



**NOTICE OF MEETING
AND MANAGEMENT PROXY CIRCULAR**

**PATHEON INC.
ANNUAL MEETING
OF SHAREHOLDERS
APRIL 29, 2009**



March 27, 2009

Dear Shareholder:

You are invited to attend our Annual Meeting of Shareholders to be held at the Fairmont Royal York Hotel, Territories Room, 100 Front Street West, Toronto, Canada on Wednesday, April 29, 2009 at 10:30 a.m. (EDT). Management will be making a presentation at the meeting regarding our fiscal 2008 results and our strategy moving forward.

We look forward to your attendance at the meeting. If you cannot attend the meeting, please complete, sign, date and return your proxy as soon as possible using any of the methods available. Your vote is important to us.

For those of you unable to attend the meeting, we invite you to listen to the simultaneous webcast of the meeting that will be available on our website at www.patheon.com. A recorded webcast of the meeting will also be available on our website following the meeting.

A handwritten signature in black ink, appearing to read 'W. Wheeler', written in a cursive style.

Wesley P. Wheeler
Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Peter A.W. Green', written in a cursive style.

Peter A.W. Green
Chair of the Board



NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of Patheon Inc. (“Patheon”) will be held at the Fairmont Royal York Hotel, Territories Room, 100 Front Street West, Toronto, Canada at 10:30 a.m. (EDT) on Wednesday, April 29, 2009 to:

- (a) receive Patheon’s consolidated financial statements for the fiscal year ended October 31, 2008, together with the report of the auditors thereon;
- (b) elect directors;
- (c) appoint the auditors and authorize the directors to fix their remuneration; and
- (d) transact such other business as may properly come before the meeting.

If you are unable to attend the meeting, please complete, sign, date and return the enclosed form of proxy in the postage prepaid envelope provided for your convenience. For your vote by proxy to be recorded, it must be received by Computershare Investor Services Inc., at 100 University Avenue, 9th Floor, Toronto, Ontario, Canada, M5J 2Y1, no later than 10:30 a.m. (EDT) on Monday, April 27, 2009, or, if the meeting is adjourned, at least 48 hours (excluding Saturdays, Sundays and holidays) before any adjourned meeting is reconvened.

Shareholders as at the close of business on March 25, 2009 will be entitled to vote at the meeting.

BY ORDER OF THE BOARD

A handwritten signature in black ink that reads 'Doaa Fathallah'.

Doaa A. Fathallah
Senior Vice President, General Counsel
Europe and Global PDS and
Corporate Secretary

Mississauga, Ontario, Canada
March 27, 2009

MANAGEMENT PROXY CIRCULAR

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MANAGEMENT PROXY CIRCULAR

This Management Proxy Circular is provided in connection with the solicitation by the management of Patheon Inc. (“Patheon” or the “Company”) of proxies to be used at the annual meeting (the “meeting”) of shareholders of Patheon, to be held at 10:30 a.m. (EDT) on Wednesday, April 29, 2009 at the Fairmont Royal York Hotel, Territories Room, 100 Front Street West, Toronto, Canada and at any adjournment thereof, to transact the business set out in the accompanying Notice of Meeting.

All information is as of March 25, 2009, unless otherwise indicated. All currency references are in Canadian dollars, unless otherwise indicated.

VOTING AND PROXIES

A brief summary of the voting process is set out below to address the following questions:

- Who can vote?
- How to vote?

Different rules apply to registered shareholders and non-registered shareholders. You are a non-registered shareholder if your shares are registered in the name of an intermediary (such as a broker, securities dealer, trust company or a bank).

Who Can Vote?

Registered Shareholders

Classes of Shares

Registered holders of Patheon’s restricted voting shares, Class I Preferred Shares, Series C (“Convertible Preferred Shares”) and Class I Preferred Shares, Series D (“Special Voting Preferred Shares”) as at the close of business on March 25, 2009 will be entitled to vote at the meeting.

As at March 25, 2009, 91,149,388 restricted voting shares were issued and outstanding. Each restricted voting share carries one vote on all matters to be voted on at the meeting, except the election of those directors that may only be elected by the holders of the Special Voting Preferred Shares, as described below.

As at March 25, 2009, there were 150,000 Convertible Preferred Shares issued and outstanding. Each Convertible Preferred Share entitles the holder thereof to exercise one vote, in respect of all matters other than the election of directors, for each restricted voting share that is issuable upon exercise of the conversion rights attaching to a Convertible Preferred Share, namely, 36,444,420 restricted voting shares in the aggregate as at March 25, 2009.

In addition, Patheon has outstanding 150,000 Special Voting Preferred Shares as at March 25, 2009. The holders of the Special Voting Preferred Shares are entitled to elect up to three directors of Patheon, but are not entitled to vote in respect of any other matters to be considered at the meeting.

Principal Shareholders

To the knowledge of the directors and officers of Patheon, the only persons or companies who beneficially own, or control or direct, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to the restricted voting shares are Mr. Joaquín B. Viso and his spouse, Ms. Olga Lizardi, who, as at March 25, 2009, jointly held 10,824,053 restricted voting shares representing approximately 11.9% of the outstanding restricted voting shares as at the same date. In addition, Mr. Viso beneficially owns, controls or directs an additional 1,694,713 restricted voting shares, representing approximately 1.85% of the outstanding restricted voting shares as at the same date. Together with the shares held jointly

with his spouse, Mr. Viso beneficially owns, controls or directs a total of 12,518,766 restricted voting shares, representing approximately 13.75% of the outstanding restricted voting shares as at March 25, 2009. In addition, JLL Patheon Holdings, LLC, and its affiliates own 1,650,000 restricted voting shares, 150,000 Convertible Preferred Shares and 150,000 Special Voting Preferred Shares. As at March 25, 2009, the Convertible Preferred Shares were convertible into 36,444,420 restricted voting shares which, together with the 1,650,000 restricted voting shares, represented approximately 29.9% of the voting rights attached to the restricted voting shares of Patheon (in respect of all matters other than the election of directors) as at the same date. In addition, the Special Voting Preferred Shares owned by JLL Patheon Holdings, LLC currently entitle it to elect three directors of the Company.

Non-Registered Shareholders

If you are a non-registered shareholder, you should receive a package from your intermediary containing either: (i) a voting instruction form that must be completed and signed by the non-registered holder in accordance with the directions on the voting instruction form; or (ii) a form of proxy which may be signed by the intermediary and specifies the number of restricted voting shares beneficially owned by you, but is otherwise uncompleted.

If you are a non-registered shareholder and have not received such a package, please contact your intermediary.

How to Vote?

Registered Shareholders

Voting In Person

If you are a registered shareholder you have the right to attend and vote in person at the meeting. Please register your attendance with the scrutineer, Computershare Investor Services Inc., upon arrival at the meeting.

Voting By Proxy

If you are a registered shareholder and are unable to be present at the meeting in person, you can vote by using the form of proxy to appoint someone else to vote for you as your proxyholder. **You can choose any individual or company you want to be your proxyholder, including any individual or company who is not a shareholder, by inserting that person's name in the blank space provided in the enclosed form of proxy or by completing another form of proxy. If you leave the space in your enclosed form of proxy blank, the persons designated in the form, who are directors of Patheon, are appointed to act as your proxyholder.**

If you specify on the enclosed form of proxy how you want your shares to be voted on a particular matter, then your proxyholder must vote your shares accordingly.

If you appoint the persons designated in the enclosed form of proxy as your proxyholders, but you do not specify how to vote on a particular matter, then your shares will be voted at the meeting as follows:

- FOR the election as directors of the nominees whose names are set out in this Management Proxy Circular; and
- FOR the appointment of Ernst & Young LLP as auditors of Patheon and authorizing the directors to fix their remuneration.

If amendments are proposed to these matters, or if any other matters are properly brought before the meeting, your proxyholder will vote in accordance with his or her judgement, pursuant to the discretionary authority conferred by the form of proxy with respect to such matters. As of the date of this Management Proxy Circular, Patheon's management is not aware of any such amendments or other matters to come before the meeting.

For your vote by proxy to be recorded, please complete, sign, date and return the completed form of proxy using one of the methods available, or in the postage prepaid envelope provided for your convenience, to Computershare Investor Services Inc., Patheon's registrar and transfer agent, at 100 University Avenue, 9th Floor, Toronto, Ontario, Canada, M5J 2Y1, no later than 10:30 a.m. (EDT) on Monday, April 27, 2009, or, if the meeting is adjourned, at least 48 hours (excluding Saturdays, Sundays and holidays) before any adjourned meeting is reconvened.

Revocation

You may revoke your proxy at any time prior to its use at the meeting. You or your authorized attorney (or, if the shareholder is a corporation, the authorized officers) must state clearly, in writing, that the proxy is revoked and deposit such document:

- at Patheon's head office, located at 2100 Syntex Court, Mississauga, Ontario L5N 7K9, at any time up to and including the last business day preceding the day of the meeting or any adjournment of the meeting; or
- with the Chair of the meeting prior to the commencement of the meeting on the day of the meeting or any adjournment of the meeting.

You may also revoke your proxy by completing a proxy bearing a later date and returning it as specified above.

If you are a registered shareholder and you revoke your proxy and do not replace it with another that is deposited with Computershare Investor Services Inc., as specified above, you can still vote your shares, but must do so in person at the meeting or any adjournment of the meeting.

Non-Registered Shareholders

Voting in Person

Only registered shareholders or their duly appointed proxyholders are entitled to vote at the meeting. If you are a non-registered shareholder and you wish to attend and vote in person at the meeting, you must insert your own name in the space provided for the appointment of a proxyholder on the voting instruction form or proxy form provided by the intermediary and carefully follow the instructions provided by your intermediary for return of the executed form.

Voting by Proxy

If you are a non-registered shareholder you can vote by completing and signing the voting instruction form, following the directions provided on the voting instruction form (which may in some cases, permit the completion of the voting instruction form by fax, internet or telephone voting) or form of proxy enclosed in the package which you should have received from your intermediary.

Votes Required For Approval

A majority of the votes cast at the meeting, by proxy or in person, is required for the approval of each of the matters being voted on at the meeting. Unless the shareholder specifies in the form of proxy that the restricted voting shares represented by such proxy are to be withheld from voting in the election of directors and the appointment of the auditors, the persons named in the enclosed form of proxy intend to vote FOR such matters, as set forth in more detail below.

Solicitation of Proxies

This solicitation is made by the management of Patheon. It is expected that the solicitation will be primarily by mail but proxies may also be solicited personally or by telephone by Patheon's officers and directors (who will not receive additional remuneration for this service). Patheon may also retain, and pay a fee to, one or more proxy solicitation firms to solicit proxies from shareholders in favour of the matters set forth in the notice of meeting. Patheon may pay brokers or other persons holding restricted voting shares in their own names, or in the names of nominees, for their reasonable expenses for sending proxies and the Management Proxy Circular to beneficial owners of restricted voting shares and obtaining proxies therefor. The total cost of the solicitation will be borne directly by Patheon.

BUSINESS OF THE MEETING

The business to be conducted at the meeting is described in detail below. The matters to be considered are as follows:

- receipt of the 2008 consolidated financial statements;
- election of directors; and
- appointment of auditors and authorization to fix their remuneration.

Financial Statements

Patheon's audited consolidated financial statements for the fiscal year ended October 31, 2008 ("Fiscal 2008"), together with the notes thereto and the report of the auditors thereon, were mailed to shareholders who requested them and filed on SEDAR (www.sedar.com) on December 12, 2008 and will be presented to the shareholders at the meeting. These consolidated financial statements form part of the Patheon 2008 Annual Report, copies of which may be downloaded in portable document format ("PDF") from Patheon's corporate website at www.patheon.com or from the SEDAR website. Printed copies will be available at the meeting. To request a printed copy please contact Patheon's transfer agent, Computershare Investor Services Inc., at 1-888-564-6253 or via email at service@computershare.com, or Patheon at patheon@patheon.com.

Election of Directors

Patheon's articles of amalgamation dated November 1, 2003 provide for its board of directors (the "Board") to consist of a minimum of three and a maximum of 12 directors. Under the investor agreement dated April 27, 2007 between the Company and JLL Patheon Holdings, LLC, Patheon has agreed, among other things, that the Board will consist of up to nine directors and that JLL Patheon Holdings, LLC will be entitled to designate up to three nominees for election or appointment to the Board depending on the number of Convertible Preferred Shares (or the corresponding number of restricted voting shares issued on conversion of Convertible Preferred Shares) held by JLL Patheon Holdings, LLC.

The articles of amendment dated April 26, 2007 provide that the holders of Special Voting Preferred Shares are entitled to elect up to three directors depending on the number of Convertible Preferred Shares (or the corresponding number of restricted voting shares issued on conversion of Convertible Preferred Shares) owned by such holders.

The Board has determined that the total number of directors to be elected at the meeting is nine, including the three directors to be elected by the holders of Special Voting Preferred Shares. Currently, JLL Patheon Holdings, LLC, the holder of all outstanding Special Voting Preferred Shares, is entitled to elect three directors to the Board. The holders of restricted voting shares are entitled to elect the remaining six directors. Holders of Convertible Preferred Shares are not entitled to vote in respect of the election of directors.

The Board has approved the following nominees for election as the six directors of Patheon to be elected by the holders of restricted voting shares:

Claudio F. Bussandri
Peter A. W. Green
Derek J. Watchorn

Paul W. Currie
Joaquín B. Viso
Wesley P. Wheeler

It is not contemplated that any of these nominees will be unable or will become unwilling, for any reason, to serve as a director. Information as to restricted voting shares beneficially owned, or controlled or directed, directly or indirectly, by each proposed nominee, not necessarily being within the knowledge of the Company, has been furnished by the respective proposed nominees individually.

<u>Nominee for Election as Director</u>	<u>Restricted Voting Shares Owned, Controlled or Directed as at March 25, 2009</u>	<u>Outstanding Options as at March 25, 2009</u>	<u>Public Board Membership During Last Five Years</u>	
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Claudio F. Bussandri <i>Westmount, Quebec, Canada</i> Director since: 2008 Independent	—	—	Adherex Technologies Inc.	2007-present
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Attendance Fiscal 2008:	Board: Corporate Governance Committee:	7/7 ⁽¹⁾ 4/4
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Mr. Bussandri was President and Chief Executive Officer of McKesson Canada (healthcare services company) from 1995 to 2007. Currently, Mr. Bussandri serves on the board of Adherex Technologies Inc. (biopharmaceutical company), is Vice-Chairman of the board of the McGill University Health Centre (“MUHC”), and is Chairman of MUHC’s Human Resource Committee. He is also on the Advisory Board of McGill University’s Desautels Faculty of Management. Mr. Bussandri is a former Chairman of the Montreal Children’s Hospital Foundation, and is presently an Executive Board member of the Foundation. He was also an Executive Board member and former Chairman of the Canadian Association for Pharmacy Distribution Management. Mr. Bussandri received a Bachelor of Engineering (Mechanical) with honours from McGill University and an M.B.A. from the same university.

Paul W. Currie <i>Toronto, Ontario, Canada</i> Director since: 2008 Independent	—	—	Mphasis Limited	2006-2007
			Metaca Corporation	2000-2003

Attendance Fiscal 2008:	Board: Audit: Compensation and Human Resources:	5/7 ⁽²⁾ 3/3 ⁽³⁾ 2/2 ⁽³⁾
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Mr. Currie is Managing Partner of Currie & Co. (provider of strategic, corporate development, financial, and operational advice and related services to directors and officers of private and public companies), which he founded in 1999. Mr. Currie was Executive Vice-President, Corporate Development and Strategy of Electronic Data Systems (“EDS”) (information technology and business process outsourcing services company) from April 2006 to September 2007. He also acted as an advisor to EDS from 2004 to April 2006. Prior to that, Mr. Currie was Chief Executive Officer of Symcor Inc. (provider of business process outsourcing services for the financial services industry) from 2000 to 2003. Currently, Mr. Currie serves on the board of Cosmetic Essence, Inc. (provider of contract manufacturing and product development services for the personal care and household products industries), which directorship he has held since 2005. Mr. Currie is a past board director of Mphasis Limited, Symcor Inc., and Metaca Corporation. He has also served on the Dean’s Advisory Council of York University’s Schulich School of Business. Mr. Currie received a Bachelor of Business Administration with honours from York University and subsequently became a Chartered Accountant.

<u>Nominee for Election as Director</u>	<u>Restricted Voting Shares Owned, Controlled or Directed as at March 25, 2009</u>	<u>Outstanding Options as at March 25, 2009</u>	<u>Public Board Membership During Last Five Years</u>	
Peter A. W. Green ⁽⁴⁾ <i>Campbellville, Ontario, Canada</i> Director since: 1996 Independent Attendance Board: 12/13 Fiscal 2008: Compensation and Human Resources Committee: 3/3 ⁽⁵⁾	58,000	60,000	Superior Plus Inc.	1996-present

Mr. Green is Chairman of the Board and has held that position since 1996. He was previously Chief Executive Officer of Alcatel Canada Wire Inc. (“Alcatel”) (wire and cable manufacturer). After retiring from Alcatel, Mr. Green worked in an advisory capacity with companies facing restructuring or turn-around challenges, and, during this time, he served on the boards of several public companies. Currently, he is a director of Gore Mutual Insurance Company and the Lead Director of Superior Plus Inc. (propane distribution; natural gas and electricity supply services; other business units). Mr. Green is past Chairman of the North American Waterfowl Foundation and Outward Bound Canada. Mr. Green is a Chartered Accountant. He is also a Knight of the National Order of Merit of France.

Joaquín B. Viso <i>San Juan, Puerto Rico, U.S.A.</i> Director since: 2004 Independent Attendance Board: 12/13 Fiscal 2008: Audit Committee: 1/1 ⁽⁷⁾	12,518,766 ⁽⁶⁾	—	—	
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Mr. Viso founded MOVA Pharmaceutical Corporation (“MOVA”) in 1986. He served as its President and Chief Executive Officer until August 1, 2005 and, subsequently, as its Chairman until December 31, 2006. MOVA became a wholly-owned subsidiary of Patheon on December 23, 2004. Prior to founding MOVA, Mr. Viso was with SmithKline (now GlaxoSmithKline) (pharmaceutical company) for 16 years, where he held various senior management positions, including President and General Manager of SmithKline’s operations in Puerto Rico from 1978 to 1986. Currently, he is Chairman of MC-21 Corporation, and a director of Universidad Central del Caribe, a privately funded medical school in Puerto Rico, and of Scotiabank of Puerto Rico. Mr. Viso is also a controlling shareholder of Alara Pharmaceutical Corporation which has two contractual commercial relationships with MOVA. Mr. Viso received a B.Sc. in mechanical engineering from the University of Puerto Rico and a M.Sc. from the University of Michigan.

<u>Nominee for Election as Director</u>	<u>Restricted Voting Shares Owned, Controlled or Directed as at March 25, 2009</u>	<u>Outstanding Options as at March 25, 2009</u>	<u>Public Board Membership During Last Five Years</u>	
Derek J. Watchorn <i>Schomberg, Ontario, Canada</i> Director since: 1998 Independent	30,825 ⁽⁸⁾	30,000	Retirement Residences Real Estate Investment Trust	2001-2007
			IPC US Real Estate Investment Trust	2003-2007
Attendance Board:		11/13		
Fiscal 2008: Corporate Governance Committee:		4/4		
Compensation and Human Resources Committee:		5/5		
Audit Committee:		1/2 ⁽⁹⁾		

Mr. Watchorn is President, Chief Executive Officer, and a director of Revera Inc. ("Revera") (provider of accommodation and care for seniors), a private, wholly-owned subsidiary of a Canadian (federal) crown corporation. Revera acquired Retirement Residences Real Estate Investment Trust ("RRR"), then a publicly traded issuer, in January 2007. Mr. Watchorn was President, Chief Executive Officer, and a trustee of RRR from October 2004 to January 2007. He was a trustee of IPC US Real Estate Investment Trust ("IPC") (asset and property management) from October 2004 to December 2007. He served in London, England as Executive Vice-President, Strategic Initiatives, of Canary Wharf Group plc (commercial property company) from January 2003 until June 2004. Mr. Watchorn received an LL.B. from the University of Toronto.

Wesley P. Wheeler <i>Corona del Mar, California, U.S.A.</i> Director Since: 2007 Not Independent	35,000	1,730,000	—	
Attendance Board:		11/11 ⁽¹⁰⁾		
Fiscal 2008:				

Mr. Wheeler joined Patheon as Chief Executive Officer on December 3, 2007, and joined the Board, effective the same date. Prior to that, Mr. Wheeler was President, North America, R&D and Engineering of Valeant Pharmaceuticals International ("Valeant") (pharmaceutical company) from March to December 2007, President, North America and Research and Development of Valeant from April 2006 to March 2007, and President, North America and Global Commercial Development of Valeant from February 2003 to April 2006. Prior to that, Mr. Wheeler was President and Chief Executive Officer of DSM Pharmaceuticals Inc. ("DSM") (pharmaceutical company) from January 2002 to February 2003. Mr. Wheeler received a B.Sc. in mechanical engineering from Worcester Polytechnic Institute and an M.B.A. from California Lutheran University.

- (1) Mr. Bussandri was elected to the Board on March 27, 2008, after which date, seven meetings of the Board were held during the remainder of Fiscal 2008.
- (2) Mr. Currie was elected to the Board on March 27, 2008, after which date, seven meetings of the Board were held during the remainder of Fiscal 2008.
- (3) Mr. Currie was appointed to the Audit Committee and the Compensation and Human Resources Committee on March 27, 2008, following which date, three and two committee meetings of each of these committees, respectively, were held during the remainder of Fiscal 2008.
- (4) Mr. Green has previously been appointed as a director and officer of companies that have financial difficulties to assist such companies with financial restructuring, proposals or compromise arrangements. In this capacity, Mr. Green was appointed a director of Phillip Services Corp. which made a proposal under Chapter 11 of the U.S. Bankruptcy Code and the *Companies' Creditors Arrangement Act* (Canada) in 1999, and briefly became the Chairman and Chief Executive Officer of Norigen Inc. which went into receivership in August, 2001.
- (5) Mr. Green's term on the Compensation and Human Resources Committee expired effective March 27, 2008, before which three Compensation and Human Resources Committee meetings were held during Fiscal 2008.
- (6) The number of restricted voting shares indicated as being owned, controlled or directed by Mr. Joaquín B. Viso and his spouse, Ms. Olga Lizardi, represent approximately 13.75% of the outstanding restricted voting shares as at March 25, 2009.

- (7) Mr. Viso was appointed to the Audit Committee on September 4, 2008, after which date one meeting of the Audit Committee was held during the remainder of Fiscal 2008.
- (8) Includes 2,500 restricted voting shares held beneficially through his company DJW Investment Holdings Limited.
- (9) Mr. Watchorn was appointed to the Audit Committee on March 27, 2008, after which date, two meetings of the Audit Committee were held before his resignation from the committee on September 4, 2008.
- (10) Mr. Wheeler was appointed to the Board on December 3, 2007, after which date, eleven meetings of the Board were held during the remainder of Fiscal 2008.

All of the Special Voting Preferred Shares are currently held by JLL Patheon Holdings, LLC. JLL Patheon Holdings, LLC has advised Patheon that it intends to vote its shares at the meeting to elect the following three nominees as directors of Patheon:

Ramsey A. Frank
 Paul S. Levy
 Thomas S. Taylor

<u>Nominee for Election as Director</u>	<u>Restricted Voting Shares Owned, Controlled or Directed as at March 25, 2009</u>	<u>Outstanding Options as at March 25, 2009</u>	<u>Public Board Membership During Last Five Years</u>	
Ramsey A. Frank ⁽¹¹⁾ <i>Greenwich, Connecticut, U.S.A.</i> Director since: 2007 Not Independent	— ⁽¹²⁾	—	Builders FirstSource, Inc.	2001 - present
			PGT, Inc.	2003 - present
			PharmaNet Development Group, Inc.	2009 - present
Attendance Fiscal 2008:	Board: Audit Committee: Corporate Governance Committee: Compensation and Human Resources Committee:	12/13 2/3 ⁽¹³⁾ 4/4 2/3 ⁽¹⁴⁾		

Mr. Frank joined the Board on April 27, 2007. Mr. Frank is a Managing Director of JLL Partners, Inc. (private equity investment firm), which he joined in 1999. Mr. Frank also serves on the Boards of Motor Coach Industries International, Builders FirstSource, C.H.I. Overhead Doors, PGT, Inc., Education Affiliates and Medical Card System. Mr. Frank received a B.Sc. from Indiana University and an M.B.A. with high honours from the University of Chicago.

Paul S. Levy ⁽¹⁵⁾ <i>Scarsdale, New York, U.S.A.</i> Director since: 2007 Not Independent	— ⁽¹²⁾	—	Builders FirstSource, Inc.	1998 - present
			PGT, Inc.	2004 - present
			PharmaNet Development Group, Inc.	2009 - present
Attendance Fiscal 2008:	Board:	7/13		

Mr. Levy joined the Board on April 27, 2007. Mr. Levy is a Managing Director of JLL Partners, Inc. (private equity investment firm), which he founded in 1988. Prior to founding JLL Partners, Mr. Levy was a Managing Director at Drexel Burnham Lambert (investment bank), responsible for the firm's restructuring and exchange offer business in New York. Previously, Mr. Levy was Chief Executive Officer of Yves Saint Laurent, Inc., New York (fashion and cosmetics company); Vice-President of Administration and General Counsel of Quality Care, Inc. (home healthcare company); and an attorney with the law firm Stroock & Stroock & Lavan LLP. Mr. Levy received a B.A. from Lehigh University, where he graduated summa cum laude and Phi Beta Kappa, and a J.D. from the University of Pennsylvania Law School. Mr. Levy also received a certificate from the Institute of Political Science in Paris, France.

<u>Nominee for Election as Director</u>	<u>Restricted Voting Shares Owned, Controlled or Directed as at March 25, 2009</u>	<u>Outstanding Options as at March 25, 2009</u>	<u>Public Board Membership During Last Five Years</u>
Thomas S. Taylor <i>New York, New York, U.S.A.</i> Director since: 2007 Not Independent	— ⁽¹²⁾	—	PharmaNet Development Group, Inc.
Attendance Board:		11/13	2009-present
Fiscal 2008: Audit Committee:		6/6	2004-present
Compensation and Human Resources Committee:		2/2 ⁽¹⁶⁾	

Mr. Taylor joined the Board on April 27, 2007. Mr. Taylor is a Managing Director of JLL Partners, Inc. (private equity investment firm), which he joined in May 2005. From July 2004 to May 2005, Mr. Taylor was Business Strategy Consultant at The Hartford (insurance and financial service provider). Previously, Mr. Taylor was President and Chief Executive Officer of EPIX Holdings Corporation (human resource outsourcer) and Chief Financial Officer of Colorado Prime Corporation (gourmet home food service provider). He has also held various positions at Kraft Foods (food company) and PriceWaterhouse (accounting firm). Mr. Taylor also serves on the boards of Medical Card System and Skylight Financial, and is a director nominee of FC Holdings, Inc. Mr. Taylor received a B.Sc. from Miami University of Ohio and an M.B.A. from the University of Notre Dame, where he was class valedictorian.

- (11) Mr. Frank previously served as a director of New World Pasta Company, which filed for protection under Chapter 11 of the U.S. Bankruptcy Code in 2004 and as a director of Motor Coach Industries International, Inc., which filed for protection under Chapter 11 of the U.S. Bankruptcy Code in 2004.
- (12) JLL Patheon Holdings, LLC is the record and beneficial owner of 400,000 restricted voting shares, 150,000 Class I Preferred Shares, Series C of Patheon, and 150,000 Class I Preferred Shares, Series D of Patheon (collectively the “Shares”). JLL Patheon Holdings II, LLC is the record and beneficial owner of 1,250,000 restricted voting shares (the “Additional Shares”). By virtue of his position as the sole manager of each of JLL Patheon Holdings, LLC, and JLL Patheon Holdings II, LLC, Mr. Frank may be deemed the beneficial owner of the Shares and the Additional Shares. Mr. Frank disclaims beneficial ownership of the Shares and Additional Shares. By virtue of his position as managing member of JLL Associates G.P. V, L.L.C., the general partner of JLL Associates V, L.P., which in turn is the general partner of JLL Partners Fund V, L.P., which controls both JLL Patheon Holdings, LLC, and JLL Patheon Holdings II, LLC, Mr. Levy may be deemed the beneficial owner of the Shares and the Additional Shares. Mr. Levy disclaims beneficial ownership of the Shares and Additional Shares except to the extent of any pecuniary benefit thereof. Mr. Taylor does not beneficially own or control or direct, directly or indirectly, securities of any one or more classes of voting securities of the Company. As at March 25, 2009, the 150,000 Class I Preferred Shares, Series C of the Company are convertible into 36,444,420 restricted voting shares, representing, together with the 1,650,000 restricted voting shares, approximately 29.9% of the voting rights attached to the restricted voting shares of Patheon (in respect of all matters other than the election of directors). In addition, the Special Voting Preferred Shares owned by JLL Patheon Holdings, LLC currently entitle it to elect three directors of the Company.
- (13) Mr. Frank ceased to be a member of the Audit Committee, effective March 27, 2008, up to which date, three meetings of the Audit Committee had been held during Fiscal 2008.
- (14) Mr. Frank ceased to be a member of the Compensation and Human Resources Committee, effective March 27, 2008, up to which date, three meetings of the Compensation and Human Resources Committee had been held during Fiscal 2008.
- (15) Mr. Levy previously served as a director of Hayes Lemmerz International, Inc., which filed for protection under Chapter 11 of the U.S. Bankruptcy Code in 2001, as a director of New World Pasta Company, which filed for protection under Chapter 11 of the U.S. Bankruptcy Code in 2004, and as a director of Motor Coach Industries International, Inc., which filed for protection under Chapter 11 of the U.S. Bankruptcy Code in 2008.
- (16) Mr. Taylor was appointed to the Compensation and Human Resources Committee of March 27, 2008, after which date two meetings of the Compensation and Human Resources Committee were held during the remainder of Fiscal 2008.

Each of the above nominees proposed by the Board, if elected, will serve as a director of Patheon until the next annual meeting of shareholders or until his successor is elected or appointed.

Appointment of Auditors

On the recommendation of the Audit Committee, the Board proposes that Ernst & Young LLP, Chartered Accountants, be re-appointed as Patheon’s auditors to hold office until the next annual meeting of shareholders. Ernst & Young LLP have been auditors to Patheon and its predecessor corporation since May 23, 1984.

Please refer to the section entitled “Audit Committee Information — External Auditor Service Fees” in Patheon’s Annual Information Form dated December 12, 2008 available on SEDAR at www.sedar.com for information on the service fees billed by Ernst & Young LLP in Fiscal 2008.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Report on Executive Compensation

The following is the Compensation and Human Resources Committee (the “CHR Committee”) report on executive compensation. This report covers all executives whose compensation is reviewed by the Committee, including the executives referred to as the Named Executive Officers in the section entitled “*Executive Compensation*.”

Composition and Mandate of the Committee

Patheon’s executive compensation program is administered by the CHR Committee in accordance with the mandate set out in the CHR Committee’s Charter which has been adopted by the Board. During Fiscal 2008, the Committee was composed of Derek J. Watchorn (Chairman), Thomas S. Taylor, Paul W. Currie and until March 27, 2008, Ramsey A. Frank. No member of the CHR Committee was, during Fiscal 2008, or at any time previous, an officer or employee of Patheon or any of its subsidiaries.

The CHR Committee reviews the compensation levels for the Chief Executive Officer (“CEO”), the other executive officers and certain members of senior management. The CHR Committee also reviews information it receives from Patheon’s CEO, as well as advice it receives from external compensation consultants. The CHR Committee uses this information and advice to review and recommend to the Board any changes to the general compensation levels that it considers appropriate. In addition, the CHR Committee, on the recommendation of the CEO, reviews and recommends to the Board, or approves (where specifically authorized to do so), the discretionary cash bonuses, stock options, performance share units and restricted share units awarded to executive officers and senior management.

The CHR Committee’s responsibilities include:

- (a) review of management proposals regarding compensation policies and compensation programs for the members of the Board and the CEO;
- (b) review, at least annually, of the Company’s executive and management compensation policies and programs to ensure that they are competitive for the purpose of attracting and retaining qualified executives, reasonably related to personal and corporate performance, have the appropriate balance between short-term and long-term incentives and are of general benefit to the Company and, where appropriate, recommend to the Board, or approve (where specifically authorized to do so), any amendments to existing policies or programs, or the establishment of new policies or programs;
- (c) review, periodically, of the fees and other compensation arrangements in place for members of the Board to ensure that they are competitive for the purpose of attracting and retaining the services of experienced and highly qualified independent directors and, where appropriate, recommend to the Board any amendments to such fees and compensation arrangements;
- (d) review of, and recommending to the Board, as appropriate, any employment contracts and amendments thereto between the Company and the CEO;
- (e) recommending to the Board an appropriate compensation package for the CEO, based on a review of compensation practices for CEOs in the same or other appropriate industries, the Company’s compensation policies and programs, the goals and objectives of the CEO and his or her respective performance in respect of these goals and objectives;
- (f) review, and, if appropriate, recommend approval to the Board, or approve (where specifically authorized to do so), the CEO’s recommendation for the material elements of the compensation programs for all other executive officers of the Company, including annual incentive payments;
- (g) review and, if appropriate, approve (i) the establishment of an annual cash incentive plan for executive officers (other than the CEO) and senior management of the Company; (ii) amendments to any existing annual cash

incentive plan, including the amendment of any performance criteria thereunder; (iii) payments under any existing cash incentive plan;

- (h) assuring itself that the Company’s executive and director compensation programs have been administered in accordance with their terms; and
- (i) reviewing all executive compensation disclosures before the Company publicly discloses this information.

Compensation Program

The CHR Committee believes that Patheon’s compensation program is consistent with that of other Canadian public companies of similar size and scope. To maintain the compensation program’s competitiveness, the CHR Committee utilizes established methodologies to compare the Company against companies with similar market capitalizations in both the pharmaceutical industry and general industry sectors. The Company uses compensation data related to the jurisdiction of residence of each Patheon executive while evaluating and determining compensation.

The CHR Committee engaged Towers Perrin HR Services (“Towers Perrin”) during Fiscal 2007 and 2008 to advise the CHR Committee regarding appropriate comparative compensation information and regarding changes to Patheon’s compensation program in light of the financial restructuring undertaken during Fiscal 2007 and evolving market practices. The CHR Committee also recommended, and the Board adopted, changes to the Company’s long-term incentive compensation program which were applied during Fiscal 2008. The nature of the changes adopted for Fiscal 2008 is discussed below. During Fiscal 2007 and 2008, Towers Perrin did not provide any consulting or other services to the Company except as described above.

Compensation Elements

In Fiscal 2008, the Patheon executive compensation program consisted of both fixed and variable elements of compensation including both short-term incentives (annual cash incentive) and long-term incentives (stock options and performance share units). The following table provides an overview of each element of the Patheon compensation program in Fiscal 2008:

Element	Form	Eligibility	Performance Period	Determination
Base Salary	Cash	All employees	1 Year	<ul style="list-style-type: none"> • Base salary targets are set at market median and are further adjusted based on individual performance
Short-Term Incentive	Annual Cash Incentive Bonus	All employees	1 Year	<ul style="list-style-type: none"> • Annual incentives are subject to Patheon’s performance against predetermined corporate objectives • Annual incentives are also based on individual achievement of personal performance objectives
Long-Term Incentive	Restricted Share Units ⁽¹⁾ (Cash)	Directors, officers, key employees and consultants	1/3 vest on each of first, second and third anniversaries of the grant	<ul style="list-style-type: none"> • Initial value of this cash incentive is based on market value of Patheon restricted voting shares at time of grant • Final value of cash incentive is based on market value of restricted voting shares at time of payout

<u>Element</u>	<u>Form</u>	<u>Eligibility</u>	<u>Performance Period</u>	<u>Determination</u>
	Performance Share Units (Cash)	Directors, officers, key employees and consultants	<ul style="list-style-type: none"> • 3-year anniversary from date of grant, subject to corporate performance criteria • May be accelerated if employment terminated or upon a change of control of Patheon 	<ul style="list-style-type: none"> • Based on Patheon's share price increase and return on invested capital during the three-year period • Vesting period of each grant is determined at the time of grant
	Stock Options	Directors, officers, key employees and consultants	In the past, options generally vested over 3 years: 1/3 on each of the first, second and third anniversaries of the grant	<ul style="list-style-type: none"> • Based on share price appreciation up to a 10-year term with vesting typically over initial three years • Initial exercise price is based on weighted average market price of restricted voting shares during the two trading days immediately preceding the grant date • Final value is based on market value at time of exercise relative to exercise price at time of grant
Benefits	Health, dental, pension, life insurance and disability programs	All employees	Ongoing	<ul style="list-style-type: none"> • Based on market median

(1) At this time, there are no plans to grant any additional units under the Restricted Share Unit Plan. Restricted Share Units granted prior to Fiscal Year 2008 will vest and become payable in accordance with the terms under which they were granted.

For Fiscal 2008, the Board implemented the Performance Share Unit Plan designed to provide a longer-term incentive more directly tied to performance. For additional information, please see “*Performance Share Unit Plan*” below. Additionally for Fiscal 2008, the Board adopted changes to the directors’ compensation program with respect to long-term incentive compensation by implementing a Directors’ Deferred Share Unit Plan. For additional information, please see “*Compensation of Directors*” below.

Fixed Compensation — Base Salary

The only element of compensation that is fixed on an annual basis is base salary. The CHR Committee reviews base salaries for Patheon’s executives annually in light of average salaries for similar positions of the peer group and adjusts base salaries where appropriate based on levels of responsibility and sustained performance.

Variable Compensation

The variable elements of compensation range from short-term incentives (annual cash incentive bonus) to longer-term incentives (stock options). The level of variable compensation offered to executives and other employees is determined, in part, on the Board’s overall assessment of Patheon’s business performance, including achievement against stated corporate objectives. In years where corporate performance meets or exceeds stated objectives, the foundation for award considerations will generally be above market median incentive levels. The opposite is true if performance does not meet objectives, and awards for short-term incentives are adjusted accordingly.

Annual Cash Incentive Bonus

Patheon has established a cash incentive program pursuant to which Patheon’s personnel may receive cash incentive bonuses based on certain performance criteria, subject to certain prescribed limits.

All senior executives, other than the CEO, are entitled to an annual cash incentive bonus between 30% and 60% of their annual base salary. The award of this short-term incentive is subject to Patheon achieving certain financial objectives at the EBITDA level established by the Board at the beginning of each fiscal year, the achievement of certain corporate objectives at the operating unit level established by the CEO, and the achievement of certain personal objectives established by the CEO.

Bonus payments earned in Fiscal 2008 were based on the 2008 Performance Incentive plan (the "Bonus Plan") which set specific financial, key performance indicators ("KPIs") and individual objectives for each senior executive of the Company following the completion of the previous fiscal year. Each performance objective is weighted appropriately and was calculated on the basis of percentage of the applicable targets actually achieved. In Fiscal 2008, the financial objectives were not met relating to target EBITDA performance and as a result, no bonus payments were paid out opposite this financial metric. Bonus was earned under the Bonus Plan in the areas of individual performance and KPIs. In addition, as recommended by the CHR Committee and approved by the Board of Directors, a discretionary bonus amount was accrued for certain Named Executive Officers relating to significant contributions made in transitioning the business in 2008.

Restricted Share Unit Plan

For Fiscal 2008, the Board replaced the Restricted Share Unit Plan ("RSU Plan") with the Performance Share Unit Plan ("PSU Plan").

The RSU Plan was established by the Board in February 2005 as an additional mid-term incentive program for executive officers, senior management, key employees and certain consultants. The intent of the RSU Plan was to retain key employees by aligning a considerable portion of their compensation with a three-year term incentive program. The Board authorized the CHR Committee to administer the RSU Plan and all costs and expenses of administering it are paid for by Patheon.

Under the terms of the RSU Plan, a participant is entitled to a cash payment for each restricted share unit (an "RSU") equivalent to the market price of one Patheon restricted voting share (the weighted average price at which the shares have traded on the Toronto Stock Exchange (the "TSX") during the two days immediately prior to the vesting of the RSU). RSUs vest and are payable as to one third on each of the first three anniversaries of the RSU grant date. The CHR Committee may attach conditions including financial performance targets to all or any portion of the RSU award, although, historically, no financial performance targets have been attached to RSUs granted. Vesting may be accelerated if the participant's employment is terminated or upon a change of control of Patheon. RSU awards are granted at the discretion of the CHR Committee as it determines appropriate to provide mid-term incentive compensation.

The maximum number of RSUs that may be granted under the RSU Plan is 2,000,000, subject to adjustments due to changes in the number of outstanding shares. As at October 31, 2008, 524,483 RSUs had been granted under the RSU Plan. The CHR Committee did not grant during Fiscal 2008, and does not currently intend to grant any additional RSUs under the RSU Plan. The final cash payment made under the RSU Plan was made on February 27, 2009 in respect of RSUs vesting on February 3, 2009.

Performance Share Unit Plan

Further to the work conducted by Towers Perrin (see "*Compensation Program*" above), the CHR Committee recommended, and, in December 2007, the Board adopted the PSU Plan to replace the RSU Plan for Fiscal 2008 onwards. The Board authorized the CHR Committee to administer the PSU Plan and all costs and expenses of administering it are paid for by Patheon.

The purposes of the PSU Plan are threefold: (i) to encourage participants under the Plan to further the growth and development of the Company; (ii) to assist the Company to retain and attract executives and key employees; and (iii) to reward significant achievements. Each PSU represents the right, subject to certain conditions imposed at the time of grant, to receive a payment upon vesting of the PSU, equal to the market price at the end of a defined performance period applicable to the PSU. For the purposes of the PSU Plan, market price means the weighted average price at which the shares have traded on the TSX during the two trading days immediately prior to the last day of the performance period. The CHR Committee may impose additional conditions on the grant of PSUs, including for example, conditions as to the ownership of shares by a participant. The CHR Committee may also impose performance conditions to be applied to

determine the extent to which PSUs will vest and the corresponding payments, if any, to be made in respect of vested PSUs, including (without limitation) conditions in respect of market price, financial performance or results of the Corporation or its subsidiaries or their respective business units, and the relative weighting of any applicable performance conditions. The CHR Committee determines whether performance conditions have been satisfied and may, in their discretion, waive their application.

Under the PSU Plan, PSUs will be eligible for vesting on the third anniversary of the date of grant based on the Company's performance. For Fiscal 2008, the CHR Committee determined that the vesting of PSUs would be based on Patheon's share price and return on invested capital during the three year period following the grant. Vesting may be accelerated if the participant's employment is terminated or upon a change of control of Patheon. PSU awards will be granted at the discretion of the CHR Committee to provide long-term incentive compensation.

Each PSU award is a liability of Patheon, and the amount of such liability is, or will be, accrued evenly over the vesting period and based on the closing price of the restricted voting shares at the end of the reporting period. The liability is equal to the number of outstanding PSUs multiplied by Patheon's closing stock price then in effect. With respect to PSUs, the accrual will also take into account management's estimate of the likelihood of achieving the respective performance criteria.

Incentive Stock Option Plan

Long-term incentives are awarded to executives through the Incentive Stock Option Plan ("Option Plan"). The PSU Plan, adopted in Fiscal 2008, is also intended to provide long-term incentives.

The Option Plan was established for the benefit of officers, key employees, directors and certain consultants of Patheon and its subsidiaries. The intent of the Option Plan is to link a significant portion of an executive's long-term compensation package to the growth and profitability of Patheon, thereby aligning the interests of executives with shareholders. A summary of the Option Plan is provided below.

The CHR Committee is responsible for determining which eligible persons are granted options and the terms and conditions that will attach to such grants, subject to the terms of the Option Plan. In granting such options, the CHR Committee considers recommendations by Patheon's CEO and the number and terms of existing options. The CHR Committee structures the exercise periods and other terms of newly granted options with the primary goal of aligning optionholder and shareholder interests.

In Fiscal 2008, the following amendments to the Option Plan were approved by the Board and subsequently, by shareholders at the meeting of shareholders on March 27, 2008:

- amended the 7.5% rolling maximum for the number of shares issued under the Option Plan to take into account the restricted voting shares issuable on conversion of the Convertible Preferred Shares;
- set out a detailed amendment procedure setting out the types of amendments to the Option Plan requiring shareholder approval and the types of amendments that can be approved by the Board without shareholder approval; and
- provided an automatic extension for a short period of any options that would otherwise expire during or shortly after a blackout period.

The above amendment to the Option Plan limit increased the number of unallocated options to 2,778,428 as of February 28, 2008, which was approved at the meeting of shareholders on March 27, 2008.

The following is a summary of the Option Plan:

Exercise Price: The exercise price of restricted voting shares subject to an option is determined at the time of grant and the price cannot be less than the weighted average market price of the restricted voting shares of Patheon on the TSX during the two trading days immediately preceding the grant date.

Expiry of Options: The maximum term for options granted under the Option Plan is 10 years. In addition to expiry upon the end of the term of the grant (whether that be set at 10 years or a lesser period), options are also subject to early expiry in the event of:

- Death — the options shall terminate 24 months following the date of death.

- Resignation — the options shall terminate 12 months following such resignation
- Dismissal for Wilful Fault or Fraud — the options shall terminate immediately
- Retirement — the options shall terminate 24 months following the date of retirement

Following approval of amendments to the Option Plan at the meeting of shareholders on March 27, 2008, the Option Plan was amended such that any options that expire during or shortly following a blackout period will be automatically extended until 10 business days following the completion of the blackout period.

Vesting: The CHR Committee determines the vesting period of each grant on the date of grant. In the past, options have generally vested over three years, one-third on each of the first, second and third anniversary of the grant date.

Non-assignable: Options are not assignable or transferable except in the event of the optionee's death, whereupon options may be exercised by the appropriate legal representatives in accordance with their terms.

Adjustments: The Option Plan provides for appropriate adjustments to be made to the type, number and/or price of the securities subject to the options in such events as subdivision, consolidation, stock dividend, reclassification or conversion, recapitalization or reorganization.

No Financial Assistance: Patheon provides no financial assistance to the optionees in connection with the exercise of stock options.

Option Plan Amendments: The CHR Committee determines the terms of each option granted, including the number of options granted, the exercise price, the expiry date and the vesting dates. The Board may at any time suspend or terminate the Option Plan in whole or in part. Currently, the TSX rules require that shareholder approval be obtained for any amendment to the Option Plan unless it expressly provides that amendments, other than amendments expressly stipulated in the Option Plan to be subject to shareholder approval, may be made without shareholder approval. The Option Plan includes provisions, complying with the current TSX rules, which set out the specific types of amendments that cannot be made by the Board without shareholder approval. The following types of amendments require shareholder approval:

- a change to increase the Option Plan limit;
- a change to reduce the exercise price of an outstanding option;
- a change to extend the original expiry date of an option;
- a change to extend the maximum option term permitted under the Option Plan;
- a change to increase the maximum number of restricted voting shares that may be issuable on exercise of options granted to outside directors;
- a change to increase any limit on grants of options to insiders set out in the Option Plan; and
- a change relating to the transferability of options other than for normal estate settlement purposes.

All other amendments may be made by the Board without the approval of the shareholders. Such amendments may include, without limitation, amendments related to:

- vesting provisions for the Option Plan or any option granted under the Option Plan;
- early termination provisions of the Option Plan or any option granted under the Option Plan;
- the addition of any form of financial assistance by Patheon for the acquisition by all or certain categories of participants, and the subsequent amendment of any such provision which is more favourable to such participants;
- the addition or modification of a cashless exercise feature, payable in cash or restricted voting shares, regardless of whether it provides for a full deduction of the number of restricted voting shares from the plan limit; and
- the suspension or termination of the Option Plan.

Plan Limit: Under the amendments to the Option Plan approved by the shareholders at the meeting of March 27, 2008, the maximum number of restricted voting shares that may be issued under the Option Plan was increased to 7.5% of the sum of the issued and outstanding restricted voting shares of Patheon from time to time and the number of restricted voting shares of Patheon issuable upon the conversion of the Convertible Preferred Shares outstanding from time to time. In

addition, at the time of the granting of the options, the aggregate number of restricted voting shares reserved for issuance to any one individual may not exceed 5% of Patheon's then issued and outstanding restricted voting shares or 4,557,469 shares and the aggregate number of restricted voting shares reserved for issuance to directors of Patheon who are not employees of Patheon may not exceed 1% of Patheon's then issued and outstanding restricted voting shares or 911,494 shares. In addition, the number of restricted voting shares issuable to insiders of Patheon, at any time, under all security-based compensation arrangements, may not exceed 10% of Patheon's then issued and outstanding restricted voting shares. Additionally, the number of restricted voting shares issued to insiders of Patheon, within any one-year period and under all security-based compensation arrangements, cannot exceed 5% of Patheon's then issued and outstanding restricted voting shares.

Outstanding Options: The maximum number of option grants available under the Option Plan at March 25, 2009 is 9,569,536 or 7.5% of the total number of currently issued and outstanding restricted voting shares of Patheon. The total number of restricted voting shares issued and outstanding under option grants as at March 25, 2009 was 5,170,034 representing approximately 4.1% of the currently issued and outstanding restricted voting shares of Patheon.

The following table provides information as of October 31, 2008 regarding Patheon's equity compensation.

Equity Compensation Plan Information

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options</u> (a)	<u>Weighted-average exercise price of outstanding options</u> (b)	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u> (c)
Equity compensation plans approved by securityholders -			
Option Plan	5,987,965	\$6.23	3,524,695
Equity compensation plans not approved by securityholders -			
None	Nil	Nil	Nil
Total	5,987,965	\$6.23	3,524,695

Benefits

Patheon maintains or contributes to private and/or government-sponsored pension plans and health and welfare plans in the countries in which it has operations. See "*Pension Plan Arrangements*" below for details on the pension arrangement for certain senior officers of the Company.

CEO Compensation for Fiscal 2008

Wesley P. Wheeler was appointed CEO of Patheon effective December 3, 2007.

General

The compensation package for the CEO includes the same elements of compensation offered to other executive officers of Patheon. The CHR Committee conducts an annual review of the CEO's compensation package and makes recommendations to the Board utilizing the same market-based, performance-related basis as for other executive officers. In Fiscal 2008, the Committee also took into account the need to ensure stability and to provide proper incentives during the Company's strategic and financial alternatives review process and the need to attract a leading CEO candidate to implement the Company's business strategy going forward.

Upon hiring, and pursuant to the terms of his employment agreement, Mr. Wheeler received a cash signing bonus of \$390,222. Mr. Wheeler is also entitled to an annual cash incentive bonus of up to 100% of his base salary based on achieving certain financial and other targets recommended by the CHR Committee and approved by the Board. On December 18, 2007, options to purchase 1,730,000 restricted voting shares were granted to Mr. Wheeler in accordance

with the terms of his employment. His employment terms provide that future grants will be at the discretion of the Committee.

Overview of Performance of the CEO

Mr. Wheeler earned a bonus in fiscal year 2008 in part based on the Bonus Plan provisions offered to other executive officers of Patheon. For his performance in fiscal year 2008, Mr. Wheeler was awarded a cash bonus of \$616,140, equivalent to 100% of his annual salary. A portion of this bonus reflected his performance for attaining certain pre-determined individual objectives in accordance with the executive Bonus Plan. The other portion of the bonus earned was made on a discretionary basis in the same manner as other Named Executive Officers based on the Board considering the extent to which this payment was appropriate in light of the outcome of his contribution to the strategic and financial turnaround of the organization. In making this additional bonus determination, the Board considered many additional factors of Mr. Wheeler's performance including: the efforts made to solidify the current customer base at a time of significant change in the organization, the transformation and on-boarding of a new executive team, the level of turnaround of the Company's EBITDA performance, the progress made to reduce the Company cost structure including headcount reductions and process improvements, the development of a new 5 year strategic plan and the initiatives to set up the Company's U.S. headquarters in Raleigh, North Carolina while reducing the size of the Canadian operations and lastly, the introduction of both a Japanese and Swiss based strategic presence for longer term revenue and tax considerations, respectively.

This Report on Executive Compensation was submitted on behalf of the CHR Committee.

Paul W. Currie Thomas S. Taylor Derek J. Watchorn (Chair)

Executive Compensation

The tables and the related narrative below present information about compensation for Patheon's CEO, CFO and the three other most highly compensated executive officers of Patheon (collectively, the "Named Executive Officers") for its three most recently completed financial years. In accordance with securities legislation, the Named Executive Officers were determined on the basis of total cash compensation (salary and bonus) earned in Fiscal 2008. All amounts are expressed in Canadian dollars.

Table 1 — Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation			All Other Compensation ⁽³⁾
		Salary	Bonus	Other Annual Compensation ⁽¹⁾	Securities Under Options Granted (#)	Shares or Units Subject to Resale Restrictions ⁽²⁾		
Wesley P. Wheeler ⁽⁴⁾	2008	\$564,795	\$1,006,362 ⁽⁵⁾	—	1,730,000	—	\$ 4,225	
Chief Executive Officer	2007	N/A	N/A	N/A	N/A	N/A	N/A	
(appointed Dec. 3, 2007)	2006	N/A	N/A	N/A	N/A	N/A	N/A	
Riccardo C. Trecroce	2008	\$100,128	—	—	—	—	\$1,632,254	
Chief Executive Officer	2007	\$550,000	\$ 334,340	—	—	—	\$ 22,793	
(appointed Sept. 10, 2006; resigned as CEO on Dec. 3, 2007; left Patheon Jan. 2008)	2006	\$410,719	—	—	—	\$150,447	\$ 27,111	
Eric W. Evans ⁽⁴⁾	2008	\$155,286	\$ 179,708	\$55,252 ⁽⁵⁾	200,000	—	\$ 1,198	
Chief Financial Officer	2007	N/A	N/A	N/A	N/A	N/A	N/A	
(appointed May 14, 2008)	2006	N/A	N/A	N/A	N/A	N/A	N/A	
John H. Bell	2008	\$213,000 ⁽⁶⁾	\$ 265,356 ⁽⁷⁾	—	—	—	—	
Chief Financial Officer	2007	\$360,000 ⁽⁶⁾	\$ 252,500 ⁽⁷⁾	—	—	—	—	
(appointed Sept. 25, 2006 resigned May 31, 2008)	2006	\$ 30,000 ⁽⁶⁾	—	—	—	—	—	
Nick A. DiPietro	2008	\$383,333	\$ 30,575	—	100,000	—	\$1,600,998	
Executive Vice President, Corporate Development	2007	\$550,000	\$ 306,200	—	100,000	—	\$ 49,622	
	2006	\$550,000	—	—	100,000	—	\$ 53,824	
Aldo Braca	2008	\$530,392	\$ 317,206	—	398,046	—	\$ 508,314	
President, Patheon	2007	\$498,463	\$ 170,134	—	—	—	\$ 199,083	
Europe ⁽⁴⁾	2006	\$450,483	—	—	—	\$238,920	\$ 163,673	
Terry Novak ⁽⁴⁾	2008	\$329,892 ⁽⁸⁾	\$ 228,845 ⁽⁹⁾	—	100,000	—	\$ 4,672	
President, North American Operations and Chief Marketing Officer	2007	N/A	N/A	N/A	N/A	N/A	N/A	
(appointed February 18, 2008)	2006	N/A	N/A	N/A	N/A	N/A	N/A	

- (1) With the exception of amounts disclosed for Mr. Evans, perquisites and other personal benefits did not, in the aggregate, exceed the lesser of \$50,000 and 10% of the respective total salary and bonus for each of the Named Executive Officers.
- (2) Dollar amounts listed represent the value of the RSUs as at the date of the grants. As at October 31, 2008, there were 87,546 RSUs outstanding in aggregate, which, as at that date, represented a total value of \$176,843. The RSUs vest and are payable as to one third each on each of the first, second and third anniversaries of the grant date. No dividends or dividend equivalents will be paid on the RSUs.
- (3) "All other compensation" includes the amount of term life insurance premiums paid by Patheon in each fiscal year for the benefit of the Named Executive Officers and the following specific payments:
 - (i) In the case of Mr. Trecroce, the amount includes Patheon's contributions in each fiscal year to Mr. Trecroce's Registered Retirement Savings Plan (see "*Pension Plan Arrangements*" below) and, in prior fiscal years, to a certain Employee Share Purchase Savings Plan (which Plan was temporarily suspended effective October 1, 2006 as a cost saving initiative, and which, as at the date hereof, has not been re-initiated) as well as a resignation lump sum payment and vacation pay.
 - (ii) In the case of Mr. DiPietro, the amount includes the amount of Patheon's contribution in each fiscal year to a defined benefit pension plan established for Mr. DiPietro (see "*Pension Plan Arrangements*" below), Patheon's contribution to an individual pension plan for Mr. DiPietro, as well as a lump sum resignation payment.
 - (iii) In the case of Mr. Braca, the amount includes Patheon's contribution in each fiscal year to the pension plan administered by the Italian government as required under the Italian National Collective Bargaining Agreement (see "*Pension Plan Arrangements*" below). In addition, the amount includes an amount accrued by Patheon in each fiscal year in accordance with Italian labour laws for the employee benefit payable to Mr. Braca on separation from employment, which amount is subject to annual adjustments based on indices provided by the Italian government. For 2008, the amount also includes \$168,125 paid to Mr. Braca for unused vacation time, accrued during his years of employment, mandatory under Italian law.
 - (iv) In the case of Mr. Evans and Mr. Novak, includes amount of matching contributions made by the Company to the employees' 401(k) savings plans.
- (4) Amounts represent the Canadian-dollar equivalent of payments actually earned or paid to Mr. Braca in euros and Messrs. Wheeler, Evans and Novak in U.S. dollars. Amounts have been converted using the average of the Bank of Canada exchange rates in effect during each fiscal year, as set forth below:

<u>Average Exchange Rates</u>	<u>Fiscal 2008</u>	<u>Fiscal 2007</u>	<u>Fiscal 2006</u>
1 euro equals Canadian dollars:	1.5323	1.4779	1.4062
1 U.S. dollar equals Canadian dollars:	1.0269	N/A	N/A

- (5) Includes car allowance payments totalling \$5525, and a one-time payment of \$49,727 in respect of a private school contract.
- (6) Includes a one-time, signing bonus of \$390,222, pursuant to Mr. Wheeler's employment agreement.
- (7) These amounts reflect payments (exclusive of Goods and Services Tax) to Whitehall Management Group, a sole proprietorship of Mr. Bell, in respect of Mr. Bell's services to Patheon pursuant to a consulting agreement between Patheon and Whitehall Management Group under which Mr. Bell was appointed as Chief Financial Officer on September 25, 2006. Mr. Bell resigned as Chief Financial Officer on May 31, 2008.
- (8) Includes \$46,211 of deferred compensation, of which 1/5 will vest upon each anniversary of Mr. Novak's date of hire.
- (9) Includes a one-time, signing bonus of \$102,690.

Option Grants

The following table sets out certain information relating to the options granted to the Named Executive Officers during Fiscal 2008.

Table 2 — Option Grants During Fiscal 2008

<u>Name</u>	<u>Restricted Voting Shares Under Options Granted⁽²⁾</u>	<u>% of Total Options Granted to Employees in Fiscal 2008</u>	<u>Exercise Price (\$/Restricted Voting Share)⁽¹⁾</u>	<u>Market Value of Restricted Voting Shares Underlying Options on the Date of Grant (\$/Restricted Voting Share)</u>	<u>Expiration Date</u>
Riccardo Trecroce	—	—	—	—	—
Wesley Wheeler	1,260,000	32.47	\$3.14	\$3.15	Dec. 18, 2014
	470,000 ⁽³⁾	12.11	\$3.14	\$3.15	Dec. 18, 2014
Eric Evans	200,000	5.15	\$4.16	\$4.32	June 19, 2015
John Bell	29,033 ⁽⁴⁾	0.75	\$3.25	\$3.15	May 31, 2009
Nick DiPietro	100,000 ⁽⁵⁾	2.58	\$3.14	\$3.15	Dec. 18, 2017
Aldo Braca	88,046	2.27	\$3.25	\$3.15	Jan. 21, 2015
	210,000	5.41	\$3.28	\$3.35	Apr. 14, 2015
	100,000	2.58	\$3.13	\$3.20	Sept. 29, 2015
Terry Novak	100,000	2.58	\$3.28	\$3.35	Apr. 14, 2015

- (1) Initial exercise price is based on weighted average market price of restricted voting shares during the two trading days immediately preceding the grant date.
- (2) Options generally vest over three years, one-third on each of the first, second and third anniversary of the grant date, except as set out below.
- (3) On December 18, 2007, Patheon granted to Wesley P. Wheeler, in connection with his agreeing to become Patheon's CEO, options to acquire 1,730,000 restricted voting shares, at an exercise price of \$3.14 per share. 470,000 of these options vested immediately, and the remainder will vest in equal instalments on the first, second and third anniversary of the grant date. The options have a seven-year term.
- (4) At the time of Mr. Bell's resignation, one-third of the options granted in Fiscal 2008 had vested and the balance was forfeited.
- (5) The full 100,000 options vest on the first anniversary under the terms of Mr. DiPietro's employment agreement.

Option Exercises

No options to purchase restricted voting shares were exercised by the Named Executive Officers during Fiscal 2008. The following table sets out certain information with respect to restricted voting shares under option to the Named Executive Officers as at October 31, 2008.

Table 3 — Aggregated Stock Option Exercises During Fiscal 2008 and Value of Options as at October 31, 2008

<u>Name</u>	<u>Restricted Voting Shares Acquired on Exercise</u>	<u>Aggregate Value Realized</u>	<u>Unexercised Options at October 31, 2008</u>		<u>Value of Unexercised in-the-Money Options at October 31, 2008⁽¹⁾</u>	
			<u>Exercisable</u>	<u>Unexercisable</u>	<u>Exercisable</u>	<u>Unexercisable</u>
Wesley Wheeler	—	—	470,000	1,260,000	—	—
Riccardo Trecroce	—	—	115,000	—	—	—
Eric Evans	—	—	—	200,000	—	—
John Bell	—	—	9,677	—	—	—
Nick DiPietro	—	—	1,240,000	—	—	—
Aldo Braca	—	—	260,000	398,046	—	—
Terry Novak	—	—	—	100,000	—	—

- (1) Based on the closing price of the restricted voting shares on October 31, 2008 of \$1.98. No options were in-the-money.

Restricted Share Unit Grants

No RSUs were granted during Fiscal 2008. For details on the RSU Plan, please see “*Report on Executive Compensation — Variable Compensation — Restricted Share Unit Plan*”.

Restricted Share Units Vested

The table below shows the number of RSUs vested (and, therefore, paid out) during Fiscal 2008 in respect of each of the Named Executive Officers and the number and value of unvested RSUs with respect to each of the Named Executive Officers as at October 31, 2008. During Fiscal 2008, certain RSUs of the Named Executive Officers vested on February 3, 2008, while others vested on February 22, 2008. For details on the RSU Plan, please see “*Report on Executive Compensation — Variable Compensation — Restricted Share Unit Plan*”.

Table 4 — RSUs Vested During Fiscal 2008 and Value of RSUs Not Yet Vested as at October 31, 2008

Name	Aggregate Value of RSUs that Vested on February 3, 2008 (\$)⁽¹⁾	Aggregate Value of RSUs that Vested on February 22, 2008 (\$)⁽²⁾	RSUs Not Yet Vested as at October 31, 2008 (#)	Aggregate Value of RSUs Not Yet Vested as at October 31, 2008 (\$)⁽³⁾
Wesley P. Wheeler	—	—	—	—
Riccardo C. Trecroce	\$22,928	\$22,141	6,926	\$13,991
Eric W. Evans	—	—	—	—
John H. Bell	—	—	—	—
Nick A. DiPietro	—	—	—	—
Aldo Braca	\$36,410	\$35,523	11,000	\$22,220
Terry Novak	—	—	—	—

- (1) The value was determined by multiplying the number of vested RSUs by the weighted average price at which the restricted voting shares of Patheon traded on the TSX during the two days immediately prior to February 3, 2008 (\$3.31).
- (2) The value was determined by multiplying the number of vested RSUs by the weighted average price at which the restricted voting shares of Patheon traded on the TSX during the two days immediately prior to February 22, 2008 (\$3.20).
- (3) The value was determined by multiplying the number of outstanding RSUs by the weighted average price at which the restricted voting shares of Patheon traded on the TSX during the two days immediately prior to October 31, 2008 (\$2.02). The value of an RSU on the payout date, being 1/3 of the total number of RSUs on each of the first, second and third anniversaries from the date of grant, is equal to the weighted average price at which the restricted voting shares of Patheon have traded on the TSX during the two days immediately prior to the payout date (i.e., the date on which the RSU vested).

Performance Share Unit Grants

During Fiscal 2008, no PSUs were granted to the Named Executive Officers, with the exception of Mr. Braca. In addition, no PSUs vested during Fiscal 2008.

**Table 5 — PSUs Granted During Fiscal 2008 and
Value of PSUs Not Yet Vested as at October 31, 2008**

<u>Name</u>	<u>PSUs Granted and Not Yet Vested as at October 31, 2008 (#)</u>	<u>Aggregate Value of PSUs Not Yet Vested as at October 31, 2008 (\$) ⁽¹⁾</u>
Wesley P. Wheeler	—	—
Riccardo C. Trecroce	—	—
Eric W. Evans	—	—
John H. Bell	—	—
Nick A. DiPietro	—	—
Aldo Braca	38,046	\$76,853
Terry Novak	—	—

(1) The value was determined by multiplying the number of outstanding PSUs by the weighted average price at which the restricted voting shares of Patheon traded on the TSX during the two days immediately prior to October 31, 2008 (\$2.02).

Employment Agreements

Wesley P. Wheeler

Patheon appointed Mr. Wheeler as CEO of the Company, effective December 3, 2007. His employment terms provide for an initial term of two years and for successive one-year terms thereafter unless, not less than 90 days prior to the end of any such term, either Patheon or Mr. Wheeler notifies the other of its or his intention not to renew the agreement. Mr. Wheeler is entitled to an annual base salary of US\$600,000, subject to revisions by the Board, and to receive a performance bonus of up to 100% of his base salary based on achieving financial and other targets set by the Board. If Mr. Wheeler’s employment is terminated without cause during the term of his agreement, or if Mr. Wheeler terminates his employment for good reason, as described below, Patheon is required to pay him his base salary for two years, in equal monthly instalments.

Upon agreeing to his employment terms, Mr. Wheeler received a signing bonus of US\$380,000 and was granted 1,730,000 options in the aggregate under the Option Plan. 1,260,000 of these options vest in three equal amounts on the first, second and third anniversaries of the date of their grant and have a seven-year term. The remaining 470,000 options vested immediately on the date of their grant and have a seven-year term.

The employment terms with Mr. Wheeler provide certain rights in the event of a change of control of Patheon. A change of control includes an event that results in any person other than JLL Partners or its affiliates owning more than 50% of the then outstanding voting securities of the Company. If Mr. Wheeler is terminated without cause, or if Mr. Wheeler terminates his employment for good reason, at any time within a six-month period following a change of control, Mr. Wheeler will be entitled to receive his base salary for two years payable in equal monthly instalments plus his target performance bonus for two years. Mr. Wheeler’s unvested options will also immediately vest and remain in force for the duration of their original term.

For the purposes of Mr. Wheeler’s employment terms, good reason means the occurrence of any of the following events: (i) the removal of Mr. Wheeler from his position as CEO; (ii) a material reduction in Mr. Wheeler’s duties or responsibilities or the assignment to Mr. Wheeler of duties materially inconsistent with his position; or (iii) the material breach by Patheon of the employment terms which is not remedied within 30 days of written notice from Mr. Wheeler.

Riccardo C. Trecroce

The services of Mr. Trecroce, the former CEO of Patheon, were provided pursuant to an amended and restated employment agreement with Patheon made as of October 13, 2006 and further amended on June 25, 2007. Mr. Trecroce ceased to be the CEO of Patheon effective December 3, 2007 and left Patheon in January 2008.

Mr. Trecroce’s employment agreement stipulated the severance package that he was entitled to receive, consisting of 24 months’ salary and benefits, plus a \$385,000 lump-sum payment as a bonus entitlement in respect of the severance

period. In addition, Mr. Trecroce was entitled to any RSUs granted to him previously that vest during the 24 months following the termination of his employment, and he is entitled to exercise during that period, any such options previously granted to him.

The employment agreement also contained salary, incentive bonus arrangement and change of control provisions, which are no longer applicable. Mr. Trecroce's pension arrangements are described below under the heading "*Pension Plan Arrangements*". Mr. Trecroce's employment agreement also contained non-competition covenants that continue to apply with certain specified exceptions.

Nick A. DiPietro

The services of Mr. DiPietro as President and Chief Operating Officer of Patheon were provided pursuant to an employment agreement with Patheon made as of February 3, 2006. The employment agreement provided for an initial term ending on October 31, 2006 and provided for successive one-year terms ending October 31 in each year. The successive one-year terms renewed automatically unless, not less than six months prior to any such yearly anniversary, Patheon notified Mr. DiPietro of its intention not to further extend the agreement. If Mr. DiPietro's employment were terminated without cause during the term of his agreement, or if Patheon did not renew his agreement at the end of any term, Patheon would be required to pay to him two and a half times his annual cash compensation (comprised of his base salary plus the average bonus received for the preceding two years).

The employment agreement with Mr. DiPietro also provided certain rights in the event of a change of control of Patheon. A "change of control" included an event that results in one person or group owning 30% or more of the voting shares of Patheon (including the entity resulting from a merger) or a change in a majority of the directors to persons who were not nominated by the incumbent board ("Change of Control").

In the event of a Change of Control of Patheon, Patheon would have been required to pay Mr. DiPietro two and a half times his annual cash compensation and to continue his benefits for a two-and-a-half-year period, in the following circumstances: (i) Mr. DiPietro's employment is terminated by Patheon within two years following a Change of Control of Patheon for any reason other than cause, disability, retirement or death, (ii) Mr. DiPietro's employment is terminated by him within two years following a Change of Control of Patheon for good reason or (iii) Mr. DiPietro's employment is terminated by him for any reason within the 60-day period immediately following the period of 180 days following a Change of Control of Patheon. In determining Mr. DiPietro's annual cash compensation for this purpose, it would be presumed that the performance and discretionary bonus amounts awarded to Mr. DiPietro in each of the last two completed fiscal years of the Company immediately preceding the termination were at least 50% of his annual base salary.

In addition, if Mr. DiPietro's employment were terminated at any time, other than for cause or by reason of Mr. DiPietro's voluntary retirement other than for good reason, all of Mr. DiPietro's stock options would become immediately vested and exercisable and would remain exercisable for a term that is the lesser of the term specified in the Option Plan or the remaining term to expiry for such options.

The employment agreement for Mr. DiPietro also provided for incentive bonus arrangements administered and approved by the Board, on the recommendation of the Compensation and Human Resources Committee of the Board. The incentives for Mr. DiPietro included cash incentives tied to the achievement of annual corporate and personal objectives and earnings per share targets established by the Board on an annual basis, discretionary cash incentive bonuses, and stock options (see "*Report on Executive Compensation — Variable Compensation — Short-Term Incentives*" as well as "*Report on Executive Compensation — Variable Compensation — Incentive Stock Option Plan*" above for further details on the determination of such incentives). On December 18, 2007, options to purchase 100,000 restricted voting shares were granted to Mr. DiPietro in accordance with the terms of his employment.

Effective February 19, 2008, Mr. DiPietro assumed a new role as Executive Vice-President, Corporate Development of Patheon and, accordingly, ceased to be President and Chief Operating Officer.

As of February 19, 2008, the above-mentioned employment agreement was terminated substantially, in accordance with its terms, upon: (i) payment of \$1,570,250, representing two and a half times Mr. DiPietro's annual cash compensation; (ii) confirmation of Mr. DiPietro's pension entitlements (see "*Pension Plan Arrangements*" below); and (iii) vesting of options outstanding, which options are exercisable until the earlier of February 19, 2009 or their normal expiry date. Mr. DiPietro waived all other entitlements otherwise arising from the termination of the above-mentioned agreement.

The new employment agreement entered into between Patheon and Mr. DiPietro, as Executive Vice-President, Corporate Development, provides for a base salary of \$300,000, and the term of this new agreement shall be until December 31, 2009, thereafter renewable for additional terms of one year each, subject to termination upon the Company providing to Mr. DiPietro three months written notice prior to the expiry of the relevant term, as the case may be. Please see below, under the heading “*Pension Plan Arrangements,*” information regarding Mr. DiPietro’s pension plan.

Eric W. Evans

Patheon Pharmaceutical Services Inc. entered into an employment agreement with Mr. Evans as Chief Financial Officer for an indefinite term beginning May 27, 2008. Mr. Evans is entitled to an annual base salary of US\$350,000, subject to annual review by the CEO, and to receive a performance bonus of up to 45% of his base salary based on achieving financial and other targets as agreed to with the CEO. If Mr. Evans’ employment is terminated without cause or if he terminates his employment with the Company for “good reason” as described below, Patheon is required to pay him his annual base salary for one year in a lump sum. In addition, Mr. Evans would be paid a lump sum of an amount equal to the average bonus he earned during the previous two years prior to the termination.

Upon agreeing to his employment terms, Mr. Evans received a signing bonus of US\$50,000 and was granted 200,000 options in the aggregate under the Option Plan. These options will vest in three equal amounts on the first, second and third anniversaries of the date of their grant and have a seven-year term.

The employment terms with Mr. Evans provide certain rights in the event of a change of control of Patheon. A change of control includes an event that results in any person other than JLL Partners or its affiliates owning more than 50% of the then outstanding voting securities of the Company. If Mr. Evans is terminated without cause, or if Mr. Evans terminates his employment for good reason, at any time within a twelve-month period following a change of control, Mr. Evans will be entitled to receive a lump sum equal to his annual base salary, plus a lump sum equal to his target annual bonus within 60 days of the termination date. Mr. Evans unvested options will immediately become vested and exercisable and remain in force for the duration of their original term.

John H. Bell

Patheon entered into an amended and restated consulting services agreement with Whitehall Management Group, a sole proprietorship of Mr. John Bell, on September 17, 2007 (the “Consulting Agreement”). Pursuant to the Consulting Agreement, Mr. Bell was appointed as Chief Financial Officer of Patheon. The term of the Consulting Agreement ended on May 31, 2008. In connection with the services performed by Mr. Bell under the Consulting Agreement, Whitehall Management Group received a consulting fee from Patheon. The Consulting Agreement also provided for minimum incentive bonus arrangements and long-term incentive awards. Mr. Bell was not entitled to any pension or other benefits under the Consulting Agreement. The agreement also contained non-solicitation and non-competition covenants that apply following the completion or termination of the term of the agreement with certain specified exceptions.

Aldo Braca

Patheon amended its employment agreement with Mr. Braca effective January 1, 2009. The agreement will terminate by mutual consent on December 31, 2009, unless both parties agree in writing to extend it for an additional year. Beginning on January 1, 2009 and until the termination of the agreement (referred to as the “Transition Period”), Mr. Braca’s employment status will be part-time and his agreement states that he will devote 40% of his time and efforts to Patheon business while Patheon searches for a successor to his position. Mr. Braca’s compensation was reduced to reflect the part-time status. In addition to his base salary of 207,000 EUR, he is also entitled to an incentive bonus equal to 207,000 EUR and 60% of the costs attributable to his company car.

Terry Novak

Patheon entered into an employment agreement with Mr. Novak as President North America and Chief Marketing Officer for an indefinite term beginning February 18, 2008. Mr. Novak is entitled to a base salary of US\$390,000, subject to annual review by the CEO, and to receive a performance bonus of up to 45% of his base salary based upon achieving financial and other targets as agreed to with the CEO.

Upon agreeing to his employment terms, Mr. Novak received a signing bonus of US\$100,000 and was granted 100,000 options in the aggregate under the Option Plan. These options will vest in three equal amounts on the first, second and third anniversaries of the date of their grant and have a seven-year term. Mr. Novak was also provided with a one-time credit of US\$45,000 under the Deferred Compensation Plan, one fifth of which will vest on each anniversary of his hire date. In addition, he is eligible to receive an additional annual credit of US\$35,000 to his deferred compensation plan account, which will vest on the fifth anniversary of the date of the credit. In the event of a change of control, the annual credit vesting will accelerate.

If Mr. Novak's employment is terminated without cause or if he terminates his employment with the Company for "good reason", as described below, Patheon is required to pay him his annual base salary for one year in a lump sum plus an amount necessary such that after payment by Mr. Novak of all taxes imposed on this additional amount (calculated after assuming that Mr. Novak pays such taxes for the year of termination at the highest marginal tax rate applicable), Mr. Novak retains an amount equal to US\$12,000 for car related expenses, also payable in a lump sum. Patheon is also required to pay in cash an amount determined by the board of Directors at its sole discretion to reflect the annual incentive Mr. Novak would have otherwise earned during the year in which the termination occurs, payable in a lump sum. In addition, Patheon is required to pay in a lump sum, the sum of matching contributions under the Corporation's qualified and non-qualified defined contribution plans in which Mr. Novak participates, and that he would have received had his employment continued for 12 months following his date of termination, under certain conditions as outlined in Mr. Novak's employment agreement.

The employment terms with Mr. Novak provide certain rights in the event of a change of control of Patheon. A change of control includes an event that results in any person other than JLL partners or its affiliates owning more than 50% of the outstanding voting securities of the Corporation. If Mr. Novak is terminated without cause, or if Mr. Novak terminates his employment for good reason, at any time within a twelve-month period following a change of control, Mr. Novak will be entitled to receive a lump sum equal to his annual base salary, plus a lump sum equal to his average annual bonus for the last three full fiscal years prior to the termination, as well as the US\$12,000 for car related expenses as described above, payable within 60 days of the termination date. Mr. Novak's unvested options will immediately become vested and exercisable and remain in force for the duration of their original term.

Pension Plan Arrangements

The Named Executive Officers, other than Mr. Bell and Mr. Wheeler, participate in various pension plan arrangements described below.

Mr. Braca is a resident of Italy and is eligible to participate in the pension plan administered by the Italian government. In accordance with the Italian National Collective Bargaining Agreement applicable to managers of Patheon Italia S.p.A., including Mr. Braca, Patheon is required to make contributions to this pension plan based on a prescribed percentage of Mr. Braca's salary and bonus (approximately 30% in Fiscal 2008).

Mr. Trecroce's employment agreement provided, in lieu of participation in Patheon's defined contribution pension plan, for payment of an annual contribution to Mr. Trecroce's registered retirement savings plan in the amount of the maximum permitted annual contribution for Mr. Trecroce from time to time.

Mr. DiPietro is the sole eligible member of an individual non-contributory defined benefit pension plan (the “Plan”) maintained by Patheon. The following table sets out the estimated annual pension benefits payable to Mr. DiPietro under the Plan (further described below):

Salary \$	Years of Credited Service				
	25	26.95	30	35	40
350,000	N/A	112,931	127,013	150,250	173,487
400,000	N/A	112,931	127,013	150,250	173,487
450,000	N/A	112,931	127,013	150,250	173,487
500,000	N/A	112,931	127,013	150,250	173,487
550,000	N/A	112,931	127,013	150,250	173,487
600,000	N/A	112,931	127,013	150,250	173,487
650,000	N/A	112,931	127,013	150,250	173,487
700,000	N/A	112,931	127,013	150,250	173,487
750,000	N/A	112,931	127,013	150,250	173,487

The above table is based on the following assumptions: (i) retirement at age 65; and (ii) the limit for registered pension plans increases at a rate of 5.5% per annum after 2009.

The Plan provides 2% of the average of the best three consecutive years of covered compensation multiplied by the years of credited service as a lifetime annuity, with 66% continuation to the surviving spouse, guaranteed five years, indexed after retirement based on the Consumer Price Index less 1% without any offset for Canada Pension Plan or Old Age Security benefits.

The Plan is subject to the limits for registered pension plans imposed by the Canada Revenue Agency. In order to comply with these limits, the Plan covers compensation in 2008 up to \$116,666 per year in respect of service after 1989 and \$77,778 per year in respect of service before 1990. The limit for registered pension plans, and the maximum covered compensation, is scheduled to increase in 2009, and is expected to be indexed after 2009, based on the annual increases in Canadian average wages. Patheon does not maintain a supplemental pension plan for Mr. DiPietro; however his employment contract does stipulate that he is guaranteed a pension of at least \$150,000 on retirement at age 65.

Currently, Mr. DiPietro has 26.95 years of eligible service under the Plan as at December 31, 2008: 8 years of service before 1990 and 19 years of service since 1990.

Under the terms of the Plan, Mr. DiPietro was required to transfer the amount of \$155,000 from his registered retirement savings plan into the Plan, in order for the years of service after 1989 to be considered credited service for the purpose of the Plan.

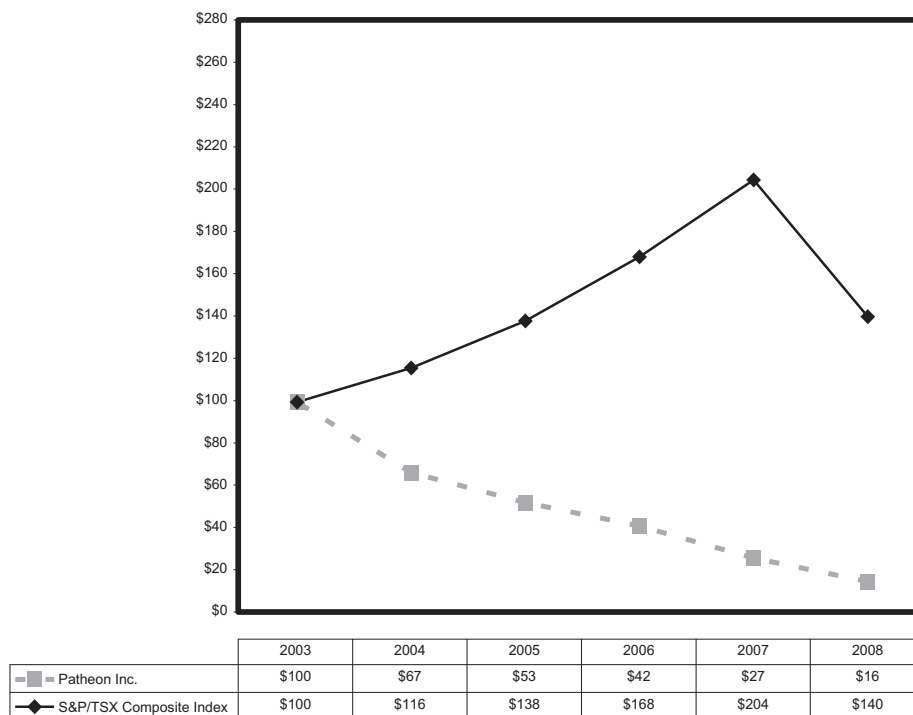
Mr. Evans and Mr. Novak each participate in the Patheon US Retirement Plan, which is a 401(k) matching plan whereby the Company matches 100% of the first 4% of employee contributions to a 401(k) plan. The Company’s contributions vest over a period of five years, at the rate of 20% per year.

Performance Graph

The following graph compares the cumulative total shareholder return of Patheon’s restricted voting shares with the cumulative total return of the S&P/TSX Composite Index for the five-year period ended October 31, 2008, assuming an investment of C\$100 and reinvestment of dividends.

Cumulative Total Shareholder Return on C\$100 Initial Investment

In the below graph, Patheon is represented by the square-spotted line, while the S&P/TSX Composite Index is represented by the diamond-spotted line.



Compensation of Directors

Directors who were also employees of Patheon or any of its subsidiaries earned no remuneration as directors in Fiscal 2008. The following is a summary of the remuneration earned by directors who were not employees of Patheon or any of its subsidiaries in Fiscal 2008.

In Fiscal 2008, the Company implemented changes to its compensation program for directors pursuant to advice received from Towers Perrin (see “*Report on Executive Compensation — Compensation Program*” above) regarding appropriate comparative compensation information and changes to Patheon’s compensation program for directors in light of the financial restructuring undertaken during Fiscal 2007 and evolving market practices. Effective November 1, 2007, the Board approved a new compensation program for non-employee directors consisting of (i) cash retainers and fees, and (ii) deferred share units (“DSUs”) granted pursuant to a directors deferred share unit plan (the “DSU Plan”), all as more fully described below.

Cash Retainers and Fees

The following table summarizes the cash retainers and fees that the directors of Patheon were entitled to in Fiscal 2008. Each director (other than the Chairman of the Board) was entitled to an annual retainer, an annual committee Chair retainer, if applicable, an annual committee member retainer and meeting attendance fees, as applicable. The non-executive Chairman of the Board was entitled to an annual Chairman retainer and an annual Committee member retainer.

Annual Board Retainer	US\$ 35,000 ⁽¹⁾
Annual Chairman Retainer	US\$140,000 ⁽²⁾
Annual Committee Chair Retainer	
Chair of Audit Committee	US\$ 14,000
Chair of Other Standing Board Committee	US\$ 5,000
Annual Committee Member Retainer	
Member of Audit Committee	US\$ 6,000
Member of Other Standing Board Committee	US\$ 4,000
Board and Committee Meeting Attendance Fees	US\$ 1,500 per meeting ⁽³⁾

(1) This amount is payable in cash or DSUs at the election of the director, see “Deferred Share Unit Plan” below.

(2) US\$67,000 out of US\$140,000 is payable in cash or DSUs at the election of the Chairman.

(3) The Chairman of the Board is not entitled to any meeting attendance fees for Board or standing committee meetings; however, he is entitled to meeting attendance fees for Special Committee meetings, as may be convened from time to time.

Deferred Share Unit Plan

The DSU Plan was developed following a study prepared by Towers Perrin on the then current compensation levels for comparable public companies in the Canadian marketplace. It was approved by the Board on February 22, 2008 and amended on March 27, 2008. The purposes of the DSU Plan are to (i) promote a greater alignment of interests between the directors and shareholders of the Company; and (ii) to provide a compensation system for directors that, together with the other director compensation mechanisms of the Company, is reflective of the responsibility, commitment and risk accompanying Board membership and the performance of duties required of the various committees of the Board. Only directors of Patheon who are not employees of Patheon or any of its affiliates, including any non-executive Chairman of the Board (each an “Eligible Director”) are eligible to participate in the DSU Plan. The DSU Plan is administered by the CHR Committee.

Under the DSU Plan, each Eligible Director (other than the Chairman) will receive in DSUs (i) an initial retainer fee for serving as a director payable on initiation of the DSU Plan or on being elected or appointed a director (the “Initial Retainer”) and (ii) a base retainer in respect of each fiscal year (the “Base Retainer”). In addition, each Eligible Director may elect to receive an annual retainer for serving as a director (the “Annual Retainer”) or an annual Chairman’s retainer (the “Chair’s Retainer”), as applicable, in the form of DSUs or cash or any combination thereof.

DSUs allocated to an Eligible Director pursuant to the DSU Plan are credited to an account maintained by the Company on the last day of each fiscal quarter in which the remuneration provided in DSUs accrued. The number of DSUs is determined by dividing the remuneration provided in DSUs by the “Market Price” on the particular payment day. The “Market Price” is defined to mean, in respect of any date, the weighted average price at which restricted voting shares of Patheon have traded on the TSX during the two trading days immediately prior to such date. If any dividends are paid on restricted voting shares of Patheon, an Eligible Director will be credited with dividend equivalents in respect of the DSUs credited to his account as of the record date for payment of dividends, which dividend equivalents will be converted into additional DSUs. DSUs are fully vested upon being credited to an Eligible Director’s account.

An Eligible Director will be paid the value of the DSUs credited to his account on voluntary resignation or retirement, death or disability, removal from the Board whether by shareholder resolution or failure to be re-elected, and in the case of an Eligible Director who is a U.S. taxpayer, on the date on which he has a “separation from service” within the meaning of U.S. Internal Revenue Code. Each DSU represents the right to receive a payment for such DSU equal to the Market Price on the redemption date applicable to such DSU.

Under the new compensation program, the Board approved the Initial Retainer of US\$32,000 (to be paid in DSUs), the Base Retainer of US\$32,000 (to be paid in DSUs) and the Annual Retainer of US\$35,000 (to be paid in cash or DSUs) for

Eligible Directors other than the Chairman. The Board approved the Chair's Retainer of US\$140,000 (US\$67,000 of which to be paid in cash or DSUs) for the Chairman.

During Fiscal 2008, a total of 275,347 DSUs were credited to Eligible Directors under the DSU Plan. As of October 31, 2008, a total of 261,014 DSUs were outstanding.

Director Compensation Table

The following table sets forth all amounts of compensation provided to the non-employee directors for Fiscal 2008. It outlines the breakdown of fees earned and fees payable in cash versus fees credited in DSUs. Patheon did not pay dividends on its restricted voting shares during Fiscal 2008, so no dividend equivalents were credited to Eligible Directors in Fiscal 2008.

Name	Initial Retainer earned (\$)	Base Retainer earned (\$)	Annual Retainer earned (\$)	Total fees credited in DSUs (\$)	Number of DSUs (#)⁽¹⁾	Annual Committee Retainer (\$)	Annual Committee Chair Retainer (\$)	Attendance Fees (\$)	Total fees payable in cash (\$)
Peter A. W. Green	—	—	\$140,000	\$67,000	34,505.26	\$ 5,000	—	\$12,000 ⁽²⁾	\$90,000
Claudio Bussandri	\$32,000	\$19,111	\$ 20,903	\$72,014	26,991.22	\$ 6,667	—	\$24,000	\$30,667
Paul W. Currie	\$32,000	\$19,111	\$ 20,903	\$72,014	26,991.22	\$ 2,500	\$13,750	\$22,500	\$38,750
Joaquín B. Viso	\$32,000	\$32,000	\$ 35,000	\$99,000	34,505.26	\$ 5,000	—	\$27,000	\$32,000
Derek J. Watchorn	\$32,000	\$32,000	\$ 35,000	\$99,000	34,505.26	\$10,167	\$ 5,000	\$39,000	\$54,167
Gregory C. Wilkins	\$32,000	\$12,889	\$ 14,583	\$59,472	—	—	\$ 5,833	\$ 9,000	\$57,831 ⁽³⁾
Ramsey A. Frank	\$32,000	\$32,000	\$ 35,000	\$99,000	34,505.26	\$ 4,167	\$ 5,000	\$30,000	\$39,167
Paul S. Levy	\$32,000	\$32,000	\$ 35,000	\$99,000	34,505.26	—	—	\$10,500	\$10,500
Thomas S. Taylor	\$32,000	\$32,000	\$ 35,000	\$99,000	34,505.26	\$ 8,667	—	\$28,500	\$37,167

- (1) The value was determined by multiplying the number of DSUs by the weighted average price at which the restricted voting shares of Patheon traded on the TSX during the two days immediately prior to October 31, 2008 (\$2.02).
- (2) Mr. Green receives Special Committee attendance fees. During Fiscal 2008, the Special Committee was formed and met regarding the waiver of the mandatory redemption and standstill provisions as contemplated in the April 27, 2007 investor agreement between the Company and JLL Patheon Holdings, LLC.
- (3) Includes \$42,998 received on the redemption of 14,332.55 DSUs upon the termination of Mr. Wilkins' Board service effective March 27, 2008.

Indebtedness of Directors and Executive Officers

As at March 25, 2009 and throughout Fiscal 2008, no current or former director, officer or employee (or any associate of such individuals) was indebted to Patheon or any of its subsidiaries.

Interest of Informed Persons in Material Transactions

On September 4, 2008, Patheon and JLL Patheon Holdings, LLC entered into an agreement pursuant to which JLL Patheon Holdings, LLC agreed to waive the mandatory redemption requirement in respect of the Class I Preferred Shares, Series C held by JLL Patheon Holdings, LLC. Patheon estimates that the amount otherwise payable to JLL Patheon Holdings, LLC under the mandatory redemption requirement to be at least US\$185,000,000. In consideration of this waiver, among other things, Patheon issued to JLL Patheon Holdings, LLC, 400,000 Restricted Voting Shares and agreed to provide a limited waiver of the standstill provisions of the Investor Agreement to permit JLL Patheon Holdings, LLC to acquire, through the facilities of the Toronto Stock Exchange, over a one year period, up to 1,256,929 Restricted Voting Shares. In September 2008 and October 2008 JLL Patheon Holdings II, LLC purchased an aggregate of 1,250,000 Restricted Voting Shares on the Toronto Stock Exchange. For additional details, please see the agreement, a copy of which was filed on www.sedar.com on September 11, 2008. For information on the subsequent purchases of Restricted Voting Shares by JLL Patheon Holdings, LLC and JLL Patheon Holdings II, LLC, please see Section 7 of the Take-Over Bid Circular dated March 11, 2009, a copy of which has been filed on www.sedar.com.

On December 5, 2008, JLL Patheon Holdings, LLC informed the Board of Patheon that JLL Patheon Holdings, LLC intended to make an offer to purchase from shareholders of Patheon for US\$2.00 payable in cash, any and all outstanding Restricted Voting Shares of Patheon Inc. not already owned by JLL Patheon Holdings, LLC or its affiliates or associates. JLL Patheon Holdings, LLC commenced that offer on March 11, 2009. For additional information, please see the Take-

Over Bid Circular dated March 11, 2009, and the Directors' Circular dated March 25, 2009, copies of which have been filed on www.sedar.com.

CORPORATE GOVERNANCE

The mandate of the Board's Corporate Governance Committee is, in part, to review, monitor, and enhance Patheon's system of corporate governance. Details of Patheon's corporate governance policies and practices are addressed below in accordance with National Instrument 58-101 — *Disclosure of Corporate Governance Practices*.

The Board of Directors

Composition of the Board

The Board is currently comprised of nine directors. The Board has considered the independence of each of its directors under National Instrument 52-110 - *Audit Committees*. Under this rule a director is considered to be independent unless in the view of Patheon's board of directors a director has a direct or indirect material relationship with Patheon, which in the view of the Board, could be reasonably expected to interfere with the exercise of the director's independent judgment.

The Board has determined that the following four directors are independent: Claudio F. Bussandri, Paul W. Currie, Peter A. W. Green, and Derek J. Watchorn.

The Board has determined that the following four directors are not independent: Ramsey A. Frank, Paul S. Levy and Thomas S. Taylor (each a Managing Director of JLL Partners, Inc.), and Wesley P. Wheeler (CEO of Patheon). Under National Instrument 52-110, the three directors to be elected at the meeting by JLL Patheon Holdings, LLC (the holder of the Special Voting Preferred Shares) are not independent directors because of their positions with JLL Patheon Holdings, LLC or its affiliates and the degree of control that JLL Patheon Holdings, LLC exercises over Patheon (these three directors are hereinafter also referred to as "JLL nominees"). Mr. Wheeler and his predecessor Mr. Trecroce were not considered to be independent directors due to their positions as the Chief Executive Officer of Patheon.

The Board voted on whether Mr. Joaquin B. Viso is independent and was equally divided on the point, with Mr. Viso abstaining on the vote. Messrs Frank, Levy, Taylor and Wheeler voted that he was independent and Messrs. Bussandri, Currie, Green and Watchorn voted against the motion. As the Board did not conclude that Mr. Viso is independent or that he is not independent, Patheon has been advised by its legal counsel that Mr. Viso is an independent director for purposes of National Instrument 52-110.

Other Directorships

Certain directors of the Company are also presently directors of other issuers that are reporting issuers (or the equivalent) in Canada or elsewhere. Information as to such directorships is set out below.

	<u>Public Company Directorships</u>
Mr. Green	Superior Plus Inc.
Mr. Frank	Builders FirstSource, Inc. PGT, Inc.
Mr. Levy	Builders FirstSource, Inc. PGT, Inc.
Mr. Bussandri	Adherex Technologies Inc.

Independent Director Meetings

Generally, at the end of each formal meeting of the Board, the non-management directors meet without management present. However, the non-management directors include the JLL nominees, all of whom are considered not to be independent. The Board believes that the participation of the JLL nominees is valuable to the Company and contributes to an open and candid discussion. In addition, independent directors meet at least once per year without any management directors or any other non-independent directors present. During Fiscal 2008, the independent directors met twice without any management or other non-independent directors present.

Chair of the Board

Since 1996, the office of Chair of the Board has been separate from that of the CEO and has been held by Mr. Green, an individual who is not a member of management. It is anticipated that after the election of directors at the annual meeting of shareholders to be held on April 29, 2009, the office of the Chair of the Board will continue to be separate from that of the CEO and will continue to be held by an individual who is not a member of management. Generally, the Chair will be an independent director, however, if the director chosen as Chair were not independent, an independent director would be appointed to act as a “lead director.”

Attendance at Meetings of the Directors

In addition to the Board, Patheon has three standing committees of the Board which meet on a regular basis: the Audit Committee, the Corporate Governance Committee (the “CG Committee”) and the Compensation and Human Resources Committee (the “CHR Committee”). Attendance at Board and committee meetings during Fiscal 2008 (for all directors throughout Fiscal 2008) was as follows:

	<u>Board</u>	<u>Audit Committee</u>	<u>CG Committee</u>	<u>CHR Committee</u>	<u>Special Committee</u>
Mr. Green	12 of 13	—	—	3 of 3 ⁽¹⁰⁾	5 of 5
Mr. Watchorn	11 of 13	1 of 2 ⁽⁵⁾	4 of 4	5 of 5	5 of 5
Mr. Wilkins	4 of 6 ⁽¹⁾	2 of 3 ⁽⁶⁾	—	—	—
Mr. Viso	12 of 13	1 of 1 ⁽⁷⁾	—	—	5 of 5
Mr. Trecroce	3 of 3 ⁽²⁾	—	—	—	—
Mr. Frank	12 of 13	2 of 3 ⁽⁸⁾	4 of 4	2 of 3 ⁽¹¹⁾	—
Mr. Levy	7 of 13	—	—	—	—
Mr. Taylor	11 of 13	6 of 6	—	2 of 2 ⁽¹²⁾	—
Mr. Currie	5 of 7 ⁽³⁾	3 of 3 ⁽⁹⁾	—	2 of 2 ⁽¹³⁾	5 of 5
Mr. Bussandri	7 of 7	—	4 of 4	—	5 of 5
Mr. Wheeler	11 of 11 ⁽⁴⁾	—	—	—	—

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- (1) Mr. Wilkins’ term on the Board expired effective March 27, 2008, before which six meetings of the Board were held during Fiscal 2008.
 - (2) Mr. Trecroce resigned from the Board on December 3, 2007, up to which date, three meetings of the Board were held during Fiscal 2008.
 - (3) Mr. Currie was elected to the Board on March 27, 2008, after which seven meetings of the Board were held during Fiscal 2008.
 - (4) Mr. Wheeler was appointed to the Board on December 3, 2007, after which eleven meetings of the Board were held during Fiscal 2008.
 - (5) Mr. Watchorn was appointed to the Audit Committee effective March 27, 2008, after which two meetings of the Audit Committee were held before his resignation from the Audit Committee on September 4, 2008.
 - (6) Mr. Wilkins’ term on the Audit Committee expired effective March 27, 2008, before which three meetings of the Audit Committee were held during Fiscal 2008.
 - (7) Mr. Viso was appointed to the Audit Committee effective September 4, 2008, after which one meeting of the Audit Committee was held during Fiscal 2008.
 - (8) Mr. Frank’s term on the Audit Committee expired effective March 27, 2008, before which three meetings of the Audit Committee were held during Fiscal 2008.
 - (9) Mr. Currie was appointed to the Audit Committee effective March 27, 2008, after which three meetings of the Audit Committee were held during Fiscal 2008.
 - (10) Mr. Green’s term on the CHR Committee expired effective March 27, 2008, before which three meetings of the CHR Committee were held during Fiscal 2008.
 - (11) Mr. Frank’s term on the CHR Committee expired effective March 27, 2008, before which three meetings of the CHR Committee were held during Fiscal 2008.
 - (12) Mr. Taylor was appointed to the CHR Committee effective March 27, 2008, after which two meetings of the CHR Committee were held during Fiscal 2008.
 - (13) Mr. Currie was appointed to the CHR Committee effective March 27, 2008, after which two meetings of the CHR Committee were held during Fiscal 2008.

Board Charter

A Charter of the Board was approved by the Board on February 22, 2005, was subsequently updated and approved by the Board on February 22, 2008, and is attached as Appendix A to this Management Proxy Circular. In addition to acting in accordance with its Charter, the Board also acts in accordance with:

- the *Canada Business Corporations Act*;
- Patheon's articles and by-laws;
- Patheon's *Code of Business Conduct*;
- the Charters of the Board committees; and
- other applicable laws and Patheon policies.

Stewardship Responsibilities

The Board has the ultimate responsibility for management of the business and affairs of Patheon. To carry out this responsibility, the Board appoints and oversees the management of Patheon. Management brings to the attention of the Board for discussion and direction all matters which are outside Patheon's day-to-day operations, or which would represent a material deviation from Patheon's annual business plan (which includes the annual financial budget) (the "Annual Business Plan"). The Annual Business Plan is approved by the Board. Additionally, the annual objectives of the CEO are reviewed and approved by the Board. The Board is responsible for: (i) evaluating the performance of the CEO; (ii) reviewing the strategic planning process and monitoring actual performance against objectives; (iii) ensuring that a senior management succession plan is in place and that the selection process for senior management is adequate; and (iv) ensuring that adequate procedures are in place for communicating with shareholders and for encouraging such communication.

As set out in its Charter, the Board explicitly acknowledges responsibility for the stewardship of Patheon including, without limitation:

- satisfying itself as to the integrity of the CEO and other executives and that the CEO and other executives create a culture of integrity throughout the organization;
- developing Patheon's approach to corporate governance, including developing a set of corporate governance principles that are specifically applicable to Patheon; and
- directly or through its committees, supervising the management and operation of Patheon's business and affairs relating to strategic planning, risk management, succession planning, communications, and internal controls, all of which are summarized in greater detail below.

Strategic Planning

The Board reviews and approves Patheon's strategic plans and monitors the execution of these plans. At least annually, a Board meeting is set aside for strategic planning, including consideration of the Annual Business Plan, financial plan and annual objectives. Following review and discussion of these plans and objectives, the Board adopts those plans and objectives that support Patheon's long-term strategy and take into account the risks and opportunities of the business. Additional strategic issues are reviewed from time to time by the Board. The Chair of the Board is responsible for ensuring that the Board adopts and follows a process for annual approval of Patheon's strategic plan and Annual Business Plan.

Risk Management

Senior management identifies and actively addresses the principal risks of Patheon's business on an on-going basis. The Board, at its regular meetings, receives and reviews reports from management on its assessment and management of certain critical risks and oversees the implementation by management of appropriate systems to manage these risks. The principal risks of Patheon's business are identified in the annual information form filed by Patheon under the heading "*Risk Factors*."

Succession Planning

The CHR Committee and the Chair of the Board are responsible for ensuring that effective succession plans are in place for the CEO and other senior executives of Patheon. Succession planning, including appointing, training and monitoring senior management is a continuing responsibility of the CEO and senior management, involving participation by the Board.

Communications

Patheon's public disclosure is designed such that required, effective and timely communication about its business is made available to shareholders, analysts, members of the public and media. The Board has adopted a formal "Corporate Disclosure Policy" addressing its interaction with analysts and the public and containing measures for Patheon to avoid selective disclosure. This policy is reviewed and updated every two years (most recently on January 21, 2008) in order to ensure compliance with the securities legislation and best practices recommended by the Canadian Investor Relations Institute. The Board, directly or indirectly through its committees, reviews major communications to shareholders and the investing public and approves the management proxy circular, annual information form and any prospectuses that may be issued by Patheon. Patheon communicates with analysts and the public through a number of channels, including quarterly webcast conference calls and the Patheon website. Patheon routinely obtains expert external advice to assist in effective and proper disclosure.

Internal Controls

Senior management is responsible for Patheon's internal accounting controls and related management information systems and regularly reports to the Board on the effectiveness of such controls and systems.

Through the Audit Committee of the Board, which meets with Patheon's external auditors, the Board monitors the adequacy of these controls and systems.

Board Committees

Patheon has three standing committees of the Board: the Audit Committee, the CG Committee and the CHR Committee. As each of the committees includes the participation of one or more directors who are JLL nominees, and who are considered non-independent, none of the committees is composed entirely of independent directors. However, in respect of those JLL nominees who participate in one or more committees, the Board has determined that each such nominee is able, notwithstanding his affiliation to JLL Patheon Holdings, LLC or its affiliates, to exercise the impartial judgment necessary to fulfill his responsibilities as a committee member.

Audit Committee

Composition

The Audit Committee is comprised of the following three members: Mr. Currie (Chairman), Mr. Viso and Mr. Taylor. The Board has determined that each of Messrs. Currie and Viso is independent. As regards Mr. Taylor, he is considered not to be independent because of his position with JLL Partners, Inc. for the reasons discussed above.

For the purposes of compliance with audit committee composition requirements under National Instrument 52-110, the Company is relying on the exemption found in section 3.3(2) of National Instrument 52-110 (Controlled Companies) from the requirement that every audit committee member be independent. Sections 3.3(2) and 3.7 of National Instrument 52-110 permit the Company, in certain circumstances, to have a non-independent director serve on the Audit Committee, as long as a majority of the Audit Committee members (two out of three) are independent. For purposes of reliance on this exemption, the Board has determined in its reasonable judgment that Mr. Taylor is able to exercise the impartial judgment necessary for fulfillment of his responsibilities as an Audit Committee member and his appointment is required by the best interests of the Company and its shareholders.

Charter and Responsibilities

The Audit Committee is responsible for, among other things:

- recommending to the Board the external auditors for nomination and their compensation, receiving direct reports from them and overseeing their work;

- pre-approving all non-audit services to be provided to the Company and its subsidiary entities by the external auditors;
- reviewing the Company's financial statements, MD&A and annual and interim earnings press releases before the Company publicly discloses this information;
- satisfying itself that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assessing the adequacy of those procedures;
- establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- reviewing and approving the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company; and
- monitoring the adequacy of the Company's internal accounting controls and related management information systems.

Further information regarding the Audit Committee and a copy of the Company's Audit Committee Charter is contained in the section entitled "Audit Committee Information" of the Annual Information Form of the Company dated December 12, 2008 which is available on SEDAR at www.sedar.com.

Corporate Governance Committee

Composition

The CG Committee is currently comprised of the following three members: Mr. Frank (Chairman), Mr. Watchorn and Mr. Bussandri. These individuals were members of the CG Committee throughout Fiscal 2008. The Board has determined that each of Messrs. Watchorn and Bussandri is independent. As regards Mr. Frank, he is considered not to be independent because of his position with JLL Patheon Holdings, LLC or its affiliates for the reasons discussed above. As a result, the CG Committee, which serves as the Board's nominating committee, is not composed entirely of independent directors.

Charter and Responsibilities

The CG Committee's charter, that was previously re-affirmed by the Board on January 11, 2005, was subsequently updated and approved by the Board on February 22, 2008, and is published on Patheon's website and is reviewed annually. The CG Committee's charter establishes its: (i) objectives; (ii) responsibilities; (iii) member qualifications and appointment; (iv) structure and operations; and (v) manner of reporting to the Board.

The CG Committee is responsible for making recommendations to the Board with regard to, among other things:

- methods of assessing the effectiveness of the Board, the committees and the contributions of individual directors;
- the size and composition of the Board and eligibility for election or re-election;
- communication processes between the Board and management;
- the mandates, size and composition of Board committees;
- a retirement policy for members of the Board; and
- an appropriate orientation and education program for new members.

The CG Committee may engage outside advisors, at Patheon's expense, to assist it and may invite directors, officers or employees of Patheon or any other person to attend its meetings to assist in the discussion and examination of the matters under consideration by the CG Committee.

Nomination Process

One of the three major objectives of the CG Committee is to recommend candidates for election to the Board with a view to assuring that the Company has sufficient strength on the Board to provide the corporate governance necessary to assist the Company to achieve its short and long-term goals.

While the CG Committee is not composed entirely of independent directors, in order to encourage the CG Committee to engage in an objective nomination process, the Board allows the CG Committee to retain and compensate any independent consultants and advisors it considers necessary to fulfill its mandate, including top tier recruiters to advise on board composition and necessary skill sets and to identify quality candidates.

In making its recommendations, the CG Committee considers:

- the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;
- the competencies and skills that the Board considers each director to possess;
- the competencies and skills each new nominee will bring to the Board; and
- whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board member.

Prior to nominating or appointing individuals as directors, the Board considers the recommendations of the CG Committee. The Board also considers not only the existing skill set of the Board and its individual directors but what competencies and skills the Board, as a whole, should possess. During its nomination process, the Board also considers the appropriate number of directors which facilitates effective decision-making. JLL Patheon Holdings, LLC is entitled to designate up to three nominees for election or appointment to the Board depending on the number of Convertible Preferred Shares (or the corresponding number of restricted voting shares issued on conversion of Convertible Preferred Shares) pursuant to the investor agreement dated April 27, 2007 between the Company and JLL Patheon Holdings, LLC.

Compensation and Human Resources Committee

Composition

The CHR Committee is currently comprised of the following three members: Mr. Watchorn (Chairman), Mr. Currie and Mr. Taylor. Messrs. Green and Frank also served on the CHR during Fiscal 2008, however their terms expired effective March 27, 2008 and Messrs. Currie and Taylor were appointed effective that date. The Board has determined that each of Messrs. Watchorn and Currie is independent. As regards Mr. Taylor, he is considered not to be independent because of his position with JLL Partners, Inc. for the reasons discussed above. As a result, the CHR Committee, which serves as the Board's compensation committee, is not composed entirely of independent directors.

Charter and Responsibilities

The CHR Committee's charter, that was previously re-affirmed by the Board on January 11, 2005, was subsequently updated and approved by the Board on February 22, 2008 and March 5, 2009, and is published on Patheon's website. The CHR Committee's charter establishes its: (i) objectives; (ii) responsibilities; (iii) member qualifications and appointment; (iv) structure and operations; and (v) manner of reporting to the Board.

The CHR Committee is responsible for, among other things:

- reviewing and recommending to the Board the compensation programs for the members of the Board and the CEO;
- reviewing and recommending to the Board, or approving (if specifically authorized to do so), the compensation policies and programs of executive officers;
- ensuring that there are effective succession plans in place for the CEO and other senior executives of Patheon; and
- administering Patheon's Option Plan, RSU Plan, PSU Plan, and DSU Plan.

The CHR Committee is also responsible for reviewing all executive compensation disclosure before Patheon publicly discloses this information. A report of the CHR Committee is set out in the "*Report on Executive Compensation*" section of this Management Proxy Circular.

The CHR Committee may engage outside advisors, at Patheon's expense, to assist it and may invite directors, officers or employees of Patheon or any other person to attend its meetings to assist in the discussion and examination of the matters under consideration by the CG Committee. In particular, Patheon has retained outside advisors from time to time to advise the CHR Committee on Patheon's compensation policies and programs. Patheon retained Towers Perrin during Fiscal 2007 and 2008 to provide these services as further described below.

Compensation Process

While the CHR Committee is not composed entirely of independent directors, in order to ensure that the CHR Committee engages in an objective process for determining compensation, the Board provides for the CHR Committee to engage an independent compensation consultant to assist the CHR Committee in discharging its mandate.

Each year, the CHR Committee reviews the compensation levels for the CEO, the other executive officers and certain members of senior management. The CRH Committee also reviews information it receives from the CEO, as well as advice it receives from external compensation consultants. The CRH Committee uses this information and advice to determine and approve any changes to the general compensation levels that it considers appropriate. In addition, the CHR Committee, on the recommendation of the CEO, reviews and recommends to the Board, or approves (where specifically authorized to do so), the discretionary cash bonuses, stock options, performance share units and restricted share units awarded to executive officers and senior management.

The CHR Committee engaged Towers Perrin during Fiscal 2007 and 2008 to advise the CHR Committee regarding appropriate comparative compensation information and regarding changes to Patheon's compensation program in light of the financial restructuring undertaken during Fiscal 2007 and evolving market practices. Further to its review, the CHR Committee recommended, and the Board adopted, changes to the Company's long-term incentive compensation program, which were applied to Fiscal 2008 (see "*Report on Executive Compensation — Compensation Program*" for additional information regarding the mandate of Towers Perrin).

Position Descriptions

The Board has adopted a position description for the Chair of the Board which defines the Chair's responsibilities. Among other things, the Chair is required to provide leadership to the Board, ensure adequate and timely disclosure of information to the Board, act as liaison between the Board and the CEO and convene meetings of the Board and its committees. The Board has also adopted a position description for each of the Chairs of its committees.

The Board has adopted a position description for the CEO which defines the CEO's responsibilities. Among other things, the CEO is required to develop and recommend to the Board the annual objectives that support Patheon's long-term strategy. The CEO is responsible for achieving these objectives as approved annually by the Board. The Board, on recommendation of the CHR Committee, approves objectives for the CEO.

Orientation and Continuing Education

The CG Committee is responsible for developing and recommending to the Board an appropriate orientation and education program for new members of the Board. In order to orient new directors regarding the role of the Board, its committees and directors, including the business and operations of Patheon, all potential new directors are given the opportunity to meet with the CEO, the Chair and other directors to ask questions and become familiar with Patheon prior to being elected as a director. New directors are also presented with information packages prepared by management which include incorporation documents, by-laws, the Board and committee charters, position descriptions for the Chair of the Board, for the Chairs of committees, and for the CEO, the policies of the corporation, and summaries on the existing operations of the Company, the industries it is serving and its ongoing strategic initiatives.

With respect to continuing education for directors, management regularly makes presentations to the Board on the pharmaceutical industry generally, and provides reports on Patheon's business and affairs specifically. Management also keeps the Board apprised of new developments in the pharmaceutical industry. Management also prepares information summaries and conducts presentations to the Board regarding legislative changes and requirements pertaining to securities laws and public company obligations.

Code of Business Conduct and Ethics

The Board has approved a Code of Business Conduct ("Code") applicable to directors, officers, consultants, employees and agents. A copy of the Code was filed on SEDAR on January 29, 2007.

The Code is designed to promote integrity, respect, and excellence, and to deter wrongdoing. The Code addresses each of the following issues:

- compliance with laws, including insider trading, conflicts of interest, gifts, and corporate opportunities;

- protection and proper use of corporate assets, including signing authority, confidentiality of Patheon information, inventions and discoveries, capital expenditures, building security, and business records;
- commitment to clients, including confidentiality of client information, and good faith dealings;
- commitment to employees, including equality of opportunity, freedom from discrimination or harassment, substance abuse, and privacy;
- responsibility to shareholders, including making public statements, and shareholder value;
- community relations, including community participation, and political participation and contributions; and
- reporting of any illegal or unethical behaviour.

A copy of the Code of Business Conduct can be found on Patheon's website at www.patheon.com and on SEDAR at www.sedar.com.

The Board is responsible for monitoring the ongoing compliance with the Code and has directed the CEO to promptly report to the Board any violations of the Code and, in any event, to report to the Board on an annual basis regarding compliance with the Code by the directors, officers, consultants, employees and agents of Patheon.

Patheon uses EthicsPoint, Inc. as a service provider with respect to a confidential whistleblower program that employees may use in connection with violations, or any activities they suspect may be in violation, of the Code of Business Conduct, including matters relating to accounting, internal accounting controls and auditing. The program is both telephone- and web-based. The EthicsPoint reporting system is available to Patheon employees in all jurisdictions except Italy and France, where certain laws preclude Patheon from offering an anonymous reporting service to its employees, and where, instead, employees may report violations to management only on a non-anonymous basis.

Patheon has no undisclosed contracts or other arrangements in place in which any of its directors or officers have a material interest. If such arrangements arise, they must be considered and approved by the Board. In considering transactions and agreements where a director or officer has a material interest, that individual is expected to give notice of that interest and abstain from voting with respect to that matter.

Board Assessments

The CG Committee has formal responsibility for recommending methods to properly assess the effectiveness of the Board, its committees and individual directors, and has determined that the Chair of the Board should make such assessments and report to the CG Committee following his review.

In Fiscal 2008, the CG Committee reviewed the Charters of each of the Board of Directors, Audit Committee, CHR Committee and CG Committee. The CG Committee determined that the Charters continued to reflect good corporate governance policies and regulatory standards and therefore no amendments were required. Upon the recommendation of the CG Committee, each of the Charters was ratified by the Board on December 11, 2008.

SHAREHOLDER PROPOSALS

A shareholder entitled to vote at an annual meeting of shareholders who intends to raise a proposal at the 2010 Annual Meeting, must deliver the proposal to Patheon's Secretary by no later than December 29, 2009.

AVAILABILITY OF DOCUMENTS

Additional information relating to Patheon is available on SEDAR at www.sedar.com. In addition, Patheon will provide to any person and, in the case of a security holder, without charge, upon request to Patheon's Secretary at 2100 Syntex Court, Mississauga, Ontario, Canada L5N 7K9, the following documents:

- (a) one copy of Patheon's latest annual information form together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the annual information form;

- (b) one copy of Patheon's comparative financial statements and MD&A for its most recently completed financial year, together with the accompanying report of the auditor, and one copy of any interim financial statements or MD&A of Patheon that have been filed for any period subsequent to such annual financial statements; and
- (c) this Management Proxy Circular.

Financial information is provided in Patheon's comparative financial statements and MD&A for the most recently completed financial year.

CERTIFICATE

The contents and the sending of this Management Proxy Circular have been approved by Patheon's Board of Directors.



Doaa A. Fathallah
Senior Vice President, General Counsel
Europe and Global PDS and Corporate Secretary

March 27, 2009

Appendix A

CHARTER OF THE BOARD OF DIRECTORS GENERAL

1. *PURPOSE AND RESPONSIBILITY OF THE BOARD*

By approving this Charter, the Board explicitly assumes responsibility for the stewardship of Patheon and its business. This stewardship function includes responsibility for the matters set out in this Charter, which form part of the Board's statutory responsibility to manage or supervise the management of Patheon's business and affairs.

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 Charter:

- (a) "Board" means the board of directors of Patheon;
- (b) "CEO" means Patheon's chief executive officer;
- (c) "Chair" means the chair of the Board;
- (d) "Charter" means this charter, as amended from time to time;
- (e) "Director" means a member of the Board; and
- (f) "Patheon" means Patheon Inc.;
- (g) "Stock Exchanges" means, at any time, the Toronto Stock Exchange and any other stock exchange on which any securities of Patheon are listed for trading at the applicable time.

3.2 *Interpretation*

This Charter is subject to and shall be interpreted in a manner consistent with Patheon's articles and by-laws, the *Canada Business Corporations Act* (the "CBCA"), and any other applicable legislation.

CONSTITUTION OF THE BOARD

4. *ELECTION AND REMOVAL OF DIRECTORS*

4.1 *Number of Directors*

The Board shall consist of such number of Directors as the Board may determine from time to time, within the range set out in Patheon's articles at such time.

4.2 *Election of Directors*

Directors shall be elected by the shareholders annually for a one year term, but if Directors are not elected at a meeting of shareholders, the incumbent directors shall continue in office until their successors are elected.

4.3 *Vacancies*

The Board may appoint a member to fill a vacancy which occurs in the Board between annual elections of Directors, to the extent permitted by the CBCA.

4.4 *Ceasing to Be a Director*

A Director will cease to hold office upon:

- (a) delivering a resignation in writing to Patheon and such resignation, if not effective upon receipt by Patheon, shall be effective in accordance with its terms;
- (b) being removed from office by an ordinary resolution of the shareholders;
- (c) his or her death;
- (d) becoming bankrupt; or
- (e) a court in Canada or elsewhere finding him or her to be of unsound mind.

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 determined by a court to be of unsound mind and does not have the status of bankrupt.

5.2 *Residency*

At least 25% of the Directors shall be resident Canadians.

5.3 *Independence of Directors*

- (a) At least two of the Directors shall not be officers or employees of Patheon or any of its affiliates.
- (b) At least a majority of the Directors should be independent for the purposes of applicable regulatory and stock exchange requirements, provided that, if this is not the case due to contractual obligations or otherwise, the Board shall ensure, in its reasonable judgment, that (i) any non-independent director is able to exercise the impartial judgement necessary for the director to fulfill his or her responsibilities as a director; and (ii) the appointment of the non-independent director is required in the best interests of the Company and its shareholders.

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 Chair shall be an independent Director, provided that where the director chosen as Chair is not independent, an independent director shall be appointed to act as a “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. Remuneration of Directors and Retaining Advisors

7. *REMUNERATION OF DIRECTORS AND RETAINING ADVISORS*

7.1 *Remuneration*

The remuneration to be paid to the Directors shall be such as the Directors shall from time to time by resolution determine and such remuneration may be in addition to the salary paid to any officer or employee of the Company who is also a Director. The Directors may also by resolution award special remuneration to any Director in undertaking any special services on Patheon’s behalf other than the normal work ordinarily required of a director of a corporation. The

confirmation of any such resolution or resolutions by the shareholders shall not be required. The Directors shall also be entitled to be paid their travelling and other expenses properly incurred by them in connection with the affairs of Patheon.

7.2 *Retaining and Compensating Advisors*

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

MEETINGS OF THE BOARD

8. *MEETINGS OF THE BOARD*

8.1 *Time and Place of Meetings*

Meetings of the Board shall be called and held in the manner and at the location contemplated in Patheon's by-laws.

8.2 *Frequency of Board Meetings*

Subject to Patheon's by-laws, the Board shall meet at least four times per year on a quarterly basis.

8.3 *Quorum*

In order to transact business at a meeting of the Board:

- (a) a majority of the number of directors shall be present; and
- (b) 25% of the Directors present must be resident Canadians (or, if this is not the case, a resident Canadian Director who is unable to be present and whose presence at the meeting would have resulted in the required number of resident Canadian Directors being present, must approve the business transacted at the meeting, whether in writing or by telephonic, electronic or other communication facility).

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 Patheon'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. *IN CAMERA SESSIONS*

9.1 *In Camera Sessions of Non-Management Directors*

At the conclusion of each meeting of the Board, the non-management Directors shall meet without any member of management being present (including any Director who is a member of management).

9.2 *In Camera Sessions of Independent Directors*

To the extent that non-management Directors include Directors who are not independent Directors as contemplated in this Charter, the independent Directors shall meet at least once per year with only independent Directors present.

DELEGATION OF DUTIES AND RESPONSIBILITIES OF THE BOARD

10. DELEGATION AND RELIANCE

10.1 Delegation to Committees

The Board may establish and delegate to committees of the Board any duties and responsibilities of the Board which the Board is not prohibited by law from delegating. However, no committee of the Board shall have the authority to make decisions which bind Patheon, except to the extent that such authority has been specifically delegated to such committee by the Board.

10.2 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) Corporate Governance Committee (including responsibility for nomination matters); and
- (c) Compensation and Human Resources Committee.

10.3 Composition of Committees

The Board will appoint and maintain in office members of each of its committees such that the composition of each such committee is in compliance with listing requirements of the Stock Exchanges and with such recommendations of relevant securities regulatory authorities and Stock Exchanges as the Board may consider appropriate and shall require the Corporate Governance Committee to make recommendations to it with respect to such matters.

10.4 Review of Charters

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

10.5 Delegation to Management

- (a) Subject to Patheon's articles and by-laws, the Board may designate the offices of Patheon, appoint officers, specify their duties and delegate to them powers to manage the business and affairs of Patheon, except to the extent that the delegation of any powers is prohibited by the CBCA.
- (b) Notwithstanding any delegation to management to manage the business and affairs of Patheon, management must seek Board approval in respect of all material transactions, including, (i) those transactions that could reasonably be expected to significantly affect the market price or value of Patheon's securities, (ii) changes in the authorized or issued capital of Patheon, (iii) any action that may lead to or result in a material change in the nature of the business of Patheon, and (iv) the sale, lease, exchange or disposition of the entire undertaking or property or assets of Patheon or any substantial part thereof.

10.6 Reliance on Management

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

10.7 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.

10.8 Oversight

The Board retains responsibility for oversight of any matters delegated to any committee of the Board or to management.

DUTIES AND RESPONSIBILITIES

11. RESPONSIBILITY FOR SPECIFIC MATTERS

11.1 Responsibility for Specific Matters

The Board explicitly assumes 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 the Stock Exchanges and do not limit the Board's overall stewardship responsibility or its responsibility to manage or supervise the management of Patheon's business and affairs.

11.2 Delegation to Committees

Whether or not specific reference is made to committees of the Board in connection with any of the matters referred to in Sections 12, 13 and 14, 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.

12. CORPORATE GOVERNANCE GENERALLY

12.1 Governance Practices and Principles

The Board shall be responsible for developing Patheon's approach to corporate governance.

12.2 Governance Principles

- (a) The Board shall review and approve, if appropriate, a set of governance principles and guidelines appropriate for Patheon (the "**Governance Principles**").
- (b) The Board shall review the Governance Principles at least annually and shall adopt such changes to the Governance Principles as it considers necessary or desirable from time to time.

12.3 Governance Disclosure

- (a) The Board shall approve disclosure about Patheon's governance practices in any document before it is delivered to Patheon's shareholders or filed with securities regulators or with the Stock Exchanges.
- (b) If Patheon's governance practices differ from those recommended by Canadian securities regulators or the Stock Exchanges, the Board shall consider these differences and why the Board considers them to be appropriate.

12.4 Delegation to Corporate Governance Committee

The Board may direct the Corporate Governance Committee to consider the matters contemplated in this Section 12 and to report and make recommendations to the Board with respect to these matters.

13. RESPONSIBILITIES RELATING TO MANAGEMENT

13.1 Integrity of Management

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

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

13.2 Succession Planning

The Board shall be responsible for succession planning, including appointing, training and monitoring senior management.

13.3 *Executive Compensation Policy*

- (a) 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) The Board may direct the Compensation and Human Resources 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. *OVERSIGHT OF THE OPERATION OF THE BUSINESS*

14.1 *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 Patheon's business and satisfy itself as to the implementation of appropriate systems to manage these risks.

14.2 *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 Patheon's business.

14.3 *Internal Control and Management Information Systems*

The Board shall review the reports of management and the Audit Committee concerning the integrity of Patheon'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.

14.4 *Corporate Disclosure Policy*

The Board shall review and, if determined appropriate, approve a corporate disclosure policy for Patheon for communicating with shareholders, the investment community, the media, governments and their agencies, employees and the general public. The Board shall consider, among other things, the recommendations of management and the Corporate Governance Committee with respect to this policy.

14.5 *Financial Statements*

The Board shall review the recommendation of the Audit Committee with respect to the annual financial statements of Patheon to be delivered to shareholders. The Board shall approve such financial statements.

14.6 *Pension Plan Matters*

The Board shall receive and review reports from management covering administration, investment performance, funding, financial impact, actuarial reports and other pension plan related matters.

14.7 *Code of Business Conduct*

The Board will review and approve a Code of Business Conduct for Patheon. In adopting the Code of Business Conduct, the Board will consider the recommendations of the Corporate 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.

14.8 *Compliance and Disclosure*

The Board will monitor compliance with the Code of Business Conduct and recommend disclosures with respect thereto. The Board will approve, if determined appropriate, the disclosure of the Code of Business Conduct and of any waiver granted to a director or senior officer of Patheon from complying with the Code of Business Conduct.

15. *NOMINATION OF DIRECTORS*

15.1 *Nomination and Appointment of Directors*

- (a) The Board shall nominate individuals for election as directors by the shareholders and shall require the Corporate 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; and
 - (ii) assess what competencies and skills each existing Director possesses.
- (c) The Board shall consider recommendations made to it by the Corporate Governance Committee with respect to the size and composition of the Board.

16. BOARD EFFECTIVENESS

16.1 Position Descriptions

The Board shall review and, if determined appropriate, approve formal position descriptions for:

- (a) individual Directors and for the Chair of the Board 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 Compensation and Human Resources Committee).

16.2 Director Orientation and Continuing Education

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

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

16.3 Board, Committee and Director Assessments

The Board shall review and, if determined appropriate, adopt a process recommended by the Corporate Governance Committee for assessing 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.

16.4 Annual Assessment of the Board

Each year, the Board shall assess its performance and effectiveness and that of its committees and individual directors in accordance with the process established by the Corporate Governance Committee.

Approved by the Board of Directors
Patheon Inc.
February 22, 2008

