

# Executive Compensation

## Compensation Discussion and Analysis

All matters relating specifically to senior executive compensation are reviewed and approved by the Compensation Committee and the Board. The Compensation Committee is responsible for determining compensation for the individual directors and officers of the Corporation, including the CEO and the Chairman. The Compensation Committee members have direct experience relevant to their responsibilities relating to executive compensation as set out in their biographies.

The Corporation's overall policy regarding compensation of the Corporation's executive officers is structured to provide competitive salary levels and compensation incentives that support both the short-term and long-term goals of the Corporation, attract and retain qualified executive management and establish a compensation framework which is industry competitive. The Corporation's policy is to recognize and reward individual performance as well as to place executive compensation within the range of the compensation levels in the industry. The Board, upon the recommendations of the Compensation Committee, considers the implications of any risks associated with the Corporation's compensation policies and practices. The Board has not identified any risks arising from the Corporation's compensation policies or practices that could encourage a Named Executive Officer to take inappropriate or excessive risks.

The Corporation does not have a compensation program other than paying base salaries, incentive bonuses, and incentive stock options to the executive team. The Corporation recognizes the need to provide a compensation package that will attract and retain qualified and experienced executives, as well as align the compensation level of each executive to that executive's level of responsibility. In the 2015 financial year compensation consisted of base salary and incentive options and did not include incentive bonuses; as a result, the Board believes there are no implied risks associated with the Corporation's policies and practices. It should be further noted that no executive or director is permitted to purchase instruments, including for greater certainty, prepaid variable forward contracts, equity swaps, collars or units of exchange funds, which are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the executive or director. The Corporation does not plan to make any significant changes to its compensation policies and practices during the current financial year.

## Base Salary

Base salaries are established taking into account individual performance and experience, level of responsibility and competitive pay practices. To achieve this goal, the Corporation does its own analysis, as well as having in the past retained the services of compensation consultants who were responsible for gathering information on compensation practices. No compensation consultant has been retained in the past five years. Base salaries are reviewed annually and adjusted appropriately to reflect individual performance and market changes.

The base salaries of the Corporation's executives are targeted at a level consistent with the base salaries paid to senior executive officers in the Canadian biotechnology market.

## Short Term Incentive

All permanent full time executives and employees have the opportunity to earn an annual performance bonus. The potential bonuses are expressed as a percentage of base salary and are reflective of position. All executives and employees have specific goals based on individual performance and corporate performance relating to revenue, profitability and customer satisfaction. The corporate targets are established by the CEO on an annual basis for review by the Compensation Committee and, if approved, are recommended for approval by the Board.

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## Long Term Incentives

The Company's Stock Option Plan (the "Plan") complies with requirements of the TSXV Policy 4.4 for Tier 2 issuers. Under the Plan, a maximum of 10% of the issued and outstanding Common Shares are proposed to be reserved at any time for issuance on the exercise of stock options. As the number of Common Shares reserved for issuance under the Plan increases with the issue of additional Common Shares by the Corporation, the Plan is considered to be a "rolling" stock option plan. The Plan provides directors, officers, key employees and consultants of the Corporation with the opportunity to participate in the Plan, at the discretion of the Board. The Compensation Committee of the Board determines the level of stock options granted to executive officers. The Compensation Committee seeks to compensate executive officers at levels competitive with other companies comparable in size in the same industry and to provide short-term rewards and long-term incentives for superior individual and corporate performance. In making compensation decisions, the Compensation Committee periodically reviews information about the compensation paid or payable to officers of comparably sized public companies. The Compensation Committee does not have target amounts of stock ownership for the Corporation's executive officers; however, the Compensation Committee does consider overall Common Share ownership when granting stock options. The Plan is intended to provide executives with the promise of longer term rewards which appreciate in value with the favourable future performance of the Corporation. Stock options are generally granted to an executive when he or she joins the Corporation, with additional options granted from time to time for promotions and performance. The Compensation Committee believes that the Plan provides a method of retention and motivation for the executives of the Corporation and also aligns senior management's objective with long-term stock price appreciation.