgeons. His original investigative research work in those fields involved publication of 15 papers in various medical journals. Dr. Mull’s experience in practice as a staff pathologist at hospitals in South Western Ontario convinced him that healthcare providers required high-quality medical diagnostic services not then available. He founded CML in 1971 to address that need.

Harold Wolkin: Mr. Wolkin is an accomplished investment banker and financial analyst with over 30 years of experience. Mr. Wolkin joined BMO Nesbitt Burns as a senior research analyst in 1983. He went on to serve as managing director in the Diversified Industries Group of BMO Capital Markets until January 2008. Most recently, Mr. Wolkin served as Executive Vice-President and Head of Investment Banking for Dundee Capital Markets. Mr. Wolkin has served on a number of public company and not-for-profit boards and currently serves as a director of Diamond Estates Wines & Spirits and Baylin Technologies Inc. He was the past President of the CFA Society Toronto and has been a member of the Chartered Financial Institute since 1980. He is a member of the Institute of Corporate Directors.

Christian Godin: Mr. Godin is the former Head of Equities at Montrusco Bolton Investments Inc. (“**Montrusco**”), a Montreal-based investment firm, and previously sat on its board of directors. He was also a member of the Management Committee of Montrusco. Prior to joining Montrusco in 2001, Mr. Godin worked for Merrill Lynch Canada where he was a director and senior equity research analyst. He also worked for Midland Walwyn Capital and CTI Capital. Christian holds a Bachelor of Business Administration from Université du Québec à Montréal and a Master of Science in Administration specialized in Finance from HEC Montréal.

Mark Beaudet: Mr. Beaudet is a co-founder of Paladin Labs Inc. (“**Paladin**”), a specialty pharmaceutical company focused on acquiring or in-licensing innovative pharmaceutical products, which was acquired by Endo International plc (“**Endo**”) in 2014 for approximately \$3.0 billion. Since Paladin’s founding in 1996, Mr. Beaudet served as a member of its board of directors and as the company’s Vice President of Sales and Marketing until 2011 when he became interim President and Chief Executive Officer. Following Endo’s acquisition of Paladin, Mr. Beaudet joined Endo’s executive leadership team and continued to lead the Paladin team until his departure in June 2016. Prior to his work with Paladin, Mr. Beaudet held marketing management positions at Procter & Gamble Canada and Pizza Hut Canada. Mr. Beaudet is a member of the board of directors of the McGill University Health Center Foundation, Loyola High School and the Loyola High School Foundation. Mr. Beaudet is the Chairman of Ilkos Therapeutic Inc and also serves on the board of Altus Formulations Inc., both privately held drug development companies. He is a former member of the board and former Chair of the Regulatory Affairs Committee of Innovative Medicines Canada (formerly Rx&D - Canada’s Research Based Pharmaceutical Industry Association). Mr. Beaudet holds a B.Comm in Marketing and Entrepreneurship from McGill University and is recognized as a Certified Market Research Professional (CMRP) by the Canadian Market Research and Intelligence Association and as an Accredited Pharmaceutical Manufacturer’s Representative by the Council for Continuing Pharmaceutical Education (CCPE).

Arthur M. Deboeck: Mr. Deboeck is the Founder and currently Vice-President and General Manager of Galephar Pharmaceutical Research, Inc. and President and Principal Investigator of Galephar Research, Inc. (collectively, “**Galephar**”). Galephar is a Puerto Rico-based pharmaceutical research company with oral and pulmonary drug delivery technology, formulation, and manufacturing expertise. Galephar has developed and licensed to Cipher various pharmaceutical products and manufactures products for Cipher. Mr. Deboeck has more than 45 years of experience in the pharmaceutical field of drug delivery. He received his education as a chemical engineer from the Institut Meurice Chimie, Brussels, Belgium and a Galenic Pharmacy degree from the University of Liege, Belgium.

Robert D. Tessarolo: Mr. Tessarolo was appointed President and Chief Executive Officer of Cipher effective April 17, 2017. Mr. Tessarolo most recently held the position of Vice President & General Manager with Celgene Corporation (“**Celgene**”) until March 31, 2017, where he was responsible for leading its U.S. Inflammation & Immunology business. He contributed to the substantial expansion of the U.S. business in 2016, which was led by the rapid growth of Otezla for plaque psoriasis and psoriatic arthritis. Prior to joining Celgene in September, 2015, Mr. Tessarolo led the launch of Actavis, plc’s Canadian Specialty Pharmaceutical Division, serving as President & General Manager – Canada of Actavis Specialty Pharmaceuticals Co. Under his leadership, Mr. Tessarolo established a Canadian business of over 140 employees and \$190 million in revenue, leading his team through several new product launches and the successful integration of multiple company acquisitions, including Warner Chilcott, Forest Labs and Allergan. Prior to joining Actavis in 2011, Mr. Tessarolo held a number of positions of increasing responsibility with Biovail Pharmaceuticals Canada, culminating in his appointment to the position of Vice President and General Manager. Mr. Tessarolo had direct oversight and accountability for country strategy, operations, business development and financial responsibilities for each of the Canadian entities he has led. Mr. Tessarolo received his B.A. in Economics at Carleton University and has attended the Advanced Management Program for General Management at the Ross School of Business, University of Michigan.

Dr. Laurence Terrisse-Rulleau: Dr. Rulleau is currently a partner at CTI Life Sciences, a biotech venture capital firm that makes investments in high quality emerging life sciences companies at the pre-clinical and clinical stage in Canada and the U.S. Prior to this role, Dr. Rulleau served as Vice-President Business Development of Univalor, the technology transfer office of the Université de Montréal and its affiliated health centers, Polytechnique Montréal and HEC Montréal, from November 2011 to November 2014. Under her leadership at Univalor, more than 40 licences with the industry partners were signed and eight companies were formed. Prior to joining Univalor, Dr. Rulleau served as Chief Executive Officer of HLA-G Technologies, a biotechnology start-up based in France. Dr. Rulleau also has over 10 years of experience as an health sciences analyst gained at a number of Canadian investment banks. Dr. Rulleau has a Masters in Biology from The Université du Québec and a Ph.D. from Montreal University executed at the Montreal Clinical Research Institute.

Skills Matrix

The skills matrix set out below with respect to the functional expertise of each of the directors of Cipher, including the nominee director, is used to assess the overall strength and diversity of the Board.

FUNCTIONAL EXPERTISE	BEAUDET	DEBOECK	GODIN	MULL	RULLEAU	TESSAROLO	WOLKIN
Public Company Board Experience	✓			✓		✓	✓
Public Company CEO Experience	✓			✓			
General Management / Business Operations	✓	✓	✓	✓	✓	✓	✓
Finance / Public Company CFO							✓
Recent US Commercial Experience						✓	
Strategy & Business Development	✓	✓	✓		✓	✓	
Clinical Development / Regulatory	✓	✓			✓	✓	
Government Affairs / Policy	✓					✓	
Manufacturing / Supply Chain	✓	✓				✓	
Legal / Compliance	✓	✓				✓	
Transactions / Investment Expertise	✓	✓	✓	✓	✓	✓	✓
Science / Technology (PhD / MD / PharmD)		✓		✓	✓		
Corporate Governance	✓		✓		✓	✓	✓

Re-Appointment and Remuneration of Auditor

At the Meeting, shareholders will be asked to re-appoint PricewaterhouseCoopers LLP as the auditor of the Corporation until the next annual meeting of shareholders, based on the recommendation of the Audit Committee and the Board, and to authorize the directors to fix the remuneration of the auditor. PricewaterhouseCoopers LLP has been the auditor of the Corporation since the Corporation became a public company in February 2004. The persons named in the accompanying form of proxy, in the absence of specifications or instructions to withhold from voting on the form of proxy, will vote for the re-appointment of PricewaterhouseCoopers LLP as the auditor of the Corporation and to authorize the directors to fix the remuneration of the auditor. Representatives of PricewaterhouseCoopers LLP are expected to attend the Meeting.

Approval of Unallocated Options, Rights and other Entitlements under the Stock Option Plan

At the Meeting, shareholders will be asked to consider and, if deemed advisable, approve, with or without variation, an ordinary resolution approving all unallocated options, rights and other entitlements under the Corporation's stock option plan (the "**Stock Option Plan**") in accordance with the rules of the Toronto Stock Exchange (the "**TSX**"), the text of which resolution is set out below. In accordance with the rules of the TSX, all unallocated options, rights or other entitlements under a security based compensation arrangement which does not have a fixed maximum aggregate of securities issuable (such as the Stock Option Plan) must be specifically approved by shareholders every three years after institution. Subject to adjustment in certain circumstances, the Stock Option Plan, together with the PR Plan and the Share Purchase Plan (each as hereinafter defined), collectively, authorizes the issuance of up to 10% of the issued and outstanding common shares of Cipher from time to time pursuant to their terms. The Stock Option Plan was last approved on May 13, 2015. Accordingly, it has been three years since shareholders last approved all unallocated options, rights and other entitlements under the Stock Option Plan. A copy of the Stock Option Plan is attached as Appendix "C" to this Circular and a summary thereof is set out under the heading "Statement of Executive Compensation – Description of the Stock Option Plan".

If shareholder approval of the resolution in respect of the Stock Option Plan is obtained at the Meeting, Cipher will not be required to seek further approval of the grant of unallocated options, rights and other entitlements under the Stock Option Plan until the Corporation's 2021 annual and special shareholders' meeting (provided that such meeting is held on or prior to May 10, 2021). If approval is not obtained at the Meeting, any currently unallocated options, rights and other entitlements under the Stock Option Plan will no longer be available for grant, and previously granted options will not be available for reallocation if they are cancelled prior to exercise.

The Board recommends that shareholders approve all unallocated options, rights and other entitlements under the Stock Option Plan. Accordingly, shareholders will be asked at the Meeting to pass the following ordinary resolution:

"BE IT RESOLVED, as an ordinary resolution of the Corporation's shareholders, that:

- 1. all unallocated options, rights and other entitlements permitted under the Stock Option Plan are hereby approved and authorized;**
- 2. the Corporation is hereby authorized to continue granting options, rights and other entitlements under the Stock Option Plan until May 10, 2021, being the date that is three years from the date of the meeting of shareholders of the Corporation at which shareholder approval is being sought;**
- 3. any director or officer of the Corporation is hereby authorized to take all necessary steps and proceedings, and to execute, deliver and file any and all applications, declarations, documents and other instruments, and do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this resolution."**

Approval of Unallocated Awards, Rights and other Entitlements under the PR Plan

At the Meeting, shareholders will be asked to consider and, if deemed advisable, approve, with or without variation, an ordinary resolution approving all unallocated awards, rights and other entitlements under the Corporation's performance and restricted share unit plan (the "**PR Plan**") in accordance with the rules of the TSX, the text of which resolution is set out below. Under the rules of the TSX, all unallocated awards, rights or other entitlements under a security based compensation arrangement which does not have a fixed maximum aggregate of securities issuable (such as the PR Plan) must be specifically approved by shareholders every three years after institution. Subject to adjustment in certain circumstances, the PR Plan, together with the Stock Option Plan and the Share Purchase Plan, collectively, authorizes the issuance of up to 10% of the issued and outstanding common shares of Cipher from time to time pursuant to their terms. The PR Plan was instituted on May 13, 2015. Accordingly, it has been three years since shareholders last approved all unallocated awards, rights and other entitlements under the PR

Plan. A copy of the PR plan is attached as Appendix “D” to this Circular and a summary thereof is set out under the heading “Statement of Executive Compensation – Description of the Performance and Restricted Share Unit Plan”.

If shareholder approval of the resolution in respect of the PR Plan is obtained at the Meeting, Cipher will not be required to seek further approval of the grant of unallocated awards, rights and other entitlements under the PR Plan until the Corporation’s 2021 annual and special shareholders’ meeting (provided that such meeting is held on or prior to May 10, 2021). If approval is not obtained at the Meeting, any currently unallocated awards, rights and other entitlements under the PR Plan will no longer be available for grant or award, and previously granted awards, rights and entitlements will not be available for reallocation if they are cancelled prior to exercise.

The Board recommends that shareholders approve the unallocated awards, rights and other entitlements under the PR Plan. Accordingly, shareholders will be asked at the Meeting to pass the following ordinary resolution:

“BE IT RESOLVED, as an ordinary resolution of the Corporation’s shareholders, that:

- 1. all unallocated awards, rights and other entitlements permitted under the PR Plan are hereby approved and authorized;**
- 2. the Corporation is hereby authorized to continue granting awards, rights and other entitlements under the PR Plan until May 10, 2021, being that date that is three years from the date of the meeting of shareholders of the Corporation at which shareholder approval is being sought;**
- 3. any director or officer of the Corporation is hereby authorized to take all necessary steps and proceedings, and to execute, deliver and file any and all applications, declarations, documents and other instruments, and do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this resolution.”**

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Corporation’s executive compensation program is designed to provide short and long-term rewards to the Named Executive Officers (as defined herein) that are consistent with individual and corporate performance and their contribution to Cipher’s objectives. The objectives of the Corporation with respect to compensation of executive officers are to provide compensation levels necessary to attract and retain high quality executives and to motivate key executives to contribute to the interests of the Corporation. These objectives are to be met by the principal components of the Corporation’s executive compensation program, as set out in greater detail below.

The total compensation plan for senior executives of the Corporation includes four components: base salary, annual discretionary cash bonus, annual benefits and a long-term component based on stock options, restricted share units and performance share units.

Base Salary

Base salary is reflective of responsibilities and annual increases should, at a minimum, reflect inflationary pressures and changes in duties. At the date of hire, base salary is determined using a number of factors including industry comparators and relevant experience and is set out in the employment agreement. Annual increases are determined based upon reference to data on compensation levels of executives in comparable companies (i.e. public companies in the drug development/specialty pharmaceutical/health care sector) as well as the annual performance evaluation and underlying economic circumstances. The Compensation Committee recommends the annual base salary increases for the Chief Executive Officer and the direct reports of the Chief Executive Officer to the Board for approval.

Annual Incentive Plans and Benefits

The annual incentive plan is a cash performance plan under which a payment is made to executives following the end of the Corporation's fiscal year, based on the achievement of established corporate and individual goals and objectives. Cash bonuses are awarded to recognize the achievement of annual corporate objectives and to recognize individual contributions that enhance the intrinsic value of the Corporation. The objective of performance-based incentive compensation in the form of annual cash bonuses, as part of the total compensation payable to the Corporation's executive officers, is to create a link between pay and performance to encourage and reward those individuals' contributions in producing strong results and to focus senior management to work as a team on overall corporate results and strategic initiatives.

In determining the amount of the annual cash bonus for each executive officer: (i) a target payout is established expressed as a percentage of base salary ranging from 30% to 50% (the "**Target**"); (ii) a performance multiplier is established based on performance of the Corporation within the range of 0% to 125% (the "**Business Performance Multiplier**" or "**BPM**"), which is assessed against growth in Adjusted EBITDA per share (as defined below) and growth in revenue per share (each metric to be weighted equally); and (iii) a performance multiplier is established based on individual performance within the range of 0% to 120% (the "**Personal Performance Multiplier**" or "**PPM**"), which is assessed against the achievement of annual objectives. The annual cash bonus payable to an executive officer is the product of base salary x the applicable Target x the applicable BPM x the applicable PPM. As a result, an executive officer with a Target of 30% of base salary will have a maximum combined BPM/PPM multiplier of 150% resulting in a maximum annual cash bonus equal to 45% of base salary, and an executive with a Target of 50% of base salary will have a maximum combined BPM/PPM multiplier of 150% resulting in a maximum annual cash bonus equal to 75% of base salary.

The determination of the BPM between the assessment range of 0% to 125% is based on a minimum of 5% of growth in Adjusted EBITDA per share and growth in revenue per share. If the minimum 5% threshold is met with respect to both metrics, the BPM will be 50%. If growth in both metrics is 20% or greater, the BPM will be 125%. The BPM will vary within the assessment range of 50% to 125% in relation to the actual growth in Adjusted EBITDA per share and revenue per share achieved over the performance period. Growth of less than 5% in respect of Adjusted EBITDA per share, or growth in revenue per share of less than 5%, will result in a BPM of 0% applicable to such metric for the purpose of determining the overall BPM. The determination of the PPM between the assessment range of 0% to 120% is based on the achievement of annual objectives and will vary in relation to the level of achievement of such annual objectives over the performance period.

"**Adjusted EBITDA**" means earnings before interest expense, income taxes, depreciation of property and equipment, amortization of intangible assets, loss on debt extinguishment, non-cash share based compensation, changes in fair value of derivative financial instruments, impairment of intangible assets and goodwill and foreign exchange gains and losses from the translation of Canadian cash balances less cash taxes and cash interest paid.

The annual objectives of the Corporation and the annual individual objectives for executive officers are presented to the Compensation Committee early in the fiscal year and regular updates are provided to the Compensation Committee by the Chief Executive Officer during the year. Following the completion of the fiscal year, the Chief Executive Officer presents an evaluation of corporate performance and individual performance versus the respective objectives to the Compensation Committee. The Chief Executive Officer also presents the recommended incentive plan payments for each of his direct reports to the Compensation Committee, including their achievement of individual objectives. The Board, on recommendation of the Compensation Committee, has final approval of the amounts paid to the Chief Executive Officer and his direct reports under the annual incentive plan.

Stock Options, Restricted Share Units ("RSUs") and Performance Share Units ("PSUs")

The long-term component of compensation for executive officers, including the Chief Executive Officer, is based on stock options, RSUs and PSUs. This component of compensation is intended to reinforce management's commitment to long term improvements in Cipher's performance and shareholder value. The Stock Option Plan includes initial option grants upon hire and executives are eligible for an annual award of stock options. Executives are also eligible for an annual grant of RSUs and PSUs. Thereafter, options, RSUs and PSUs may be granted on an annual basis based upon guidelines set by the Compensation Committee. The Chief Executive Officer recommends

the amount of annual option, RSU and PSU grants for each of his direct reports which is then presented to the Compensation Committee for review. The Compensation Committee will then, after making any revisions deemed necessary, recommend the annual grants to the Board for approval. The annual grant of options, RSUs and PSUs for the Chief Executive Officer is determined by the Compensation Committee based upon pre-determined guidelines. Annual awards are made during the first quarter of the fiscal year following the completion of the annual audit and the determination of financial performance for the preceding year. The amount of options, RSUs and PSUs previously granted to an executive is not a factor in determining the amount of the annual award. While the Corporation is permitted to grant options under the Stock Option Plan with a term of up to 10 years, the Corporation's current practice is to grant options with a term not exceeding seven years from the date of grant.

In September 2017, the Corporation granted PSUs to certain Named Executive Officers that vest on October 1, 2020, subject to the achievement of performance goals based on the compound annual share price appreciation of the Corporation's common shares over such period. If at least the minimum share price target of \$8.24 is achieved at October 1, 2020 based on the 20 day volume-weighted average trading price of the common shares on the TSX as at such date (the "**Minimum Share Price Target**"), a performance multiplier of up to five times the number of PSUs granted will be applied in determining the number of common shares issuable upon vesting. The number of common shares ultimately issuable upon the vesting of PSUs will increase incrementally at share price values between the Minimum Share Price Target and \$18.29, being the threshold 20 day volume-weighted average trading price necessary to be achieved as at October 1, 2020 in order to apply the maximum five times performance multiplier. If the Minimum Share Price Target is not achieved at October 1, 2020, no PSUs vest on that date, the performance period extends to October 1, 2021 and the number of PSUs that vest on October 1, 2021 (if any), based on the share price targets determined as at October 1, 2020, will be reduced by 50%.

Compensation of the Chief Executive Officer

The total compensation package available for the Chief Executive Officer of Cipher includes a base salary, a discretionary bonus component, benefits and a long-term component based on stock options, RSUs and PSUs. Compensation is based upon the factors outlined above, including a comparison with compensation of senior officers of companies of similar size and scope to Cipher and the performance of Cipher.

Share Ownership Requirements for the Chief Executive Officer

The Board believes that the economic interest of the Chief Executive Officer should be aligned with those of shareholders. In that regard, the Board has adopted a Chief Executive Officer Share Ownership Policy. The policy provides within five years of appointment as Chief Executive Officer, the Chief Executive Officer must own common shares with a value equal to a minimum of three times his or her annual base salary. Share ownership for this purpose includes shares issuable under any incentive plan of the Corporation but excluding stock options. The Compensation Committee has the authority to permit exceptions from the policy from time to time.

If the Chief Executive Officer's share ownership falls below the minimum guidelines due a decline in the price of the common shares or an increase in the Chief Executive Officer's base salary, the Chief Executive Officer will have a period of one year to acquire additional common shares to comply with the policy.

Executive Compensation Related Fees

Periodically, the Compensation Committee receives professional advice from external independent compensation experts with respect to the compensation levels for the Corporation's executive officers. Cipher's compensation program for executives was updated in 2016. The consulting firm of Mercer (Canada) Ltd. ("**Mercer**") was retained in 2014 to perform compensation reviews for the key executive positions as well as the level of compensation paid to directors. The fees paid to Mercer in 2016 totalled \$14,607 for such services. No fees were paid to Mercer in 2017. Total compensation of executive officers is established based on prevailing market rates in the industry and/or rates prevailing from time to time to attract executives with particular skills considered necessary by the Corporation.

Risk Management

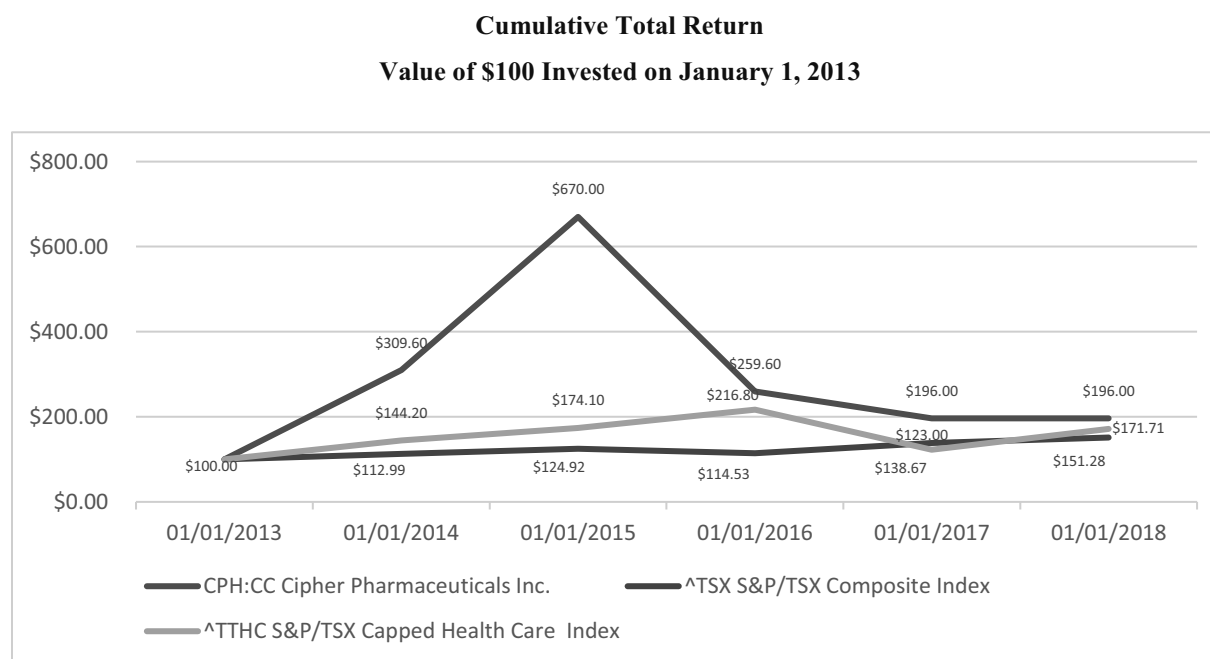
The Compensation Committee reviews the performance objectives associated with annual incentive plans to ensure that they do not result in any undue risks for the Corporation. The balance between short and long term objectives is taken into account by the Corporation in the design of compensation plans and in the annual evaluation of the achievement of objectives when deciding on the amounts of annual incentive awards. The Corporation has implemented “claw-back” arrangements related to the executive compensation programs, pursuant to the Compensation Recoupment Policy, as described below.

Compensation policies and practices and the design of the Corporation’s incentive plans for executives take into account risk elements, including the following: (i) incentive plan awards do not vary significantly from the overall compensation structure of the Corporation; and (ii) incentive plans are designed so they do not provide for rewards for the accomplishment of tasks while the risk to the Corporation extends over a significantly longer period of time.

The Board, in consultation with the Compensation Committee, will continue to review CIPHER’s approach to executive compensation and, if deemed appropriate in CIPHER’s circumstances, will consider alternative or supplemental compensation arrangements to mitigate and discourage excessive risk-taking.

Performance Graph

The following graph compares the change in the cumulative total shareholder return on the common shares of the Corporation on the TSX compared to the cumulative total return of the S&P/TSX Composite Index and the S&P/TSX Capped Health Care Index for the period commencing on January 1, 2013 and ending on December 31, 2017 based on the market price of the common shares, assuming a \$100 investment on January 1, 2013 and reinvestment of dividends.



The total cumulative shareholder return for the common shares of the Corporation for the five year period ended December 31, 2017 was 14.41%, compared to a return of 8.63% for the S&P/TSX Composite Index over the same period and a return of 11.42% for the S&P/TSX Capped Health Care Index over the same period. In 2013, the performance of Absorica™, the trade name for CIP-ISOTRETINOIN in the U.S., was the primary contributor to the Corporation’s strong financial results over the course of 2013 and that performance continued in 2014. In 2015, the Corporation’s profitability declined as a result of investments in new initiatives, including the Innocutis Holdings, LLC (“Innocutis”) acquisition. In 2016, the return on investment continued to decline as a result of the integration of Innocutis. During the 2016 fiscal year, the Corporation commenced a strategic review process focused on improving

the profitability of the business which resulted in changes to the Board and the Corporation's management team. In 2017, the Corporation sold substantially all the assets of Cipher Pharmaceuticals U.S., LLC, formerly known as Innocutis.

During the five year period ended December 31, 2017, compensation for the Corporation's executive officers was primarily influenced by the performance of the Corporation and individual performance of the executive officer and was not directly linked to share price or changes in the Corporation's total shareholder return. Accordingly, the trend shown in the above graph does not correspond to the Corporation's compensation earned by its executive officers for the financial year ended December 31, 2017 or for any prior fiscal periods. Additionally, significant changes in the Corporation's management team were made over the course of fiscal 2016 and fiscal 2017 and the Named Executive Officers (as defined below) as at the end of fiscal 2017 were not all the same individuals who were executive officers of the Corporation during the entire five year measurement period.

The market price of the common shares of the Corporation is subject to fluctuation based on several factors, many of which are outside the control of the Corporation. These include market perception of the Corporation's ability to achieve business goals, trading volume in the common shares, changes in general conditions in the economy and the financial markets or other general developments in the specialty pharmaceutical industry that affect the Corporation. Accordingly, the Corporation's share price and total shareholder return over the measurement period may not be reflective of the Corporation's financial performance or management's efforts in enhancing shareholder value.

Compensation for the Named Executive Officers consists of different components. The Corporation provides Named Executive Officers with a base salary in order to attract and retain quality employees and to compensate them for services rendered during the year having regard to such individual's role and level of responsibility and the importance of the position to the Corporation. Accordingly, base salaries for the Named Executive Officers have generally remained relatively stable over the measurement period given that the determination of base salary having regard to the foregoing factors does not depend on the market price of the common shares or total shareholder return. Short-term incentive plan awards in the form of annual cash bonuses are based on performance relative to targets (primarily growth in Adjusted EBITDA and revenue) and therefore, while awards are determinable having regard to an indicator of the Corporation's financial performance, they do not depend on the market price of the common shares or total shareholder return. In that regard, short-term incentive plan awards have both increased and decreased over the measurement period. Finally, while individual awards under the Stock Option Plan and the PR Plan are awarded on the basis described above, the value of an option-based award or share-based award will fluctuate based on the Corporation's share price, thereby aligning the interests of Named Executive Officers with those of the Corporation's shareholders. Accordingly, overall compensation for the Named Executive Officers generally increases in periods where the Corporation's share price increases and decreases in periods where the share price decreases.

Summary Compensation Table

In this Circular, a "**Named Executive Officer**" means: (a) Cipher's Chief Executive Officer at any time during the 2017 fiscal year; (b) Cipher's Chief Financial Officer at any time during the 2017 fiscal year; (c) the three other most highly compensated executive officers of Cipher at the end of the financial year ended December 31, 2017 whose total compensation, individually, was greater than \$150,000; and (d) each individual who would be a Named Executive Officer but for the fact that the individual was neither an executive officer of Cipher or its subsidiaries, nor serving in a similar capacity, at the end of the financial year ended December 31, 2017. For the financial year ended December 31, 2017, Cipher had five Named Executive Officers, namely: (i) Robert Tessarolo, Chief Executive Officer; (ii) Stephen Lemieux, Chief Financial Officer and former Chief Executive Officer; (iii) Chris Watters, Vice President, Corporate Development; (iv) Joan Chypyha, former President & General Manager, Canada; and (v) Linda Angaritis, former Vice President, Global Regulatory Compliance & Quality.

The following table presents the compensation earned by the Named Executive Officers for the financial years ended December 31, 2017, December 31, 2016 and December 31, 2015.

Name and Principal Position	Year	Salary (\$)	Share-based Awards (\$) ⁽⁶⁾	Option-based Awards (\$) ⁽⁷⁾	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$) ⁽⁹⁾	Total Compensation (\$)
					Annual Incentive Plans ⁽⁸⁾	Long-term Incentive Plans			
Robert Tessarolo, President & Chief Executive Officer ⁽¹⁾	2017	279,792	225,785	165,600	259,885	Nil	Nil	22,510	953,572
Stephen Lemieux, Chief Financial Officer and Secretary and Former Interim Chief Executive Officer ⁽²⁾	2017	290,000	174,988	160,748	174,000	Nil	Nil	56,315	856,051
	2016	89,045	111,329	115,681	54,949	Nil	Nil	5,860	376,864
Chris Watters, Vice President Corporate Development ⁽³⁾	2017	144,833	92,000	68,264	87,750	Nil	Nil	22,761	415,608
Joan Chypyha, former President & General Manager, Canada ⁽⁴⁾	2017	121,731	66,119	110,148	Nil	Nil	Nil	368,383	666,381
	2016	300,000	125,955	108,644	40,235	Nil	Nil	21,000	595,834
	2015	270,000	53,990	197,325	109,728	Nil	Nil	20,100	651,143
Linda Angaritis, former Vice President, Global Regulatory Compliance & Quality ⁽⁵⁾	2017	224,525	81,593	49,779	68,985	Nil	Nil	344,799	769,681
	2016	216,930	56,927	43,547	41,153	Nil	Nil	23,025	381,583
	2015	215,439	34,145	206,095	66,308	Nil	Nil	21,904	543,891

Notes:

- (1) Mr. Tessarolo commenced employment with the Corporation on April 17, 2017. Compensation amounts shown for fiscal 2017 are for the period April 17, 2017 to December 31, 2017.
- (2) Mr. Lemieux served as the Interim Chief Executive Officer for the period November 11, 2016 to April 16, 2017. "All Other Compensation" includes \$35,243 of compensation for serving as Interim Chief Executive Officer for the period from January 1, 2017 to April 16, 2017. Mr. Lemieux was appointed Chief Financial Officer on September 12, 2016.
- (3) Mr. Watters commenced employment with the Corporation on June 12, 2017. Compensation amounts shown for fiscal 2017 are for the period June 12, 2017 to December 31, 2017.
- (4) Ms. Chypyha served as President & General Manager of the Corporation until May 25, 2017. "All Other Compensation" includes \$312,484 offered by the Corporation to and accepted by Ms. Chypyha as severance pursuant to her employment agreement.
- (5) Ms. Angaritis served as Vice President, Global regulatory Compliance and Quality until December 29, 2017. "All Other Compensation" includes \$283,680 offered by the Corporation to and accepted by Ms. Angaritis as severance pursuant to her employment agreement.
- (6) Represents the fair value at the date of grant for RSUs and PSUs granted to each Named Executive Officer. For the grants included herein, the fair values were \$3.91, \$3.92 and \$2.10. The actual value received, if any, will be different as it will depend on the portion of RSUs and PSUs that vest and the price of the underlying common shares at the time of vesting. Vesting of the PSUs is contingent upon the achievement of performance objectives.
- (7) Cipher has adopted fair value accounting for options granted under the Stock Option Plan using the Black-Scholes fair value option pricing method, an established methodology. The options granted vest over a four year period and expire after seven or ten years. The grants for 2017 (other than the grants for Mr. Watters) were made on May 15, 2017 and the dollar value is based upon the share price of \$5.06, and Black-Scholes value of \$1.84 (risk-free interest rate: 0.94%; expected option life: 4.9 years; expected volatility: 49.6%). The options granted to Mr. Watters on joining the Corporation were made on August 15, 2017 and the dollar value is based upon the share price of \$5.24 and a Black-Scholes value of \$1.93 (risk-free interest rate: 1.50%; expected option life: 4.9 years; expected volatility: 49.5%). The grants for 2016 (other than the grant for Mr. Lemieux) were made on February 26, 2016 and the dollar value is based upon the share price of \$6.79 and Black-Scholes value of \$3.79 (risk-free interest rate: 1.19%; expected option life: 5.6 years; expected volatility: 62.8%). The options granted to Mr. Lemieux on joining the Corporation were made on September 12, 2016 and the dollar value is based upon the share price of \$5.18 and a Black-Scholes value of \$3.07 (risk-free interest rate: 0.82%; expected option life: 6.5 years; expected volatility: 65.9%). The grants for

2015 were made on February 24, 2015 and the dollar value is based upon the share price of \$13.88 and a Black-Scholes value of \$8.77 (risk-free interest rate: 0.83%; expected option life: 5.8 years; expected volatility: 73.0%).

- (8) The value represents the annual discretionary bonus earned by the Named Executive Officer for the associated fiscal year. The bonus is paid in the first half of the subsequent year, following review and approval by the Board.
- (9) For the Named Executive Officers, the perquisites and other personal benefits did not exceed the lesser of \$50,000 and 10% of the total annual salary and bonus. For the Named Executive Officers, the value represents the amount paid by the Corporation into retirement savings plans on behalf of each Named Executive Officers as well as automobile allowances and the amounts referred to in notes (2), (4) and (5), as applicable. Under the terms of the retirement savings plans, the Corporation matches the contribution of the executive up to a maximum of 3% of base salary in Canada.

Executive Employment Agreements

Robert Tessarolo has a written employment agreement with the Corporation. The agreement provides for a base salary of \$395,000 per year, as at December 31, 2017 and an annual performance bonus, with targets to be set annually by the Board. In addition, Mr. Tessarolo received an initial grant of 90,000 options upon the signing of his employment agreement. The agreement has an indefinite term, but may be terminated by the Corporation at any time, for cause or without cause. In the event Mr. Tessarolo is terminated without cause and a change of control has not occurred prior to the date of termination, the agreement provides for a severance payment equal to Mr. Tessarolo's Severance Compensation (defined in the employment agreement as base salary from that year, plus the average of the performance bonuses paid or payable for the two previous fiscal years) plus an amount equal to one-twelfth of Mr. Tessarolo's Severance Compensation, multiplied by the number of completed years of employment (to a maximum of twelve years) by Mr. Tessarolo with the Corporation since his initial hire date of April 17, 2017. In the event Mr. Tessarolo's employment is terminated without cause on the date of a change of control or within twelve months of a change of control or if Mr. Tessarolo tenders his resignation during such period for Good Reason (defined in the employment agreement as including, among other things, a material change in the title, responsibilities, authority or status of Mr. Tessarolo or a reduction of Mr. Tessarolo's annual base salary), the agreement provides for a severance payment equal to 200% of the Severance Compensation as well as a performance bonus calculated *pro rata* for the period up to the date of termination or resignation, such payment to be calculated based on the average performance bonus paid or payable to Mr. Tessarolo for the two fiscal years of the Corporation completed immediately prior to such date. In addition, in such a scenario, the agreement also provides for enhanced severance benefits up to a maximum of 24 months. In the event Mr. Tessarolo's employment with the Corporation is terminated for cause or by resignation (other than for Good Reason upon or during the 12 month period after a change of control of the Corporation), his employment agreement provides that he is owed no severance payment. Additionally, Mr. Tessarolo is bound by certain restrictive covenants, including a covenant not to compete for a period of 24 months in Canada or the U.S.

Stephen Lemieux has a written employment agreement with the Corporation. The agreement provides for a base salary of \$290,000 per year, as at December 31, 2017 and an annual performance bonus, with targets to be set annually by the Board. The agreement has an indefinite term, but may be terminated by the Corporation at any time, for cause or without cause. In the event Mr. Lemieux is terminated without cause and a change of control has not occurred prior to the date of termination, the agreement provides for a severance payment equal to one half of Mr. Lemieux's Severance Compensation (defined in the employment agreement as base salary from that year, plus the average of the performance bonuses paid or payable for the two previous fiscal years) plus an amount equal to one-twelfth of Mr. Lemieux's Severance Compensation, multiplied by the number of completed years of employment (to a maximum of six years) by Mr. Lemieux with the Corporation since his initial hire date of September 12, 2016. The agreement also provides for enhanced severance benefits in the event of a change of control event for the Corporation, to a maximum 18 months. In the event Mr. Lemieux's employment is terminated without cause on the date of a change of control or within twelve months of a change of control or if Mr. Lemieux tenders his resignation during such period for Good Reason (defined in the employment agreement as including, among other things, a material change in the title, responsibilities, authority or status of Mr. Lemieux or a reduction of Mr. Lemieux's annual base salary), the agreement provides for a severance payment equal to 150% of the Severance Compensation as well as a performance bonus calculated *pro rata* for the period up to the date of termination or resignation, such payment to be calculated based on the average performance bonus paid or payable to Mr. Lemieux for the two fiscal years of the Corporation completed immediately prior to such date. In addition, in such a scenario, the agreement also provides for enhanced severance benefits up to a maximum of 18 months. In the event Mr. Lemieux's employment with the Corporation is terminated for cause or by resignation (other than for Good Reason upon or during the 12 month period after a change of control of the Corporation), his employment agreement provides that he is owed no severance

payment. Additionally, Mr. Lemieux is bound by certain restrictive covenants, including a covenant not to compete for a period of up to 12 months in Canada or the U.S.

Chris Watters has a written employment agreement with the Corporation. The agreement provides for a base salary of \$260,000 per year, as at December 31, 2017 and an annual performance bonus, with targets to be set annually by the Board. The agreement has an indefinite term, but may be terminated by the Corporation at any time, for cause or without cause. In the event Mr. Watters is terminated without cause and a change of control has not occurred prior to the date of termination, the agreement provides for a severance payment equal to one half of Mr. Watters' Severance Compensation (defined in the employment agreement as base salary from that year, plus the average of the performance bonuses paid or payable for the two previous fiscal years) plus an amount equal to one-twelfth of Mr. Watters' Severance Compensation, multiplied by the number of completed years of employment (to a maximum of six years) by Mr. Watters with the Corporation since his initial hire date of June 12, 2017. In the event Mr. Watters' employment is terminated without cause on the date of a change of control or within twelve months of a change of control or if Mr. Watters tenders his resignation during such period for Good Reason (defined in the employment agreement as including, among other things, a material change in the title, responsibilities, authority or status of Mr. Watters or a reduction of Mr. Watters' annual base salary), the agreement provides for a severance payment equal to 150% of the Severance Compensation as well as a performance bonus calculated *pro rata* for the period up to the date of termination or resignation, such payment to be calculated based on the average performance bonus paid or payable to Mr. Watters for the two fiscal years of the Corporation completed immediately prior to such date. In addition, in such a scenario, the agreement also provides for enhanced severance benefits up to a maximum of 18 months. In the event Mr. Watters' employment with the Corporation is terminated for cause or by resignation (other than for Good Reason upon or during the 12 month period after a change of control of the Corporation), his employment agreement provides that he is owed no severance payment. Additionally, Mr. Watters is bound by certain restrictive covenants, including a covenant not to compete for a period of up to 12 months in Canada or the U.S.

On May 25, 2017, Joan Chypyha ceased to be an executive officer of the Corporation. In connection with the cessation of her employment, Ms. Chypyha received a cash payment of \$312,484, less statutory deductions. In addition, all unvested options held by Ms. Chypyha immediately vested upon Ms. Chypyha's cessation of employment, the unexercised portion of which expired on November 25, 2017. Ms. Chypyha also held 7,026 unvested RSUs and 11,805 unvested PSUs upon cessation of her employment, all of which were cancelled on such date. Ms. Chypyha is subject to confidentiality, non-solicitation and non-competition covenants in favour of the Corporation that extend 12 months beyond the date of cessation of her employment.

On December 29, 2017, Linda Angaritis ceased to be an executive officer of the Corporation. In connection with the cessation of her employment, Ms. Angaritis received a cash payment of \$283,680, less statutory deductions. In addition, all unvested options held by Ms. Angaritis immediately vested upon Ms. Angaritis' cessation of employment, the unexercised portion of which will expire on June 27, 2018. Ms. Chypyha also held 9,110 unvested RSUs and 5,422 unvested PSUs upon cessation of her employment, all of which were cancelled on such date. Ms. Angaritis is subject to confidentiality, non-solicitation and non-competition covenants in favour of the Corporation that extend 12 months beyond the date of cessation of her employment.

Incentive Plan Awards

Outstanding Option-Based Awards

The following table sets forth the details of all outstanding option-based awards for the Named Executive Officers as at December 31, 2017:

Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-Money Options⁽¹⁾ (\$)
Robert Tessarolo	90,000	5.06	May 15, 2024	Nil
Stephen Lemieux	37,681	5.18	Sept. 12, 2026	Nil
	87,363	5.06	May 15, 2024	Nil
Chris Watters	35,370	5.24	Aug. 15, 2024	Nil
Linda Angaritis ⁽²⁾	40,000	7.00	June 27, 2018	Nil
	15,000	8.13	June 27, 2018	Nil
	23,500	13.88	June 27, 2018	Nil
	11,490	6.79	June 27, 2018	Nil
	27,054	5.06	June 27, 2018	Nil

Notes:

- (1) The value of unexercised in-the-money options is based on the difference between the exercise price of the options and the closing price of the common shares of Cipher on the TSX on December 29, 2017, being the last trading day of fiscal 2017, of \$4.90 per share.
- (2) Options expire on June 27, 2018 being six months following the date Ms. Angaritis ceased to be a Named Executive Officer.

Outstanding Share-Based Awards

The following table sets forth the details of all outstanding share-based awards for the Named Executive Officers as at December 31, 2017:

Name	Number of Shares or Units of Shares That Have Not Vested (#)	Market or Payout Value of Share-based Awards That Have Not Vested (\$)⁽³⁾	Market or Payout Value of Vested Share-based Awards Not Paid Out or Distributed (\$)
Robert Tessarolo ⁽¹⁾	16,450 RSUs 29,151 PSUs	223,445	Nil
Stephen Lemieux ⁽²⁾	26,234 RSUs 26,798 PSUs	259,857	Nil
Chris Watters ⁽¹⁾	8,604 RSUs 9,594 PSUs	89,170	Nil

Notes:

- (1) For the PSUs, the payout on vesting depends on the performance multiplier, which can range from one to five and is subject to a 50% reduction if the performance period is extended beyond the initial three year period (see “Statement of Executive Compensation – Stock Options, Restricted Share Units and Performance Share Units” for additional details). A performance multiplier of one is assumed for the purpose of the above table.

- (2) For an aggregate of 16,052 PSUs, the payout on vesting depends on the performance multiplier, which can range from one to five and is subject to a 50% reduction if the performance period is extended beyond the initial three year period (see “Statement of Executive Compensation – Stock Options, Restricted Share Units and Performance Share Units” for additional details). For an aggregate of 10,746 PSUs, the payout on vesting depends on the performance multiplier, which can range from one to four. A performance multiplier of one is assumed for the purpose of the above table.
- (3) The value of RSUs and PSUs is calculated by multiplying the number of units held on December 31, 2017 by the closing price of the common shares of Cipher on the TSX on December 29, 2017, being the last trading day of fiscal 2017, of \$4.90 per share.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth, for each Named Executive Officer, the value of option-based awards and share-based awards that vested during the year ended December 31, 2017 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2017:

Name	Option-Based Awards – Value Vested During the Year (\$)⁽¹⁾	Share-based Awards – Value Vested During the Year (\$)⁽²⁾	Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)
Robert Tessarolo	Nil	Nil	259,885
Stephen Lemieux	Nil	15,747	174,000
Chris Watters	Nil	Nil	87,750
Linda Angaritis	Nil	8,720	68,985
Joan Chypyha	Nil	18,893	Nil

Notes:

- (1) The value of the options that vested during the financial year is based on the difference between the exercise price of the options and the closing price of the common shares of Cipher on the TSX on the applicable vesting date. If the closing price of the common shares of Cipher on such date was below the exercise price, the options had no then current value and are valued at nil. The options may not have been exercised on such date or subsequently and, accordingly, the amount shown may not reflect the actual amount, if any, realized by the Named Executive Officer.
- (2) Consists of RSUs. The value of the RSUs that vested during the financial year is calculated by multiplying the number of RSUs that vested by the five-day volume weighted average price of the common shares of Cipher on the vesting date.

Description of the Stock Option Plan

The Stock Option Plan provides that the Board may, from time to time, at its discretion, grant to directors, officers, employees and certain other service providers of the Corporation (a “**Participant**”), in connection with their employment or position, options to purchase common shares. The purchase price for any optioned common shares is fixed by the Board, which purchase price will not be less than the “fair market value” of a common share on the date the option is granted, being the closing price of the common shares on the TSX on the last trading day on which the common shares traded prior to the grant date.

In order to align the Corporation’s security-based compensation arrangements to be more consistent with market practice, on March 29, 2018 the Board approved an amendment to the Stock Option Plan to reduce the maximum number of common shares which may be issued under the plan upon the exercise of options which have been granted and are outstanding under the Stock Option Plan, together with common shares that are issuable pursuant to outstanding awards or grants under the Corporation’s other security-based compensation arrangements, from 15% to 10% of the Corporation’s common shares then issued and outstanding. As an “evergreen” plan, the TSX will require that the Stock Option Plan be approved by shareholders on a periodic basis, each approval being effective for a period of three years.

The aggregate number of common shares reserved for issuance pursuant to options granted under the Stock Option Plan and options or other entitlements granted under any other share compensation arrangement of the Corporation to any Participant under the Stock Option Plan cannot exceed 5% of the aggregate number of common shares outstanding (on a non-diluted basis) on the date of grant.

The aggregate number of common shares reserved for issuance pursuant to options granted under the Stock Option Plan and options or other entitlements granted under any other share compensation arrangement of the Corporation to insiders, as such term is defined in the *Securities Act* (Ontario), or any Associates of such persons, cannot exceed 10% of the aggregate number of common shares outstanding (on a non-diluted basis) on the date of grant. Within any one-year period, the aggregate number of common shares issued to insiders pursuant to options granted under the Stock Option Plan or options or other entitlements granted under any other share compensation arrangement cannot exceed 10% of the aggregate number of common shares outstanding (on a non-diluted basis) on the date of grant and the number of common shares issued to any one insider, and his or her associates, cannot exceed 5% of the aggregate number of common shares outstanding (on a non-diluted basis) on the date of grant.

Options granted under the Stock Option Plan have a maximum term of 10 years from the date of grant. Options will become available for purchase by a Participant on a date or dates to be determined by the Board on the date of grant. Vested options may be exercised by a Participant either by (a) the purchase of any number of whole common shares which are then available for purchase, provided that no partial exercise may be for less than 100 whole common shares, at the exercise price specified for such option, or (b) the receipt, without payment by a Participant, of an amount per option equal to the difference between the exercise price of the option and the “market price” of the common shares (the “**Growth Amount**”), which Growth Amount will be payable by the issuance by the Corporation to the Participant of that number of common shares calculated by dividing the Growth Amount by the “market price” of the common shares. For the purposes of the Stock Option Plan, “market price” means the closing price of the common shares on the TSX on the date of exercise.

In the event (a) an offer is made to purchase outstanding voting shares of the Corporation and if accepted by a sufficient number of holders of such shares to constitute the offeror being entitled to exercise more than 50% of the voting rights attached to the outstanding voting shares of the Corporation (provided that prior to the offer, the offeror was not entitled to exercise more than 50% of the voting rights attached to the outstanding voting shares) or (b) if there is a consolidation, merger or amalgamation of the Corporation with or into any other corporation whereby the voting shareholders of the Corporation immediately prior to the consolidation, merger or amalgamation receive less than 50% of the voting rights attaching to the voting shares of the consolidated, merged or amalgamated corporation, including a sale whereby all or substantially all of the Corporation’s undertakings and assets become the property of any other corporation, then a Participant will be entitled to exercise his or her options with respect to all of the common shares subject to the options and not yet purchased thereunder. In addition, if an offer is made to purchase 50% or more of the outstanding voting shares of the Corporation, a Participant will be entitled to exercise his or her options with respect to all of the common shares subject to the options and not yet purchased thereunder and tender such common shares into such offer, conditional upon the take-up of common shares under such offer.

Options may not be transferred, assigned or otherwise encumbered, unless they are transferred under the succession laws applicable at the time of death of the option holder.

Description of the Performance and Restricted Share Unit Plan

The purposes of the PR Plan are to (i) promote a significant alignment between employees and directors of the Corporation and the growth objectives of the Corporation, (ii) associate a portion of participating employees’ and directors’ compensation with the performance of the Corporation over the long term and (iii) retain critical personnel to drive the business success of the Corporation. Grants may be made under the PR Plan to executives, other employees or directors of the Corporation or of any subsidiary of the Corporation. PSU and RSU awards will be paid in common shares issued from treasury.

In order to align the Corporation’s security-based compensation arrangements to be more consistent with market practice, on March 29, 2018 the Board approved an amendment to the PR Plan to reduce the maximum number of common shares which may be issued under the plan to pay awards which have been granted and are outstanding under the PR Plan, together with common shares that are issuable pursuant to outstanding awards or grants under the

Corporation's other security-based compensation arrangements, from 15% to 10% of the Corporation's common shares then issued and outstanding. As an "evergreen" plan, the TSX will require that the PR Plan be approved by shareholders on a periodic basis, each approval being effective for a period of three years. Issuances of common shares to pay awards will be issued at a price equal to the Market Value on the date of issuance.

Awards granted under the PR Plan will be made with a specified dollar value (the "Award Value") as of the date of grant, as determined by the Board or by the grant of specific amounts of PSUs or RSUs. In the case of PSUs, the Compensation Committee may determine any performance criteria applicable to the PSU.

If applicable, the number of PSUs granted to a participant for a performance period will be determined by dividing the Award Value for the award to such participant divided by the Market Value of the common shares as at the end of the calendar quarter immediately preceding the date of the award, rounded down to the next whole number (with currency conversion if necessary).

If applicable, the number of RSUs granted to a participant is determined by dividing the Award Value of the award provided to the participant in the form of RSUs by the Market Value of the Common shares as at the end of the calendar quarter immediately preceding the date of the award, rounded down to the next whole number (with currency conversion if necessary).

The "Market Value" for purposes of the PR Plan is (i) the volume-weighted average trading price of the common shares on the TSX (or such other stock exchange on which the common shares are traded) for the five trading days preceding the date in question, or (ii) if the common shares are not traded on a stock exchange, the fair market value of the common shares as determined by the Board.

Each whole PSU and RSU will give a participant the right to receive common shares in accordance with the terms of the PR Plan and the applicable Award Agreement. A participant will have no right to receive Common shares with respect to any PSUs or RSUs that do not become vested.

On the first day immediately following the end of a performance period in respect of a PSU grant, the relevant PSUs (including Dividend PSUs as described in the PR Plan) in the participant's PSU account maintained by the Corporation will vest in an amount equal to the number of relevant PSUs multiplied by a performance adjustment factor, as determined by the Board in accordance with the participant's Award Agreement. Where the performance adjustment factor is zero, no such PSUs will vest. Any PSUs that do not become vested are forfeited by the participant.

RSUs will vest on the vesting dates specified in the relevant Award Agreement, in such proportion as may be determined in accordance with the Award Agreement. Any RSUs that do not become vested are forfeited by the participant.

On vesting, the participant will receive a number of common shares equal to (i) the number of vested PSUs as of the last day of the relevant performance period or (ii) the number of RSUs that have vested on the vesting date.

Subject to the terms of the relevant Award Agreement, in the event of a change of control of the Corporation, the PSUs and RSUs credited to the account of the participant as at the date of the change of control, will become vested PSUs and RSUs on a one-for-one basis on the date of change of control, unless otherwise determined by the Board. As soon as practical following the change of control, the participant will receive a payment in common shares equal to the number of vested RSUs or PSUs, as applicable, multiplied by the price at which the common shares are valued for the purposes of the transactions giving rise to the change of control.

Description of the Employee and Director Share Purchase Plan

The Corporation implemented an employee and director share purchase plan in 2011 which was subsequently amended in 2016 (the “**Share Purchase Plan**”). The purpose of the Share Purchase Plan is to encourage employees and directors of the Corporation to participate in the growth and development of the Corporation by providing such persons with the opportunity, through share purchases, to acquire an increased proprietary interest in the Corporation. Shares subject to the plan are issued from treasury and delivered to the administrative agent.

Each fiscal year, employees who have been employed by the Corporation for not less than three consecutive months may contribute up to 20% of the aggregate base compensation received by such participant from the Corporation in the previous fiscal year to the Share Purchase Plan. Participants who are directors of the Corporation may contribute an amount up to (but not exceeding) 100% of the aggregate director fees received by such director from the Corporation in the previous fiscal year.

Pursuant to the Share Purchase Plan, common shares are issued from treasury to the administrative agent on behalf of the participants at the market price, which is defined in the Share Purchase Plan as the volume weighted average trading price of the common shares on the TSX for the five trading days preceding the date on which common shares are issued, less a discount of 15%.

No shares shall be issued on behalf of a participant under the Share Purchase Plan if such issuance could result, at any time, in: (a) the number of common shares issuable (pursuant to the Share Purchase Plan and any other share compensation arrangement of the Corporation) to “insiders” (as defined in the *Securities Act* (Ontario)) exceeding, at any time, 10% of the issued and outstanding common shares; (b) the number of common shares issued (pursuant to the Share Purchase Plan and any other share compensation arrangement of the Corporation) to insiders exceeding, within any one-year period, 10% of the issued and outstanding common shares; or (c) the number of common shares issuable (under the Share Purchase Plan and any other share compensation agreement of the Corporation) to any one participant and such participant’s “associates” (as defined in the *Securities Act* (Ontario)), exceeding, within any one-year period, 5% of the issued and outstanding common shares.

Participation in the Share Purchase Plan terminates automatically if, in the case of a director, the term of appointment of such director expires or the director resigns, and in the case of a person employed by the Corporation, the employment of the participant by the Corporation is terminated for any reason whatsoever (including without limitation, the death or retirement of the participant).

The Board reserves the right at any time, subject to any regulatory or stock exchange approval that may be required, to amend the Share Purchase Plan, without prior notice to or approval by shareholders, provided that no amendment shall adversely affect the rights and interests of a participant’s shares allocated to his or her account under the Share Purchase Plan prior to the date of such amendment. The Board may terminate the Share Purchase Plan at any time, provided that the common shares of the participants and any monies held by the administrative agent on behalf of participants shall be transferred and delivered to such participants at the time of termination.

In order to align the Corporation’s security-based compensation arrangements to be more consistent with market practice, on March 29, 2018 the Board approved an amendment to the Share Purchase Plan to reduce the maximum number of common shares which may be issued under the plan, together with common shares that are issuable pursuant to outstanding awards or grants under the Corporation’s other security-based compensation arrangements, from 15% to 10% of the Corporation’s common shares then issued and outstanding.

Pension Plan Benefits

The Corporation does not maintain any defined benefit pension plans or defined contribution pension plans.

Termination and Change of Control Benefits

The termination benefits for the Named Executive Officers are set out in the “Executive Employment Agreements” section above. The following are the amounts of severance payments that would have been made to each of the Named Executive Officers who remain with the Corporation as of the date hereof in the event of such officer’s termination without cause or resignation of such officer as a result of a change of control of the Corporation, as of December 31, 2017:

Name	Triggering Event	Cash Portion (\$)	Value of Options, PSUs and RSUs (\$)	Total (\$)
Robert Tessarolo	Termination without cause in the absence of a change of control	666,562	Nil	666,562
	Termination without cause as a result of a change of control, or resignation for Good Reason	1,333,124	80,605	1,413,729
Stephen Lemieux	Termination without cause in the absence of a change of control	273,096	Nil	273,096
	Termination without cause as a result of a change of control, or resignation for Good Reason	702,248	128,546	830,794
Chris Watters	Termination without cause in the absence of a change of control	188,500	Nil	188,500
	Termination without cause as a result of a change of control, or resignation for Good Reason	565,500	42,159	607,659

Compensation Committee

The Compensation Committee is comprised of the following three directors: Harold Wolkin, Christian Godin and Mark Beaudet. The Committee’s responsibilities with respect to compensation matters include: (i) reviewing and making recommendations to the Board with respect to compensation of the Chief Executive Officer and (ii) making recommendations to the Board with respect to non-CEO compensation, incentive compensation plans and equity-based plans. All of the members of the Compensation Committee are independent directors.

The experience of the members of the committee is summarized in the “Election of Directors” section. Each member has had significant experience in dealing with compensation matters in companies with a level of complexity at least as great as the Corporation.

Director Compensation

Director Compensation Table

The following table presents the details of all compensation paid to non-management directors of the Corporation for the year ended December 31, 2017:

Name ⁽¹⁾	Fees Earned (\$)	Share-Based Awards (\$) ⁽⁶⁾	Option-Based Awards (\$) ⁽⁷⁾	All Other Compensation (\$)	Total (\$)
Dr. John Mull	55,907	7,590	6,440	Nil	69,937
Harold Wolkin	60,000	7,590	6,440	Nil	74,030
Mark Beaudet	75,699	7,590	6,440	Nil	89,729
Christian Godin	48,925	7,590	6,440	Nil	62,955
Arthur Deboeck ⁽²⁾	25,699	7,590	36,800	Nil	70,089
Stephen Wiseman ⁽³⁾	15,423	Nil	Nil	Nil	15,423
Stefan Aigner ⁽⁴⁾	19,052	Nil	Nil	Nil	19,052
Thomas Wellner ⁽⁵⁾	15,423	Nil	Nil	Nil	15,423

Notes:

- (1) Robert Tessarolo is a Named Executive Officer and, as such, does not receive compensation as a director of the Corporation.
- (2) Mr. Deboeck was elected a director of the Corporation on May 11, 2017.
- (3) Mr. Wiseman ceased to be a director of the Corporation on May 11, 2017.
- (4) Mr. Aigner ceased to be a director of the Corporation on May 11, 2017.
- (5) Mr. Wellner ceased to be a director of the Corporation on May 11, 2017.
- (6) Represents the fair value at the date of grant for RSUs granted to each director. For the grants included herein, the fair value was \$5.51. The actual value received, if any, will be different as it will depend on the portion of RSUs that vest and the price of the underlying common shares at the time of vesting.
- (7) Cipher has adopted fair value accounting for options granted under the Stock Option Plan using the Black-Scholes fair value option pricing method, an established methodology. The options granted vest over a four year period and expire after seven or ten years. The grants for 2017 were made on May 15, 2017 and the dollar value is based upon the share price of \$5.06, and Black-Scholes value of \$1.84 (risk-free interest rate: 0.94%; expected option life: 4.9 years; expected volatility: 49.6%).

The compensation paid to directors of the Corporation is \$40,000 per year plus \$2,500 per year for serving on a committee. No attendance fees are paid to directors. In addition to the foregoing, the Corporation pays annual retainers to the Audit Committee chair of \$15,000, the Compensation Committee chair of \$10,000 and the Nominating and Governance Committee chair of \$5,000. An annual retainer of \$40,000 is paid to the Chair of the Board.

The Corporation reimburses directors for out-of-pocket expenses for attending meetings. Directors and officers of the Corporation are covered by insurance in respect of liability that may be incurred by them acting in such capacity, unless the liability arises because such director or officer fails to act honestly and in good faith with a view to the best interests of the Corporation.

Outstanding Option-Based Awards

The following table sets forth the details of all outstanding option-based awards for the directors of the Corporation, at December 31, 2017:

Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-Money Options (\$)⁽¹⁾
Dr. John Mull	3,500	1.60	Feb. 19, 2020	11,550
	3,500	1.16	Mar. 11, 2021	13,090
	3,500	1.20	Feb. 24, 2022	12,950
	3,500	2.88	Mar. 6, 2023	7,070
	3,500	8.13	Feb. 28, 2024	Nil
	3,500	13.88	Feb. 24, 2025	Nil
	5,000	6.79	Feb.26,2026	Nil
	3,500	5.06	May 15, 2024	Nil
Harold Wolkin	20,000	6.19	Aug. 15, 2026	Nil
	3,500	5.06	May 15, 2024	Nil
Mark Beaudet	20,000	6.19	Aug. 15, 2026	Nil
	3,500	5.06	May 15, 2024	Nil
Christian Godin	20,000	6.19	Aug. 15, 2026	Nil
	3,500	5.06	May 15, 2024	Nil
Arthur Deboeck	20,000	5.06	May 15, 2024	Nil

Note:

- (1) The value of unexercised in-the-money options is based on the difference between the exercise price of the options and the closing price of the common shares of Cipher on the TSX on December 29, 2017, being the last trading day of fiscal 2017, of \$4.90 per share.

Outstanding Share-Based Awards

The following table sets forth the details of all outstanding share-based awards for the directors of the Corporation at December 31, 2017:

Name	Number of Shares or Units of Shares that have not Vested (#)⁽¹⁾	Market or Payout Value of Share-based awards that have not Vested (\$)⁽²⁾	Market or Payout Value of Vested Share-based awards not paid out or distributed (\$)
Dr. John Mull	1,500	7,350	Nil
Harold Wolkin	1,500	7,350	Nil
Mark Beaudet	1,500	7,350	Nil
Christian Godin	1,500	7,350	Nil
Arthur Deboeck	1,500	7,350	Nil

Notes:

- (1) Consists of RSUs.
- (2) The value of RSUs is calculated by multiplying the number of units held on December 31, 2017 by the closing price of the common shares of Cipher on the TSX on December 29, 2017, being the last trading day of fiscal 2017, of \$4.90 per share.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth, for each non-management director, the value of option-based awards and share-based awards that vested during the year ended December 31, 2017 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2017:

Name	Option-Based Awards – Value Vested During the Year (\$)⁽¹⁾	Share-based Awards – Value Vested During the Year (\$)⁽²⁾	Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)
Dr. John Mull	Nil	6,594	Nil
Harold Wolkin	Nil	6,594	Nil
Mark Beaudet	Nil	6,594	Nil
Christian Godin	Nil	6,594	Nil
Arthur Deboeck	Nil	6,594	Nil

Notes:

- (1) The value of the options that vested during the financial year is based on the difference between the exercise price of the options and the closing price of the common shares of Cipher on the TSX on the applicable vesting date. If the closing price of the common shares of Cipher on such date was below the exercise price, the options had no then current value and are valued at nil. The options may not have been exercised on such date or subsequently and, accordingly, the amount shown may not reflect the actual amount, if any, realized by the director.
- (2) The value of the RSUs that vested during the financial year is calculated by multiplying the number of RSUs that vested by the five-day volume weighted average price of the common shares of Cipher on the vesting date.

Share Ownership Requirements for Directors

The Board believes that economic interest of non-management directors should be aligned with those of shareholders. In that regard, the Board has adopted a director share ownership policy. By the time a director has served on the Board for five years, he or she must own common shares with a value equal to a minimum of three times the annual base cash retainer including chairmanships and committee participation, as applicable, for the particular director. Share ownership for this purpose includes shares issuable to a director under any incentive plan of the Corporation but excluding stock options. The Compensation Committee of the Corporation has the authority to permit exceptions from the policy from time to time.

If a director's share ownership falls below the minimum guidelines due a decline in the price of the common shares or an increase in the particular director's annual retainer, the director will have a period of one year to acquire additional common shares to comply with the policy.

Currently, each of the directors of the Corporation who has served as a director for five years is in compliance with the share ownership requirements of the policy.

Hedging

The Corporation does not allow its Named Executive Officers or directors to hedge against declines in the market value of their equity-based compensation or equity securities held by them through the purchase of financial instruments designed to offset such risk. The prohibition extends to all officers and employees. Directors, officers and employees are also prohibited from selling securities of the Corporation they do not own (a short sale) and from using securities of the Corporation as collateral in any financial transaction, including margin loan arrangements. The Board may determine to permit exceptions to these prohibitions in exceptional circumstances to further the best interests of the Corporation.

Compensation Recoupment Policy

The Board approved on February 24, 2015 a Compensation Recoupment Policy ("claw-back" policy)". Under this policy, where there has been a restatement of the Corporation's financial statements or the financial results are found to be inaccurate in a manner that materially affects the calculation of compensation for senior executives, the Board can require the reimbursement of incentive-based compensation that exceeds such compensation that would have been awarded on the basis of the restated or corrected financial statements. The Board can recover compensation from current or former senior executives for the three year period preceding the restatement or correction of the financial statements.

In addition, if the Board determines that a current or former senior executive has engaged in embezzlement, fraud or theft on or after February 24, 2015, the Board may require the reimbursement of incentive-based compensation from the senior officer granted during the three year period preceding the discovery by the Corporation of the misconduct.

Securities Authorized for Issuance Under Equity Compensation Plans

The Stock Option Plan, the PR Plan and the Share Purchase Plan are equity compensation plans of the Corporation which have been approved by Cipher's shareholders. As at December 31, 2017, Cipher did not have any equity compensation plans that had not been approved by shareholders nor any such plans in effect as of the date of this Circular. The following table sets forth the details of the securities authorized for issuance under the Stock Option plan and the PR Plan as at December 31, 2017:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)⁽²⁾
Stock Option Plan	603,116	Nil	See Note 2
PR Plan	420,593 ⁽¹⁾	Nil	See Note 2
Total	1,023,709	4.49	2,990,549 ⁽²⁾

Notes:

- (1) Includes the application of a performance multiplier of five applicable to an aggregate of 54,797 PSUs outstanding as at December 31, 2017 and the application of a performance multiplier of four applicable to an aggregate of 10,746 PSUs outstanding as at December 31, 2017.
- (2) Each of the Stock Option Plan, the PR Plan and the Share Purchase Plan provided that the aggregate number of common shares that are issuable thereunder pursuant to outstanding awards or grants, together with common shares issuable pursuant to outstanding awards or grants under the Corporation's other security-based compensation arrangements shall not at any time exceed 15% of the Corporation's common shares then issued and outstanding. Accordingly, an aggregate of 2,990,549 common shares remained available for future issuance under the Stock Option Plan, the PR Plan and the Share Purchase Plan, collectively, as at December 31, 2017.

As at the date hereof: (i) options to purchase an aggregate of 1,050,035 common shares are outstanding, representing approximately 3.9% of the issued and outstanding common shares; (ii) RSUs to acquire an aggregate of 186,920 common shares are outstanding, representing approximately 0.7% of the issued and outstanding common shares; and (iii) PSUs to acquire an aggregate of 316,969 common shares (assuming application of the maximum multiplier) are outstanding, representing approximately 1.2% of the issued and outstanding common shares for a total of 1,553,924 common shares issuable pursuant to outstanding awards. As a result, grants under the Corporation's equity compensation plans to purchase a total of 2,460,393 common shares, representing approximately 9.2% of the issued and outstanding common shares, are available for grant as of the date hereof.

During the financial year ended December 31, 2017: (i) an aggregate of 388,127 options were exercised (a portion of which were on a net settlement basis) resulting in the issuance of 300,999 common shares; (ii) an aggregate of 72,789 RSUs vested resulting in the issuance of an equal number of common shares; (iii) no PSUs vested; and (iv) an aggregate of 34,296 common shares were issued under the Share Purchase Plan.

Annual Burn Rate

In accordance with the policies of the TSX, the following table sets out the burn rate of the awards granted under the Corporation's security based compensation arrangements, namely the Stock Option Plan, the PR Plan and the Share Purchase Plan, as of the end of the financial year ended December 31, 2017 and for the two preceding financial years. The burn rate is calculated by dividing the number of securities granted under each security based compensation agreement during the relevant fiscal year by the weighted average number of common shares of Cipher outstanding for the applicable fiscal year.

Compensation Plan	2017	2016	2015
Stock Option Plan	2.1%	2.6%	2.1%
PR Plan ⁽¹⁾	1.7%	2.9%	0.7%
Share Purchase Plan	0.1%	0.4%	0.3%

Note:

- (1) Reflects the maximum number of common shares issuable under PSUs assuming the application of the maximum multiplier thereon (see "Statement of Executive Compensation – Stock Options, Restricted Share Units and Performance Share Units" for additional details with respect to the terms for the application of multipliers).

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or executive officer of the Corporation, or proposed nominee for election as director of the Corporation, and no associate of any such director, officer or proposed nominee was indebted at any time during fiscal 2017 to the Corporation or any of its subsidiaries in connection with the purchase of the Corporation's securities or otherwise or had indebtedness to another entity that is, or has been, the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Corporation or any of its subsidiaries, excluding in each case routine indebtedness or indebtedness that has been entirely repaid before the date of this Circular.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No director or executive officer of the Corporation, or any associate or affiliate thereof, has any material interest, direct or indirect in any transaction since January 1, 2017 or in any proposed transaction which has materially affected or would materially affect Cipher.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Corporation has adopted certain practices and procedures, including the creation of a Nominating and Governance Committee, to ensure that effective corporate governance practices are followed and to ensure that the Board functions independently of management. Appendix A sets forth the Corporation's statement of corporate governance practices. Appendix B sets out the Charter of the Board of Directors of the Corporation.

OTHER MATTERS

Management is not aware of any amendments or variations to matters identified in the Notice or of any other matters that are to be presented for action to the Meeting other than those described in the Notice. Information stated in this Circular is dated as at March 29, 2018 except where otherwise indicated.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.SEDAR.com and financial information relating to the Corporation is provided in the Corporation's financial statements and Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2017. To request copies of the Corporation's financial statements and MD&A, security holders may contact the Corporation directly:

Cipher Pharmaceuticals Inc.
2345 Argentia Road, Suite 100A
Mississauga, ON L5N 8K4
Telephone: 905-602-5840
Facsimile: 905-602-0628
Email: info@cipherpharma.com

CERTIFICATE

The contents of this Circular and the sending thereof to the shareholders has been approved by the Board of Directors.

Dated: March 29, 2018

BY ORDER OF THE BOARD OF DIRECTORS

“Robert Tessarolo” (signed)
President and Chief Executive Officer

APPENDIX A

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

In general, the Board of Directors of the Corporation (the “**Board**”) is responsible for the stewardship of the Corporation. The Board oversees the business and affairs of the Corporation, supervises senior management’s day-to-day conduct of business, establishes or approves overall corporate policies where required and involves itself jointly with management in ensuring the creation of shareholder value and the preservation and protection of the Corporation’s assets as well as in establishing the Corporation’s strategic direction. The Board acts through regularly scheduled Board meetings, which are held on a quarterly basis, with additional meetings being scheduled when required. In addition, there is continued communication between senior management and Board members between meetings both on an informal basis and through committee meetings.

To assist in the discharge of its responsibilities, the Board has established an Audit Committee, a Nominating and Governance Committee and a Compensation Committee. All of the members of the committees are “independent” under National Instrument 52-110 – *Audit Committees* and under National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”) of the Canadian Securities Administrators. The committees operate pursuant to written mandates (charters). Other committees may be established by the Board from time to time as circumstances require.

The Board believes that sound corporate governance practices are in the best interests of the Corporation and its shareholders and contribute to prudent and effective decision-making. The Board, both generally and through the Nominating and Governance Committee, is committed to remaining abreast of the ongoing evolution of corporate governance standards and practices both in Canada and more broadly. As such, directors of the Corporation are committed to thorough and effective corporate governance arrangements. In addition, the Board supports the Corporation’s efforts to align its corporate governance practices with the recommendations currently in effect and contained in National Instrument 58-201 – *Corporate Governance Guidelines* having regard to the Corporation’s particular circumstances from time to time.

Pursuant to NI 58-101, the Corporation is required to disclose its corporate governance practices, which are described below. The Board will continue to monitor its practices on an ongoing basis and, when necessary, amend such practices or implement such additional practices as it deems appropriate.

1. **Board of Directors**

The importance of the independence of the directors from management is fully endorsed by the Corporation. The Charter of the Board of Directors (the “**Charter of the Board**”) provides that at least a majority of the directors must be “independent” for the purposes of all applicable regulatory requirements. The Board has determined that each of Dr. Mull, Mr. Wolkin, Mr. Beaudet and Mr. Godin are “independent” directors and that proposed new director Dr. Rulleau will also be an “independent” director. The Board has determined that Mr. Deboeck is not an “independent” director as a result of the commercial relationship between the Corporation and Galephar Pharmaceuticals Research Inc. and its affiliates. Mr. Tessarolo is not considered an “independent” director as he is the Corporation’s President and Chief Executive Officer. Notwithstanding the foregoing, in the view of the Board, the fact that Mr. Tessarolo occupies a management position with the Corporation does not impair the ability of the Board to act independently of management. The Board believes that each of Mr. Tessarolo’s and Mr. Deboeck’s status as a non-independent director does not preclude either of them from exercising independent judgement with a view to the best interests of the Corporation. The Audit Committee, the Nominating and Governance Committee and the Compensation Committee are each presently composed entirely of “independent” directors.

In addition to their roles as directors of the Corporation, the following individuals also hold positions as directors of the following reporting issuers: Mr. Wolkin is a director of Baylin Technologies Inc. and Diamond Estates Wines & Spirits Ltd.

The Board meets from time to time without the non-independent directors and management being present at *in camera* sessions of independent directors held before, during an adjournment of, or following the conclusion of each meeting of the Board.

The Board elects from its ranks a chairperson to preside at all meetings of the Board. Mr. Beaudet, an independent director, was appointed Chair of the Board on April 12, 2017 and continued to act in such capacity throughout fiscal 2017. The Chair provides leadership to directors in discharging their mandate as set out in the Charter of the Board, including, by: (a) promoting a thorough understanding by the directors and management of the duties and responsibilities of the directors and the distinctions between the role of the directors and the role of management; (b) promoting cohesiveness among the directors; and (c) ensuring processes are in place to monitor legislation and best practices relating to the responsibilities of the Board, and reviewing the effectiveness of the Board, its committees and individual directors on a regular basis.

The following table sets forth the number of Board and committee meetings held and attendance by directors for the financial year ended December 31, 2017:

Attendance of Directors <i>(in person or by telephone)</i>				
<i>Director</i>	<i>Board Meetings Attended</i>	<i>Audit Committee Meetings Attended</i>	<i>Nominating and Governance Committee Meetings Attended</i>	<i>Compensation Committee Meetings Attended</i>
Dr. John Mull	9 of 11	2 of 2	N/A	N/A
Harold Wolkin	11 of 11	4 of 4	4 of 4	3 of 3
Christian Godin	11 of 11	N/A	3 of 3	4 of 4
Mark Beaudet	11 of 11	4 of 4	4 of 4	3 of 3
Arthur M. Deboeck ⁽¹⁾	5 of 7	N/A	N/A	N/A
Robert D. Tessarolo ⁽²⁾	7 of 7	N/A	N/A	N/A
Stephen Wiseman ⁽³⁾	4 of 4	2 of 2	N/A	N/A
Stefan Aigner ⁽⁴⁾	3 of 4	N/A	N/A	1 of 1
Thomas Wellner ⁽⁵⁾	3 of 4	N/A	1 of 1	N/A

(1) Mr. Deboeck was appointed a director of the Corporation on May 11, 2017.

(2) Mr. Tessarolo was appointed a director of the Corporation on May 11, 2017.

(3) Mr. Wiseman ceased to be a director on May 11, 2017.

(4) Mr. Aigner ceased to be a director on May 11, 2017.

(5) Mr. Wellner ceased to be a director on May 11, 2017.

2. Board Mandate

The Board, both directly and through its committees, supervises the activities and manages the investments and affairs of the Corporation and is responsible for the stewardship of the Corporation and its business.

The Board is kept informed of the Corporation's operations at Board meetings, committee meetings and through reports and discussions with management of the Corporation, as necessary. Each of the Board and the Audit Committee meet on a quarterly basis, with additional meetings scheduled when required. In addition, there is continued communication between senior management of the Corporation and the Board on an informal basis.

The duties and responsibilities of the Board are set out in the Charter of the Board attached as Appendix B to this Circular.

3. Position Descriptions and Chief Executive Officer Succession Planning

The Corporation has developed and implemented written position descriptions for the Chief Executive Officer, Chief Financial Officer, Chair of the Board, Chair of the Audit Committee, Chair of the Nominating and Governance Committee and Chair of the Compensation Committee. Position descriptions are reviewed periodically. In addition, as a matter of succession planning with respect to the Corporation's Chief Executive Officer, the Board has identified specific criteria to be considered in the appointment of the Chief Executive Officer which the Board reviews annually and updates as necessary.

4. Orientation and Continuing Education of New Directors

The Board is responsible for developing and implementing, on recommendation of the Nominating and Governance Committee, a comprehensive orientation program for new directors. The Nominating and Governance Committee develops the comprehensive orientation programs with a goal of assisting new directors in understanding: (a) the role of the Board and its committees; (b) the contribution individual directors are expected to make (including the commitment of time and energy that the Corporation expects from its directors); and (c) the nature and operation of the Corporation's business. The Nominating and Governance Committee's continuing education program assists directors to maintain or enhance their skills and abilities as directors and in ensuring that their knowledge and understanding of the Corporation's business remains current. In regard to these matters the Board has adopted a Director Education and Continuing Education Policy whereby the Corporation will maintain a membership for each director in an organization dedicated to corporate governance and ongoing director education. The Corporation will also annually fund the attendance of each director at seminars or conferences of interest and relevance, the annual allowance in this regard to be set by the Board from time to time.

5. Ethical Business Conduct

The Corporation has a strong commitment to the conduct of business in a lawful and ethical manner. The Board has adopted a written Code of Business Conduct and Ethics (the "Code") for directors, officers and employees which is available on the Corporation's website and may be obtained by written request to the Secretary of the Corporation at 2345 Argentia Road, Suite 100A, Mississauga, Ontario, L5N 8K4. The Code describes confidential reporting procedures which may be used by personnel to communicate good faith concerns about any violation of the Code or related policies and guidelines directly to the Chair of the Nominating and Governance Committee. The Chair maintains a log of all reports that are received, tracking their receipt, investigation and resolution.

The Charter of the Board describes the requirement and procedure by which each director must disclose, in writing to the Corporation or by requesting to have entered in the minutes of meetings of the Board or a committee of Directors, the nature and extent of any interest that such director has in a material contract or material transaction, whether made or proposed, with the Corporation, if the director: (a) is a party to the contract or transaction; (b) is a director or officer, or an individual acting in a similar capacity, of a party to the contract or transaction; or (c) has a material interest in a party to the contract or transaction. Directors are to disclose such interest to the Board at the first opportunity and if a material contract or material transaction, whether entered into or proposed, is one that, in the ordinary course of the Corporation's business, would not require approval by the directors, a director must disclose, in writing to the Corporation or request to have entered in the minutes of a meeting of the Board or a committee, the nature and extent of such director's interest immediately after he or she becomes aware of the contract or transaction. A director required to make such disclosure shall not vote on any resolution to approve the contract or transaction unless the contract or transaction: (a) relates primarily to his or her remuneration as a director, officer, employee or agent of the Corporation or an affiliate; (b) is for indemnity or insurance; or (c) is with an affiliate.

The Code, the Charter of the Board, as well as a number of other policies implemented by the Corporation, including insider trading and whistleblowing policies, serve to promote and encourage a culture of ethical business conduct within the Corporation.

6. Nomination of Directors

The Nominating and Governance Committee, composed entirely of independent directors, has the responsibility of identifying individuals qualified to become new directors of the Corporation and recommending to the Board the directors to be nominated for election at annual meetings of shareholders. External advisors may be retained to assist in this process.

In evaluating the competencies and skills of potential new directors, the Nominating and Governance Committee considers: (a) the competencies and skills the Board, as a whole, should possess; (b) the competencies and skills each existing director possesses; and (c) the personality and skills each new nominee would bring to the Board. A skills matrix of the functional expertise of existing and potential new directors is used in this regard. The Nominating and Governance Committee is also guided by the principles set out in the Board Diversity Policy as described in item 11 below.

7. Majority Voting in Director Elections

The Board has adopted a Majority Voting in Director Elections Policy that will apply at any meeting of shareholders where an uncontested election of directors is held. For the purpose of the policy, an “uncontested election” means an election where the number of nominees for director equals the number of directors to be elected. Pursuant to the policy, if the number of proxy votes “withheld” for a particular director nominee is greater than the votes “for” such director, the director nominee will be required to submit his or her resignation to the Chair of the Board promptly following the meeting of shareholders at which the director was elected. Following receipt of the resignation, the Board will consider whether or not to accept the offer of resignation. With the exception of special circumstances, the Board will be expected to accept the resignation. Within 90 days following the applicable meeting of shareholders, the Board will make its decision whether or not to accept the resignation. The Corporation will announce the decision of the Board in a press release, such press release to include the reasons for rejecting the resignation, if applicable. The director who tendered such resignation will not be part of any deliberations of the Board pertaining to the resignation offer.

8. Compensation

The Board approves the compensation of the Chief Executive Officer and considers recommendations of the Chief Executive Officer with respect to the compensation of other members of senior management. The Board has directed the Compensation Committee to consider matters related to executive compensation and to report and make recommendations to the Board with respect to such matters.

The Compensation Committee, composed entirely of independent directors, assists the Board in its oversight of executive and director compensation and undertakes the responsibility for: (a) reviewing and making recommendations to the Board with respect to compensation of the Chief Executive Officer; (b) making recommendations to the Board with respect to non-CEO officer compensation, incentive compensation plans and equity-based plans; and (c) reviewing the Corporation’s compensation disclosure in public documents and preparing the annual report on executive compensation for inclusion in the Corporation’s information circulars.

The Compensation Committee also monitors the administration of the Corporation’s executive officer incentive and other compensation related plans and reports to the Board annually on whether incentives and bonuses awarded or paid to the Chief Executive Officer and each of the other executive officers have been awarded or paid in accordance with the applicable plans.

9. Assessments

The Nominating and Governance Committee is charged with developing and recommending to the Board a process for reviewing the performance and effectiveness of the Board as a whole, the committees of the Board and the contributions of individual directors on an annual basis, such process to consider: (a) input from directors, as appropriate; (b) attendance of directors at meetings of the Board and any committee; (c) the Board’s written charter; (d) the charter of each committee of the Board; (e) applicable position description(s) for each individual director and

for the chairs of the Board and of each committee of the Board; and (f) the competencies and skills each individual director is expected to bring to the Board. The Nominating and Governance Committee is responsible for overseeing the execution of the review process as approved by the Board.

The Nominating and Governance Committee also reviews the Board's committee structure on an annual basis and recommends to the Board any changes it considers necessary or desirable with respect to the committee structure, including: (a) the charters of each committee; (b) the criteria for membership on any committee; (c) the composition of each committee; (d) the appointment and removal of members from any committee; (e) the operations of each committee, including the ability of any committee to delegate any or all of its responsibilities to a sub-committee of that committee; and the process by which each committee reports to the Board.

The Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. For fiscal 2017, each director completed a detailed self-evaluation questionnaire (including the ability of each director to provide open-ended feedback) which asked each director to assess, among other things: (a) the effectiveness of the Board; (b) the conduct of the Board in fulfilling its objectives and responsibilities; (c) the Board's relationship with the Chief Executive Officer; (d) such director's individual performance as a Board member; and (e) the performance of the Chair. The results and key themes derived from the questionnaires were compiled by the Chair and discussed at a meeting of the Board. The purpose of the questionnaire is to serve as a basis for a structured and robust discussion among the directors as a group in order to focus on areas for improvement or determine if any corrective action is advisable, including in respect of changes to the composition of the Board, having regard to the Corporation's policies and objectives. In addition to the questionnaire, the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively by conducting informal assessments from time to time.

The Board may, upon the recommendation of the Nominating and Governance Committee, from time to time implement alternate or additional measures to review the performance and effectiveness of the Board as a whole, its committees and the contributions of individual directors, which may include, among other things, a peer evaluation process and/or the use of an outside third party to assist with the assessment process.

Each of the Board as a whole, the Audit Committee, the Nominating and Governance Committee and Compensation Committee are to review performance and effectiveness annually in accordance with the review process approved from time to time by the Nominating and Governance Committee.

10. Director Term Limits and Other Mechanisms of Board Renewal

The Corporation currently benefits from a depth of institutional and industry experience on the Board. Since the changes to the composition of the Board in August 2016, and subsequently at the Corporation's annual shareholder meeting in May 2017, the current Board has been focused on working closely as a group to ensure the Corporation benefits from the valuable input and insight of each director given the Corporation's strategic focus of building a diversified portfolio of prescription products to deliver robust and reliable growth for shareholders. The Corporation believes that term limits for directors would have the effect of forcing directors to resign from the Board who have, or who have developed through their service on the Board, expertise and insight in the highly specialized industry in which the Corporation operates and that term limits impose a rigid and arbitrary rule on a decision that should be flexible and reasoned. Accordingly, the Board has determined that the previous limit of a maximum 15 year term for an individual to serve as a director of the Corporation is not appropriate in the Corporation's circumstances and has removed this mechanism for board renewal from the Charter of the Board.

In the view of the Corporation, optimal corporate governance is aided by a combination of board renewal and board continuity. Directors who have served on the Board for an extended period of time are in a unique position to provide valuable insight into the operations and future of the Corporation based on their experience with a perspective on the Corporation's history, performance and objectives. The Board believes it is important to have a balance between directors who have a long history and organizational understanding of the Corporation's business with directors who bring new perspectives and ideas to the Board. Therefore, in lieu of imposing term limits, the Corporation will continue to periodically monitor director performance through formal and informal annual assessments, analyze the skills and experience necessary for the Board and evaluate the need for director changes to

ensure that the Corporation has highly knowledgeable and motivated Board members, while ensuring that new perspectives are available to the Board.

11. Policies Regarding the Representation of Women on the Board

The Corporation adopted on December 17, 2014 a written policy with respect to the Diversity of the Board of Directors (the “**Board Diversity Policy**”). Pursuant to the Board Diversity Policy, the Nominating and Governance Committee, when identifying candidates for election or appointment to the Board, is guided by principles which include consideration of diversity criteria by seeking directors who represent both genders and various ages, cultural communities and geographic areas. The Nominating and Governance Committee and the Board may engage external advisors to conduct a search for Board candidates to help achieve Board diversity as above described. The effectiveness of the policy and progress thereunder will be monitored by the Nominating and Governance Committee on an ongoing basis.

12. Consideration of the Representation of Women in the Director Identification and Selection Process

Pursuant to the Board Diversity Policy, the Nominating and Governance Committee is to consider the level of representation of women on the Board in identifying and nominating candidates for election to the Board. This will be achieved by monitoring the level of female representation on the Board and, where appropriate, recruiting qualified female candidates as part of the Corporation's overall recruitment and selection process to fill Board positions, as the need arises, through vacancies, growth or otherwise.

13. Consideration Given to the Representation of Women in Executive Officer Appointments

The Corporation believes that diversity of perspectives and viewpoints at the executive level is equally as important as at the Board level. Accordingly, the Corporation adopted on December 17, 2014 a written Policy with respect to the Diversity of Executive Officers (the “**Executive Officer Diversity Policy**”). Pursuant to this policy, when identifying candidates for appointment as executive officers of the Corporation, the Board is guided by principles which include consideration of diversity criteria by seeking executive officers who represent both genders and various cultural communities. The Board may engage external advisors to conduct a search for candidates to help achieve executive officer diversity as above described.

14. Targets Regarding the Representation of Women on the Board and in Executive Officer Positions

The Board does not believe that it is in the best interests of the Corporation or its shareholders to set any specific targets or quotas for recruiting Board members or executive officers based on diversity criteria. The Corporation believes that diversity criteria should be considered as one important aspect of the identification and selection process but should not be considered paramount to other important criteria. The Corporation is committed to promoting diversity as evidenced by the implementation of the Board Diversity Policy and the Executive Officer Diversity Policy, but does not believe that specific targets or quotas necessarily result in the identification or selection of the best candidates. Accordingly, the Board has determined that the previous policies that the Board aspire toward a composition of the Board in which each gender comprises at least one-quarter of the directors by 2020, and that each gender comprise at least one-third of the executive officers of the Corporation through 2017, are not appropriate in the Corporation's circumstances and has removed such targets from the Board Diversity Policy and the Executive Officer Policy, respectively.

The Board will continue to assess, no less than annually, the effectiveness of the Board Diversity Policy and the Executive Officer Policy and whether their objectives are being met.

15. Number of Women on the Board and in Executive Officer Positions

Assuming the election of all of the director nominees set out in this Circular, one women (representing 14.3% of the directors of the Corporation) will be on the Board at the conclusion of the Meeting. There are currently no female executive officers of the Corporation.

APPENDIX B

CHARTER OF THE BOARD OF DIRECTORS OF CIPHER PHARMACEUTICALS INC.

GENERAL

1. PURPOSE AND RESPONSIBILITY OF THE BOARD

The Board of Directors is responsible for supervising the activities and managing the investments and affairs of the Corporation. By approving this Charter, the Board confirms its responsibility for the stewardship of the Corporation and its business. This stewardship function includes responsibility for the matters set out in this Charter. The responsibilities of the Directors described herein are pursuant to, and subject to, the Act and do not impose any additional responsibilities or liabilities on the Directors at law or otherwise.

2. REVIEW OF CHARTER

The Board shall review and assess the adequacy of this Charter annually and at such other times as it considers appropriate and shall make such changes as it considers necessary or appropriate.

3. DEFINITIONS AND INTERPRETATION

3.1 Definitions

In this Mandate:

- (a) “**Act**” means the *Business Corporations Act* (Ontario), as amended;
- (b) “**Applicable Laws**” means all applicable provisions of law, domestic or foreign, including, without limitation, the Act; the *Securities Act* (Ontario) as amended, together with all regulations, rules, policy statements, rulings, notices, orders or other instruments promulgated thereunder; and the applicable rules and policies of any stock exchange on which the Corporation is listed;
- (c) “**Board**” means the Board of Directors of the Corporation;
- (d) “**CEO**” means the chief executive officer of the Corporation;
- (e) “**Chair**” means the chair of the Board;
- (f) “**Charter**” means this charter, as amended from time to time;
- (g) “**Corporation**” means Cipher Pharmaceuticals Inc.;
- (h) “**Directors**” means the directors of the Corporation;
- (i) “**Residents**” means “resident Canadians” for purposes of the Act; and
- (j) “**Vice Chair & Lead Director**” means the lead director of the Corporation.

3.2 Interpretation

This Charter is subject to and shall be interpreted in a manner consistent with the Act and any other applicable legislation.

CONSTITUTION OF THE BOARD

4. ELECTION AND REMOVAL OF DIRECTORS

4.1 Number of Directors

The Corporation shall have a minimum of one Director and a maximum of ten Directors, with the number of Directors from time to time within such range being fixed by resolution of the Directors.

4.2 Election of Directors

Directors shall be elected (including the re-election of incumbent Directors) at each annual meeting of the shareholders, and may be elected at a special meeting of the shareholders, in each case to hold office, subject to Section 4.4, for a term expiring at the close of the next annual meeting of the shareholders following such an election.

4.3 Vacancies

A quorum of Directors may fill a vacancy among the Directors, to the extent permitted under the Act.

4.4 Ceasing to Be a Director

A Director shall cease to hold office when:

- (a) he or she dies or resigns;
- (b) he or she is removed in accordance with the provisions of the Act; or
- (c) he or she ceases to be duly qualified to act as a Director as specified in the Act.

4.5 Majority Voting in Director Elections

The Majority Voting in Director Elections Policy set out in Schedule B to this Charter shall apply with respect to an uncontested election of Directors.

5. CRITERIA FOR DIRECTORS

5.1 Qualifications of Directors

Every Director shall be an individual who is at least 18 years of age, has not been found under the *Substitute Directors Act, 1992* (Ontario) or under the *Mental Health Act* (Ontario) to be incapable of managing property or found to be incapable by a court in Canada or elsewhere.

5.2 Residency

At least 25% of the Directors shall be Residents.

5.3 Independence of Directors

At least a majority of the Directors shall be independent as defined under Applicable Laws.

5.4 Other Criteria

The Board may establish other criteria for Directors as contemplated in this Charter.

6. BOARD CHAIR

6.1 Board to Appoint Chair

The Board shall appoint an independent Director to act as Chair, or alternatively, shall appoint a Director who is not independent to act as Chair and shall also appoint an independent Director to act as Vice Chair & Lead Director.

6.2 Chair to Be Appointed Annually

The Board shall appoint the Chair annually at the first meeting of the Board after a meeting of the members at which Directors are elected. If the Board does not so appoint a Chair, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

7. INFORMATION, ADVICE AND REMUNERATION OF DIRECTORS AND RETAINING ADVISORS

7.1 Remuneration

Members of the Board and the Chair shall receive such remuneration for their service on the Board as the Board may determine from time to time, in consultation with the Compensation Committee of the Board.

7.2 Retaining and Compensating Advisors

Each Director shall have the authority to retain at the expense of the Corporation outside counsel and any other external advisors from time to time as appropriate with the approval of the chair of the Nominating and Governance Committee.

7.3 Information

The Board shall have the authority to request from management of the Corporation, and from other sources, such information as the Board considers necessary in order to discharge its oversight responsibilities.

MEETINGS OF THE BOARD

8. MEETINGS OF THE BOARD

8.1 Time and Place of Meetings

Meetings of the Board shall be held in Canada and shall be called in the manner and at the location contemplated in the by-laws of the Corporation.

8.2 Frequency of Board Meetings

The Board shall meet at least four times per year on a quarterly basis.

8.3 Quorum

The quorum for the transaction of business at any meeting of the Directors shall consist of a majority of the number of Directors fixed in accordance with Section 4.1.

8.4 Secretary of the Meeting

The Chair shall designate from time to time a person who may, but need not, be a member of the Board, to be Secretary of any meeting of the Board.

8.5 Right to Vote

Each member of the Board shall have the right to vote on matters that come before the Board.

8.6 Invitees

The Board may invite any of the Corporation's officers, employees, advisors or consultants or any other person to attend meetings of the Board to assist in the discussion and examination of the matters under consideration by the Board.

9. CONFLICTS OF INTEREST

9.1 Disclosure of Interest

Each Director shall disclose, in writing to the Corporation or by requesting to have entered in the minutes of meetings of the Board or a committee of Directors, the nature and extent of any interest that such Director has in a material contract or material transaction, whether made or proposed, with the Corporation, if the Director:

- (a) is a party to the contract or transaction;
- (b) is a director or officer, or an individual acting in a similar capacity, of a party to the contract or transaction; or
- (c) has a material interest in a party to the contract or transaction.

9.2 Time of Disclosure

- (a) Each Director shall disclose such interest to the Board at the first opportunity to disclose such interest. For example, the Director shall disclose such interest at the meeting at which the contract or transaction is first considered or, if the Director becomes interested at a later time, at the first meeting after which the Director becomes so interested or, if an interested individual later becomes a Director, at the first meeting after he or she becomes a Director.
- (b) If a material contract or material transaction, whether entered into or proposed, is one that, in the ordinary course of the Corporation's business, would not require approval by the Directors, a Director shall disclose, in writing to the Corporation or request to have entered in the minutes of meetings of the Board or a committee of Directors, the nature and extent of such Director's interest immediately after he or she becomes aware of the contract or transaction.

9.3 Voting

A Director required to make a disclosure under paragraph 9.2(a) above shall not vote on any resolution to approve the contract or transaction unless the contract or transaction:

- (a) relates primarily to his or her remuneration as a Director, officer, employee or agent of the Corporation or an affiliate;
- (b) is for indemnity or insurance; or
- (c) is with an affiliate.

9.4 Continuing Disclosure

A Director may declare his or her interest in relation to a contract or transaction by a general notice to the Directors declaring that a Director is to be regarded as interested, for any of the following reasons, in a contract or transaction made with a party:

- (a) the Director is a director or officer, or an individual acting in a similar capacity, of a party referred to in paragraphs 9.1(b)-(c) above;
- (b) the Director has a material interest in the party; or
- (c) there has been a material change in the nature of the Director's interest in the party.

9.5 Avoidance Standards and Shareholder Confirmation

A contract or transaction for which disclosure is required under Section 9.1 above is not invalid, and the Director is not accountable to the Corporation or its shareholders for any profit realized from such contract or transaction, because of the Director's interest in the contract or transaction or because the Director was counted to determine whether a quorum existed at the meeting of the Board or a committee of the Board that considered the contract or transaction, if:

- (a) disclosure of the interest was made as described in this Section 9, the Directors approved the contract or transaction, and the contract or transaction was reasonable and fair to the Corporation when it was approved; or
- (b) the contract or transaction is approved or confirmed by special resolution at a meeting of shareholders, disclosure of the interest was made to shareholders in a manner sufficient to indicate its nature before such approval or confirmation, and the contract or transaction was reasonable and fair to the Corporation when it was approved or confirmed.

10. IN CAMERA SESSIONS

10.1 In Camera Sessions of Independent Directors

Before, during an adjournment of, or following the conclusion of each meeting of the Board, the independent Directors shall meet without the non-independent Directors and any member of management being present, provided that any failure to do so shall not invalidate business transacted at a duly convened meeting of the Board.

10.2 Business Transacted at In Camera Sessions

The Directors shall not transact business of the Board at an in camera session of Directors.

DELEGATION OF DUTIES AND RESPONSIBILITIES

11. DELEGATION AND RELIANCE

11.1 Delegation of Powers

The Directors may establish one or more committees and may, subject to Applicable Laws, delegate to such committees any of the powers of the Directors. The Directors may also, subject to Applicable Laws, delegate such powers to such of the officers of the Corporation (or to other persons as the Directors may deem appropriate) as they, in their sole discretion, may deem necessary or desirable, and define the scope of and manner in which such powers shall be exercised by such persons as they may deem appropriate, without regard to whether such authority is normally granted or delegated by directors, subject, however, to the overall supervision and control of the Directors.

11.2 Requirement for Certain Committees

The Board shall establish and maintain the following committees of the Board, each having mandates that incorporate all applicable legal and stock exchange listing requirements and with such recommendations of relevant securities regulatory authorities and stock exchanges as the Board may consider appropriate:

- (a) Audit Committee;
- (b) Nominating and Governance Committee; and
- (c) Compensation Committee.

11.3 Composition of Committees

The Board shall appoint and maintain in office members of each of its committees such that the composition of each such committee is in compliance with all applicable legal and stock exchange listing requirements and with such recommendations of relevant securities regulatory authorities and stock exchanges as the Board may consider appropriate.

11.4 Review of Charters

On an annual basis, the Board shall review the recommendations of the Nominating and Governance Committee with respect to the charters of each committee of the Board. The Board shall approve those changes to the charters that it determines are appropriate.

11.5 Reliance on Management

The Board is entitled to rely in good faith on the information and advice provided to it by the Corporation's management.

11.6 Reliance on Others

The Board is entitled to rely in good faith on information and advice provided to it by advisors, consultants and such other persons as the Board considers appropriate.

11.7 Oversight

The Board retains responsibility for oversight of any matters delegated to any Director(s) or any committee of the Board, to management or to other persons.

DUTIES AND RESPONSIBILITIES

12. RESPONSIBILITY FOR SPECIFIC MATTERS

12.1 Responsibility for Specific Matters

The Directors explicitly assume responsibility for the matters set out below, recognizing that these matters represent in part responsibilities reflected in requirements and recommendations adopted by applicable securities regulators and stock exchanges and do not limit the Directors' responsibilities under the Act.

12.2 Delegation to Committees

Whether or not specific reference is made to committees of the Board in connection with any of the matters referred to below, the Board may direct any committee of the Board to consider such matters and to report and make recommendations to the Board with respect to these matters.

13. CORPORATE GOVERNANCE GENERALLY

13.1 Governance Practices and Principles

The Board shall be responsible for developing the Corporation's approach to corporate governance, including, if deemed appropriate, a set of corporate governance principles and guidelines that are specifically applicable to the Corporation.

13.2 Governance Disclosure

- (a) *Approval of Disclosure.* The Board shall approve disclosure about the Corporation's governance practices in any document before it is delivered to the Corporation's shareholders or filed with applicable securities regulators or with the stock exchanges.
- (b) *Determination that Differences Are Appropriate.* If the Corporation's governance practices differ from those recommended by applicable securities regulators or the stock exchanges, the Board shall consider these differences and why the Board considers them to be appropriate.

13.3 Delegation to Nominating and Governance Committee

The Board may direct the Nominating and Governance Committee to consider the matters contemplated in this Section 13 and to report and make recommendations to the Board with respect to these matters.

14. RESPONSIBILITIES RELATING TO MANAGEMENT

14.1 Integrity of Management

The Board shall, to the extent feasible, reasonably satisfy itself:

- (a) as to the integrity of the CEO and other executive officers of the Corporation; and
- (b) that the CEO and other executive officers of the Corporation create a culture of integrity throughout the organization.

14.2 Succession Planning

The Board shall be responsible for succession planning, including appointing, training and monitoring senior management. In discharging this responsibility, the Board may:

- (a) consider recommendations of the Nominating and Governance Committee; and
- (b) consider recommendations of management and review and approve (as appropriate) succession plans developed by the CEO for senior management positions.

14.3 Executive Compensation Policy

- (a) *Board Approval.* The Board shall approve the compensation of the CEO and shall consider and, if appropriate, approve the recommendations of the CEO with respect to the compensation of other members of senior management.
- (b) *Delegation to Compensation Committee.* The Board may direct the Compensation Committee to consider the matters contemplated in this Section 14.3 and to report and make recommendations to the Board with respect to these matters.

15. OVERSIGHT OF THE OPERATION OF THE BUSINESS**15.1 Risk Management**

Taking into account the reports of management and such other persons as the Board may consider appropriate, the Board shall identify the principal risks of the Corporation's business and satisfy itself as to the implementation of appropriate systems to manage these risks.

15.2 Strategic Planning Process

The Board shall adopt a strategic planning process and shall approve, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the Corporation's business.

15.3 Internal Control and Management Information Systems

The Board shall review the reports of management and the Audit Committee concerning the integrity of the Corporation's internal control and management information systems. Where appropriate, the Board shall require management and the Audit Committee to implement changes to such systems to ensure integrity of such systems.

15.4 Communications Policies

The Board shall review and, if determined appropriate, approve a corporate disclosure policy and such other policies as may be necessary or desirable for communicating with shareholders, the investment community, the media, governments and their agencies, employees and the general public. All publicly disseminated materials of the Corporation shall provide for a mechanism for feedback of stakeholders. Persons designated to receive such information shall be required to provide a summary of the feedback to the Directors on a semi-annual basis or at such other more frequent intervals as the Directors require. The Board shall consider, among other things, the recommendations of management and the Nominating and Governance Committee with respect to such policies.

15.5 Whistleblowing Policy

The Board shall review and approve a whistleblowing policy for the Corporation. In adopting the whistleblowing policy, the Board shall consider the recommendations of the Audit Committee concerning its compliance with applicable legal and stock exchange listing requirements and with such recommendations of relevant securities regulatory authorities and stock exchanges as the Board may consider appropriate.

15.6 Financial Statements

The Board shall review the recommendation of the Audit Committee with respect to the annual financial statements of the Corporation to be delivered to shareholders. If in agreement with the Audit Committee, the Board shall approve such financial statements. The Board shall also review the recommendation of the Audit Committee with respect to the interim financial statements or other material financial disclosure of the Corporation prior to its release to the public and, if in agreement with the Audit Committee, shall approve such financial statements or other material financial disclosure.

15.7 Pension Plan Matters

The Board shall receive and review reports from management and from the Nominating and Governance Committee covering administration, investment performance, funding, financial impact, actuarial reports and any pension plan related matters.

15.8 Code of Business Conduct and Ethics

The Board shall review and approve a Code of Business Conduct and Ethics for the Corporation. In adopting this Code, the Board shall consider the recommendations of the Nominating and Governance Committee concerning

its compliance with applicable legal and stock exchange listing requirements and with such recommendations of relevant securities regulatory authorities and stock exchanges as the Board may consider appropriate.

15.9 Compliance and Disclosure

The Board shall direct the Nominating and Governance Committee to monitor compliance with the Code of Business Conduct and Ethics and recommend disclosures with respect thereto. The Board shall consider any report of the Nominating and Governance Committee concerning these matters, and shall approve, if determined appropriate, the disclosure of the Code of Business Conduct and Ethics and of any waiver granted to a Director or executive officer of the Corporation from complying with the Code of Business Conduct and Ethics.

15.10 Legal Counsel

- (a) The Board shall approve any change in the Corporation's regular external legal counsel and any retention by the Corporation of other external counsel as lead counsel for material transactions or matters.
- (b) The Board may delegate to one or more members of the Board the authority to pre-approve the retention by the Corporation of other external counsel as lead counsel for material transactions or matters in satisfaction of the requirement in Section 15.10(a), provided that such member or members must present any such retention to the full Board at its first scheduled meeting following such pre-approval.

16. NOMINATION OF DIRECTORS

16.1 Nomination and Appointment of Directors

- (a) The Board shall nominate individuals for election as Directors by the shareholders and shall require the Nominating and Governance Committee to make recommendations to it with respect to such nominations.
- (b) In selecting candidates for nomination as Directors, the Board shall:
 - (i) consider what competencies and skills the Board, as a whole, should possess;
 - (ii) assess what competencies and skills each existing and proposed new Director possesses; and
 - (iii) consider whether each nominee can devote sufficient time and resources to his or her duties as a Director.
- (c) The Board shall consider recommendations made to it by the Nominating and Governance Committee with respect to the size and composition of the Board.

17. BOARD EFFECTIVENESS

17.1 Position Descriptions

The Board shall review and, if determined appropriate, approve the recommendations of the Nominating and Governance Committee concerning formal position descriptions for:

- (a) the Chair of the Board, the Vice Chair & Lead Director (if any) and for the Chair of each committee of the Board, and
- (b) the CEO,

provided that in approving a position description for the CEO, the Board shall consider the input of the CEO and shall develop and approve corporate goals and objectives that the CEO is responsible for meeting (which may include goals and objectives relevant to the CEO's compensation, as recommended by the Nominating and Governance Committee).

17.2 Director Orientation and Continuing Education

The Board shall review and, if determined appropriate, approve the recommendations of the Nominating and Governance Committee concerning:

- (a) a comprehensive orientation program for new Directors; and
- (b) a continuing education program for all Directors.

17.3 Board, Committee and Director Review

The Board shall review and, if determined appropriate, adopt a process recommended by the Nominating and Governance Committee for reviewing the performance and effectiveness of the Board as a whole, the committees of the Board and the contributions of individual Directors on an annual basis.

18. ANNUAL REVIEW OF THE BOARD

Each year, the Board shall review its performance and effectiveness in accordance with the process established by the Nominating and Governance Committee.

19. POLICY OF PRACTICES FOR DIRECTORS

Directors are expected to carry out their duties in accordance with the Policy of Practices for Directors set out in Schedule A to this Charter.

December 28, 2005 and amended August 3, 2006, July 23, 2007, February 28, 2013 and December 17, 2014, March 30, 2015, May 4, 2016 and March 29, 2018.

SCHEDULE A

POLICY OF PRACTICES FOR DIRECTORS

Attendance at Meetings

Each Director is expected to have a very high record of attendance at meetings of the Board of Directors, and at meetings of each committee on which the Director sits. A Director is expected to:

- (i) advise the Chair as to planned attendance at Board and committee meetings shortly after meeting schedules for the year have been distributed;
- (ii) advise the Chair as soon as possible after becoming aware that he or she shall not be able to attend a meeting; and
- (iii) attend a meeting by telephone conference if unable to attend in person.

Preparation for Meetings

Directors are expected to carefully review and consider the materials distributed in advance of a meeting of the Board of Directors or a committee of the Board of Directors. Directors are also encouraged to contact the Chair, the Chief Executive Officer and any other appropriate officers to ask questions and discuss agenda items prior to meetings.

The Chair shall ensure that all meeting materials are provided to the members of the Board in a timely manner to enable the members to conduct a careful review and consideration of the meeting materials.

Conduct at Meetings

Directors are expected to ask questions and participate in discussions at meetings, and to contribute relevant insights and experience. In discussions at meetings, a Director should:

- (i) be candid and forthright;
- (ii) not be reluctant to express contrary views;
- (iii) be concise and respect the time constraints of a meeting;
- (iv) be courteous to and respectful of other Directors and guests in attendance; and
- (v) openly conduct discussions in a manner which shall foster a consensus amongst the members of the Board.

Knowledge of the Corporation's Business

Directors are expected to be knowledgeable with respect to the various fields and divisions of business. Although management has a duty to keep the Board of Directors informed about developments in the Corporation's business, Directors have a primary duty of care and diligence, which includes a duty of inquiry. Directors should:

- ask questions of management and other directors, at meetings and otherwise, to increase their knowledge of the business of the Corporation;
- familiarize themselves with the risks and challenges facing the business of the Corporation;

- read all internal memoranda and other documents circulated to the directors, and all reports and other documents issued by the Corporation for external purposes;
- insist on receiving adequate information from management with respect to a proposal before Board approval is requested;
- familiarize themselves with the Corporation's competitors; and
- familiarize themselves with the legal and regulatory framework within which the Corporation carries on its business.

Personal Conduct

Directors are expected to:

- (i) exhibit high standards of personal integrity, honesty and loyalty to the Corporation;
- (ii) project a positive image of the Corporation to news media, the financial community, governments and their agencies, shareholders and employees;
- (iii) be willing to contribute extra efforts, from time to time as may be necessary including, among other things, being willing to serve on committees of the Board; and
- (iv) disclose any potential conflict of interest that may arise with the business or affairs of the Corporation and, generally, avoid entering into situations where such conflicts could arise or could reasonably be perceived to arise.

SCHEDULE B

MAJORITY VOTING IN DIRECTOR ELECTIONS POLICY

In an uncontested election of Directors of the Corporation at a meeting of shareholders of the Corporation, any nominee for Director who receives a greater number of votes “withheld” from his or her election than votes “for” such election (a “**Majority Withheld Vote**”) shall promptly tender his or her resignation to the Chair of the Board of Directors (the “**Board**”) following the meeting of shareholders. In this policy, an “uncontested election” shall mean an election where the number of nominees for Director shall be equal to the number of Directors to be elected.

The Board shall consider the resignation offer and whether or not to accept it. The Board shall be expected to accept the resignation except in situations where extenuating circumstances would warrant that the applicable Director continue to serve on the Board. In considering whether or not to accept the resignation, the Board will consider all factors deemed relevant including, without limitation, the stated reasons why shareholders “withheld” votes from the election of that nominee, the length of service and the qualifications of the Director whose resignation has been tendered, such Director’s contributions to the Corporation and the Corporation’s corporate governance policies.

The Board shall act within 90 days following the applicable meeting of shareholders. Following the decision of the Board on the resignation, the Board shall promptly disclose, via press release, the decision whether to accept the Director’s resignation offer including the reasons for rejecting the resignation offer, if applicable. The Corporation shall provide a copy of the press release to the Toronto Stock Exchange. If a resignation is accepted, the Board may, in accordance with applicable law, appoint a new Director to fill any vacancy created by resignation.

Subject to the following, any Director who tenders his or her resignation pursuant to this policy shall not participate in any meeting of the Board to consider whether his or her resignation shall be accepted. If the Directors who did not receive a Majority Withheld Vote in the same uncontested election do not constitute a majority of the Board, then (i) the independent Directors shall appoint a committee amongst themselves to consider resignation offers and recommend to the Board whether to accept them, which committee shall include at a minimum any independent directors who did not receive a Majority Withheld Vote; and (ii) all Directors will participate in the subsequent determinations of the Board as to whether to accept resignations.

In the event that any Director who received a Majority Withheld Vote does not tender his or her resignation in accordance with this policy, he or she will not be re-nominated by the Board.

The Board may adopt such procedures as it sees fit to assist it in its determinations with respect to this policy

APPENDIX C

CIPHER PHARMACEUTICALS INC.

STOCK OPTION PLAN

1. INTERPRETATION

In this Plan, the following terms shall have the following meanings:

“**Administrators**” means the Board or, if so designated by the Board to administer the Plan, the Compensation Committee of the Board or any other designated members of the Board;

“**Associate**” has the meaning assigned by the *Securities Act* (Ontario);

“**Board**” means the Board of Directors of the Corporation;

“**Control**” a company shall be deemed to be controlled by another person or company or by two or more companies if,

- (a) voting securities of the first-mentioned company carrying more than 50% of the votes for the election of directors are held, otherwise than by way of security only, by or for the benefit of the other person or company or by or for the benefit of the other companies; and
- (b) the votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of the first-mentioned company,

and “**Controlled**” shall have a corresponding meaning;

“**Corporation**” means Cipher Pharmaceuticals Inc.;

“**Director and/or Senior Officer Participant**” means a Participant who is a director and/or senior officer of the Corporation;

“**Event of Termination**” means the voluntary or involuntary termination of employment or service, retirement, or leaving of employment or service because of disability or death of a Participant;

“**Exercise Day**” means the day written notice of the exercise of an Option is received by the Corporation;

“**Fair Market Value**” means the closing price of the Shares on the TSX (or, if the Shares are not then listed on the TSX, on such other stock exchange or automated quotation system on which the Shares are then listed or quoted, as the case may be, as may be selected by the Administrators for such purpose) on the last trading day on which Shares traded prior to the day on which an Option is granted, provided if no Shares traded in the five trading days prior to the day on which an Option is granted, the Fair Market Value shall be the average of the closing bid and ask prices over the last five trading days prior to the day on which an Option is granted;

“**Growth Amount Fair Market Value**” means the closing price of the Shares on the TSX (or, if the Shares are not then listed on the TSX, on such other stock exchange or automated quotation system on which the Shares are then listed or quoted, as the case may be, as may be selected by the Administrators for such purpose) on the Exercise Day, provided if no Shares traded on such Exercise Day, the closing price shall be that on the last trading day on which Shares traded prior to the Exercise Day, and further provided that if no Shares traded in the five trading days prior to the Exercise Day, the Growth Amount Fair Market Value shall be the average of the closing bid and ask prices over the last five trading days prior to the Exercise Day;

“**Insider Participant**” means a Participant who is (a) an insider of the Corporation as defined in the *Securities Act* (Ontario), and (b) an Associate of any person who is an insider by virtue of (a);

“**Options**” means Options granted under the Plan to purchase Shares;

“**Participant**” means such directors, officers and employees of the Corporation or its Subsidiaries and such Service Providers as are designated by the Administrators to participate in the Plan;

“**Personal Holding Corporation**” means a corporation Controlled by a Director and/or Senior Officer Participant;

“**Plan**” means this Stock Option Plan;

“**Reserved for Issuance**” refers to Shares which may be issued in the future, upon the exercise of Options which have been granted;

“**Service Provider**” means any person or company engaged to provide ongoing management or consulting services for the Corporation or for any entity controlled by the Corporation;

“**Share Compensation Arrangement**” means a stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Shares to directors, officers or employees of the Corporation or its Subsidiaries or to Service Providers, including a share purchase from treasury which is financially assisted by the Corporation by way of a loan, guarantee or otherwise;

“**Shares**” means the common shares of the Corporation;

“**Subsidiary**” has the meaning assigned thereto in the *Securities Act* (Ontario) and “**Subsidiaries**” shall have a corresponding meaning but including unincorporated entities;

“**Trust**” means a trust governed by a registered retirement savings plan established by and for the sole benefit of a Director and/or Senior Officer Participant; and

“**TSX**” means The Toronto Stock Exchange.

2. PURPOSE

The purpose of the Plan is to advance the interests of the Corporation and its Subsidiaries and its shareholders by providing to the directors, officers and employees of the Corporation and its Subsidiaries and Service Providers a performance incentive for continued and improved service with the Corporation and its Subsidiaries and by enhancing such persons’ contribution to increased profits by encouraging capital accumulation and share ownership.

3. SHARES SUBJECT TO THE PLAN

The shares subject to the Plan shall be Shares. The Shares for which Options are granted shall be authorized but unissued Shares. The aggregate number of Shares that are issuable under the Plan upon the exercise of Options which have been granted and are outstanding under the Plan, together with Shares that are issuable pursuant to outstanding awards or grants under the other Share Compensation Arrangements of the Corporation shall not at any time exceed 10% of the Corporation’s Shares then issued and outstanding, subject to increase or decrease by reason of amalgamation, rights offerings, reclassifications, consolidations or subdivisions, as provided in Section 16, or as may otherwise be permitted by applicable law and the TSX. Shares in respect of which Options have been granted but which are not exercised prior to expiry shall be available for subsequent Options.

4. ADMINISTRATION OF THE PLAN

The Plan shall be administered by the Administrators. Subject to Section 10, the Administrators shall have the power and authority to:

- (a) adopt rules and regulations for implementing the Plan;
- (b) determine the eligibility of persons to participate in the Plan, when Options to eligible persons shall be granted, the number of Shares subject to each Option and, subject to Section 13, the vesting period for each Option;
- (c) interpret and construe the provisions of the Plan;
- (d) subject to regulatory requirements, make exceptions to the Plan in circumstances which they determine to be exceptional; and
- (e) take such other steps as they determine to be necessary or desirable to give effect to the Plan.

5. ELIGIBLE PERSONS

Such directors, officers and employees of the Corporation and its Subsidiaries and such Service Providers as are designated by the Administrators shall be entitled to participate in the Plan.

6. AGREEMENT

All Options granted hereunder shall be evidenced by an agreement between the Corporation and the Participant substantially in the form of Schedule 1.

7. GRANT OF OPTIONS

Subject to Sections 3 and 10, the Administrators may, from time to time, grant Options to Participants to purchase that number of Shares that the Administrators, in their absolute discretion, determine.

8. DIRECTOR AND/OR SENIOR OFFICER PARTICIPANTS' RETIREMENT SAVINGS PLANS

Director and/or Senior Officer Participants may, in their sole discretion, elect to have some or all of the Options granted to them granted to a Trust governed by a registered retirement savings plan established by and for the sole benefit of such Director and/or Senior Officer Participant. Such election must be made prior to the execution of the agreement described in Section 6 and shall be evidenced in such agreement and in the Option confirmation described in Section 14.

For the purposes of this Plan, Options held by Trusts established for the benefit of the Director and/or Senior Officer Participant shall be considered to be held by that Director and/or Senior Officer Participant.

9. DIRECTOR AND/OR SENIOR OFFICER PARTICIPANTS' PERSONAL HOLDING CORPORATION

Director and/or Senior Officer Participants may, in their sole discretion, elect to have some or all of any Options granted to a Personal Holding Corporation controlled by that Director and/or Senior Participant. Such election must be made prior to the execution of the agreement described in Section 6 and shall be evidenced in such agreement and in the Option confirmation described in Section 14. For the purposes of this Plan, Options held by the Personal Holding Corporation of a Director and/or Senior Officer Participant shall be considered to be held by that Director and/or Senior Officer Participant.

10. LIMIT ON ISSUANCE OF SHARES

The aggregate number of Shares Reserved for Issuance pursuant to Options granted under the Plan and options or other entitlements granted under any other Share Compensation Arrangement to any Participant, shall not exceed 5% of the aggregate Shares outstanding (on a non-diluted basis) on the date of grant. The aggregate number

of Shares Reserved for Issuance pursuant to Options granted under the Plan and options or other entitlements granted under any other Share Compensation Arrangement to Insider Participants, shall not exceed 10% of the aggregate Shares outstanding (on a non-diluted basis) on the date of grant. Within any 1-year period, the aggregate number of Shares issued to Insider Participants pursuant to Options granted under the Plan, or options or other entitlements granted under any other Share Compensation Arrangement shall not exceed 10% of the aggregate Shares outstanding and the number of Shares issued to any one Insider Participant and his or her Associates shall not exceed 5% of the aggregate Shares Outstanding (on a non-diluted basis) on the date of grant.

In addition to the foregoing limits, (i) the maximum aggregate grant date fair value using the Black-Scholes-Merton valuation model of Option Grants to any non-employee director of the Corporation in any fiscal year of the Corporation shall not exceed \$100,000 (expressed in the currency then used by the Corporation in preparing its financial statements); and (ii) no grant of Options under the Plan may be made to any non-employee director if such grant could result, together with awards or grants then outstanding under the Plan and the Corporation's other Share Compensation Arrangements, in the issuance to non-employee directors as a group of a number of Shares exceeding 1% of the Shares issued and outstanding immediately prior to any such Share issuance.

11. EXERCISE PRICE

The exercise price per Share shall be not less than the Fair Market Value of the Shares on the date the Option is granted.

12. TERM OF OPTION

The term of each Option shall be determined by the Administrators, provided that no Option shall be exercisable after ten years from the date on which it is granted. If the expiry date of a particular Option after which it can no longer be exercised falls on, or within nine trading days immediately following, a date upon which the Participant granted the Option is prohibited from trading in securities of the Corporation due to a blackout period or other trading restriction imposed by the Corporation, then the expiry date of such Option shall be automatically extended to the tenth trading day following the date the relevant blackout period or other trading restriction imposed by the Corporation is lifted, terminated or removed.

13. SHARES AVAILABLE FOR PURCHASE

Subject to Sections 17 and 18, the Shares subject to each Option shall vest and become available for purchase by the Participant on the date or dates determined by the Administrators when the Option is granted.

14. OPTION CONFIRMATION

Upon the grant of each Option, a confirmation, substantially in the form of Schedule 2, shall be delivered by the Administrators to the Participant. If applicable, the confirmation shall indicate the number of Options, if any, which the Director and/or Senior Officer Participant has elected to have granted directly to a Trust or Trusts, or to a Personal Holding Corporation or Personal Holding Corporations.

15. EXERCISE OF OPTION

Subject to Section 13, an Option may be exercised at any time, or from time to time. A Participant electing to exercise an Option on his or her own behalf or, if applicable, on behalf of a Trust or Personal Holding Corporation shall give written notice of the election to the Administrators, substantially in the form of Schedule 3, or in any other form acceptable to the Administrators.

A vested Option may be exercised in either of the following methods:

- (a) the purchase of any number of whole Shares which are then available for purchase at the exercise price specified for such Option (the "**Purchase Price**"); or

- (b) the receipt, without payment by the Participant, of an amount per Option (the “**Growth Amount**”) equal to the difference between the exercise price of the Option and the Growth Amount Fair Market Value of the Shares, which Growth Amount will be payable by the issuance by the Corporation to the Participant of that number of Shares calculated by dividing the Growth Amount by the Growth Amount Fair Market Value of the Shares.

Upon actual receipt by the Administrators of (i) written notice by the Participant of its election pursuant to paragraph (a) above and a cheque for the aggregate exercise price, or (ii) written notice pursuant to the Growth Amount alternative in paragraph (b) above resulting in the issuance of Shares, the person (including a trustee, in the case of the exercise of Options by a Trust) exercising the Option shall be registered on the books of the Corporation as the holder of the appropriate number of Shares. No person shall enjoy any part of the rights or privileges of a holder of Shares subject to Options until that person becomes the holder of record of those Shares.

16. CERTAIN ADJUSTMENTS

Appropriate adjustments as regards Options granted or to be granted, in the number of Shares which are available for purchase and in the Purchase Price for such Shares under the Plan shall be made by the Administrators to give effect to the number of Shares of the Corporation resulting from rights offerings or subdivisions, consolidations or reclassifications of the Shares, the payment of stock dividends by the Corporation (other than dividends in the ordinary course) or other relevant changes in the capital stock of the Corporation.

17. TERMINATION OF EMPLOYMENT

Upon the occurrence of an Event of Termination, the Options granted to the effected Participant or to a Trust established for the benefit of such Director and/or, Senior Officer Participant or to a Personal Holding Corporation of such Director and/or Senior Officer Participant may be exercised only before the earlier of,

- (a) the termination of the Option; and
- (b) 180 days from the date of the Event of Termination (unless the Event of Termination is the death of the Participant) or one calendar year from the date of the Event of Termination (if the Event of Termination is the death of the Participant);

and only in respect of Shares which were available for purchase at the date of the Event of Termination in accordance with Section 13 hereof. The right to purchase Shares which have not yet become available for purchase pursuant to Section 13 shall cease immediately on the date of the Event of Termination.

For greater certainty, if the employment or service of a Participant is terminated by the Corporation or, if applicable, a Subsidiary, the date of such Event of Termination shall be the date specified by the Corporation or the Subsidiary, as the case may be, in the notice of termination to such Participant as the date on which such Participant’s employment or service shall cease. Neither any period of notice, if any, or any payment in lieu thereof, upon such termination of employment or service shall be considered as extending the period of employment for the purposes of this Plan.

18. TRANSFERABILITY

Subject to the terms of this Section 18 with respect to a Participant’s death, Options may not be assigned. Options may be exercised by the Participant, Trust or Personal Holding Corporation and, upon the Participant’s death, the legal representative of his or her estate or any other person who acquires his or her rights in respect of an Option by bequest or inheritance. A person exercising an Option may subscribe for Shares only in his or her own name, on behalf of a Trust established for his or her sole benefit, in the name of his or her Personal Holding Corporation or in his or her capacity as a legal representative.

19. CHANGE OF CONTROL

If an offer is made to purchase outstanding voting shares of the Corporation and it is accepted by a sufficient number of holders of such Shares to constitute the offeror a shareholder of the Corporation being entitled to exercise more than 50% of the voting rights attached to the outstanding voting shares (provided that prior to the offer, the offeror was not entitled to exercise more than 50% of the voting rights attached to the outstanding voting shares) or if there is a consolidation, merger or amalgamation of the Corporation with or into any other corporation whereby the voting shareholders of the Corporation immediately prior to the consolidation, merger or amalgamation receive less than 50% of the voting rights attaching to the voting shares of the consolidated, merged or amalgamated corporation, including a sale whereby all or substantially all of the Corporation's undertakings and assets become the property of any other corporation, then a Participant shall be entitled to exercise his or her Option with respect to all of the Shares subject to the Option and not yet purchased thereunder, notwithstanding any determination by the Administrators pursuant to Section 13 with respect to the Option.

In addition, if an offer is made to purchase 50% or more of the outstanding voting shares of the Corporation (the "Offer"), a Participant shall be entitled to exercise his or her Option with respect to all of the Shares subject to the Option and not yet purchased thereunder and tender such Shares into the Offer, conditional upon the take-up of Shares under the Offer.

If such Shares are not taken up under the Offer, the Option shall remain outstanding on the same terms and conditions and any funds tendered on the conditional exercise of the Option shall be returned to the Participant forthwith.

20. TERMINATION OF PLAN

The Board may terminate this Plan at any time in its absolute discretion. If the Plan is so terminated, no further Options shall be granted but the Options then outstanding shall continue in full force and effect in accordance with the provisions of this Plan.

21. COMPLIANCE WITH STATUTES AND REGULATIONS

The granting of Options and the sale and delivery of Shares under this Plan shall be carried out in compliance with applicable statutes and with the regulations of governmental authorities and applicable stock exchanges. If the Administrators determine in their discretion that, in order to comply with any such statutes or regulations, certain action is necessary or desirable as a condition of or in connection with the granting of an Option or the issue or purchase of Shares under an Option, that Option may not be exercised in whole or in part unless that action shall have been completed in a manner satisfactory to the Administrators.

22. WITHHOLDING TAXES

A Participant shall be solely responsible for all federal, provincial, state and local taxes resulting from his or her receipt of an Option, Share or other property pursuant to this Plan, except to the extent that the Corporation has, directly or indirectly, withheld (i) cash for remittance to the statutory authorities and/or (ii) securities having a value equal to the cash to be remitted to the statutory authorities. In this regard, the Corporation shall be able to deduct from any payments hereunder in the form of securities or from any other remuneration otherwise payable to a Participant, or any other person pursuant to the exercise of an Option, any taxes that are required to be withheld and remitted. Each Participant or other person receiving securities hereunder agrees to indemnify and save the Corporation harmless from any and all amounts payable or incurred by the Corporation if it is subsequently determined that any greater amount should have been withheld in respect of taxes or any other statutory withholding.

23. RIGHT TO EMPLOYMENT

Nothing contained in this Plan or in any Option granted under this Plan shall confer upon any person any rights to continued employment with the Corporation or interfere in any way with the rights of the Corporation in connection with the employment or termination of employment of any such person.

24. AMENDMENTS TO THE PLAN

The Board reserves the right, in its absolute discretion, to amend, suspend or terminate this Plan, or any portion thereof, at any time without obtaining the approval of shareholders of the Corporation, subject to those provisions of applicable law and regulatory requirements (including the rules, regulations and policies of the TSX and NASDAQ), if any, that require the approval of shareholders. Any amendment to any provision of the Plan will be subject to any required regulatory or governmental approvals. Notwithstanding the foregoing, the Corporation will be required to obtain the approval of the shareholders of the Corporation for any amendment related to:

- (a) the maximum number Shares which may be issued under the Plan;
- (b) a reduction in the exercise price per Share for Options held by Insider Participants; and
- (c) an extension to the term of Options held by Insider Participants.

25. GOVERNING LAW

The Plan, and any and all determinations made and actions taken in connection with the Plan, shall be governed by and construed in accordance with the laws of the province of Ontario and the laws of Canada applicable therein.

26. SUBJECT TO APPROVAL

The Plan is adopted subject to the approval of the TSX and any other required regulatory approval. To the extent a provision of the Plan requires regulatory approval which is not received, such provision shall be severed from the remainder of the Plan until the approval is received and the remainder of the Plan shall remain in effect.

27. COMPENSATION RECOUPMENT POLICY

Any granting of Options under this Plan, the exercise of Options and the issuance of Shares are subject to the Corporation's Compensation Recoupment Policy.

February 23, 2004 as amended April 17, 2007, April 22, 2010, March 8, 2011, May 3, 2013, June 13, 2013, May 13, 2015, June 16, 2015, May 5, 2016 and March 29, 2018.

APPENDIX D

CIPHER PHARMACEUTICALS INC.

PERFORMANCE AND RESTRICTED SHARE UNIT PLAN

1. PREAMBLE AND DEFINITIONS

1.1 Title and Conflict.

The Plan described in this document shall be called the “**Performance and Restricted Share Unit Plan**”.

In the event of any conflict or inconsistency between the Plan described in this document and the Award Agreement (as defined below), the terms and conditions of the Award Agreement shall prevail.

The Plan shall be governed and interpreted in accordance with the laws of the Province of Ontario.

1.2 Purpose of the Plan.

The purposes of the Plan are:

- (a) to promote a significant alignment between employees and directors of the Corporation and the participating Subsidiaries and the growth objectives of the Corporation and the participating Subsidiaries;
- (b) to associate a portion of participating employees’ and directors’ compensation with the performance of the Corporation and its participating Subsidiaries over the long term; and
- (c) to attract and retain critical personnel to drive the business success of the Corporation and its participating Subsidiaries.

1.3 Definitions.

1.3.1 “**Account**” has the meaning set out in Section 5.1.

1.3.2 “**Applicable Law**” means any applicable provision of law, domestic or foreign, including, without limitation, applicable securities and tax legislation, together with all regulations, rules, policy statements, rulings, notices, orders or other instruments promulgated thereunder, and Stock Exchange Rules.

1.3.3 “**Award Agreement**” means the written or electronic agreement between the Corporation and a Participant under which the terms of an award are established, as contemplated by Section 4.1, together with such schedules, amendments, deletions or changes thereto as are permitted under the Plan.

1.3.4 “**Award Date**” means the effective date of a grant of PSUs or RSUs, as applicable, to a Participant as stated in the applicable Award Agreement.

1.3.5 “**Award PSUs**” means the number of PSUs awarded to a Participant in respect of a Performance Period and as stated in the applicable Award Agreement.

1.3.6 “**Award RSUs**” means the number of RSUs awarded to a Participant as stated in the applicable Award Agreement.

- 1.3.7 **“Award Value”** means the value, in dollars, of an award made to a Participant and as stated in the applicable Award Agreement, which is provided under the Plan in the form of PSUs or RSUs, as the case may be.
- 1.3.8 **“Board”** means the Board of Directors of the Corporation.
- 1.3.9 **“Change in Control”** shall be deemed to have occurred for purposes of this Plan if an offer is made to purchase outstanding voting shares of the Corporation and if it is accepted by a sufficient number of holders of such Shares to constitute the offeror a shareholder of the Corporation being entitled to exercise more than 50% of the voting rights attached to the outstanding voting shares (provided that prior to the offer, the offeror was not entitled to exercise more than 50% of the voting rights attached to the outstanding voting shares) or if there is a consolidation, merger or amalgamation of the Corporation with or into any other corporation whereby the voting shareholders of the Corporation immediately prior to the consolidation, merger or amalgamation receive less than 50% of the voting rights attaching to the voting shares of the consolidated, merged or amalgamated corporation, including a sale whereby all or substantially all of the Corporation’s undertakings and assets become the property of any other corporation.
- 1.3.10 **“Corporation”** means Cipher Pharmaceuticals Inc. and any successor corporation, whether by amalgamation, merger or otherwise.
- 1.3.11 **“Disability”** means a physical or mental incapacity of the Participant that has prevented the Participant from performing the duties customarily assigned to the Participant for 180 calendar days, whether or not consecutive, out of any 12 consecutive months and that in the opinion of the Corporation, acting on the basis of advice from a duly qualified medical practitioner, is likely to continue to a similar degree.
- 1.3.12 **“Dividend Equivalent Units”** has the meaning set out in Section 5.2.
- 1.3.13 **“Insider”** means a Participant who is (a) an insider of the Corporation as defined in the Securities Act (Ontario) and (b) an associate (as defined in the Securities Act (Ontario)) of any person who is an insider by virtue of (a).
- 1.3.14 **“Market Value”** at any date in respect of the Shares means the volume weighted average trading price of such Shares on the Toronto Stock Exchange (or, if such Shares are not then listed and posted for trading on the Toronto Stock Exchange, on such stock exchange on which such Shares are listed and posted for trading as may be selected for such purpose by the Board) for the five consecutive trading days immediately preceding such date, provided that in the event that such Shares did not trade on any of such trading days, the Market Value shall be the average of the bid and ask prices in respect of such Shares at the close of trading on all of such trading days and provided that in the event that such Shares are not listed and posted for trading on any stock exchange, the Market Value shall be the fair market value of such Shares as determined by the Board in its sole discretion. In the event that any of such five trading days in a particular instance are subject to a blackout period or other trading restriction imposed by the Corporation, such days shall not be used to determine Market Value but shall be replaced by the corresponding number of trading days immediately following the conclusion of the blackout period or trading restriction.
- 1.3.15 **“Participant”** means such executive, other employee or director of the Corporation or any Subsidiary as the Board may designate to receive a grant of PSUs or RSUs under the Plan pursuant to an Award Agreement.

- 1.3.16 **“Performance Adjustment Factor”** means the performance adjustment factor (either upwards or downwards) calculated following the end of the Performance Period in accordance with the Award Agreement.
- 1.3.17 **“Performance Criteria”** means, in respect of a grant of a PSU, such financial and/or personal performance criteria as may be determined by the Board in respect of a grant of PSUs to any Participant and set out in an Award Agreement. Performance Criteria may apply to the Corporation, a Subsidiary, the Corporation and its Subsidiaries as a whole, a business unit of the Corporation or group comprised of the Corporation and one or more Subsidiaries, either individually, alternatively or in any combination, and measured either in total, incrementally or cumulatively over a specified Performance Period, on an absolute basis or relative to a pre-established target, to previous years’ results or to a designated comparator group.
- 1.3.18 **“Performance Period”** means, in respect of a grant of a PSU, the particular designated time period(s) in respect of which the Performance Criteria are assessed and determined to be satisfied by the Board in order for such PSU to become a Vested PSU as set forth in the Award Agreement applicable to such grant.
- 1.3.19 **“Period of Absence”** means, with respect to a Participant, a period of time that lasts for at least 90 days throughout which the Participant is on a leave of absence from the Corporation or a Subsidiary that has been approved by the Corporation or Subsidiary, as applicable, a Statutory Leave, or is experiencing a Disability.
- 1.3.20 **“Plan”** means this Performance and Restricted Share Unit Plan, including any schedules or appendices hereto, as such may be amended from time to time and as attached to an Award Agreement.
- 1.3.21 **“PSU Balance”** in respect of any particular date means the number of PSUs recorded in a Participant’s Account in respect of a particular Performance Period, which shall include the PSU Award plus all Dividend Equivalent Units in respect of such PSUs.
- 1.3.22 **“PSU”** means a Performance Share Unit granted to a Participant that is represented by a bookkeeping entry on the books of the Corporation, the value of which on any particular date shall be equal to the Market Value and which generally becomes Vested, if at all, subject to the attainment of certain Performance Criteria and satisfaction of such other conditions to Vesting, if any, as may be determined by the Board.
- 1.3.23 **“RSU”** means a Restricted Share Unit granted to a Participant that is represented by a bookkeeping entry on the books of the Corporation, the value of which on any particular date shall be equal to the Market Value and which generally becomes Vested, if at all, following a period of continuous employment of the Participant with the Corporation or a Subsidiary or service as a director.
- 1.3.24 **“Service Provider”** means a person or company engaged to provide ongoing management or consulting services for the Corporation or for any entity controlled by the Corporation.
- 1.3.25 **“Share”** means a common share of the Corporation and such other share as may be substituted for it as a result of amendments to the articles of the Corporation, arrangement, reorganization or otherwise, including any rights that form a part of the common share or substituted share.
- 1.3.26 **“Share Compensation Arrangement”** means a stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance, of Shares to directors, officers or employees of the

Corporation or its Subsidiaries or to Service Providers, including a share purchase from treasury which is financially assisted by the Corporation by way of a loan, guarantee or otherwise.

- 1.3.27 **“Statutory Leave”** means, with respect to a Participant, a period of time throughout which the Participant is on a leave of absence to which he or she is entitled under applicable legislation and following which he or she has the right, pursuant to such legislation, to return to active employment with the Corporation or a Subsidiary.
- 1.3.28 **“Stock Exchange”** means the Toronto Stock Exchange, NASDAQ and such other stock exchange on which the Shares are listed, or if the Shares are not listed on any stock exchange, then on the over-the-counter market.
- 1.3.29 **“Stock Exchange Rules”** means the applicable rules of any Stock Exchange.
- 1.3.30 **“Subsidiary”** has the meaning assigned therein in the Securities Act (Ontario) and **“Subsidiaries”** has a corresponding meaning but including unincorporated entities.
- 1.3.31 **“Vested”** means the applicable conditions for payment or other settlement in relation to a whole number, or a percentage (which may be more or less than 100%) of the number of Award PSUs or Award RSUs determined by the Board, (i) have been met; or (ii) have been waived or deemed to be met pursuant to the terms of the Plan or the applicable Award Agreement, and **“Vest”** or **“Vesting”** have a corresponding meaning
- 1.3.32 **“Vesting Date”** means, with respect to a PSU or RSU, the date on which the applicable conditions for payment or other settlement of such PSU or RSU are met, deemed to have been met or waived as contemplated in Section 1.3.31

2. CONSTRUCTION AND INTERPRETATION

- 2.1 **Gender, Singular, Plural.** In the Plan, references to the masculine include the feminine; and references to the-singular shall include the plural and vice versa, as the context shall require.
- 2.2 **Governing Law.** The Plan shall be governed and interpreted in accordance with the laws of the Province of Ontario and any actions, proceedings or claims in any way pertaining to the Plan shall be commenced in the courts of the Province of Ontario.
- 2.3 **Severability.** If any provision or part of the Plan is determined to be void or unenforceable in whole or in part, such determination shall not affect the validity or enforcement of any other provision or part thereof.
- 2.4 **Headings, Sections.** Headings wherever used herein are for reference purposes only and do not limit or extend the meaning of the provisions herein contained. A reference to a section or schedule shall, except where expressly stated otherwise, mean a section or schedule of the Plan, as applicable.

3. EFFECTIVE DATE AND EMPLOYMENT RIGHTS

- 3.1 **Effective Date.** The Plan shall become effective upon the date of approval by the shareholders of the Corporation given by the affirmative vote of a majority of the Shares represented at the meeting of the shareholders of the Corporation at which a motion to approve the Plan is presented.
- 3.2 **No Employment Rights.** Nothing contained in the Plan shall be deemed to give any person the right to be retained as an employee of the Corporation or of a Subsidiary. For greater certainty, a period of notice, if any, or payment in lieu thereof, upon termination of employment, wrongful or

otherwise, shall not be considered as extending the period of employment for the purposes of the Plan.

4. PSU AND RSU GRANTS AND PERFORMANCE PERIODS

- 4.1 **Awards of PSUs and RSUs.** The Plan shall be administered by the Board. The Board shall have the authority in its sole and absolute discretion to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, subject to and not inconsistent with the express provisions of this Plan, including, without limitation, the authority to:
- 4.1.1 determine the Award Value and/or the number of PSUs or RSUs to be awarded for each award under an Award Agreement;
 - 4.1.2 make grants of PSUs and RSUs in respect of any award under an Award Agreement;
 - 4.1.3 determine the Award Date for grants of PSUs and RSUs, if not the date on which the Board determines to make such grants under an Award Agreement;
 - 4.1.4 determine the Participants to whom, and the time or times at which, awards shall be made and PSUs and RSUs shall be granted under an Award Agreement;
 - 4.1.5 approve or authorize the applicable form and terms of the related Award Agreements;
 - 4.1.6 determine the terms and conditions of awards, and grants of PSUs and RSUs in respect thereof, to any Participant, including, without limitation the following, (A) the number of PSUs and RSUs to be granted; (B) the Performance Period(s) applicable to PSUs; (C) the Performance Criteria applicable to PSUs and any other conditions to the Vesting of any PSUs and RSUs granted hereunder; (D) the conditions, if any, upon which Vesting of any PSUs or RSUs will be waived or accelerated without any further action by the Board; (E) the extent to which the Performance Criteria must be achieved in order for any PSUs to become Vested PSUs and the Performance Adjustment Factor or other multiplier, if any, that will be applied to determine the number of PSUs that become Vested PSUs having regard to the achievement of the Performance Criteria; (F) the circumstances in which a PSU or RSU shall be forfeited, cancelled or expire; (G) the consequences of a termination of employment or service with respect to a PSU or RSU; (H) the manner of settlement of Vested PSUs and Vested RSUs; and (I) whether and the terms upon which any Shares delivered upon settlement of a PSU or RSU must continue to be held by a Participant for any specified period;
 - 4.1.7 determine whether and the extent to which any Performance Criteria applicable to the Vesting of a PSU or other conditions applicable to the Vesting of a PSU or RSU have been satisfied or shall be waived or modified;
 - 4.1.8 amend the terms of any outstanding Award Agreement provided, however, that no such amendment, shall be made at any time to the extent such action would materially adversely affect the existing rights of a Participant with respect to any then outstanding PSU or RSU related to such Award Agreement without his or her consent in writing and provided further, however, that the Board may amend the terms of an Award Agreement without the consent of the Participant if complying with Applicable Law;
 - 4.1.9 determine whether, and the extent to which, adjustments shall be made pursuant to adjustments;
 - 4.1.10 interpret the Plan and Award Agreements;

- 4.1.11 prescribe, amend and rescind such rules and regulations and make all determinations necessary or desirable for the administration and interpretation of the Plan and Award Agreements;
- 4.1.12 determine the terms and provisions of Award Agreements (which need not be identical) entered into in respect of awards hereunder; and
- 4.1.13 make all other determinations deemed necessary or advisable for the administration of the Plan.

4.2 **Eligibility and Award Determination.**

- 4.2.1 In determining the Participants to whom awards may be made and the Award Value (and accordingly the number of PSUs and RSUs to be granted) for each award, or the specific number of PSUs or RSUs to be awarded, (subject, in the case of PSUs, to adjustment based on achievement of Performance Criteria), the Board may take into account such factors as it shall determine in its sole and absolute discretion.
- 4.2.2 The PSUs granted to a Participant for a Performance Period shall be determined by dividing the Award Value determined for the Participant for such Performance Period by the Market Value (with currency conversion if necessary) as at the end of the calendar quarter immediately preceding the Award Date, rounded down to the next whole number, unless the Board determines to grant a Participant a specific number of PSUs without specifying an Award Value.
- 4.2.3 The RSUs granted to a Participant shall be determined by dividing the Award Value of an award to be provided to the Participant in the form of RSUs by the Market Value (with currency conversion if necessary) as at the end of the calendar quarter immediately preceding the Award Date, rounded down to the next whole number, unless the Board determines to grant a Participant a specific number of RSUs without specifying an Award Value.
- 4.2.4 For greater certainty and without limiting the discretion conferred on the Board pursuant to this Section, the Board's decision to approve a grant of PSUs in any Performance Period, or any grant of RSUs shall not entitle any Participant to an award of PSUs in respect of any other Performance Period or any future grant of RSUs; nor shall the Board's decision with respect to the size or terms and conditions of an award require it to approve an award of the same or similar size or with the same or similar terms and conditions to any Participant at any other time. No Participant has any claim or right to receive an award or any PSUs or RSUs.
- 4.2.5 An Award Agreement shall set forth, among other things, the following: the Award Date of the award evidenced thereby; the number of PSUs or RSUs, as applicable, granted in respect of such award; the Performance Criteria and the Performance Adjustment Factor applicable to PSUs and any other conditions to the Vesting of the PSUs or RSUs, as applicable; in the case of PSUs, the applicable Performance' Period; and may specify such other terms and conditions as the Board shall determine or as shall be required under any other provision of the Plan. The Board may include in an Award Agreement terms or conditions pertaining to confidentiality of information relating to the Corporation's operations or businesses which must be complied with by a Participant including as a condition of the grant or Vesting of PSUs or RSUs.

5. ACCOUNTS, DIVIDEND EQUIVALENTS AND REORGANIZATION

- 5.1 **Account.** An account (“**Account**”) shall be maintained by the Corporation for each award made to each Participant pursuant to an Award Agreement and which will be credited with an opening balance equal to the Award PSUs and/or Award RSUs granted pursuant to such Award Agreement. PSUs or RSUs that fail to vest pursuant to Article 7, or that are paid out to the Participant or his legal representative, shall be cancelled and shall cease to be recorded in the Participant’s Account as of the date on which such PSUs or RSUs, as applicable, are forfeited or cancelled under, the Plan or are paid out, as the case may be.
- 5.2 **Dividend Equivalent Units.** When and if cash dividends are paid on the Shares during the Performance Period applicable to a particular Award Agreement, additional PSUs or RSUs, as applicable, will be credited to the Participant’s Account in accordance with this Section 5.2 (“**Dividend Equivalent Units**”). The number of such additional PSUs or RSUs to be credited to the Participant’s Account in respect of any particular dividend paid on the Shares will be calculated by dividing (i) the amount of the cash dividend that would have been paid to the Participant if each of the PSUs and RSUs recorded in the Participant’s Account (but for greater certainty not including any previous Dividend Equivalent Units received and recorded) as at the record date for the cash dividend had been Shares by (ii) the Market Value (with currency conversion if necessary) on the date on which the dividend is paid on the Shares, rounded down to the next whole number. Dividend Equivalent Units shall be subject to the same Vesting conditions and shall Vest and be paid at the same time as the PSUs or RSUs, as applicable, to which they relate.
- 5.3 **Adjustments.** In the event of any stock dividend, stock split, combination or exchange of shares, capital reorganization, consolidation, spin-off or other distribution (other than normal cash dividends) of the Corporation’s assets to shareholders, or any other similar changes affecting the, Shares, proportionate adjustments to reflect such change or changes shall be made with respect to the number of PSUs and RSUs outstanding under the Plan, or securities into which the Shares are changed or are convertible or exchangeable and as may be substituted for Shares under this Plan, on a basis proportionate to the number of PSUs and RSUs in the Participant’s Account or some other appropriate basis, all as determined by the Board in its sole discretion.

6. PAYMENT OF AWARDS BY TREASURY ISSUANCES

- 6.1 **Maximum Number of Shares Issuable from Treasury.** The aggregate number of Shares that are issuable under the Plan to pay awards which have been granted and are outstanding under the Plan, together with Shares that are issuable pursuant to outstanding awards or grants under the other Share Compensation Arrangements of the Corporation shall not at any time exceed 10% of the Corporation’s Shares then issued and outstanding, subject to adjustment as provided in Section 5.3 above to give effect to any relevant changes in the capitalization of the Corporation.
- 6.2 **Issuances of Shares from Treasury.** All issuances of Shares from treasury to pay awards as contemplated by Section 7.4 shall be deemed to be issued at a price per Share equal to the Market Value on the date of issuance.
- 6.3 **Participation Limits.** Awards under the Plan shall be limited as follows:
- 6.3.1 the total number of Shares reserved for issuance to any Participant under this Plan, at any time, together with Shares reserved for issuance to such Participant under the Corporation’s other Share Compensation Arrangements, shall not exceed 5% of the issued and outstanding Shares;
- 6.3.2 the total number of shares reserved for issuance to Insiders under the Plan, together with Shares reserved for issuance to Insiders under the Corporation’s other Share Compensation Arrangements, shall not at any time exceed 10% of the issued and outstanding Shares;

- 6.3.3 within any one-year period, the aggregate number of Shares issued to Insiders pursuant to the Plan and the Corporation's other Share Compensation Arrangements shall not exceed 10% of the issued and outstanding Shares;
- 6.3.4 the maximum aggregate grant date fair value using the Black-Scholes-Merton valuation model of awards under the Plan, together with awards or grants under the Corporation's other Share Compensation Arrangements, to any non-employee director of the Corporation in any fiscal year of the Corporation shall not exceed \$150,000; and
- 6.3.5 no award under the Plan may be made to any non-employee director if such award could result, together with awards or grants then outstanding under the Plan and the Corporation's other Share Compensation Arrangements, in the issuance to non-employee directors as a group of a number of Shares exceeding 1% of the Shares issued and outstanding immediately prior to any such Share issuance.

7. VESTING AND PAYMENT OF AWARDS

- 7.1 **Vesting of PSUs.** Upon the first day immediately following the end of the Performance Period, PSUs represented by the PSU Balance as at such date shall vest subject to the terms hereof, with the number of Vested PSUs being equal to the PSU Balance as at such date multiplied by the Performance Adjustment Factor as determined by the Board in accordance with the Award Agreement. For certainty, in the event the Performance Adjustment Factor is equal to zero, no PSU's will vest. Except where the context requires otherwise, each PSU which vests pursuant to Article 7 shall be referred to herein as a Vested PSU. PSUs which do not become Vested PSUs in accordance with this Article 7 shall be forfeited by the Participant and the Participant will have no further right, title or interest in such PSUs. The Participant waives any and all right to compensation or damages in consequence of the termination of employment (whether lawfully or unlawfully) or otherwise for any reason whatsoever insofar as those rights arise or may arise from the Participant ceasing to have rights or be entitled to receive any Shares under the Plan pursuant to this Section 7.1.
- 7.2 **Performance Criteria.** The PSUs granted to a Participant under an Award Agreement and Section 4.1 (and the related Dividend Equivalent PSUs) shall become Vested PSUs only upon the Board's determination with respect to the Performance Adjustment Factor in accordance with the Award Agreement applicable to such PSUs or have been waived in accordance with Section 4.1.7.
- 7.3 **Vesting of RSUs.** Award RSUs shall Vest on the Vesting Date(s) specified in the Award Agreement for such Award RSUs, together with Dividend Equivalent Units granted in respect of such Award RSUs, in such proportion as may be determined in accordance with such Award Agreement. Except where the context requires otherwise, each RSU which vests pursuant to Article 7 shall be referred to herein as a Vested RSU. RSUs which do not become Vested RSUs in accordance with this Article 7 shall be forfeited by the Participant and the Participant will have no further right, title or interest in such RSUs. The Participant waives any and all right to compensation or damages in consequence of the termination of employment (whether lawfully or unlawfully) or otherwise for any reason whatsoever insofar as those rights arise or may arise from the Participant ceasing to have rights or be entitled to receive any Shares or cash payment under the Plan pursuant to this Section 7.3.
- 7.4 **Payment in Shares.** The Participant or his legal representative, as applicable, shall receive as applicable a number of Shares equal to the number of Vested PSUs credited to the Participant's Account as of the last day of such Performance Period or equal to the number of Vested RSUs credited to the Participant's Account on the Vesting Date thereof (rounded down to the nearest whole number of Shares). The Shares shall be distributed to the Participant or his legal representative, as applicable, in a single transfer as soon as practicable following the Vesting Date for RSUs and in the case of PSUs no later than six months following the last day of the Performance

Period (or, in the event of the Participant's death, no later than six months following the date of the Participant's death).

7.5 **Death. Period of Absence.**

7.5.1 **Death.** Where the employment or service as a director of a Participant terminates during a Performance Period in the case of PSUs or prior to a Vesting Date in the case of RSUs by reason of the Participant's death: (i) the PSUs credited to the Participant's Account as at December 31 of the year immediately preceding the Participant's date of death shall continue to be eligible to become Vested PSUs in accordance with Sections 7.1 and 7.2; and (ii) the RSUs credited to the Participant's Account as at December 31 of the year immediately preceding the Participant's date of death shall Vest as of the Participant's date of death. The Participant shall be entitled to receive in Shares a payment relating to such Vested PSUs and/or RSUs determined in accordance with Section 7.4. For greater clarity, the number of Vested PSUs used to calculate the value of the payment shall equal the number of Vested PSUs determined in accordance with Sections 7.1 and 7.2 as at December 31 of the year immediately preceding the Participant's date of death.

7.5.2 **Period of Absence.** In the event of a Participant's Period of Absence during a Performance Period for PSUs or prior to a Vesting Date for RSUs and subject to this Section 7.5.2 and Section 7.5.4, PSUs and RSUs credited to the Participant's Account immediately prior to the commencement of such Period of Absence (and any related Dividend Equivalent PSUs and RSUs) shall continue to be eligible to become Vested in accordance with the provisions of Sections 7.1 and 7.2 and the Participant shall be entitled to receive Shares in respect of such Vested PSUs and Vested RSUs determined in accordance with Section 7.4, except that the number of Vested PSUs and Vested RSUs used to calculate the value of the payment shall equal the number of Vested PSUs or Vested RSUs, as applicable determined in accordance with Section 7.1 and 7.2 multiplied by a fraction, the numerator of which equals the number of whole and partial months in the Performance Period for which the Participant actively performed services for the Corporation or a Subsidiary and the denominator of which equals the number of whole and partial months in the Performance Period; in the case of PSUs, or in the period from the Award Date to the Vesting Date of such RSUs.

7.5.3 For greater clarity, no additional PSUs or RSUs (whether pursuant to Section 4.1 or in the form of Dividend Equivalent Units) shall be granted to a Participant following his or her date of death or during his or her Period of Absence, including following his or her date of Disability.

7.5.4 Notwithstanding Section 7.5.2, where a Participant experiences a Period of Absence that extends beyond the end of a Performance Period for PSUs or a Vesting Date for RSUs and fails to return to active full-time employment with the Corporation or a Subsidiary within 180 days following the end of such Performance Period or such Vesting Date, no portion of the PSUs subject to such Performance Period or RSUs that would otherwise Vest on such Vesting Date shall Vest and the Participant shall receive no payment or other compensation in respect of such PSUs or RSUs or loss thereof, on account of damages or otherwise.

7.6 **Other Terminations of Employment.** In the event that, during a Performance Period with respect to PSUs or prior to a Vesting Date with respect to RSUs, (i) the Participant's employment or service as a director is terminated by the Corporation or a Subsidiary of the Corporation for any reason, or (ii) a Participant voluntarily terminates his employment with the Corporation or a Subsidiary of the Corporation or service as a director, including due to retirement, no portion of the PSUs subject to such Performance Period or RSUs that would otherwise Vest on such Vesting Date shall Vest and the Participant shall receive no payment or other compensation in respect of such PSUs or RSUs or

loss thereof, on account of damages or otherwise; provided that any Vested PSUs and Vested RSUs will be settled in accordance with Section 7.4.

- 7.7 **Change in Control.** Notwithstanding any other provision of the Plan, but subject to the terms of any Award Agreement or any employment agreement between the Participant and the Corporation or any Subsidiary, in the event of a Change in Control, all PSUs and RSUs credited to each Account (including for greater certainty Dividend Equivalent Units) which have not become Vested PSUs or Vested RSUs, shall become Vested PSUs and Vested RSUs on the basis of one PSU becoming one Vested PSU and one RSU becoming one Vested RSU, as at the time of Change in Control (unless otherwise determined by the Board). As soon as practicable following a Change in Control each Participant shall receive in Shares a payment equal to the number of such Vested PSUs and Vested RSUs (as determined pursuant to this Section 7.6) credited to the Participant's Account at the time of the Change in Control (rounded down to the nearest whole number of Vested PSUs and Vested RSUs) multiplied by the price at which the Shares are valued for the purpose of the transaction or series of transactions giving rise to the Change in Control, or if there is no such transaction or transactions at the Market Value on the date of the Change in Control, less any statutory withholdings or deductions. Notwithstanding the foregoing, where a Change in Control occurs and no Shares are distributed to a Participant within 30 days following the Change in Control, the Corporation shall pay (or cause a Subsidiary to pay) to the Participant in respect of his Vested PSUs and Vested RSUs and Dividend Equivalent Units in cash the amount determined in accordance with the payment formula set out above.

8. CURRENCY

- 8.1 **Currency.** References in the Plan to currency refer to the currency used by the Corporation to compensate the particular Participant receiving an award hereunder other than Section 6.3.4 where reference is to the currency used by the Corporation in preparing its financial statements at such time.

9. SHAREHOLDER RIGHTS

- 9.1 **No Rights to Shares.** PSUs and RSUs are not Shares and neither the grant of PSUs or RSUs nor the fact that Shares may be acquired by, or provided from, the Corporation in satisfaction of Vested PSUs or Vested RSUs will entitle a Participant to any shareholder rights, including, without limitation, voting rights, dividend entitlement or rights on liquidation.

10. ADMINISTRATION

- 10.1 **Delegation and Administration.** The Board may, in its discretion, delegate such of its powers, rights and duties under the Plan, in whole or in part, to any committee of the Board or any one or more directors, officers or employees of the Corporation and/or its participating Subsidiaries as it may determine from time to time, on terms and conditions as it may determine, except the Board shall not, and shall not be permitted to, delegate any such powers, rights or duties to the extent such delegation is not consistent with Applicable Law.
- 10.2 **Effects of Board's Decision.** Any interpretation, rule, regulation, determination or other act of the Board hereunder shall be made in its sole discretion and shall be conclusively binding upon all persons.
- 10.3 **Liability Limitation.** No member of the Board or any officer, director or employee of the Corporation or any Subsidiary shall be liable for any action or determination made in good faith pursuant to the Plan or any Award Agreement under the Plan. To the fullest extent permitted by law, the Corporation and its Subsidiaries shall indemnify and save harmless each person made, or threatened to be made, a party to any action or proceeding in respect of the Plan by reason of the

fact that such person is or was a member of the Board or is or was an officer, director or employee of the Corporation or a Subsidiary.

- 10.4 **Compliance with Laws and Policies.** The Corporation's issuance of any PSUs and RSUs and its obligation to make any payments or discretion to provide any Shares hereunder is subject to compliance with Applicable Law. Each Participant shall acknowledge and agree (and shall be conclusively deemed to have so acknowledged and agreed by participating in the Plan) that the Participant will, at all times, act in strict compliance with Applicable Law and all other laws and any policies of the Corporation applicable to the Participant in connection with the Plan including, without limitation, furnishing to the Corporation all information and undertakings as may be required to permit compliance with Applicable Law. Such laws, regulations, rules and policies shall include, without limitation, those governing "insiders" or "reporting issuers" as those terms are construed for the purposes of Applicable Laws.
- 10.5 **Withholdings.** So as to ensure that the Corporation or a Subsidiary, as applicable, will be able to comply with the applicable provisions of any federal, provincial, state or local law relating to the withholding of tax or other required deductions, the Corporation, or a Subsidiary may withhold or cause to be withheld from any amount payable to a Participant, either under this Plan, or otherwise, such amount, or may require the sale of such number of Shares, as may be necessary to permit the Corporation or the Subsidiary, as applicable, to so comply.
- 10.6 **No Additional Rights.** Neither designation of an employee as a Participant nor the establishment of an Award Value for or grant of any PSUs or RSUs to any Participant entitles any person to the establishment of an Award Value, grant, or any additional grant, as the case may be, of any PSUs or RSUs under the Plan.
- 10.7 **Amendment, Termination.** The Plan may be amended or terminated at any time by the Board in whole or in part, provided that:
- 10.7.1 no amendment of the Plan shall, without the consent of the Participants affected by the amendment, or unless required by Applicable Law, adversely affect the rights accrued to such Participants with respect to PSUs or RSUs granted prior to the date of the amendment;
- 10.7.2 no amendment of the Plan shall be effective unless such amendment is approved by the Toronto Stock Exchange and any other Stock Exchange whose approval is required under Stock Exchange Rules; and
- 10.7.2.1 approval by a majority of the votes cast by shareholders present and voting in person or by proxy at a meeting of shareholders of the Corporation shall be obtained for any;
- 10.7.2.2 amendment for which, under the requirements of the Toronto Stock Exchange and any other Stock Exchange whose approval is required under Stock Exchange Rules or any applicable law, shareholder approval is required;
- 10.7.2.3 a reduction in pricing of an award under the Plan benefitting an Insider;
- 10.7.2.4 extension of the term of an award under the Plan beyond the original expiry date of the award benefitting an Insider;
- 10.7.2.5 any amendment to remove or exceed the insider participation limit set out in Section 6.3.2. or 6.3.3;
- 10.7.2.6 an increase to the maximum number of Shares issuable from treasury under the Plan;

10.7.2.7 the addition of additional categories of Participants; or

10.7.2.8 amendment to this Section 10.7.

- 10.8 **Administration Costs.** The Corporation will be responsible for all costs relating to the administration of the Plan. For greater certainty and unless otherwise determined by the Board, a Participant shall be responsible for brokerage fees and other administration or transaction costs relating to the transfer, sale or other disposition of Shares on behalf of the Participant that have been previously distributed to or provided to the Participant pursuant to the Plan.
- 10.9 **Compliance with Section 409A of the U.S. Internal Revenue Code.** Notwithstanding any provision in this Plan or an Award Agreement to the contrary, to the extent a Participant is subject to taxation under the U.S. Internal Revenue Code of 1986, as amended (the “**U.S. Tax Code**”), then any PSUs and RSUs awarded to such Participant shall be interpreted and administered so that any amount payable with respect to such awards shall be paid in a manner that is either exempt from or compliant with the requirements of Section 409A of the U.S. Tax Code and the applicable regulatory and other guidance issued thereunder (“**Section 409A**”). In furtherance of the foregoing, and notwithstanding Section 7.4 to the contrary, if any PSU or RSU awarded under this Plan would constitute non-exempt “deferred compensation” for purposes of Section 409A, then payment shall be made to the Participant or his legal representative, as applicable, in a single lump sum, less any applicable statutory withholdings or deductions, either (1) during the immediately following calendar year if the last day of the Performance Period or the Vesting Date, as applicable, is December 31, or (2) if (1) does not apply, no later than 90 days following the last day of the Performance Period or Vesting Date, as applicable (or, in the event of the Participant’s death, no later than 90 days following the date of the Participant’s death), provided that the Participant does not have a right to designate the year of the payment. Neither the Board, the Corporation nor its directors, officers or employees make any representations or warranties regarding the tax treatment of any payments under the Plan and none of them shall be held liable for any taxes, interest, penalties or other monetary amounts owed by a Participant as a result of the application of Section 409A.
- 10.10 **Compensation Recoupment Policy.** Any awarding of PSUs or RSUs under this Plan, the Vesting thereof and the issuance of Shares pursuant thereto are subject to the Compensation Recoupment Policy of the Corporation.

11. ASSIGNMENT

- 11.1 **Assignment.** The assignment or transfer of the PSUs or RSUs, or any other benefits under this Plan, shall not be permitted, other than by operation of law.

Effective May 13, 2015 as amended June 16, 2015, May 5, 2016 and March 29, 2018.

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