

SETTLEMENT AGREEMENT

WHEREAS:

1. Stephen Alan Head and David Bown, in their capacity as class representatives of their respective classes (the "Plaintiffs"), and the Defendant, Miralex Health Care Inc. ("Miralex"), (collectively, "the Parties"), hereby enter into this Settlement Agreement (the "Agreement") providing for settlement of the action described below, pursuant to the terms and conditions set forth below, subject to the approval of the Court;
2. A class action has been certified against Miralex and Hueson Pharmaceuticals Corp., ("Hueson") in British Columbia with the class defined as:

All persons who purchased or received Miralex cream distributed by either Defendant who used the cream on their person and are alleged to have suffered injury and/or to be entitled to return of amounts paid for the cream;

1. Class Counsel, namely the firms of Branch MacMaster and Hanson Wirsig Matheos, have conducted extensive settlement negotiations with Miralex and its counsel, namely the law firm of Guild, Yule & Company;
2. Miralex, notwithstanding its consent to this Agreement, has denied and continues to deny liability to the claims of the Plaintiffs and the class members in the class action, has denied and continues to deny any wrongdoing or liability of any kind and anywhere to the Plaintiffs and members of the class action, and has raised and will continue to raise numerous affirmative defences;
3. Based upon an analysis of the facts and the law applicable to claims of the Plaintiffs and class members, taking into account the extensive burdens and expense of litigation, including the risks and uncertainties associated with protracted trials and appeals, as well as the fair, cost effective and assured method of resolving claims of the Plaintiffs and class members provided in this Agreement and having scrutinized the potential assets of Miralex, including insurance proceeds, the Plaintiffs class counsel have concluded that, in the context of limited assets available for Miralex, this Agreement provides substantial benefits to the Plaintiffs and class members and is fair, reasonable, adequate and in their best interests;
4. Miralex has similarly concluded that this Agreement is desirable in order to avoid the time, risk and expense of defending multiple and protracted litigation, and to resolve finally and completely the pending and potential claims related to its purchase, distribution, sale, use, and marketing of that certain cream known as "Mirex" and "Miralex" ("Miralex Cream");
5. Miralex intends by this Agreement to resolve all of the present and future claims against it for or relating in any way to its purchase, distribution, sale, use, and marketing of Miralex Cream;

6. Miralex requires that the class action be dismissed;
7. This Agreement includes documents to be submitted to the Court for approval;

NOW THEREFORE, for the consideration set forth below, subject to the approval of the Supreme Court of British Columbia, this Agreement embodies the terms of the resolution of the Class Action brought against Miralex and Hueson in the province of British Columbia, including all present and any potential and any future claims against Miralex and Hueson and all of their parent, affiliated or related corporations and all of their respective administrators, successors, assigns, servants, agents employees, officers, directors, principals, and insurers (as the case may be) and Don Hughes, Peter Hughes, and Bryan Moore, relating to Miralex Cream as defined in this Agreement, as follows:

DEFINITIONS

1. The terms herein have the following definitions:

“Class Action” means Action No. S000294, Vancouver Registry, with the style of cause *Head v. Miralex Health Care Inc. et al*

“Claims Administrator” means Arthur Andersen LLP, Suite 2000, 401 West Georgia Street, Vancouver B.C., Attention: Doug Johnson

“Class Counsel” means Branch MacMaster, 1210-777 Hornby Street, Vancouver, B.C. attn: Ward Branch and Hanson Wirsig Matheos, 302 - 15225 - 104th Avenue, Surrey BC V3R 6Y8 attn: James Hanson

“Class Members” means members of the class as defined in the certification order issued in the Class Action, or, for greater clarity the representative Plaintiffs, Stephen Alan Head and David Bown, and all B.C. residents who did not opt out by April 30, 1999 and all non-B.C. residents who opted in by April 30, 2001

“Court” means the Supreme Court of British Columbia, and in particular, Mr. Justice Maczko or such other judge as is appointed to continue the management of the Class Action

“Defendants” means Miralex Health Care Inc. and Hueson Pharmaceutical Corp.

“Defendant’s Counsel” means Guild Yule & Company, 2000 - 595 Burrard Street, Vancouver, B.C. V7X 1R7 attn: Paul Walker

“Miralex Cream” means that certain cream sold, distributed and marketed by the Defendants, including those certain products known as “Mirex” and “Miralex”

“Order” and “Judgment” mean an order or judgment from the Supreme Court of British Columbia as it relates to the Class Action

“Settlement Fund” means the funds delivered by the Defendant’s Counsel to the Claims Administrator, plus interest earned thereafter.

SETTLEMENT FUND ALLOCATION

2. The Settlement Fund shall be allocated on a Point System set out below, which is intended to reflect, as closely as possible, the relative merit and extent of each Class Members potential tort claim.

PROOF OF CLAIMS

3. Class Members will be required to complete and have sworn the claim form attached as Appendix “A” (the “Claims Form”) in order to be entitled to receive any benefits under the settlement.

USAGE

4. Class Members who applied less than 4 ounces of Miralex Cream shall not be entitled to recover under this settlement.
5. If the Class Member applied 4 ounces or more of Miralex Cream purchased **after** January 1, 1999, they will be entitled to points. For every 4 ounces of Miralex Cream applied that were purchased **after** January 1, 1999, the class member will receive 1 point. The maximum number of points that can be earned under this section is 12. The number of ounces used will be rounded down to the nearest 4 ounces to determine the number of points. Persons who receive at least 1 point pursuant to this section are referred to herein as “Insured Purchasers”.
6. If the class member applied 4 ounces or more of Miralex Cream purchased **before** January 1, 1999, they will receive 1 point.
7. Insured Purchasers may receive points under both sections 5 and 6.

AGE

8. Insured Purchasers will receive an additional 1 point if the product was applied when they were under 3 years old, or over 60 years old.

SIDE EFFECTS

9. Insured Purchasers will receive an additional 1 point for each of the following side effects suffered as a result of the Miralex Cream: (1) skin thinning, (2) stretch marks, (3) easy bruising, (4) persistent redness or acne.
10. Insured Purchasers will receive additional points if they suffered a flare up following cessation of use of Miralex Cream. They will receive 1 point for every two months of continuing flare up to a maximum of 6 points. The number of months will be rounded up to the nearest month. The number of points will be rounded up to the nearest point).
11. Insured Purchasers will double their point score for any side effect points earned pursuant to sections 9 and 10, by providing a medical doctor's statement confirming the existence of the side effects.

HUESON PURCHASERS

12. For greater clarity, class members who did not purchase 4 ounces of Miralex Cream after January 1, 1999, but who did purchase 4 ounces or more of Miralex Cream before January 1, 1999 ("Hueson Purchasers"), will be entitled to a maximum of 1 point.

TIME TO ADVANCE A CLAIM

13. All valid claims must be received by the Claims Administrator by August 30, 2002 (the "Deadline")

DETERMINATION OF POINTS

14. The Claims Administrator will determine the number of points for each eligible class member, and the total number of points for all eligible class members.
15. The Claims Administrator will be at liberty to audit any aspect of the claims form, including the number of ounces used. The Defendants will provide access to their sales records for this purpose through the offices of the Defendant's Counsel. Review of the Defendants' available sales records will be done on a confidential basis and the Claims Administrator will be required to sign an undertaking to this effect. Class Counsel will provide access to the list of

class members who opted in or opted out. The Claims Administrator shall use the best available evidence in making their determination. The Claims Administrator shall have the power to compromise the number of points in the case of any discrepancy in the available information. The Claims Administrator's decision as to the eligibility of a class member and number of points for each class member is final.

16. If a Claims Form is not properly completed, the Claims Administrator may contact the class member to provide them with an opportunity to submit a proper form prior to the Deadline.
17. The Claims Administrator will be at liberty to apply to Court for direction if any problem develops in the claims administration process.

CLAIMS ADMINISTRATION EXPENSES

18. If the Claims Administrator's expenses are in excess of \$35,000.00, they shall make application to court for approval of their account prior to distribution of the balance of the Settlement Fund. Otherwise, their fees and expenses may simply be deducted prior to distribution of the Settlement Fund to Class Members.

RELEASES

19. Subject to the terms of the Settlement Agreement, this Settlement Agreement constitutes:
 - a. the full and final resolution of all claims and causes of action that have or could have been raised by members of the Class or their representatives against the Defendants in this proceeding; and
 - b. upon expiration of the time to appeal, if an appeal lies, from the Order or Judgment approving this Agreement, and upon payment of the Settlement Fund, Class Members shall be deemed to and shall have released and forever discharged Miralex Health Care Inc. and Hueson Pharmaceutical Corp. and all of their parent, affiliated or related corporations and all of their respective administrators, successors, assigns, servants, agents, employees, officers, directors, principals, and insurers (as the case may be) and Don Hughes, Peter Hughes, and Bryan Moore and all of their respective heirs, executors, administrators, successors and assigns (all of aforesaid parties, persons and corporations are collectively referred to as the "Releasees") of and from any and all manner of actions, causes of action, suits, debts, contracts, claims, demands, damages, sums of money, dues, liabilities, expenses, fees, costs, and claims which the Class Members ever had, now have, or which may later appear or accrue, for any losses, injuries, and damages, cause, matter, or thing whatsoever, whether at law or in equity, or under any statute, whether anticipated or unanticipated, resulting

from, arising out of, or connected directly or indirectly with the distribution, sale, use, and marketing of, and representations made about Miralex Cream and including, but not limited to all, of the allegations and claims made and advanced in that certain action brought in the Supreme Court of British Columbia by Stephen Alan Head and David Bown, as representative Plaintiffs, against Miralex Health Care Inc. and Hueson Pharmaceutical Corp., as Defendants, bearing Vancouver Registry No. S000294 (the “Action”), and including all claims for general, special, exemplary, punitive, aggravated, consequential, and compensatory damages and costs and interest.

20. It is further expressly understood and agreed that for the consideration of the Settlement Fund, the Class Members shall not make any claim or take any proceedings against any other person or corporation who might claim contribution or indemnity from any or all of the Releasees or any of their respective heirs, executors, administrators, successors, assigns, servants, agents, employees, officers, directors, principals, and insurers, except however that Class Members shall be at liberty to pursue Manon Cosmetic Laboratory Ltd. and its affiliates as defined by the British Columbia *Company Act*, R.S.B.C. 1996, c. 62 (“Manon”), but any recovery in such actions against Manon must be expressly limited to Manon’s percentage allocation of fault for any losses, injuries, or damages arising out of the use of Miralex Cream.
21. It is further expressly understood and agreed that the facts in respect of which this Release is made may prove to be other than or different from the facts now known by any of the parties and believed by any of them to be true. It is expressly accepted and assumed that there are risks that the facts could be different. The terms of this Release shall be effective and not subject to termination or rescission as a result of the discovery of any difference in those facts.
22. Payment of the Settlement Fund on behalf of Miralex shall not be deemed to be or construed as an admission of liability to the Plaintiffs or class members by any of the Releasees, by whom liability is expressly denied.

CONSENT TO DISMISSAL

23. If Court approval is obtained for the settlement of the Class Action, the resulting Order or Judgment of the Court shall dismiss the Class Action as against the Defendants and contain release language therein as expressed in paragraphs 19 to 22 above.

DISTRIBUTION OF THE SETTLEMENT FUND

24. After payment of its fees and expenses pursuant to section 16, the Claims Administrator will distribute the balance of the Settlement Fund to Class Members based on the number of points per class member. This distribution will occur as soon as reasonably possible, and in

any event prior to October 30, 2002, or by some later date if approved by the Court.

25. The Claims Administrator will deliver a final report to Class Counsel and to the Court upon final distribution of all the Settlement Fund.

This Agreement is made on March 13, 2002.

MIRALEX HEALTH CARE INC.

Stephen Alan Head

David Bown