



**NOTICE OF MEETING
AND MANAGEMENT PROXY CIRCULAR**

**PATHEON INC.
ANNUAL AND SPECIAL MEETING
OF SHAREHOLDERS
MARCH 27, 2008**



February 25, 2008

Dear Shareholder:

You are invited to attend our Annual and Special Meeting of Shareholders to be held at the Westin Harbour Castle, Harbour A Ballroom, 1 Harbour Square, Toronto, Canada on Thursday, March 27, 2008 at 10:30 a.m. (EDT). Management will be making a presentation at the meeting regarding our fiscal 2007 results and our strategy moving forward.

In addition to the ordinary business of the meeting (reviewing the financial statements, electing the directors and appointing the auditor), there are three special matters to be dealt with at the meeting:

- (a) approving and reaffirming the unallocated options remaining under Patheon's existing Amended and Restated Incentive Stock Option Plan (the "Option Plan") as required by the rules of the Toronto Stock Exchange; and
- (b) approving amendments to the Option Plan, including an amendment to take Patheon's outstanding convertible preferred shares into account when determining the number of options available for issuance under the plan; and
- (c) confirming the adoption of a new general operating by-law, By-law No. 1 (2008), and the repeal of By-Law No. 1 (2002) of Patheon.

Approval of the Unallocated Options Remaining under the Option Plan

It is fundamental to Patheon's success and growth that it continue to attract and retain highly qualified scientists, senior management and key employees. The ability to grant options to purchase restricted voting shares of Patheon is an important part of our compensation program. Patheon's Option Plan is a "rolling plan" which currently provides that the number of options issuable under such plan is a rolling number that shall not be greater than 7.5% of the issued and outstanding restricted voting shares of Patheon.

In accordance with the rules of the Toronto Stock Exchange, shareholders of a company are required every three years to approve and reaffirm the unallocated options remaining under a rolling stock option plan. Patheon's Option Plan was approved on March 31, 2005. Accordingly, at the meeting you will be asked to approve and reaffirm the unallocated options remaining under the Option Plan. The unallocated options remaining under the plan have been approved and reaffirmed by the Board of Directors.

Amendments to the Option Plan

At the meeting, you will also be asked to approve the amendments to the Option Plan that are set out below. The amendments have been approved by the Board of Directors.

The amendments to the Option Plan:

- amend the 7.5% rolling maximum for the number of shares issued under the plan to take into account the restricted voting shares issuable pursuant to the convertible preferred shares issued to a fund managed by JLL Partners, Inc. in April 2007;
- set out a detailed amendment procedure setting out the types of amendments to the plan that will require shareholder approval and permitting all other types of amendments to be approved by the Board of Directors without the approval of shareholders; and
- provide for the automatic extension for a short period of any options that would otherwise expire during a blackout period.

Confirmation of By-law No. 1 (2008)

At the meeting, you will also be asked to approve a resolution confirming the adoption of a new general operating by-law, By-law No. 1 (2008), and the repeal of By-law No. 1 (2002), as amended, the current general operating by-law of Patheon. The adoption of By-law No. 1 (2008) will permit Patheon to issue shares without the requirement to issue a physical certificate. By-law No. 1 (2008) also incorporates the amendments to By-law No. 1 (2002) that were confirmed at last year's annual and special meeting of shareholders and corrects certain typographical errors.

The Board of Directors believes it is in the best interests of Patheon and its shareholders that the unallocated options under the Option Plan be approved and reaffirmed, that the amendments outlined above to the Option Plan be approved and that By-law No. 1 (2008) be confirmed, each as described in further detail in the enclosed management proxy circular. The Board recommends that the shareholders approve each resolution on these matters.

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 anyone 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.



Wesley P. Wheeler
Chief Executive Officer



Peter A.W. Green
Chair of the Board



NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

The Annual and Special Meeting of Shareholders of Patheon Inc. ("Patheon") will be held at the Westin Harbour Castle, Harbour A Ballroom, 1 Harbour Square, Toronto, Canada at 10:30 a.m. (EDT) on Thursday, March 27, 2008 to:

- (a) receive and consider Patheon's consolidated financial statements for the fiscal year ended October 31, 2007, together with the report of the auditors thereon;
- (b) elect directors;
- (c) appoint an auditor and authorize the directors to fix its remuneration;
- (d) to consider and approve and reaffirm the unallocated options remaining under Patheon's Amended and Restated Incentive Stock Option Plan (the "Option Plan");
- (e) to consider and approve certain amendments to the Option Plan;
- (f) to consider and confirm the adoption of By-law No. 1 (2008) and the repeal of By-law No. 1 (2002), as amended, of Patheon; and
- (g) 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 Tuesday, March 25, 2008, 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 February 22, 2008 will be entitled to vote at the meeting.

BY ORDER OF THE BOARD

A handwritten signature in cursive script that reads "Jacqueline Le Saux".

Jacqueline H.R. Le Saux
General Counsel — North America & Corporate Secretary

Mississauga, Ontario, Canada
February 25, 2008

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 “Corporation”) of proxies to be used at the annual and special meeting (the “meeting”) of shareholders of Patheon, to be held at 10:30 a.m. (EDT) on Thursday, March 27, 2008 at the Westin Harbour Castle, Harbour A Ballroom, 1 Harbour Square, Toronto, Canada and at any adjournment thereof, to transact the business set out in the accompanying Notice of Meeting.

All information is as of February 25, 2008, 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

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 February 22, 2008 will be entitled to vote at the meeting.

As at February 22, 2008, there were 90,634,388 restricted voting shares 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 February 22, 2008, 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, 33,504,465 restricted voting shares in the aggregate as at February 22, 2008.

In addition, Patheon has outstanding 150,000 Special Voting Preferred Shares as at February 22, 2008. The holders of the Special Voting Preferred Shares are entitled to elect up to three directors of Patheon, but are not entitled, as holders of Special Voting Preferred Shares, to vote in respect of the other matters to be considered at the meeting.

To the knowledge of the directors and officers of Patheon, the only persons or companies who beneficially own, directly or indirectly, or exercise control or direction over more than 10% of the restricted voting shares are Mr. Joaquín B. Viso and his spouse, Ms. Olga Lizardi, who, as at February 22, 2008, 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, JLL Partners, Inc. and its affiliates (“JLL Partners”) own 150,000 Convertible Preferred Shares and 150,000 Special Voting Preferred Shares representing all of the issued and outstanding Convertible Preferred Shares and Special Voting Preferred Shares, respectively. As at February 22, 2008, these Convertible Preferred Shares were convertible into 33,504,465 restricted voting shares and represented approximately 27.0% of the voting rights 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 Partners currently entitle it to elect three directors of the Corporation.

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;
- FOR the appointment of Ernst & Young LLP as auditors of Patheon and authorizing the directors to fix their remuneration;
- FOR the approval and reaffirmation of the unallocated options remaining under Patheon's Amended and Restated Incentive Stock Option Plan dated March 31, 2005 (the "Option Plan");
- FOR the approval of the amendments to the Option Plan; and
- FOR the confirmation of the adoption of By-law No. 1 (2008) and the repeal of By-law No. 1 (2002), as amended, of Patheon.

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 Tuesday, March 25, 2008, 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. 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 this document:

- at Patheon's head office, located at 7070 Mississauga Road, Suite 350 Mississauga, Ontario L5N 7J8, 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 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.

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).

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:

- 2007 consolidated financial statements;
- election of directors;
- appointment of auditors and authorization to fix their remuneration;
- approval and reaffirmation of the unallocated options remaining under the Option Plan;
- approval of the amendments to the Option Plan; and
- confirmation of the adoption of By-law No. 1 (2008) and the repeal of By-law No. 1 (2002), as amended.

Financial Statements

Patheon's audited consolidated financial statements for the fiscal year ended October 31, 2007 ("Fiscal 2007"), together with the notes thereto and the report of the auditors thereon, were filed on SEDAR (www.sedar.com) on January 23, 2008 and will be presented to the shareholders at the meeting. These consolidated financial statements form part of the Patheon 2007 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@computereshare.com, or Patheon at patheon@patheon.com.

Election of Directors

Patheon's articles provide for the Board to consist of a minimum of three and a maximum of 12 directors. Under the investor agreement dated April 20, 2007 between the Company and JLL Partners, Patheon has agreed that the Board will consist of up to a maximum of nine directors.

The articles provide that the holders of Special Voting Preferred Shares are currently entitled to elect three directors. The holders of restricted voting shares are entitled to elect the remaining directors. Holders of Convertible Preferred Shares are not entitled to vote as such in respect of the election of directors.

The Board has determined that the 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. 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 the nominees will be unable or will become unwilling, for any reason, to serve as a director but, if that should occur for any reason prior to their election, the persons named in the enclosed form of proxy may, in their discretion, vote for the election of any other person(s) as director(s).

Information as to restricted voting shares beneficially owned by each proposed nominee or over which each proposed nominee exercises control or direction, 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 February 25, 2008</u>	<u>Outstanding Options as at February 25, 2008</u>	<u>Public Board Membership During Last Five Years</u>	
Claudio F. Bussandri <i>Westmount, Quebec, Canada</i> Director since: N/A Independent	—	—	Adherex Technologies Inc.	2007-present
Attendance Board: Fiscal 2007:	N/A			

Mr. Bussandri was President and Chief Executive Officer of McKesson Canada (healthcare services company) from 1995 to 2007. Prior to that, Mr. Bussandri was President and Chief Executive Officer of Lantic Sugar Limited (“Lantic”) (Canadian sugar refiner) from 1987 to 1995. He was also Executive Chairman of Lantic’s U.S. subsidiary, Refined Sugar Inc. (RSI), and Executive Chairman of Lantic’s Barbados sugar trading company. Prior to that, Mr. Bussandri held senior positions at Nabisco Brands Limited of Canada (food and beverage company) from 1974 to 1987, including President of the Food Service Division, President and General Manager of Coffee Club Companies, as well as Vice-President Corporate Distribution. From 1969 to 1974, he worked for Gillette of Canada (personal care and household products company), initially as Manager, Production Planning and Control, and later serving as Project Manager as well as Manager, Operational Planning. 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 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: N/A Independent	—	—	Mphasis Limited	2006-2007
			Metaca Corporation	2000-2003
Attendance Board: Fiscal 2007:	N/A			

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 2003. 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. (“Symcor”) (provider of business process outsourcing services for the financial services industry) from 2000 to 2003. He also acted as an advisor to Symcor in 1999. Mr. Currie was Executive Vice-President, Corporate Development and Mergers & Acquisitions of Newcourt Credit Group, Inc. (leasing and capital asset lending company) from 1998 to 1999. Prior to that, he was a partner with the accounting firm Coopers & Lybrand from September 1988 to 1997, before which he was a senior manager with the same firm from 1985 to 1988. Mr. Currie held staff and manager roles with the accounting firm Clarkson Gordon from 1981 to 1985. 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 February 25, 2008</u>	<u>Outstanding Options as at February 25, 2008</u>	<u>Public Board Membership During Last Five Years</u>	
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Peter A. W. Green⁽¹⁾ <i>Campbellville, Ontario, Canada</i> Director since: 1996 Independent	58,000	60,000	Superior Plus Inc.	1996-present
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Attendance Board: Fiscal 2007: Audit Committee: Corporate Governance Committee: Compensation and Human Resources Committee: Special Committee:	13/13 4/4 ⁽²⁾ — ⁽³⁾ 0/3 6/6
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Mr. Green is Chairman of the Board of Patheon 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⁽⁴⁾ <i>San Juan, Puerto Rico, U.S.A.</i> Director since: 2004 Not Independent	10,824,053 ⁽⁵⁾	—	—
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Attendance Board: Fiscal 2007:	13/13
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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 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 Orbix Healthcare 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 February 25, 2008</u>	<u>Outstanding Options as at February 25, 2008</u>	<u>Public Board Membership During Last Five Years</u>	
Derek J. Watchorn <i>Schomberg, Ontario, Canada</i> Director since: 1998 Independent	28,325	30,000	Retirement Residences Real Estate Investment Trust	2001-2007
			IPC US Real Estate Investment Trust	2003-2007
Attendance	Board:	12/13		
Fiscal 2007:	Corporate Governance Committee:	2/2		
	Compensation and Human Resources Committee:	3/3		
	Special Committee:	6/6		

Mr. Watchorn is President, Chief Executive Officer, and a director of PSPIB Destiny Inc. ("Destiny") (provider of accommodation and care for seniors), a private, wholly-owned subsidiary of a Canadian (federal) crown corporation. Destiny 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 and as Executive Director of TrizecHahn Europe (commercial property company) from 1999 until 2001. Before and after his senior management roles in Europe, Mr. Watchorn was a senior partner of the law firm Davies Ward Phillips & Vineberg LLP, which he joined in 1968. Mr. Watchorn received an LL.B. from the University of Toronto.

Wesley P. Wheeler⁽⁴⁾ <i>Corona del Mar, California, U.S.A.</i> Director Since: 2007 Not Independent	—	1,730,000	—
Attendance	Board:	N/A	
Fiscal 2007:			

Mr. Wheeler joined Patheon as Chief Executive Officer on December 3, 2007, and joined the Board of Patheon 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. Prior to DSM, Mr. Wheeler was Senior Vice-President of Logistics and Strategy for GlaxoSmithKline plc. (pharmaceutical company), before which he was Vice-President of Marketing for Glaxo Wellcome (pharmaceutical company). Mr. Wheeler joined Glaxo Wellcome in 1989 after a 12-year career at Exxon Research & Engineering Co. (oil, natural gas, and petrochemicals research and engineering company). Mr. Wheeler received a B.Sc. in mechanical engineering from Worcester Polytechnic Institute and an M.B.A. from California Lutheran University.

- (1) 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.
- (2) Mr. Green's term on this committee expired effective May 4, 2007, before which date four Audit Committee meetings were held during Fiscal 2007.

- (3) Mr. Green's term on the Corporate Governance Committee expired effective May 4, 2007, before which date no meetings of this committee were held during Fiscal 2007.
- (4) Members of management or former members of management are not members of any committees of the Board.
- (5) 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 11.9% of the outstanding restricted voting shares as at February 25, 2008.

All of the Special Voting Preferred Shares are currently held by JLL Partners. JLL Partners 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 February 25, 2008</u>	<u>Outstanding Options as at February 25, 2008</u>	<u>Public Board Membership During Last Five Years</u>	
Ramsey A. Frank ⁽⁶⁾ <i>Greenwich, Connecticut, U.S.A.</i> Director since: 2007 Not Independent	— ⁽⁷⁾	—	Builders FirstSource, Inc.	2001-present
			PGT, Inc.	2003-present
Attendance Board:		5/5 ⁽⁸⁾		
Fiscal 2007: Audit Committee:		1/1 ⁽⁹⁾		
Corporate Governance Committee:		2/2		
Compensation and Human Resources Committee:		3/3		

Mr. Frank joined the Board of Patheon on April 27, 2007. Mr. Frank is a Managing Director of JLL Partners, Inc. (private equity investment firm), which he joined in 1999. Previously, Mr. Frank was a Managing Director at Donaldson, Lufkin & Jenrette Securities Corporation (investment bank), where he led the firm's Restructuring Group and was a senior member of the Leveraged Finance Group. Mr. Frank was also a Managing Director at Smith Barney & Co. (investment bank) and a Vice-President at Drexel Burnham Lambert (investment bank). Mr. Frank also serves on the Boards of Motor Coach Industries International, Builders FirstSource, C.H.I. Overhead Doors, PGT, Education Affiliates and Medical Card System. Mr. Frank received a B.Sc. from Indiana University and an M.B.A. with high honors from the University of Chicago.

Paul S. Levy ⁽¹⁰⁾ <i>Scarsdale, New York, U.S.A.</i> Director since: 2007 Not Independent	— ⁽⁷⁾	—	Builders FirstSource, Inc.	1998-present
			PGT, Inc.	2004-present
Attendance Board:		3/5 ⁽¹¹⁾		
Fiscal 2007:				

Mr. Levy joined the Board of Patheon 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, 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 February 25, 2008</u>	<u>Outstanding Options as at February 25, 2008</u>	<u>Public Board Membership During Last Five Years</u>
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Thomas S. Taylor
New York, New York, U.S.A.
 Director since: 2007
 Not Independent

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Attendance Board: 5/5⁽¹²⁾
 Fiscal 2007: Audit Committee: 2/2⁽¹³⁾

Mr. Taylor joined the Board of Patheon on April 27, 2007. Mr. Taylor is a Senior Principal 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, ACE Cash Express and Skylight Financial. 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.

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- (6) Mr. Frank previously served as a director of New World Pasta Company, which made a proposal under chapter 11 of the U.S. Bankruptcy Code in 2004.
 - (7) Neither one of Messrs. Frank, Levy, or Taylor beneficially owns, directly or indirectly, controls, or directs securities of any one or more classes of voting securities of the Corporation; however, each of them is a Managing Director or Senior Principal of JLL which holds 150,000 Convertible Preferred Shares and 150,000 Special Voting Preferred Shares. As at February 25, 2008, these Convertible Preferred Shares are convertible into 33,504,465 restricted voting shares, representing approximately 27.0% of the voting rights of Patheon (in respect of all matters other than the election of directors). In addition, the Special Voting Preferred Shares owned by JLL Partners currently entitle it to elect three directors of the Corporation.
 - (8) After Mr. Frank joined the Board on April 27, 2007, five meetings of the Board were held during the remainder of Fiscal 2007.
 - (9) After Mr. Frank was appointed to the Audit Committee, effective July 10, 2007, one meeting of the Audit Committee was held during the remainder of Fiscal 2007.
 - (10) Mr. Levy previously served as a director of Hayes Lemmerz International, Inc., which made a proposal under chapter 11 of the U.S. Bankruptcy Code in 2001 and as a director of New World Pasta Company, which made a proposal under chapter 11 of the U.S. Bankruptcy Code in 2004.
 - (11) After Mr. Levy joined the Board on April 27, 2007, five meetings of the Board were held during the remainder of Fiscal 2007.
 - (12) After Mr. Taylor joined the Board on April 27, 2007, five meetings of the Board were held during the remainder of Fiscal 2007.
 - (13) After Mr. Taylor was appointed to the Audit Committee, effective May 4, 2007, two meetings of the Audit Committee were held during the remainder of Fiscal 2007.

Other than Messrs. Bussandri and Currie, all of the above persons are currently members of Patheon's Board of Directors.

The persons proposed for nomination by the Board are, in the opinion of the Board, well qualified to act as directors for the ensuing year. If elected, each of the above nominees proposed by the Board 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 of Directors 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.

For Fiscal 2007, Ernst & Young LLP and its affiliates were paid approximately \$1,239,000 as detailed below:

<u>Ernst & Young LLP</u>	<u>Fiscal 2007</u>	<u>Fiscal 2006</u>
Audit Fees	\$ 957,000	\$1,074,000
Non-Audit Services Fees	\$ 247,000	\$ 183,000
Other Accounting Services Fees	\$ 35,000	\$ 37,000
	<u>\$1,239,000</u>	<u>\$1,294,000</u>

The non-audit services fees were related primarily to reviews of the tax compliance and quarterly filings, as well as advice on accounting policy matters. Other accounting services fees were related primarily to employee benefit plan audits.

The Audit Committee periodically reviews the provision of services other than audit services by Ernst & Young LLP and considers whether the provision of these services is compatible with maintaining the auditors' independence. In addition, the Audit Committee annually reviews with Ernst & Young LLP their qualifications and independence.

Approval of Unallocated Options

The rules of the TSX require that, if a listed issuer has a stock option plan that does not have a fixed maximum number of shares issuable thereunder, the directors and shareholders of the issuer must approve and reaffirm the unallocated options under the plan every three years.

At the shareholders meeting held on March 31, 2005, the shareholders approved an amendment to the Option Plan to provide that the maximum number of common shares (now restricted voting shares) issuable under the Option Plan be equal to 7.5% of the outstanding common shares (now restricted voting shares). As at February 25, 2008, 90,634,388 restricted voting shares were outstanding, 2,339,228 common shares or restricted voting shares had previously been issued under the Option Plan, and options to purchase an additional 6,531,986 restricted voting shares under the Option Plan were outstanding. Accordingly, as at that date, without giving effect to the amendment to the plan limit discussed below, options to purchase up to an additional 265,593 restricted voting shares remained available for grant under the Option Plan (the "Unallocated Options"). The amendment to the plan limit, discussed below under "Option Plan Amendments", if approved by the shareholders, will increase this figure to 2,778,428.

The directors of Patheon have approved and reaffirmed the Unallocated Options. At the meeting, the shareholders will be asked to consider and, if thought fit, approve and reaffirm these Unallocated Options. The Board of Directors unanimously recommends that shareholders vote in favour of the approval and reaffirmation of the Unallocated Options. The text of the related resolution is attached as Appendix B to this Management Proxy Circular.

Option Plan Amendments

On February 22, 2008, the Board of Directors approved, subject to shareholder approval, amendments to the Option Plan. The amendments:

- amend 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 that will require shareholder approval and the types of amendments that can be approved by the Board of Directors without shareholder approval; and
- provide for the automatic extension for a short period of any options that would otherwise expire during or shortly after a blackout period.

Amendment to Plan Limit

Under the amendments adopted in 2005, the Option Plan provides that the maximum number of restricted voting shares issuable under the Option Plan is equal to 7.5% of the outstanding restricted voting shares from time to time. In April 2007, JLL Partners invested US\$150 million in Patheon shares, subscribing for 150,000 Convertible Preferred Shares and Special Voting Preferred Shares. As at February 25, 2008, the Convertible Preferred Shares are convertible into 33,504,465 million restricted voting shares and carry the right to vote with the holders of restricted voting shares on an as-if-converted basis in respect of all matters other than the election of directors. The Option Plan amendments amend

the calculation of the plan limit to provide that the maximum number of restricted voting shares issuable under the Option Plan will be limited to 7.5% of the sum of the number of restricted voting shares outstanding from time to time and the number of restricted voting shares issuable upon the conversion of the Convertible Preferred Shares outstanding from time to time.

The purpose of the amendment is to ensure that an appropriate number of restricted voting shares remains available for issuance under the Option Plan in light of Patheon's capital structure and its need to attract and retain senior management, highly qualified scientists and other key employees. Prior to the amendments, JLL Partners' investment did not increase the maximum number of shares that may be issued under the Option Plan because it took the form of Convertible Preferred Shares rather than restricted voting shares. However, as the Convertible Preferred Shares form a material part of the equity capital structure of the Company, it is appropriate to take into account the number of restricted voting shares issuable on conversion of the Convertible Preferred Shares for purposes of calculating the 7.5% maximum number of restricted voting shares issuable under the Option Plan.

In December 2007, the Board of Directors determined that it was appropriate to make a large grant of options to induce Patheon's new Chief Executive Officer to join the company, which reduced the number of Unallocated Options available for future grants. If the amendment to the plan limit is approved, the number of additional restricted voting shares that may be issued under options remaining available for grant will increase to 2,778,428 (as at February 25, 2008), including the restricted voting shares issuable pursuant to the currently available Unallocated Options. The Board of Directors believes that this is appropriate in light of Patheon's capital structure, its intended use of stock options as incentives in the foreseeable future and the probability of further issuances of restricted voting shares or Convertible Preferred Shares in the future.

Amendment Provisions

Prior to the amendments, the Option Plan provided that the Board of Directors may amend the Option Plan, provided that (i) any amendment that would materially increase the benefits accruing to participants under the plan, increase the number of restricted voting shares issuable under the Option Plan or materially modify the requirements as to eligibility for participation in the Option Plan be approved by shareholders and (ii) no amendment may adversely affect the rights of an optionee under currently outstanding options without the consent of the optionee.

The TSX rules now 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 plan to be subject to shareholder approval, may be made without shareholder approval. The amendments to the Option Plan include new amendment provisions, complying with the current TSX rules, which set out the specific types of amendments that cannot be made by the Board of Directors without shareholder approval. The following types of amendments will require shareholder approval:

- a change to increase the 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.

The new amendment provisions will permit all other types of amendments to be made in the future by the Board of Directors without shareholder approval. 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 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.

TSX staff have reviewed the new amendment provisions and have confirmed that these provisions satisfy the requirements of the TSX rules, as currently applied by the TSX.

Amendments Relating to Blackout Periods

Under Patheon’s Trading Policy for Directors and Senior Officers (the “Insider Trading Policy”), directors and senior officers of the Company are prohibited from trading in securities of Patheon and its subsidiaries during certain periods, including the period commencing on the 17th day of the last month of each fiscal quarter and continuing until the close of business on the first trading day following the release of quarterly results for the quarter. The period during which directors and senior officers of Patheon and its subsidiaries are prohibited from trading under the Insider Trading Policy is referred to as a blackout period.

The TSX has recognized the appropriateness of such blackout periods by public companies, as well as the issue arising in the event that an option or other share compensation arrangement expires while the holder is subject to such a trading blackout or shortly thereafter. The TSX is prepared, subject to shareholder approval, to permit amendments to option plans and other share compensation arrangements that extend those arrangements if they, or options or securities issued thereunder, would otherwise expire during or shortly after a blackout period. The Board of Directors believes that an amendment to its Option Plan and outstanding options that would provide for an extension of options in such circumstances is appropriate, as it will enable an optionholder to exercise his or her options after the expiry of the applicable blackout period.

Accordingly, the amendments include the addition to the Option Plan of a provision providing that, if the term of an option granted under the plan expires during or within 10 business days following the expiry of a blackout period, the term of the option will automatically be extended to the close of business on the 10th business day following the expiration of the blackout period.

Directors’ Recommendation

The Board of Directors has determined that the amendments to the Option Plan are in the best interests of Patheon and its shareholders and recommends that shareholders vote in favour of the resolution approving the amendments. The text of the related resolution is attached as Appendix C to this Management Proxy Circular.

Confirmation of Adoption of By-law No. 1 (2008)

On February 22, 2008, Patheon’s Board of Directors approved, subject to confirmation by the shareholders, the adoption of a new general operating by-law, By-law No. 1 (2008), and the repeal of the existing general operating by-law, By-law No. 1 (2002), as amended.

The adoption of By-law No. 1 (2008) will permit Patheon to issue shares without the requirement to issue a physical certificate. In the absence of a physical certificate, the shares will be registered in the name of the holder on a register to be maintained by Patheon or its transfer agent. The amended by-laws will still permit Patheon to issue a physical certificate to shareholders and will not affect the status of existing physical certificates that are currently held by Patheon’s shareholders. This amendment was proposed in response to recent amendments to the rules of the New York Stock Exchange, the Nasdaq Stock Market and other exchanges in the United States that require issuers listed on such exchanges to be able to issue shares without the requirement to issue a physical certificate and thereby, along with the use of an authorized transfer agent, be eligible to participate in a program known as the Direct Registration Program. Although Patheon has not determined to list its shares on a U.S. exchange at this time, Patheon has proposed the adoption of By-law No. 1 (2008) to ensure that, should Patheon seek to list its shares on a U.S. exchange (in addition to maintaining its existing Toronto Stock Exchange listing), it would be able to do so without the requirement to wait for the following annual

meeting of shareholders, at which meeting Patheon would otherwise still need to seek the confirmation of shareholders in respect of the adoption of the necessary changes to Patheon's general operating by-law.

By-law No. 1 (2008) also incorporates the amendments to By-law No. 1 (2002) that were confirmed at last year's annual and special meeting of shareholders and corrects certain typographical errors. The complete text of By-law No. 1 (2008) is set out in Appendix E.

The Board of Directors believes that the adoption of By-law No. 1 (2008) and the repeal of By-law No. 1 (2002) is in the best interests of Patheon and its shareholders and recommends that shareholders vote in favour of the resolution confirming the adoption of By-law No. 1 (2008). The text of the related resolution is attached as Appendix D to this Management Proxy Circular.

Expiry of Shareholder Rights Plan

A Shareholder Rights Plan Agreement (the "Rights Plan") was entered into as of October 28, 1998 and subsequently amended and restated as of March 20, 2002 and March 31, 2005 between Patheon and Computershare Trust Company of Canada, with the approval of the shareholders of the Corporation.

The Rights Plan expires at the end of the Annual and Special Meeting of Shareholders to be held on Thursday, March 27, 2008. After considering the relevant factors, including applicable securities regulatory requirements and how they affect the Corporation and its shareholders, the Board of Directors has determined that the Rights Plan is no longer necessary; accordingly, the Board will not be requesting shareholders to approve an extension of the Rights Plan.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Report on Executive Compensation

The following is the Compensation and Human Resources Committee (the "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 Committee in accordance with the mandate set out in the Committee's Charter which has been adopted by the Board of Directors. During Fiscal 2007, the Committee was composed of Derek Watchorn (Chair), Peter A.W. Green, Gregory C. Wilkins (whose term expired effective May 4, 2007) and Ramsey A. Frank (appointed effective May 4, 2007). None of the members of the Committee was, during Fiscal 2007, or at any time previous, an employee of Patheon or any of its subsidiaries.

The Committee reviews the compensation levels for the Chief Executive Officer ("CEO"), the other executive officers and certain members of senior management. The Committee also reviews information it receives from Patheon's CEO as well as advice it receives from external compensation consultants. The Committee uses this information and advice to determine and approve any changes to the general compensation levels that it considers appropriate. In addition, the Committee, on the recommendation of the CEO, approves the discretionary cash bonuses, stock options and restricted share units awarded to executive officers and senior management.

The 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 Corporation'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 incentives and long-term incentives and are of general benefit to the Corporation and, where appropriate, recommend to the Board 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 Corporation 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 Corporation's compensation policies and programs, the goals and objectives of the CEO and their respective performances in respect of these goals and objectives;
- (f) review of, and, if appropriate, recommending approval to the Board of, the CEO's recommendation for the material elements of the compensation programs for all executive officers of the Corporation, including annual incentive payments;
- (g) assuring itself that the Corporation's executive and director compensation programs have been administered in accordance with their terms; and
- (h) reviewing all executive compensation disclosure before the Corporation publicly discloses this information.

Compensation Program

The Committee believes that Patheon's compensation program is consistent with that of other Canadian public companies of similar size and scope. To ensure that the compensation program is competitive, the Committee makes reference to established compensation methodologies for comparisons to Canadian public companies with comparable market capitalization, and industry data banks for both the pharmaceutical industry and general industry sectors in Canada for the Canadian based executives and in the jurisdiction of residence for Patheon's executives resident in countries other than Canada.

The Committee engaged Towers Perrin HR Services ("Towers Perrin") throughout Fiscal 2007 to advise the 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 the Committee's review, the Committee recommended, and the Board adopted, changes to the Corporation's long-term incentive compensation program, which will apply to the fiscal year that will end October 31, 2008 ("Fiscal 2008"). In addition to the compensation program that was in effect during Fiscal 2007, the nature of the changes adopted for Fiscal 2008 is discussed below.

Compensation Elements

In Fiscal 2007, 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). The following table provides an overview of each element of the Patheon compensation program in Fiscal 2007:

<u>Element</u>	<u>Form</u>	<u>Eligibility</u>	<u>Performance Period</u>	<u>Determination</u>
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

<u>Element</u>	<u>Form</u>	<u>Eligibility</u>	<u>Performance Period</u>	<u>Determination</u>
Mid-Term Incentive	Restricted Share Units (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
Long-Term Incentive	Stock Options	Directors, officers, key employees and consultants	Typically vest over 3 years, 1/3 on each of 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 market value • 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

For Fiscal 2008, the Board has determined to replace the Corporation’s Restricted Share Unit Plan (the “RSU Plan”) with a Performance Share Unit Plan (the “PSU Plan”) designed to provide a longer-term incentive more directly tied to performance. For additional information, please see “—Restricted Share Unit Plan and Performance Share Unit Plan” below. In addition, for Fiscal 2008, the Board has determined to adopt changes to the Corporation’s compensation program for directors, including, with respect to long-term incentive compensation, 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 Committee reviews base salaries for Patheon’s executives annually in light of average salaries for similar positions of the comparator 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 to mid-term incentives are adjusted accordingly.

Short-Term Incentives

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 current CEO, Wesley P. Wheeler, are entitled to an annual cash incentive bonus of between 30% and 50% 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.

Wesley P. Wheeler became CEO on December 3, 2007. Mr. Wheeler is 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 CEO and approved by the Board. For Fiscal 2008, the amount of this bonus will be prorated from December 3, 2007.

With respect to Fiscal 2007, the former Chief Operating Officer (“COO”), Nick A. DiPietro, was entitled to an annual performance cash incentive as well as an annual discretionary cash incentive. The annual performance cash incentive was equal to an amount not to exceed 50% of his annual base salary and was subject to Patheon’s achievement of certain earnings per share (“EPS”) targets which were set by the Board at the beginning of Fiscal 2007. The discretionary cash incentive was equal to an amount not to exceed 50% of his annual base salary subject to Patheon’s achievement of certain corporate objectives and the achievement of certain personal objectives, both of which were set by the Board, on recommendation of the Committee, at the beginning of Fiscal 2007. 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. Effective the same date, Mr. DiPietro’s employment agreement, as President and Chief Operating Officer, was terminated (see “*Employment Agreements — Nick A. DiPietro*” below).

Restricted Share Unit Plan and Performance Share Unit Plan

During Fiscal 2007, mid-term incentives were available through the RSU Plan (although no restricted share units were granted during Fiscal 2007). For Fiscal 2008, the Board has determined to replace the RSU Plan with the PSU Plan.

The RSU Plan was established by the Board of Directors in February 2005 as an additional mid-term incentive program for executive officers, senior management, key employees and certain consultants (who are not employees). 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 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 TSX during the two days immediately prior to the vesting of the RSU). RSUs vest and are payable as to one third each on each of the first three anniversaries of the RSU grant date. The 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 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, 2007, 524,483 RSUs had been granted under the RSU Plan. The Committee does not currently intend to grant any additional RSUs under the RSU Plan.

Further to the work conducted by Towers Perrin (see “*Compensation Program*” above), the 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 Committee to administer the PSU Plan and all costs and expenses of administering it are paid for by Patheon.

The PSU Plan is similar to the RSU Plan except that all performance share units (“PSUs”) granted thereunder will be eligible for vesting on the third anniversary of the date of grant (rather than vesting in instalments) and that vesting will be subject to corporate performance criteria. For Fiscal 2008, the Committee has made the vesting of any PSUs granted subject to corporate performance criteria based on Patheon’s share price increase and return on invested capital during the three-year period. 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 Committee as it determines appropriate to provide long-term incentive compensation.

Each RSU award is, and each PSU award will be, 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 RSUs or 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 Option Plan. The PSU Plan, adopted for Fiscal 2008, also is intended to provide long-term incentives. The Committee currently intends that long-term incentive plan grants to eligible employees for Fiscal 2008 will be composed of roughly 50% options and 50% PSUs.

The Option Plan was established for the benefit of officers, key employees, directors and certain consultants (who are not employees) 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 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 Committee considers recommendations made from time to time by Patheon's CEO, considers the number and terms of existing options, and structures the exercise periods and other terms attaching to new options with the primary goal of aligning optionholder and shareholder interests.

Options granted to the CEO and COO were determined by the Committee based on the terms of their respective employment agreements, and consistent with Patheon's compensation policies. After the end of Fiscal 2007, on December 18, 2007, options to purchase 1,730,000 restricted voting shares were granted to the new CEO in accordance with the terms of his employment. His employment terms provide that future grants will be at the discretion of the Committee.

In addition to the annual performance and discretionary cash incentives described above, the COO was entitled under his employment agreement: (i) to be granted 25,000 performance stock options per year for the term of the agreement if the EPS target established by the Board for the year was met, plus an additional 50,000 performance stock options if such target was exceeded by a specified amount, all of which performance stock options would vest immediately on issuance and would expire upon the tenth anniversary of the grant; and (ii) to be granted an additional 100,000 stock options per year for the term of the employment agreement, which would be exercisable on or after the first anniversary of the grant and would expire upon the tenth anniversary of the grant. 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. Effective the same date, Mr. DiPietro's employment agreement, as President and Chief Operating Officer, was terminated. As a result, all of Mr. DiPietro's outstanding options that had not yet vested were then immediately vested, and all of his outstanding options became exercisable until the earlier of February 19, 2009 or their normal expiry date (see "*Employment Agreements — Nick A. DiPietro*" below).

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, resignation, dismissal or retirement of an optionee. If the proposed amendments to the Option Plan are approved at the meeting, any options that expire during or shortly following a blackout period will automatically be extended until 10 business days following the completion of the blackout period. For additional information, please see "*Business of the Meeting — Option Plan Amendments*".

Vesting Requirements: Options generally vest 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.

Board Approvals: The 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 of Directors may at any time suspend or terminate the Option Plan in whole or in part. Currently, the Board of Directors may amend the Option Plan in such respects as deemed appropriate, subject to applicable regulatory and shareholder approval. If the proposed amendments to the Option Plan are approved at the meeting, the current amendment provisions in the Option Plan will be replaced and the Option Plan will set out those amendments to the Plan that cannot be made by the Board of Directors without shareholder approval. All other amendments will be able to be made by the Board of Directors without the approval of the shareholders. For additional information, please see “*Business of the Meeting — Option Plan Amendments — Amendment Provisions*”.

Plan Limit: The current maximum number of restricted voting shares that may be issued under the Option Plan is 7.5% of the issued and outstanding restricted voting shares of Patheon at any one 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 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. 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, and the number of restricted voting shares issued to insiders of Patheon, within any one-year period, under all security-based compensation arrangements, cannot exceed 5% of Patheon’s then issued and outstanding restricted voting shares.

If the proposed amendments to the Option Plan are approved by the shareholders at the meeting, the maximum number of restricted voting shares that may be issued under the Option Plan will be 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. For additional information, please see “*Business of the Meeting — Option Plan Amendments — Amendment to Plan Limit*”.

Outstanding Options: The total number of restricted voting shares issuable under grants outstanding as at February 25, 2008 was 6,531,986 representing approximately 7.21% of the currently issued and outstanding restricted voting shares of Patheon.

Stock Option Plan Information as at October 31, 2007

<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)
Stock Option Plan approved by shareholders	3,857,916	\$10.38	2,938,913 ⁽¹⁾
Equity Compensation Plan not approved by shareholders	—	—	—

(1) Giving effect to the proposed amendments to the Option Plan to be considered by the shareholders at the meeting as described under “*Business of the Meeting — Option Plan Amendments- Amendment to Plan Limit*”, the number of securities remaining available for future issuance under equity compensation plans as at October 31, 2007 would have been 5,399,461.

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 Corporation.

CEO Compensation for Fiscal 2007

New CEO

Wesley P. Wheeler was appointed CEO of Patheon effective December 3, 2007. Riccardo Trecroce was the CEO throughout Fiscal 2007. He was appointed CEO on an interim basis in September 2006 at the time when the strategic and financial alternatives review process was commenced, and his appointment was extended for an indefinite period in March 2007, following the process's culmination in JLL Partners' agreement to invest US\$150 million in Patheon shares.

General

The compensation package for the CEO includes the same elements of compensation offered to other executive officers of Patheon. The 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 2007, the Committee also took into account the need to ensure stability and to provide proper incentives during the Corporation's strategic and financial alternatives review process and the need to attract a leading CEO candidate to implement the Corporation's business strategy going forward.

Overview of Performance of the CEO

Riccardo Trecroce was the CEO of the Corporation throughout Fiscal 2007, on an interim basis until March 2007 and on an indefinite basis thereafter. Mr. Trecroce was appointed CEO on an interim basis at the time of the commencement of the Corporation's strategic and financial alternatives review process in September 2006. At that time it was agreed that the Board would give consideration to granting to Mr. Trecroce a one-time bonus following the completion of his appointment as interim CEO or the completion of the successful implementation of the strategic alternative selected by the Board under the strategic and financial alternatives review process. The strategic alternative selected by the Board was the JLL Partners investment, which was successfully implemented in April 2007. Thereafter, the Board determined that the payment of a one-time bonus of \$225,000 to Mr. Trecroce was appropriate in light of the outcome of and his contribution to the strategic and financial alternatives review process. Following the end of Fiscal 2007, the Board considered the extent to which the payment of an additional bonus amount for Fiscal 2007 was appropriate and determined to pay an additional bonus amount of \$109,340. Factors considered by the Board in making this determination included the progress made to that time in implementing the Corporation's Performance Enhancement Program and restructuring its Canadian site network, the level of achievement in Fiscal 2007 of a pre-set EBITDA target, the continued underperformance of the Corporation's Puerto Rican operations, the amount of the bonus paid to Mr. Trecroce following the completion of the strategic and financial alternative review process, and his high level of performance following the JLL investment until transition to a new CEO.

This Report on Executive Compensation was submitted on behalf of the Compensation and Human Resources Committee.

Ramsey A. Frank

Peter A.W. Green

Derek J. Watchorn (Chair)

Executive Compensation

The tables and the related narrative below present information about compensation for Patheon’s Chief Executive Officer, Patheon’s Chief Financial Officer 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 2007.

Table 1 — Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation		
		Salary	Bonus	Other Annual Compensation ⁽¹⁾	Securities Under Options Granted (#)	Shares or Units Subject to Resale Restrictions ⁽²⁾	All Other Compensation ⁽³⁾
Riccardo C. Trecroce	2007	\$550,000	\$334,340	—	—	—	\$ 22,793
Chief Executive Officer ⁽⁴⁾	2006	\$410,719	—	—	—	\$150,447	\$ 27,111
(appointed Sept. 10, 2006)	2005	\$298,925	\$150,000	—	—	\$235,754	\$ 24,316
John H. Bell	2007	\$360,000 ⁽⁵⁾	\$252,500 ⁽⁵⁾	—	—	—	—
Chief Financial Officer	2006	\$ 30,000 ⁽⁵⁾	—	—	—	—	—
(appointed Sept. 25, 2006)	2005	N/A	N/A	N/A	N/A	N/A	N/A
Nick A. DiPietro	2007	\$550,000	\$306,200	—	100,000	—	\$ 49,622
President & Chief Operating	2006	\$550,000	—	—	100,000	—	\$ 53,824
Officer ⁽⁶⁾	2005	\$550,000	\$121,875	—	100,000	—	\$ 49,800
Aldo Braca	2007	\$498,463	\$170,134	—	—	—	\$199,083
President, Patheon Europe ⁽⁷⁾	2006	\$450,483	—	—	—	\$238,920	\$163,673
	2005	\$525,388	\$365,625	—	—	\$378,300	\$180,514
Clive V. Bennett	2007	\$400,522	\$164,224	—	—	—	\$ 13,618
President, Patheon U.S.A. ⁽⁸⁾	2006	\$499,358 ⁽⁹⁾	—	—	—	\$188,240	\$ 8,323
	2005	\$410,989 ⁽⁹⁾	\$153,111	—	—	\$296,064	\$ 22,727

(1) 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, 2007, there were 258,190 RSUs outstanding in aggregate, which, as at that date, represented a total value of \$903,665. 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) (the “ESPSP”).
- (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.)
- (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.
- (iv) In the case of Mr. Bennett, the amount includes Patheon’s contributions in each fiscal year to the Group Registered Pension Plan and, in prior fiscal years, to the ESPSP. (See “*Pension Plan Arrangements*” below.)

(4) Wesley P. Wheeler was appointed Chief Executive Officer of Patheon effective December 3, 2007. See “*Employment Agreements — Wesley P. Wheeler*” for a description of his compensation arrangements.

(5) This amount reflects 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 of Patheon on September 25, 2006.

(6) 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.

(7) Amounts represent the Canadian-dollar equivalent of payments actually earned or paid to Mr. Braca in euros. 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 2007</u>	<u>Fiscal 2006</u>	<u>Fiscal 2005</u>
1 euro equals Canadian dollars:	1.4779	1.4062	1.5433

(8) Mr. Bennett was appointed President, Patheon U.S.A. and President and Chief Operating Officer of MOVA Pharmaceutical Corporation effective July 15, 2005. He ceased to be President and Chief Operating Officer of MOVA Pharmaceutical Corporation on July 31, 2006. Effective February 19, 2008, Mr. Bennett ceased to be President, Patheon U.S.A. and assumed a new role as Chief Technical Officer of Patheon.

(9) The Salary amount for Mr. Bennett in fiscal 2005 includes \$28,212 and in fiscal 2006 includes \$17,915 in special assignment pay. This amount was paid to Mr. Bennett in regular monthly instalments as part of his assignment to Puerto Rico and appointment as President and Chief Operating Officer of MOVA Pharmaceutical Corporation. During fiscal 2006, a portion of Mr. Bennett's compensation was paid in US dollars and these amounts have been converted using the average exchange rate in effect during that year which was C\$1.1388 / US\$1.00.

Option Grants

The following table sets out certain information relating to the options granted to the Named Executive Officers during Fiscal 2007.

Table 2 — Option Grants During Fiscal 2007

<u>Name</u>	<u>Restricted Voting Shares Under Options Granted</u>	<u>% of Total Options Granted to Employees in Fiscal 2007</u>	<u>Exercise Price (\$/Restricted Voting Share)</u>	<u>Market Value of Restricted Voting Shares Underlying Options on the Date of Grant (\$/Restricted Voting Share)</u>	<u>Vesting Date</u>	<u>Expiration Date</u>
Riccardo C. Trecroce	—	—	—	—	—	—
John H. Bell	—	—	—	—	—	—
Nick A. DiPietro	100,000	100%	\$4.83	\$4.83	March 13, 2008	March 13, 2017
Aldo Braca	—	—	—	—	—	—
Clive V. Bennett	—	—	—	—	—	—

Subsequent to Fiscal 2007, on December 18, 2007, Patheon granted to Wesley P. Wheeler, in connection with his agreeing to become Patheon's Chief Executive Officer, options to acquire 1,730,000 restricted voting shares, at an exercise price of \$3.14 per share, the market price of the restricted voting shares at that time. 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.

Option Exercises

No options to purchase restricted voting shares were exercised by the Named Executive Officers during Fiscal 2007. The following table sets out certain information with respect to restricted voting shares under option to the Named Executive Officers as at October 31, 2007.

Table 3 — Aggregate Stock Options Exercised During Fiscal 2007 and Value of Options as at October 31, 2007

<u>Name</u>	<u>Restricted Voting Shares Acquired on Exercise</u>	<u>Aggregate Value Realized</u>	<u>Unexercised Options at October 31, 2007</u>		<u>Value of Unexercised in-the-Money Options at October 31, 2007⁽¹⁾</u>	
			<u>Exercisable</u>	<u>Unexercisable</u>	<u>Exercisable</u>	<u>Unexercisable</u>
Riccardo C. Trecroce	—	—	115,000	—	—	—
John H. Bell	—	—	—	—	—	—
Nick A. DiPietro	—	—	1,040,000	100,000	—	—
Aldo Braca	—	—	260,000	—	—	—
Clive V. Bennett	—	—	290,000	—	—	—

(1) Based on the closing price of the restricted voting shares on October 31, 2007 of \$3.50.

Restricted Share Unit Grants

No Restricted Share Units were granted during Fiscal 2007. For details on the RSU Plan, please see “*Report on Executive Compensation — Variable Compensation — Restricted Share Unit Plan and Performance Share Unit Plan*”.

Restricted Share Units Vested

The table below shows the number of RSUs vested (and, therefore, paid out) during Fiscal 2007 in respect of each of the Named Executive Officers and the number and value of RSUs remaining to be vested in respect of each of the Named Executive Officers as at October 31, 2007. During Fiscal 2007, certain RSUs of the Named Executive Officers vested on February 3, 2007, while others vested on February 22, 2007. For details on the RSU Plan, please see “*Report on Executive Compensation — Variable Compensation — Restricted Share Unit Plan and Performance Share Unit Plan*”.

Table 4 — RSUs Vested During Fiscal 2007 and Value of RSUs Not Yet Vested as at October 31, 2007

Name	Aggregate Value of RSUs that Vested on February 3, 2007 (\$)⁽¹⁾	Aggregate Value of RSUs that Vested on February 22, 2007 (\$)⁽²⁾	RSUs Not Yet Vested as at October 31, 2007 (#)	Aggregate Value of RSUs Not Yet Vested as at October 31, 2007 (\$)⁽³⁾
Riccardo C. Trecroce	\$37,683	\$34,239	20,772	\$ 72,910
John H. Bell.	—	—	—	—
Nick A. DiPietro	—	—	—	—
Aldo Braca	\$59,840	\$54,945	33,101	\$116,185
Clive V. Bennett.	\$47,148	\$43,001	26,021	\$ 91,334

(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, 2007 (\$5.44).

(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, 2007 (\$4.95).

(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, 2007 (\$3.51). 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).

Employment Agreements

Wesley P. Wheeler

In December, 2007, Patheon appointed Mr. Wheeler as Chief Executive Officer of the Corporation, 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 to 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 Corporation. 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 Chief Executive Officer; (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 Chief Executive Officer 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 Chief Executive Officer 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 will be entitled to exercise any options granted to him previously during that period.

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 Corporation 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).

With respect to Mr. DiPietro’s pension plan, please see below, under the heading “*Pension Plan Arrangements*”.

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 Corporation providing to Mr. DiPietro three months written notice prior to the expiry of the relevant term, as the case may be.

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 initial term of the Consulting Agreement ended on October 31, 2007, and its current term expires on April 30, 2008. In connection with the services performed by Mr. Bell under the Consulting Agreement, Whitehall Management Group receives a consulting fee from Patheon. The Consulting Agreement also provides for minimum incentive bonus arrangements and long-term incentive awards. Mr. Bell is not entitled to any pension or other benefits under the Consulting Agreement. The agreement also contains 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 and Clive V. Bennett

Patheon has entered into employment agreements with each of Mr. Braca and Mr. Bennett. Mr. Braca’s agreement provides for an indefinite term of employment, while Mr. Bennett’s agreement, as amended, provides for a fixed term of employment that will end on December 31, 2008. Each of these agreements is subject to termination by Patheon or the executive officer (in the case of Mr. Braca, such termination is subject to the terms of the Italian National Collective Bargaining Agreement currently in force for managers of industrial concerns). Both of these agreements contain non-competition covenants following termination of employment with Patheon with certain specified exceptions. Both agreements also contain salary and benefit commitments by Patheon.

Pension Plan Arrangements

The Named Executive Officers, other than Mr. Bell, participate in the pension plan arrangements described below. Mr. Bell does not participate in any Patheon pension plans and is not entitled to any pension benefits.

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. 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 2007).

Mr. Bennett participates in Patheon's defined contribution pension plan for non-bargaining unit employees in Canada (the "Group Registered Pension Plan"). Under the Group Registered Pension Plan, Patheon contributes an amount equal to 3% of base salary to his account under the plan, to be used, together with any voluntary contributions made by Mr. Bennett under the plan, to provide retirement incomes for Mr. Bennett.

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	26.16	30	35	40
350,000	N/A	109,182	127,013	150,250	173,487
400,000	N/A	109,182	127,013	150,250	173,487
450,000	N/A	109,182	127,013	150,250	173,487
500,000	N/A	109,182	127,013	150,250	173,487
550,000	N/A	109,182	127,013	150,250	173,487
600,000	N/A	109,182	127,013	150,250	173,487
650,000	N/A	109,182	127,013	150,250	173,487
700,000	N/A	109,182	127,013	150,250	173,487
750,000	N/A	109,182	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 66²/₃% 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.

Currently, Mr. DiPietro has 26.16 years of eligible service under the Plan as at February 25, 2008: 8 years of service before 1990 and 18.16 years of service since 1990.

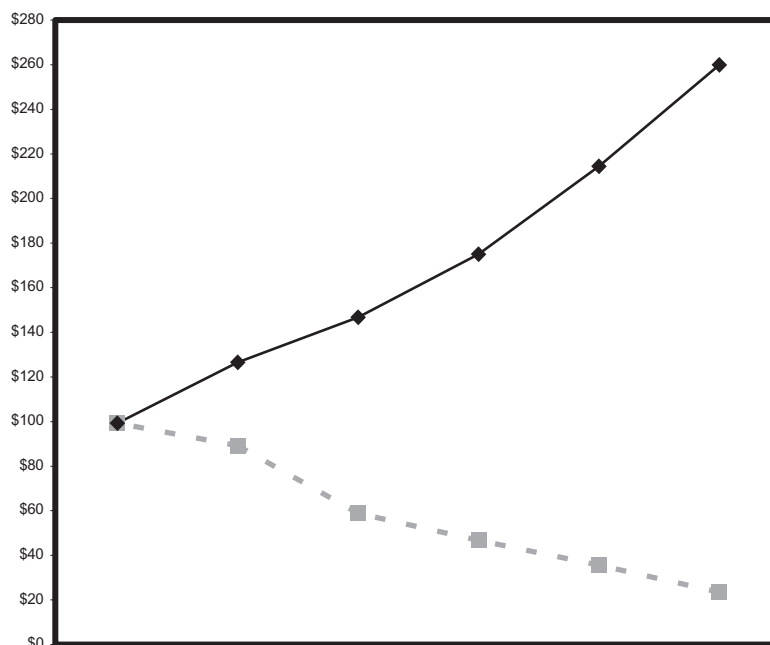
Under the terms of the Plan, Mr. DiPietro was required to transfer the amount of \$155,000 from his registered retirement savings plan into the Plan, in order for the years of service after 1989 to be considered credited service for the purpose of the Plan.

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, 2007, 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 broken line, while the S&P/TSX Composite Index is represented by the diamond-spotted solid line.



	2002	2003	2004	2005	2006	2007
Patheon Inc.	\$100	\$90	\$60	\$48	\$37	\$25
S&P/TSX Composite Index	\$100	\$127	\$147	\$175	\$214	\$259

Compensation of Directors

Directors who are also employees of Patheon receive no remuneration as directors. Directors who are not employees of Patheon receive remuneration, as described below.

Annual retainers and attendance fees were paid to the non-employee directors during Fiscal 2007 based on the following fees:

(i) Annual Board Retainer	\$30,000
(ii) Annual Committee Retainer	
— Audit Committee	\$ 6,000
— Other Committees	\$ 4,000
(iii) Annual Committee Chair Retainer	
— Audit Committee	\$20,000
— Other Committees	\$ 6,000
(iv) Board and Committee Attendance Fees	\$ 1,000
(other than the Special Committee)	
(v) Special Committee Attendance Fee	\$ 1,500

The aggregate cash compensation paid to non-employee directors for services as directors and to the non-executive Chair of the Board during Fiscal 2007 was \$381,053 in respect of Board and committee services and Board and Board Committee meeting fees (including travel expenses and out-of-pocket expenses incurred in connection with their activities as directors).

As discussed above (see “*Report on Executive Compensation — Compensation Program*”), the Committee engaged Towers Perrin throughout Fiscal 2007 to advise the Committee regarding appropriate comparative compensation information and regarding changes to Patheon’s compensation program for directors in light of the financial restructuring undertaken during Fiscal 2007 and evolving market practices. Further to the Committee’s review, the Committee

recommended, and the Board adopted, changes to the Corporation’s long-term incentive compensation program for directors, which will apply to Fiscal 2008.

The Company implemented a Directors’ Deferred Share Unit Plan (the “DSU Plan”) effective February 22, 2008, applicable to Fiscal 2008 and subsequent years. Under the terms of the DSU Plan, non-employee directors (other than the Chair, as discussed below) are paid directors fees in Deferred Share Units (“DSUs”) on account of (i) a one-time initial on-boarding retainer of US\$32,000; (ii) an annual base retainer of US\$32,000; and if the director has so elected, in lieu of cash, (iii) an annual retainer of US\$35,000. Payments of DSUs are credited quarterly to an eligible director’s account and are fully vested at that time. A DSU may only be redeemed for cash after a participant ceases to be a director, with each DSU at the time of redemption having a value equivalent to one restricted voting share. Because of the deferred-payment feature of the DSU Plan, directors benefit only from long-term increases in the value of the Company’s restricted voting shares arising over the term of their directorship, thereby promoting a greater alignment of interest between the directors and the shareholders.

In addition, annual retainers and attendance fees to be paid to directors (excluding directors who are also employees of Patheon and the Chair, as discussed below) during Fiscal 2008 will be based on the following fees (all amounts in the chart below are in US dollars):

(i)	Annual Board Retainer	\$35,000*
(ii)	Annual Committee Retainer	
	— Audit Committee	\$ 6,000
	— Other Committees	\$ 4,000
(iii)	Annual Committee Chair Retainer	
	— Audit Committee	\$14,000
	— Other Committees	\$ 5,000
(iv)	Board and Committee Attendance Fees	\$ 1,500

* Payable in DSUs, in lieu of cash, if the director makes an election.

Compensation of Non-Executive Chair of the Board of Directors

Mr. Green receives an annual fee in his capacity as non-executive Chair of the Board and is paid an annual retainer for each Board Committee on which he serves. He receives no meeting fees in respect of directors’ and committee meetings attended by him other than special committee meetings. Annual fees were paid to Mr. Green during Fiscal 2007 based on the following fees:

(i)	Annual Fee	\$90,000
(ii)	Annual Committee Retainer	
	— Audit Committee	\$ 3,560
	— Other Committees	\$ 7,560
(iii)	Special Committee Attendance Fees	\$ 9,000

Similarly, pursuant to the review of director compensation discussed above, the compensation of the non-executive Chair in Fiscal 2008 will be adjusted to US\$140,000 provided that the Chair may elect to receive up to US\$67,000 in DSUs in lieu of cash.

Summary of Total Director Compensation — Fiscal 2007

<u>Director</u>	<u>Board Retainer</u>	<u>Committee Retainer</u>	<u>Attendance Fees</u>	<u>Total Fees</u>	<u>Stock Options</u>
Peter A. W. Green	\$90,000	\$11,120	\$ 9,000	\$110,120	—
George L. Ploder ⁽¹⁾	\$21,181	\$16,495	\$22,500	\$ 60,176	—
Joaquín B. Viso	\$30,000	—	\$13,500	\$ 43,500	—
Derek J. Watchorn	\$30,000	\$10,000	\$22,500	\$ 62,500	—
Gregory C. Wilkins	\$30,000	\$15,874	\$22,000	\$ 67,874	—
Riccardo C. Trecroce ⁽²⁾	—	—	—	—	—
Ramsey A. Frank ⁽³⁾	—	—	—	—	—
Paul S. Levy ⁽³⁾	—	—	—	—	—
Thomas S. Taylor ⁽³⁾	—	—	—	—	—
Nick A. DiPietro ⁽⁴⁾	—	—	—	—	— ⁽⁵⁾

(1) Mr. Ploder retired effective June 15, 2007.

(2) Mr. Trecroce was appointed on April 19, 2007.

(3) Each of Mr. Frank, Mr. Levy and Mr. Taylor was appointed on April 27, 2007.

(4) Mr. DiPietro did not stand for re-election at the 2007 annual and special meeting of shareholders.

(5) Mr. DiPietro was not granted any stock options during Fiscal 2007 as compensation in respect of his directorship; however, he did receive 100,000 stock options during Fiscal 2007 as compensation in respect of his employment with Patheon at that time as President and Chief Operating Officer, in accordance with his entitlement in this regard under his related employment agreement (see Tables 1 and 2 above, in addition to “Report on Executive Compensation — Variable Compensation — Incentive Stock Option Plan” as well as “Employment Agreements — Nick A. DiPietro”).

Indebtedness of Directors and Executive Officers

As at February 25, 2008 and throughout Fiscal 2007, no director or executive officer (or any associate of such individuals) was indebted to Patheon or any of its subsidiaries.

Directors’ and Officers’ Liability Insurance

Patheon has purchased primary and excess insurance policies for the benefit of the directors and officers of Patheon and its subsidiaries against certain potential liability incurred by them in their capacity as directors and officers. Policies in force to April 30, 2007 were for an aggregate amount of US\$30 million. New primary and excess insurance policies were purchased starting May 1, 2007 for an aggregate amount of US\$50 million plus additional side policies of US\$20 million to specifically cover individual directors and officers for certain potential non-indemnifiable liability that could be incurred by them in their capacity as directors and officers. The annual premium expensed by Patheon for this insurance for Fiscal 2007 was US\$467,323 for all directors and officers as a group. The amount attributable to the policies in force to April 30, 2007 was US\$211,585. The amount attributable to the policies in force from May 1, 2007 was US\$255,738. The policies do not allocate the premium as between the directors as a group and the officers as a group. The aggregate amount of the primary and excess policies is payable to a maximum of US\$50 million on a cumulative basis per annum regardless of the number of directors or officers involved, subject to a deductible amount of US\$250,000 for each loss. The aggregate amount of the additional side policies is payable to a maximum of US\$20 million on a cumulative basis per annum regardless of the number of directors or officers involved and is not subject to a deductible amount.

CORPORATE GOVERNANCE

The mandate of the Corporate Governance Committee of the Board is, in part, to review, monitor, and enhance Patheon’s system of corporate governance.

Details of Patheon’s corporate governance policies and practices and the responsibilities of the Board are addressed below.

The information provided in this Management Proxy Circular complies with the disclosure requirements of National Instrument 58-101 and includes an analysis of Patheon’s corporate governance practices against the corporate governance guidelines (the “Guidelines”) included in National Policy 58-201.

Composition of the Board

Majority of Independent Directors

(Guideline 3.1)

Patheon practices will comply.

- In total, nine directors are nominated by the Board for election at the annual and special meeting of shareholders to be held on March 27, 2008. In accordance with the Guidelines and the definition of “Independence” included in Multilateral Instrument 52-110, the Board has determined that of the six directors nominated by the Board for election *by the holders of the Corporation’s restricted voting shares*, four are independent directors because they do not have either a direct or indirect material relationship with the issuer which, in the view of the Board, could be reasonably expected to interfere with the exercise of the director’s independent judgement. Commencing August 2008, Mr. Viso will be considered an independent director under the Guidelines, as he will not have been an executive officer with Patheon in three years. Under Multilateral Instrument 52-110, the three directors to be elected at the meeting *by JLL Partners* (i.e., the holder of the Special Voting Preferred Shares) are not independent directors because of their positions with JLL Partners, Inc. and the degree of control that JLL Partners exercises over Patheon (these three directors are hereinafter also referred to as “JLL nominees”).
- If the resolutions proposed in this Management Proxy Circular are passed, then following the shareholders’ meeting, the Board will consist of nine directors, four of whom will be independent directors and, commencing August 2008, five of whom (i.e., a majority) will be independent directors.
- The four independent directors are as follows:
 - Claudio F. Bussandri
 - Paul W. Currie
 - Peter A. W. Green
 - Derek J. Watchorn
- The five related directors are:
 - Ramsey A. Frank — Managing Director of JLL Partners, Inc.
 - Paul S. Levy — Managing Director of JLL Partners, Inc.
 - Thomas S. Taylor — Senior Principal of JLL Partners, Inc.
 - Joaquín B. Viso — Former Chairman of the Board (until December 31, 2006) and former President and Chief Executive Officer (until August 1, 2005) of MOVA Pharmaceutical Corporation, a wholly-owned subsidiary of Patheon
 - Wesley P. Wheeler — Chief Executive Officer of Patheon
- In order to facilitate its exercise of independent judgement in carrying out its responsibilities, the Board meets at least once per year with only independent directors present. The Board believes that the participation of JLL nominees is valuable to the Corporation and it has determined that each of the JLL nominees acts in a professional capacity and is able, notwithstanding his affiliation to JLL Partners, to exercise the impartial judgement necessary to fulfill his responsibilities as a director.

Independent Chair

(Guideline 3.2)

Patheon practices comply.

- Since 1996 the office of Chair of the Board has been separate from that of the Chief Executive Officer and is held by an individual who is not a member of management.
- It is anticipated that after the election of directors at the annual and special meeting of shareholders to be held on March 27, 2008, the office of the Chair of the Board will continue to be separate from that of the Chief Executive

Officer and will continue to be held by an individual who is not a member of management. Generally, the Chair is 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”.

Meetings of Independent Directors

Regular Meetings

(Guideline 3.3)

Patheon practices partially comply.

- Generally, at the end of each formal meeting of the Board, the non-management directors meet without management present. 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 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.
- Attendance at each Board meeting during Fiscal 2007 (for all directors throughout Fiscal 2007) was as follows:

<u>Board Meetings:</u>	<u>Members:</u>	<u>Attendance</u>
	Mr. Green (Chair)	13 of 13
	Mr. Watchorn	12 of 13
	Mr. Wilkins	10 of 13
	Mr. Ploder	8 of 9 ⁽¹⁾
	Mr. DiPietro	7 of 7 ⁽²⁾
	Mr. Viso	13 of 13
	Mr. Trecroce	6 of 6 ⁽³⁾
	Mr. Frank	5 of 5 ⁽⁴⁾
	Mr. Levy	3 of 5 ⁽⁴⁾
	Mr. Taylor	5 of 5 ⁽⁴⁾

(1) Mr. Ploder retired as a director effective June 15, 2007, before which date nine Board meetings were held during Fiscal 2007.

(2) Mr. DiPietro did not stand for re-election at the 2007 annual meeting of shareholders held on April 19, 2007, before which meeting seven Board meetings were held during Fiscal 2007.

(3) Mr. Trecroce was elected at the 2007 annual meeting of shareholders held on April 19, 2007, after which meeting six Board meetings were held during the remainder of Fiscal 2007.

(4) Each of Mr. Frank, Mr. Levy and Mr. Taylor was appointed on April 27, 2007, after which date five Board meetings were held during the remainder of Fiscal 2007.

- Patheon has three standing committees which meet on a regular basis. 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 on one or more committees, the Board has determined that each such nominee is able, notwithstanding his affiliation to JLL Partners, to exercise the impartial judgement necessary to fulfill his responsibilities as a committee member.
- Attendance at each committee meeting during Fiscal 2007 (for all committee members throughout Fiscal 2007) was as follows:

<u>Audit Committee:</u>	<u>Members</u>	<u>Attendance</u>
	Mr. Green	4 of 4 ⁽¹⁾
	Mr. Ploder (former Chair)	5 of 5 ⁽²⁾
	Mr. Wilkins (Chair)	4 of 6
	Mr. Frank	1 of 1 ⁽³⁾
	Mr. Taylor	2 of 2 ⁽⁴⁾

<u>Corporate Governance Committee:</u>	<u>Members</u>	<u>Attendance</u>
	Mr. Green (former Chair)	— ⁽⁵⁾
	Mr. Ploder	— ⁽⁶⁾
	Mr. Watchorn	2 of 2
	Mr. Wilkins	2 of 2
	Mr. Frank (Chair)	2 of 2 ⁽⁷⁾

<u>Compensation and Human Resources Committee:</u>	<u>Members</u>	<u>Attendance</u>
	Mr. Frank	3 of 3 ⁽⁸⁾
	Mr. Green	0 of 3
	Mr. Watchorn (Chair)	3 of 3
	Mr. Wilkins	— ⁽⁹⁾

- (1) Mr. Green's term on this committee expired effective May 4, 2007, before which date four Audit Committee meetings were held during Fiscal 2007.
- (2) Mr. Ploder retired as a director effective June 15, 2007, before which date five Audit Committee meetings were held during Fiscal 2007.
- (3) Mr. Frank was appointed to the Audit Committee effective July 10, 2007, after which date one meeting of this committee was held during the remainder of Fiscal 2007.
- (4) Mr. Taylor was appointed to the Audit Committee effective May 4, 2007, after which date two meetings of this committee were held during the remainder of Fiscal 2007.
- (5) Mr. Green's term on the Corporate Governance Committee expired effective May 4, 2007, before which date no meetings of this committee were held during Fiscal 2007.
- (6) Mr. Ploder's term on the Corporate Governance Committee expired effective May 4, 2007, before which date no meetings of this committee were held during Fiscal 2007.
- (7) Mr. Frank was appointed to the Corporate Governance Committee effective May 4, 2007. Two meetings of this committee were held during Fiscal 2007, both of which took place after Mr. Frank's appointment.
- (8) Mr. Frank was appointed to the Compensation and Human Resources Committee effective May 4, 2007. Three meetings of this committee were held during Fiscal 2007, all of which took place after Mr. Frank's appointment.
- (9) Mr. Wilkins' term on the Compensation and Human Resources Committee expired effective May 4, 2007, before which date no meetings of this committee were held during Fiscal 2007.

On September 10, 2006, the Board of Directors formed a Special Committee of independent directors to evaluate strategic and financial alternatives for Patheon. As a result of that process, on April 27, 2007, JLL Partners purchased US\$150 million of Convertible Preferred Shares and Special Voting Preferred Shares of Patheon through a private placement.

<u>Special Committee:</u>	<u>Members</u>	<u>Attendance</u>
	Mr. Green	6 of 6
	Mr. Ploder	6 of 6
	Mr. Watchorn	6 of 6
	Mr. Wilkins	5 of 6

Board Mandate

Board Mandate & Stewardship Responsibility

(Guideline 3.4)

Patheon practices comply.

- A Charter of the Board of Directors 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 the Board Charter, the Board also acts in accordance with:
 - Canada Business Corporations Act;

- Patheon’s articles of incorporation and by-laws;
- Patheon’s Code of Business Conduct;
- 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 supervises 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 and budget are approved by the Board. Additionally, the annual objectives of the Chief Executive Officer are reviewed and approved by the Board. The Board is responsible for: (i) evaluating the performance of the Chief Executive Officer; (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 the 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, is responsible for supervising the management and operation of Patheon’s business and affairs relating to Strategic Planning, Risk Management, 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 Compensation and Human Resources Committee and the Chair of the Board are responsible for ensuring that effective succession plans are in place for the Chief Executive Officer and other senior executives of Patheon.

- Succession planning, including appointing, training and monitoring senior management is a continuing responsibility of the Chief Executive Officer and senior management, involving participation by the Board.

Communications Policy

- 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.

Position Descriptions

Descriptions for Chair of the Board, for Chairs of Committees, and for CEO, as well as Corporate Objectives for CEO
(Guideline 3.5)

Patheon practices comply.

- *Chief Executive Officer.* The Board has adopted a position description for the Chief Executive Officer which defines the Chief Executive Officer’s responsibilities. Among other things, the Chief Executive Officer is required to develop and recommend to the Board the annual objectives that support Patheon’s long-term strategy. The Chief Executive Officer is responsible for achieving these objectives as approved annually by the Board.
- *Chair of the Board.* 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 Chief Executive Officer and convene meetings of the Board and its committees.
- *Corporate Goals for CEO.* The Board, on recommendation of the Compensation and Human Resources Committee, approves objectives for the CEO.
- *Committee Chair Position Description.* The Board has adopted a position description for the Chair of each of its committees.

Orientation and Continuing Education

Comprehensive Education for new directors

(Guideline 3.6)

Patheon practices comply.

- The Corporate Governance 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 Chief Executive Officer, 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.

Continuing Education

(Guideline 3.7)

Patheon practices comply.

- Management regularly makes presentations 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 prepares information summaries and conducts presentations to the Board about legislative changes and requirements pertaining to securities laws and public company obligations.

Code of Business Conduct and Ethics

Adoption of a Code of Business Conduct with applicability to directors, officers and employees

(Guideline 3.8)

Patheon practices comply.

- The Board approved a Code of Business Conduct on December 18, 2002 which is applicable to directors, officers, consultants, employees and agents.
- 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: insider trading, conflicts of interest, gifts, corporate opportunities;
 - Protection and proper use of corporate assets: signing authority, confidentiality of Patheon information, inventions & discoveries, capital expenditures, building security, business records;
 - Commitment to clients: confidentiality of client information, good faith dealings;
 - Commitment to employees: equality of opportunity, freedom from discrimination or harassment, substance abuse, privacy;
 - Responsibility to shareholders: making public statements, shareholder value;
 - Community relations: community participation, 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.

Responsibility for monitoring ongoing compliance with the Code
(Guideline 3.9)

Patheon practices comply.

- The Board is responsible for monitoring the ongoing compliance with the Code and has directed the Chief Executive Officer 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 himself from the Corporation's decision with respect to that matter.

Nomination of Directors

Independent Nominating Committee
(Guideline 3.10)

Patheon practices do not comply.

- The Corporate Governance Committee acts as the nominating committee of the Board. Part of its mandate is to recommend candidates for election to the Board.
- Currently, the Corporate Governance Committee is not composed entirely of independent directors. In order to encourage the Corporate Governance Committee to engage in an objective nomination process, the Board allows the 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.
- The specific responsibilities of the Corporate Governance Committee include making recommendations to the Board with regard to: (i) methods of assessing the effectiveness of the Board, the committees and the contributions of individual directors; (ii) the size and composition of the Board and eligibility for election or re-election; (iii) communication processes between the Board and management; (iv) mandates, size and composition of Board committees; (v) retirement policy for members of the Board; and (vi) an appropriate orientation and education program for new members.

Written Charter for Nominating Committee
(Guideline 3.11)

Patheon practices comply.

- The Corporate Governance 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.
- The 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 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 meetings of this Committee to assist in the discussion and examination of the matters under consideration by the Committee.

Nomination Approval Process

(Guideline 3.12)

Patheon practices comply.

- Prior to nominating or appointing individuals as directors, the Board considers the recommendations of the Corporate Governance 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.

Responsibility for identifying new directors

(Guideline 3.13)

Patheon practices comply.

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

Recommendation considerations

(Guideline 3.14)

Patheon practices comply.

- In making its recommendations, the Corporate Governance 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.

Compensation

Entirely Independent Compensation Committee

(Guideline 3.15)

Patheon practices do not comply.

- Currently, the Compensation and Human Resources Committee is not composed entirely of independent directors. In order to ensure that the Committee engages in an objective process for determining compensation, the Board provides for the Committee to engage an independent compensation consultant to assist the Committee in discharging its mandate.
- During Fiscal 2007, the Committee was composed of Derek J. Watchorn (Chair), Peter A.W. Green, Gregory C. Wilkins (whose term expired effective May 4, 2007) and Ramsey A. Frank (appointed effective May 4, 2007).
- The Committee engaged Towers Perrin throughout Fiscal 2007 to advise the 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 the Committee's review, the Committee recommended, and the Board adopted, changes to the Corporation's long-term incentive compensation program, which will apply to Fiscal 2008 (see "*Report on Executive Compensation — Compensation Program*").
- Each year, the Committee reviews the compensation levels for the Chief Executive Officer, the other executive officers and certain members of senior management. The Committee also reviews information it receives from the Chief Executive Officer as well as advice it receives from external compensation consultants. The Committee uses this information and advice to determine and approve any changes to the general compensation levels that it considers appropriate. In addition, the Committee, on the recommendation of the Chief Executive Officer, approves the

discretionary cash bonuses, stock options and restricted (or, commencing Fiscal 2008, performance) share units awarded to executive officers and senior management.

Written Charter for Compensation Committee

(Guideline 3.16)

Patheon practices comply.

- The Compensation and Human Resources 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.
- The 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 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 meetings of this Committee to assist in the discussion and examination of the matters under consideration by the Committee.

Responsibilities of Compensation Committee

(Guideline 3.17)

Patheon practices comply.

- As described in the Compensation and Human Resources Committee's Charter, its mandate is to: (i) review and recommend to the Board the compensation programs for the members of the Board and the Chief Executive Officer; (ii) review and recommend for approval by the Board the compensation policies and programs of executive officers; (iii) ensure that there are effective succession plans in place for the Chief Executive Officer and other senior executives of Patheon; and (iv) administer Patheon's Incentive Stock Option Plan, Restricted Share Unit Plan, Performance Share Unit Plan, and Deferred Share Unit Plan.
- Patheon also retains outside advisors from time to time to advise the Compensation and Human Resources Committee on Patheon's compensation policies and programs. Patheon retained Towers Perrin during Fiscal 2007 to provide these services.
- The Committee also reviews all executive compensation disclosure before Patheon publicly discloses this information.
- A report of the Compensation and Human Resources Committee is set out in the "Report on Executive Compensation" section of this Management Proxy Circular.

Regular Board Assessments

Regular assessments of the Board, Committees and individual directors

(Guideline 3.18)

Patheon practices comply.

- Patheon's Corporate Governance 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 Corporate Governance Committee following his review.
- In June of 2007, the Chair of the Board conducted an informal evaluation of the Board, its committees, and the individual directors based on separate conversations with each of the directors. He reported his findings to the Corporate Governance Committee. The Chair concluded that the Board, its committees, and the individual directors were operating effectively at that time, as evidenced by Board initiatives related to strategic review, recapitalization of the Corporation and executive changes.
- The overall objective of this assessment is to ensure that directors are well informed, engaged in decision-making and actively participating at the Board and as members of respective committees of the Board. The Board believes that this objective has been realized with the current Board membership.

SHAREHOLDER PROPOSALS

A shareholder who will be entitled to vote at the 2008 Annual and Special Meeting and who intends to raise a proposal at the 2009 Annual and Special Meeting, must deliver the proposal to Patheon's Secretary by no later than November 27, 2008.

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 7070 Mississauga Road, Suite 350, Mississauga, Ontario, Canada L5N 7J8, 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.



Jacqueline H.R. Le Saux
General Counsel — North America &
Corporate Secretary

February 25, 2008

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 Corporation 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.

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 Corporation 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:

- (a) as to the integrity of the CEO and other senior officers; and
- (b) 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

APPENDIX B

**RESOLUTION APPROVING AND REAFFIRMING UNALLOCATED OPTIONS
UNDER THE AMENDED AND RESTATED INCENTIVE STOCK OPTION PLAN**

BE IT RESOLVED THAT:

1. the unallocated options under Patheon's Amended and Restated Incentive Stock Option Plan (the "Plan") are hereby approved and affirmed;
2. Patheon seek further shareholder approval of unallocated options under the Plan no later than the annual meeting of shareholders to be held in 2011; and
3. any director or officer of Patheon is hereby authorized and directed, for and on behalf of and in the name of Patheon, to do all such acts and things and to execute, whether under the corporate seal of Patheon or otherwise, and deliver all such documents and instruments as may be considered necessary or desirable to give effect to the foregoing.

APPENDIX C
RESOLUTION APPROVING AMENDMENT TO
AMENDED AND RESTATED INCENTIVE STOCK OPTION PLAN

BE IT RESOLVED THAT:

1. the proposed amendments to Patheon's Amended and Restated Incentive Stock Option Plan (the "Plan"), as described in the Management Proxy Circular dated February 25, 2008, are hereby approved;
2. the Plan be amended and restated to give effect to the proposed amendments; and
3. any director or officer of Patheon is hereby authorized and directed, for and on behalf of and in the name of Patheon, to do all such acts and things and to execute, whether under the corporate seal of Patheon or otherwise, and deliver all such documents and instruments as may be considered necessary or desirable to give effect to the foregoing.

APPENDIX D

**RESOLUTION CONFIRMING ADOPTION OF BY-LAW NO. 1 (2008)
AND REPEAL OF BY-LAW NO. 1 (2002)**

BE IT RESOLVED THAT:

1. the repeal of By-law No. 1 (2002) of Patheon is hereby confirmed;
2. By-law No. 1 (2008), being a by-law regulating the business and affairs of Patheon, is hereby confirmed as made by the directors of Patheon on February 22, 2008; and
3. any director or officer of Patheon is hereby authorized and directed, for and on behalf of and in the name of Patheon, to do all such acts and things and to execute, whether under the corporate seal of Patheon or otherwise, and deliver all such documents and instruments as may be considered necessary or desirable to give effect to the foregoing.

APPENDIX E

BY-LAW NO. 1 (2008)

PATHEON INC. BY-LAW NO. 1 (2008)

A by-law relating generally to the conduct of the affairs of Patheon Inc.

BE IT ENACTED AND IT IS HEREBY ENACTED as a by-law of Patheon Inc. (the "Corporation") as follows:

DEFINITIONS

1. In this by-law and all other by-laws of the Corporation, unless the context otherwise specifies or requires:
 - (a) "Act" means the *Canada Business Corporations Act*, Statutes of Canada, R.S.C. 1985, c. C-44 and the regulations thereunder, as from time to time amended, and every statute or regulation that may be substituted therefor and, in the case of such amendment or substitution, any reference in the by-laws of the Corporation shall be read as referring to the amended or substituted provisions;
 - (b) "by-law" means any by-law of the Corporation from time to time in force and effect;
 - (c) all terms contained in the by-laws which are defined in the Act shall have the meanings given to such terms in the Act;
 - (d) words importing the singular number only shall include the plural and vice versa; words importing any gender shall include all genders; words importing persons shall include syndicates, trusts and any number or aggregate of persons; and
 - (e) the headings used in the by-laws are inserted for reference purposes only and are not to be considered or taken into account in construing the terms or provisions thereof or to be deemed in any way to clarify, modify or explain the effect of any such terms or provisions.

REGISTERED OFFICE

2. The Corporation may from time to time (i) by resolution of the directors change the address of the registered office of the Corporation within the Province in Canada specified in its articles, and (ii) by an amendment to its articles, change the Province within Canada in which its registered office is situated.

SEAL

3. The Corporation may, but need not, have a corporate seal. An instrument or agreement executed on behalf of the Corporation by a director, an officer or an agent of the Corporation is not invalid merely because the corporate seal, if any, is not affixed thereto.

DIRECTORS

4. Number and powers. The number of directors, or the minimum and maximum number of directors of the Corporation, is set out in the articles of the Corporation. If a minimum and maximum number of directors is set out in the articles of the Corporation, then the number of directors of the Corporation shall be the number of directors within such minimum and maximum number who are elected by the shareholders of the Corporation at the most recent meeting of shareholders which the holders of restricted voting shares of the Corporation are entitled to attend and who are elected from time to time by the holders of Class I Preferred Shares, Series D of the Corporation ("Series D Preferred Shares"). At least twenty-five per cent of the directors (or one director, if the Corporation has less than four directors) shall be resident Canadians. If the Corporation is a distributing corporation and any of its outstanding securities are held by more than one person, it shall have at least three directors, at least two of whom are not officers or employees of the Corporation or its affiliates.

Subject to any unanimous shareholder agreement, the directors shall manage, or supervise the management of, the business and affairs of the Corporation and may exercise all such powers and do all such acts and things as may be exercised or done by the Corporation and are not by the Act, the articles, the by-laws, any special resolution of the Corporation, a unanimous shareholder agreement or by statute expressly directed or required to be done in some other manner.

5. Duties. Every director and officer of the Corporation in exercising their powers and discharging their duties shall:

- (a) act honestly and in good faith with a view to the best interests of the Corporation; and
- (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Every director and officer of the Corporation shall comply with the Act, the regulations thereunder, the Corporation's articles and by-laws and any unanimous shareholder agreement.

6. Qualification. Every director shall be an individual 18 or more years of age and no one who is of unsound mind and has been so found by a court in Canada or elsewhere or who has the status of a bankrupt shall be a director.

7. Election of directors. Directors elected at a meeting of shareholders which the holders of restricted voting shares of the Corporation are entitled to attend shall be elected by the shareholders of the Corporation by ordinary resolution. If at any election of directors of the Corporation held at a meeting of shareholders which the holders of restricted voting shares of the Corporation are entitled to attend the number or the minimum number of directors required by the articles is not elected by reason of the lack of consent, disqualification, incapacity or death of any candidates, then the directors elected at that meeting may exercise all the powers of the directors if the number of directors so elected constitutes a quorum, but such quorum of directors may not fill the resulting vacancy or vacancies.

8. Term of office. A director, who is elected by the holders of restricted voting shares of the Corporation or by the holders of the Series D Preferred Shares, as the case may be, shall have a term of office (subject to the Corporation's articles and paragraph 11 below), unless such director was elected for an expressly stated term, from the date of the meeting at which such director is elected or appointed until the close of the annual meeting of shareholders next following such director's election or appointment or until such director's successor is elected or appointed.

If qualified, a director whose term of office has expired is eligible for re-election as a director.

9. Vacation of office. The office of a director shall be vacated if such director:

- (a) dies or sends to the Corporation a written resignation and such resignation, if not effective upon receipt by the Corporation, becomes effective in accordance with its terms;
- (b) is removed from office;
- (c) becomes bankrupt; or
- (d) is found by a court in Canada or elsewhere to be of unsound mind.

10. Vacancies. Notwithstanding any vacancy among the directors, the remaining directors may exercise all the powers of the directors so long as a quorum of the number of directors remains in office. Subject to subsections 111(1) and (3) of the Act and to the Corporation's articles, where there is a quorum of directors in office and a vacancy occurs, such quorum of directors may appoint a qualified person to fill such vacancy for the unexpired term of such appointee's predecessor.

11. Removal of directors. Subject to subsection 109(2) of the Act and unless the articles of the Corporation provide for cumulative voting, the shareholders of the Corporation may, by ordinary resolution at a special meeting, remove any director who was elected by the shareholders of the Corporation at a meeting of the shareholders of the Corporation which the holders of restricted voting shares of the Corporation were entitled to attend before the expiration of such director's term of office and may, by a majority of the votes cast at the meeting, elect any person in such director's stead for the remainder of such director's term.

If the number of directors that the holders of Series D Preferred Shares are entitled to elect pursuant to the articles is decreased, the holders of Series D Preferred Shares shall be required to remove, by written resolution signed by

holders of a majority of the Series D Preferred Shares then outstanding or by resolution passed by a majority of the votes cast at a meeting of the holders of Series D Preferred Shares duly called and held for that purpose, that number of directors such that the number of directors elected by the holders of Series D Preferred Shares is equal to the number permitted by the articles. If the number of directors that the holders of Series D Preferred Shares are entitled to elect pursuant to the articles is decreased to zero, any director appointed by holders of Series D Preferred Shares shall immediately be removed from office as a director and such director shall vacate office forthwith.

If a meeting of shareholders was called for the purpose of removing a director from office as a director, then the director so removed shall vacate office forthwith upon the passing of the resolution for such director's removal.

12. Validity of acts. An act of a director or officer is valid notwithstanding an irregularity in their election or appointment or a defect in their qualification.

MEETINGS OF DIRECTORS

13. Place of meeting. Meetings of directors and of any committee of directors may be held at any place. A meeting of directors may be convened by the Chair of the Board (if any), the Chief Executive Officer or any director at any time and the Secretary shall upon direction of any of the foregoing convene a meeting of directors.

14. Notice. Notice of the time and place for the holding of any such meeting shall be sent to each director not less than two days (exclusive of the day on which the notice is sent but inclusive of the day for which notice is given) before the date of the meeting; provided that meetings of the directors or of any committee of directors may be held at any time without formal notice if all the directors are present (except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called) or if all the absent directors have waived notice. The notice shall specify any matter referred to in subsection 115(3) of the Act that is to be dealt with at the meeting.

For the first meeting of directors to be held following the election of directors at an annual or special meeting of the shareholders or for a meeting of directors at which a director is appointed to fill a vacancy in the board, no notice of such meeting need be given to the newly elected or appointed director or directors in order for the meeting to be duly constituted, provided a quorum of the directors is present.

15. Waiver of notice. Notice of any meeting of directors or of any committee of directors or any irregularity in any meeting or in the notice thereof may be waived in any manner by any director, and such waiver may be validly given either before or after the meeting to which such waiver relates. Attendance of a director at a meeting of directors is a waiver of notice of the meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

16. Electronic participation. Where all the directors of the Corporation consent thereto (either before or after the meeting), a director may participate in a meeting of directors or of any committee of directors by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting, and a director participating in a meeting by such means shall be deemed for the purposes of the Act and the by-laws to be present at that meeting.

17. Quorum and voting. A majority of the number of directors of the Corporation shall constitute a quorum for the transaction of business. Subject to subsections 111(1), 114(4) and 117(1) of the Act, no business shall be transacted by the directors except at a meeting of directors at which a quorum is present and at which at least twenty-five per cent of the directors present are resident Canadians or, if the Corporation has less than four directors, at least one of the directors present is a resident Canadian. Questions arising at any meeting of directors shall be decided by a majority of votes. In case of an equality of votes, the chair of the meeting **shall not** have a second or casting vote in addition to the chair's original vote as a director.

18. Adjournment. Any meeting of directors or of any committee of directors may be adjourned from time to time by the chair of the meeting, with the consent of the meeting, to a fixed time and place. No notice of the time and place for the holding of the adjourned meeting need be given to any director if the time and place of the adjourned meeting is announced at the original meeting. Any adjourned meeting shall be duly constituted if held in accordance with the terms of the adjournment and a quorum is present thereat. The directors who form the quorum at the adjourned meeting need not

be the same directors who formed the quorum at the original meeting. If there is no quorum present at the adjourned meeting, the original meeting shall be deemed to have terminated forthwith after its adjournment.

19. Resolutions in writing. A resolution in writing, signed by all the directors entitled to vote on that resolution at a meeting of directors or committee of directors, is as valid as if it had been passed at a meeting of directors or committee of directors.

COMMITTEES OF DIRECTORS

20. General. The directors may from time to time appoint from their number one or more committees of directors. The directors may delegate to each such committee any of the powers of the directors, except that no such committee shall have the authority to:

- (a) submit to the shareholders any question or matter requiring the approval of the shareholders;
- (b) fill a vacancy among the directors or in the office of auditor, or appoint additional directors;
- (c) subject to subsection 189(2) of the Act, issue securities except as authorized by the directors;
- (d) issue shares of a series under section 27 of the Act except as authorized by the directors;
- (e) declare dividends;
- (f) purchase, redeem or otherwise acquire shares issued by the Corporation;
- (g) pay any commission referred to in section 41 of the Act, except as authorized by the directors;
- (h) approve a management proxy circular;
- (i) approve a take-over bid circular or directors' circular;
- (j) approve any annual financial statements to be placed before the shareholders of the Corporation; or
- (k) adopt, amend or repeal by-laws of the Corporation.

21. Audit Committee. If the Corporation is a distributing corporation and any of its outstanding securities are held by more than one person, the board of directors shall elect annually from among their number an audit committee to be composed of not fewer than three directors, a majority of whom are not officers or employees of the Corporation or any of its affiliates.

Each member of the audit committee shall serve during the pleasure of the board of directors and, in any event, only so long as such member shall be a director. The directors may fill vacancies in the audit committee by election from among their number.

The audit committee shall have power to fix its quorum at not less than a majority of its members and to determine its own rules of procedure subject to any regulations imposed by the board of directors from time to time and to the following paragraph.

The auditor of the Corporation is entitled to receive notice of every meeting of the audit committee and, at the expense of the Corporation, to attend and be heard thereat; and, if so requested by a member of the audit committee, shall attend every meeting of the committee held during the term of office of the auditor. The auditor of the Corporation or any member of the audit committee may call a meeting of the committee.

The audit committee shall review the financial statements of the Corporation prior to approval thereof by the board of directors and shall have such other powers and duties as may from time to time by resolution be assigned to it by the board.

REMUNERATION OF DIRECTORS, OFFICERS AND EMPLOYEES

22. The remuneration to be paid to the directors of the Corporation 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 Corporation who is also a director. The directors may also by resolution award special remuneration to any director in

undertaking any special services on the Corporation'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 may fix the remuneration of the officers and employees of the Corporation. The directors, officers and employees shall also be entitled to be paid their travelling and other expenses properly incurred by them in connection with the affairs of the Corporation.

SUBMISSION OF CONTRACTS OR TRANSACTIONS TO SHAREHOLDERS FOR APPROVAL

23. The directors in their discretion may submit any contract, act or transaction for approval, ratification or confirmation at any meeting of the shareholders called for the purpose of considering the same and any contract, act or transaction that shall be approved, ratified or confirmed by resolution passed by a majority of the votes cast at any such meeting (unless any different or additional requirement is imposed by the Act or by the Corporation's articles or by-laws) shall be as valid and as binding upon the Corporation and upon all the shareholders as though it had been approved, ratified and/or confirmed by every shareholder of the Corporation.

INDEMNITIES TO DIRECTORS AND OTHERS

24. Subject to the provisions hereof and subsections 124(3) and (4) of the Act, the Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation or another individual who acts or acted at the Corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the Corporation or other entity.

The Corporation may not indemnify an individual pursuant hereto unless the individual:

- (a) acted honestly and in good faith with a view to the best interests of the Corporation or, as the case may be, to the best interests of the other entity for which the individual acted as director or officer or in a similar capacity at the Corporation's request; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that the individual's conduct was lawful.

The Corporation is hereby authorized to execute agreements evidencing its indemnity in favour of the foregoing persons to the full extent permitted by law.

OFFICERS

25. Appointment of officers. The directors may annually or as often as may be required appoint such officers as they shall deem necessary. Officers shall have such authority and shall perform such functions and duties as may from time to time be prescribed by resolution of the directors, delegated by the directors or by other officers or properly incidental to their offices or other duties, provided that no officer shall be delegated the power to do anything referred to in paragraph 20 above. Such officers may include, without limitation, any of a Chair of the Board, a Chief Executive Officer, a President, one or more Vice-Presidents, a Chief Financial Officer, a Controller, a Secretary, a Treasurer and one or more Assistant Secretaries and/or one or more Assistant Treasurers. None of such officers (except the Chair of the Board) need be a director of the Corporation. A director may be appointed to any office of the Corporation. Two or more of such offices may be held by the same person.

26. Removal of officers. All officers shall be subject to removal by resolution of the directors at any time, with or without cause, and the directors may fill at any time any vacancy resulting from the removal of any officer or from any other cause.

27. Duties of officers may be delegated. In case of the absence or inability or refusal to act of any officer of the Corporation or for any other reason that the directors may deem sufficient, the directors may delegate all or any of the powers of such officer to any other officer or to any director for the time being.

SHAREHOLDERS' MEETINGS

28. Annual meeting. Subject to subsection 132(2) of the Act, the annual meeting of the shareholders shall be held at the registered office of the Corporation or at a place elsewhere within Canada determined by the directors and, subject to section 133 of the Act, on such day in each year and at such time as the directors may agree upon.

29. Special meetings. A special meeting of the shareholders may be convened by the directors at any date and time and, subject to subsection 132(2) of the Act, at any place within Canada that the directors determine.

30. Record dates. Subject to section 134 of the Act, the directors may fix in advance a date as the record date for the purpose of determining shareholders entitled to receive notice of a meeting of shareholders and/or entitled to vote at a meeting of shareholders, but such record date shall not precede by more than 60 days or by less than 21 days the date on which the meeting is to be held.

If no record date is fixed, the record date for the determination of the shareholders entitled to receive notice of a meeting of the shareholders and to vote shall be:

- (a) at the close of business on the day immediately preceding the day on which the notice is given; or
- (b) if no notice is given, the day on which the meeting is held.

31. Shareholder List. The Corporation shall prepare an alphabetical list of the shareholders entitled to receive notice of a meeting and vote at the meeting, showing the number of shares held by each shareholder,

- (a) if a record date for determining the shareholder entitled to receive notice of the meeting and/or entitled to vote at the meeting has been fixed, not later than 10 days after that date; or
- (b) if no record date has been fixed, on the record date established in paragraph 38 hereof.

A shareholder whose name appears on such list is entitled to vote the shares shown opposite such shareholder's name at the meeting to which the list relates.

32. Notice. A notice stating the day, hour and place of meeting and, if special business is to be transacted thereat, stating (i) the nature of that business in sufficient detail to permit the shareholder to form a reasoned judgment thereon, and (ii) the text of any special resolution to be submitted to the meeting, shall be sent to each shareholder entitled to vote at the meeting, to each director of the Corporation and to the auditor (if any) of the Corporation. Such notice shall be personally delivered or sent by prepaid mail, if the Corporation is a distributing corporation, not less than 21 days (or, if the Corporation is not a distributing corporation, not less than such number of days as may be fixed by the directors) and not more than 60 days (exclusive of the day of mailing and of the day for which notice is given) before the date of every meeting, and shall be addressed to the latest address of each such person as shown in the records of the Corporation or its transfer agent, or if no address is shown therein, then to the last address of each such person known to the Secretary. Notwithstanding the foregoing, a meeting of shareholders may be held for any purpose at any date and time and, subject to subsection 132(2) of the Act, at any place without notice if all the shareholders and other persons entitled to notice of such meeting are present in person or represented by proxy at the meeting (except where the shareholder or such other persons attend the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called) or if all the shareholders and other persons entitled to notice of such meeting and not present in person nor represented by proxy thereat waive notice of the meeting. Notice of any meeting of shareholders or the time for the giving of any such notice or any irregularity in any such meeting or in the notice thereof may be waived in any manner by any shareholder, the duly appointed proxy of any shareholder, any director or the auditor of the Corporation and any other person entitled to attend a meeting of shareholders, and any such waiver may be validly given either before or after the meeting to which such waiver relates.

The auditor (if any) of the Corporation is entitled to receive notice of every meeting of shareholders of the Corporation and, at the expense of the Corporation, to attend and be heard thereat on matters relating to the auditor's duties.

33. Omission of notice. The accidental omission to give notice of any meeting to or the non-receipt of any notice by any person shall not invalidate any resolution passed or any proceeding taken at any meeting of shareholders.

34. Votes. Every question submitted to any meeting of shareholders shall be decided in the first instance on a show of hands and in case of an equality of votes the chair of the meeting shall **either** on a show of hands **or** on a ballot

have a second or casting vote in addition to the vote or votes to which the chair may be entitled as a shareholder or proxy nominee.

At any meeting, unless a ballot is demanded by a shareholder or proxyholder entitled to vote at the meeting, either before or after any vote by a show of hands, a declaration by the chair of the meeting that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be evidence of the fact without proof of the number or proportion of votes recorded in favour of or against the motion.

In the absence of the Chair of the Board (if any), the Chief Executive Officer, President and any Vice-President who is a director, the shareholders present entitled to vote shall choose another director as chair of the meeting and if no director is present or if all the directors present decline to take the chair then the shareholders present shall choose one of their number to be chair.

If at any meeting a ballot is demanded on the election of a chair or on the question of adjournment or termination, then the ballot shall be taken forthwith without adjournment. If a ballot is demanded on any other question or as to the election of directors, then the ballot shall be taken in such manner and either at once or later at the meeting or after adjournment as the chair of the meeting directs. The result of a ballot shall be deemed to be the resolution of the meeting at which the ballot was demanded. A demand for a ballot may be made either before or after any vote by show of hands and may be withdrawn.

Where two or more persons hold the same share or shares jointly, any one of such persons present at a meeting of shareholders has the right, in the absence of the other or others, to vote such share or shares, but if more than one of such persons are present or represented by proxy and vote, they shall vote together as one on the share or shares jointly held by them.

35. Proxies. Votes at meetings of the shareholders may be cast either personally or by proxy. At every meeting at which a shareholder or proxyholder is entitled to vote, such shareholder (if present in person) or proxyholder shall have one vote on a show of hands. Upon a ballot on which a shareholder is entitled to vote, such shareholder (if present in person or by proxy) shall (subject to the provisions, if any, of the Corporation's articles) have one vote for every share registered in such shareholder's name.

Every shareholder entitled to vote at a meeting of shareholders may by means of a proxy appoint a proxyholder or proxyholders or one or more alternate proxyholders, who need not be a shareholder, to attend and act at the meeting in the manner and to the extent authorized by the proxy and with the authority conferred by the proxy.

An instrument appointing a proxyholder shall be in writing and executed by the shareholder or such shareholder's attorney authorized in writing, or may be an electronic document that satisfies the requirements of Part XX.1 of the Act, and is valid only at the meeting in respect of which it is given or at any adjournment thereof.

An instrument appointing a proxyholder may be in the following form or in any other form which complies with the requirements of the Act:

"The undersigned shareholder of Patheon Inc. hereby appoints _____ of _____, whom failing, of as the nominee of the undersigned to attend and act for and on behalf of the undersigned at the meeting of the shareholders of the said Corporation to be held on the _____ day of _____, and at any adjournment thereof in the same manner, to the same extent and with the same power as if the undersigned were present, whether personally or by telephonic, electronic or other means, at the said meeting or such adjournment thereof.

Dated

Signature of Shareholder

This form of proxy must be signed by a shareholder or such shareholder's attorney authorized in writing."

The directors may from time to time pass regulations regarding the lodging of instruments appointing a proxyholder at some place or places other than the place at which a meeting or adjourned meeting of shareholders is to be held and for particulars of such instruments to be sent in writing, faxed or otherwise communicated by electronic means that produces a written copy before the meeting or adjourned meeting to the Corporation or any agent of the Corporation

appointed for the purpose of receiving such particulars and providing that instruments appointing a proxyholder so lodged may be voted upon as though the instruments themselves were produced at the meeting or adjourned meeting and votes given in accordance with such regulations shall be valid and shall be counted. The chair of the meeting of shareholders may, subject to any regulations made as aforesaid, in the chair's discretion, accept written or faxed communication, or electronic communication that produces a written copy, as to the authority of anyone claiming to vote on behalf of and to represent a shareholder notwithstanding that no instrument of proxy conferring such authority has been lodged with the Corporation, and any votes given in accordance with such written, faxed or electronic communication accepted by the chair of the meeting shall be valid and shall be counted.

36. Adjournment. The chair of the meeting may with the consent of the meeting adjourn any meeting of shareholders from time to time to a fixed time and place. If the meeting is adjourned for less than 30 days, no notice of the time and place for the holding of the adjourned meeting need be given to any shareholder, other than by announcement at the earliest meeting that is adjourned. If a meeting of shareholders is adjourned by one or more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting shall be given as for an original meeting but, unless the meeting is adjourned by one or more adjournments for an aggregate of more than 90 days, subsection 149(1) of the Act does not apply. Any adjourned meeting shall be duly constituted if held in accordance with the terms of the adjournment and a quorum is present thereat. The persons who formed a quorum at the original meeting are not required to form the quorum at the adjourned meeting. If there is no quorum present at the adjourned meeting, the original meeting shall be deemed to have terminated forthwith after its adjournment. Any business may be brought before or dealt with at any adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.

37. Quorum. Two persons present and each holding or representing by proxy at least one issued share of the Corporation shall be a quorum of any meeting of shareholders for the choice of a chair of the meeting and for the adjournment of the meeting to a fixed time and place but may not transact any other business; for all other purposes a quorum for any meeting shall be persons present not being less than two in number and holding or representing by proxy not less than ten percent of the total number of the issued shares of the Corporation for the time being enjoying voting rights at such meeting. If a quorum is present at the opening of a meeting of shareholders, the shareholders present may proceed with the business of the meeting, notwithstanding that a quorum is not present throughout the meeting.

Notwithstanding the foregoing, if the Corporation has only one shareholder, or only one shareholder of any class or series of shares, the shareholder present in person or by proxy constitutes a meeting and a quorum for such meeting.

38. Electronic participation and voting. Subject to the Act, any person entitled to attend a meeting of shareholders may participate in the meeting by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting, if the Corporation makes available such a communication facility. A person participating in a meeting by such means is deemed for all purposes of the Act and the by-laws to be present at the meeting. Subject to the Act, if the directors or the shareholders of the Corporation call a meeting of shareholders pursuant to the Act, those directors or shareholders, as the case may be, may determine that the meeting shall be held entirely by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting. Subject to the Act, any vote at a meeting of shareholders may be held entirely by means of a telephonic, electronic or other communication facility, if the Corporation makes available such a communication facility, and any person participating in a meeting of shareholders by means of such facility and entitled to vote at that meeting may vote by means of such facility, provided that any such facility made available by the Corporation shall enable the votes to be gathered in a manner that permits their subsequent verification and permit the tallied votes to be presented to the Corporation without it being possible for the Corporation to identify how each shareholder or group of shareholders voted.

39. Resolutions in writing. Subject to subsection 142(1) of the Act,

- (a) a resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders; and
- (b) a resolution in writing dealing with all matters required by the Act to be dealt with at a meeting of shareholders, and signed by all the shareholders entitled to vote at that meeting, satisfies all the requirements of the Act relating to meetings of shareholders.

SHARES AND TRANSFERS

40. Issuance. Subject to the articles of the Corporation and any unanimous shareholder agreement, shares in the Corporation may be issued at such time and issued to such persons and for such consideration as the directors may determine.

41. Security certificates. The shares of the Corporation may be certificated or uncertificated and shall be recorded in the securities register of the Corporation as they are issued. Any security certificates (and the form of transfer power on the reverse side thereof) shall (subject to compliance with section 49 of the Act) be in such form as the directors may from time to time by resolution approve and such certificates shall be signed by a director or officer of the Corporation, or by a registrar, transfer agent or branch transfer agent of the Corporation, or an individual on their behalf, or by a trustee who certifies it in accordance with a trust indenture, or the signature shall be printed or otherwise mechanically reproduced on the certificate. If a security certificate contains a printed or mechanically reproduced signature of a person, the Corporation may issue the security certificate, notwithstanding that the person has ceased to be a director or an officer of the Corporation, and the security certificate is as valid as if the person were a director or an officer at the date of its issue. Upon written request, the Corporation shall issue to the holder of uncertificated shares a security certificate representing such shares.

42. Agent. The directors may from time to time by resolution appoint or remove an agent to maintain a central securities register and branch securities registers for the Corporation.

43. Surrender of security certificates. Subject to the Act, no transfer of a security issued by the Corporation shall be recorded or registered unless or until the security certificate representing the security to be transferred has been surrendered and cancelled or, in the case of uncertificated shares, unless or until proper transfer instructions from the registered holder of the shares or by such person's attorney lawfully constituted in writing has been received.

44. Defaced, destroyed, stolen or lost security certificates. In case of the defacement, destruction, theft or loss of a security certificate, the fact of such defacement, destruction, theft or loss shall be reported by the owner to the Corporation or to a trustee, registrar, transfer agent or other agent of the Corporation (if any) acting on behalf of the Corporation, with a statement verified by oath or statutory declaration as to the defacement, destruction, theft or loss and the circumstances concerning the same and with a request for the issuance of: (i) a new security certificate to replace the one so defaced, destroyed, stolen or lost or (ii) uncertificated shares in lieu of the issuance of a replacement security certificate. Upon the giving to the Corporation (or, if there is such an agent, then to the Corporation and to such agent) of an indemnity bond of a surety company in such form as is approved by any authorized officer of the Corporation, indemnifying the Corporation (and such agent, if any) against all loss, damage and expense, which the Corporation and/or such agent may suffer or be liable for by reason of the issuance of a new security certificate or uncertificated shares to such shareholder, and provided the Corporation or such agent does not have notice that the security has been acquired by a *bona fide* purchaser, a new security certificate may be issued in replacement of the one defaced, destroyed, stolen or lost or uncertificated shares may be issued in lieu of the issuance of a new security certificate, if such issuance is ordered and authorized by any authorized officer of the Corporation or by resolution of the directors.

DIVIDENDS

45. The directors may from time to time by resolution declare and the Corporation may pay dividends on its issued shares, subject to the Corporation's articles.

The directors shall not declare and the Corporation shall not pay a dividend if there are reasonable grounds for believing that:

- (a) the Corporation is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realizable value of the Corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes.

The Corporation may pay a dividend by issuing fully paid shares of the Corporation and, subject to section 42 of the Act, the Corporation may pay a dividend in money or property.

46. In case several persons are registered as the joint holders of any securities of the Corporation, any one of such persons may give effectual receipts for all dividends and payments on account of dividends, principal, interest and/or redemption payments on redemption of securities (if any) subject to redemption in respect of such securities.

RECORD DATES

47. Shareholders' meetings. Subject to section 134 of the Act, the directors may fix in advance a date as the record date for the purpose of determining shareholders entitled to receive notice of a meeting of shareholders and/or entitled to vote at a meeting of shareholders, but such record date shall not precede by more than 60 days or by less than 21 days the date on which the meeting is to be held.

If no record date is fixed, the record date for the determination of the shareholders entitled to receive notice of a meeting of the shareholders and to vote shall be:

- (a) at the close of business on the day immediately preceding the day on which the notice is given; or
- (b) if no notice is given, the day on which the meeting is held.

48. Dividends, distributions or other purposes. Subject to section 134 of the Act, the directors may fix in advance a date as the record date for the determination of shareholders (i) entitled to receive payment of a dividend, (ii) entitled to participate in a liquidation or distribution, (iii) for any other purpose (other than to establish a shareholder's right to receive notice of a meeting or to vote), but such record date shall not precede by more than 60 days the particular action to be taken.

If no record date is fixed, the record date for the determination of shareholders for any purpose other than to establish a shareholder's right to receive notice of a meeting or to vote shall be at the close of business on the day on which the directors pass the resolution relating thereto.

VOTING SECURITIES IN OTHER ISSUERS

49. All securities of any other body corporate or issuer of securities carrying voting rights held from time to time by the Corporation may be voted at all meetings of shareholders, bondholders, debenture holders or holders of such securities, as the case may be, of such other body corporate or issuer and in such manner and by such person or persons as the directors of the Corporation shall from time to time determine and authorize by resolution. The duly authorized signing officers of the Corporation may also from time to time execute and deliver for and on behalf of the Corporation proxies and/or arrange for the issuance of voting certificates and/or other evidence of the right to vote in such names as they may determine without the necessity of a resolution or other action by the directors.

NOTICES, ETC.

50. Service. Any notice or other document required to be given or sent by the Corporation to any shareholder, director or auditor of the Corporation shall be delivered personally or sent by prepaid mail or by telecopy or other electronic means capable of producing a written copy addressed to:

- (a) the shareholder at the shareholder's latest address as shown on the records of the Corporation or its transfer agent;
- (b) the director at the director's latest address as shown in the records of the Corporation or in the last notice filed under section 106 or 113 of the Act; and
- (c) the auditor of the Corporation at the auditor's latest address known to the Corporation.

With respect to every notice or other document sent by prepaid mail, it shall be sufficient to prove that the envelope or wrapper containing the notice or other document was properly addressed and put into a post office or into a post office letter box.

51. If the Corporation sends a notice or document to a shareholder and the notice or document is returned on two consecutive occasions because the shareholder cannot be found, the Corporation is not required to send any further notices or documents to the shareholder until the shareholder informs the Corporation in writing of the shareholder's new address.

52. Shares registered in more than one name. All notices or other documents shall, with respect to any shares in the capital of the Corporation registered in more than one name, be given to whichever of such persons is named first in the records of the Corporation and any notice or other document so given shall be sufficient notice or delivery of such document to all the holders of such shares.

53. Persons becoming entitled by operation of law. Every person who by operation of law, transfer or by any other means whatsoever shall become entitled to any shares in the capital of the Corporation shall be bound by every notice or other document in respect of such shares which prior to such person's name and address being entered on the records of the Corporation shall have been duly given to the person or persons from whom such person derives title to such shares.

54. Deceased shareholder. Any notice or other document delivered or sent by post or left at the address of any shareholder as the same appears in the records of the Corporation shall, notwithstanding that such shareholder be then deceased and whether or not the Corporation has notice of such shareholder's decease, be deemed to have been duly served in respect of the shares held by such shareholder (whether held solely or with other persons) until some other person be entered in such shareholder's stead in the records of the Corporation as the holder or one of the holders thereof and such service shall for all purposes be deemed a sufficient service of such notice or other document on such shareholder's heirs, executors or administrators and all persons (if any) interested with such shareholder in such shares.

55. Signatures to notices. The signature of any director or officer of the Corporation to any notice may be written, printed or otherwise mechanically reproduced.

56. Computation of time. Where a given number of days' notice or notice extending over any period is required to be given under any provisions of the articles or by-laws of the Corporation, the day of service, posting or other communication of the notice shall, unless it is otherwise provided, be counted in such number of days or other period and such notice shall be deemed to have been given or sent on the day of service, posting or other communication.

57. Proof of service. A certificate of any officer of the Corporation in office at the time of the making of the certificate or of an agent of the Corporation as to facts in relation to the mailing or delivery or service or other communication of any notice or other documents to any shareholder, director, officer or auditor or as to the publication of any notice or other document shall be conclusive evidence thereof and shall be binding on every shareholder, director, officer or auditor of the Corporation, as the case may be.

CHEQUES, DRAFTS, NOTES, ETC.

58. All cheques, drafts or orders for the payment of money and all notes, acceptances and bills of exchange shall be signed by such officer or officers or other person or persons, whether or not officers of the Corporation, and in such manner as the directors may from time to time designate by resolution.

CUSTODY OF SECURITIES

59. All securities (including warrants) owned by the Corporation shall be lodged (in the name of the Corporation) with a chartered bank or a trust company or in a safety deposit box or, if so authorized by resolution of the directors, with such other depositaries or in such other manner as may be determined from time to time by the directors.

All securities (including warrants) belonging to the Corporation may be issued and held in the name of a nominee or nominees of the Corporation (and if issued or held in the names of more than one nominee shall be held in the names of the nominees jointly with right of survivorship) and shall be endorsed in blank with endorsement guaranteed in order to enable transfer thereof to be completed and registration thereof to be effected.

EXECUTION OF CONTRACTS, ETC.

60. Contracts, documents or instruments in writing requiring the signature of the Corporation may be signed by any one director, officer or other authorized person and all contracts, documents or instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The directors are authorized from time to time by resolution to appoint any officer or officers or any other person or persons on behalf of the Corporation either to

sign contracts, documents or instruments in writing generally or to sign specific contracts, documents or instruments in writing.

The corporate seal, if any, of the Corporation may, when required, be affixed to contracts, documents or instruments in writing signed as aforesaid or by an officer or officers, person or persons appointed as aforesaid by resolution of the board of directors.

The term "contracts, documents or instruments in writing" as used in this by-law shall include deeds, mortgages, hypothecs, charges, conveyances, transfers and assignments of property, real or personal, immovable or movable, powers of attorney, agreements, releases, receipts and discharges for the payment of money or other obligations, conveyances, transfers and assignments of securities and all paper writings.

In particular, without limiting the generality of the foregoing, any one director, officer or other authorized person is authorized to sell, assign, transfer, exchange, convert or convey all securities owned by or registered in the name of the Corporation and to sign and execute (under the seal of the Corporation or otherwise) all assignments, transfers, conveyances, powers of attorney and other instruments that may be necessary for the purpose of selling, assigning, transferring, exchanging, converting or conveying any such securities.

The signature or signatures of any officer or director of the Corporation and/or of any other officer or officers, person or persons appointed as aforesaid by resolution of the directors may, if specifically authorized by resolution of the directors, be printed, engraved, lithographed or otherwise mechanically reproduced upon all contracts, documents or instruments in writing or bonds, debentures or other securities of the Corporation executed or issued by or on behalf of the Corporation and all contracts, documents or instruments in writing or securities of the Corporation on which the signature or signatures of any of the foregoing officers, directors or persons shall be so reproduced, by authorization by resolution of the directors, shall be deemed to have been manually signed by such officers, directors or persons whose signature or signatures is or are so reproduced and shall be as valid to all intents and purposes as if they had been signed manually and notwithstanding that the officers, directors or persons whose signature or signatures is or are so reproduced may have ceased to hold office at the date of delivery or issue of such contracts, documents or instruments in writing or securities of the Corporation.

FINANCIAL YEAR

61. The financial year of the Corporation shall terminate on such day in each year as the board of directors may from time to time by resolution determine.

PASSED by the directors of the Corporation on February 22, 2008.

CONFIRMED by the shareholders of the Corporation on March 27, 2008.

Chairman

Secretary

PATHEON™

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