

**INNEXUS BIOTECHNOLOGY INC.  
NOTICE OF  
ANNUAL GENERAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF **INNEXUS BIOTECHNOLOGY INC.** (THE "COMPANY") WILL BE HELD AT THE BOARDROOM, MARRIOTT COURTYARD HOTEL @ THE MAYO CLINIC, 13444 EAST SHEA BOULEVARD, SCOTTSDALE, AZ, 85259, ON THE **30TH DAY OF JUNE, 2009 AT THE HOUR OF 9:00 IN THE MORNING, ARIZONA TIME**, FOR THE FOLLOWING PURPOSES:

1. TO RECEIVE AND CONSIDER THE ANNUAL REPORT OF THE DIRECTORS TO THE SHAREHOLDERS;
2. TO RECEIVE AND CONSIDER THE AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED JUNE 30, 2008, AND THE AUDITORS' REPORT THEREON;
3. TO APPOINT AUDITORS FOR THE ENSUING YEAR AND TO AUTHORIZE THE DIRECTORS TO FIX THE AUDITORS' REMUNERATION;
4. TO DETERMINE THE NUMBER OF DIRECTORS OF THE COMPANY AT FOUR (4);
5. TO ELECT THE DIRECTORS FOR THE ENSUING YEAR;
6. THE COMPANY HAS AN EXISTING STOCK OPTION PLAN WHICH PROVIDES THAT A MAXIMUM OF 20% OF THE ISSUED AND OUTSTANDING SHARES OF THE COMPANY ARE RESERVED FOR ISSUANCE ON THE EXERCISE OF STOCK OPTIONS. TO CONSIDER AND IF THOUGHT FIT, PASS AN ORDINARY RESOLUTION, TO APPROVE THE EXISTING STOCK OPTION PLAN LIMIT AT 13,924,223 CALCULATED AT 20% OF THE ISSUED AND OUTSTANDING SHARES OF THE COMPANY.
7. TO APPROVE THE STOCK OPTION PLAN AS AMENDED IN SCHEDULE B.
8. TO TRANSACT SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING.

AN INFORMATION CIRCULAR, FORM OF PROXY, NOTES TO PROXY AND SUPPLEMENTAL MAILING LIST RETURN CARD ALSO ACCOMPANY THIS NOTICE OF MEETING. A COPY OF THE AUDITED FINANCIAL REPORTS AS OF **JUNE 30, 2008** HAS BEEN FILED ON THE SEDAR FILING SYSTEM, AND MAY BE VIEWED BY INTERESTED SHAREHOLDERS BY VISITING THE SEDAR WEBSITE AT [www.sedar.com](http://www.sedar.com).

**SHAREHOLDERS WHO ARE UNABLE TO ATTEND THE MEETING IN PERSON ARE REQUESTED TO DATE AND SIGN THE ENCLOSED PROXY FORM AND RETURN IT PROMPTLY TO THE COMPANY'S REGISTRAR AND TRANSFER AGENT IN ACCORDANCE WITH THE INSTRUCTIONS SET OUT IN THE FORM OF PROXY AND INFORMATION CIRCULAR ACCOMPANYING THIS NOTICE. THE PROXY WILL NOT BE USED AT THE MEETING OR ANY ADJOURNMENT(S) THEREOF UNLESS THE SAME IS DEPOSITED AT THE OFFICE OF THE REGISTRAR AND TRANSFER AGENT, COMPUTERSHARE, 3RD FLOOR - 510 BURRARD STREET, VANCOUVER, BC, AT LEAST 48 HOURS (EXCLUDING SATURDAYS, SUNDAYS AND HOLIDAYS) BEFORE THE HOLDING OF THE MEETING. THE ENCLOSED PROXY FORM IS SOLICITED BY MANAGEMENT AND YOU MAY AMEND IT, IF YOU SO DESIRE, BY STRIKING OUT THE NAMES LISTED THEREIN AND INSERTING IN THE SPACE PROVIDED THE NAME OF THE PERSON YOU WISH TO REPRESENT YOU AT THE MEETING.**

**IF A SHAREHOLDER RECEIVES MORE THAN ONE PROXY FORM BECAUSE SUCH SHAREHOLDER OWNS SHARES REGISTERED IN DIFFERENT NAMES OR ADDRESSES, EACH PROXY FORM SHOULD BE COMPLETED AND RETURNED.**

DATED AT VANCOUVER, BRITISH COLUMBIA, THIS 26TH DAY OF MAY, 2009.

**BY ORDER OF THE BOARD**

**"JEFF MORHET"**

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**JEFF MORHET**  
**CHAIRMAN OF THE BOARD OF DIRECTORS**

# INNEXUS BIOTECHNOLOGY INC.

## ANNUAL GENERAL MEETING OF SHAREHOLDERS

### INFORMATION CIRCULAR

#### 1. SOLICITATION OF PROXIES

THIS INFORMATION CIRCULAR IS FURNISHED TO THE COMMON SHAREHOLDERS ("SHAREHOLDERS") BY THE BOARD OF DIRECTORS OF INNEXUS BIOTECHNOLOGY INC. (THE "COMPANY") IN CONNECTION WITH THE SOLICITATION OF PROXIES TO BE VOTED AT THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS TO BE HELD AT THE HOUR OF 9:00 AM ON JUNE 30, 2009 AND AT ANY ADJOURNMENT THEREOF, FOR THE PURPOSES SET FORTH IN THE NOTICE OF MEETING.

THE ENCLOSED PROXY IS SOLICITED BY AND ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY. THE PERSONS NAMED IN THE ENCLOSED PROXY FORM ARE DIRECTORS AND SENIOR OFFICERS OF THE COMPANY. **A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON (WHO NEED NOT BE A SHAREHOLDER) TO REPRESENT HIM OR HER AT THE MEETING MAY DO SO EITHER BY INSERTING SUCH OTHER PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE PROXY FORM OR BY COMPLETING ANOTHER FORM OF PROXY.** TO BE USED AT THIS MEETING, THE COMPLETED PROXY FORM SHOULD BE DEPOSITED AT THE OFFICE OF COMPUTERSHARE, 3RD FLOOR - 510 BURRARD STREET, VANCOUVER, BC, AT LEAST 48 HOURS (EXCLUDING SATURDAYS, SUNDAYS AND HOLIDAYS) BEFORE THE HOLDING OF THE ANNUAL GENERAL MEETING. SOLICITATION WILL BE PRIMARILY BY MAIL, BUT SOME PROXIES MAY BE SOLICITED PERSONALLY OR BY TELEPHONE BY REGULAR EMPLOYEES OR DIRECTORS OF THE COMPANY AT A NOMINAL COST. THE COST OF SOLICITATION BY THE BOARD OF DIRECTORS WILL BE BORNE BY THE COMPANY.

#### 2. REVOCABILITY OF PROXIES

A SHAREHOLDER WHO HAS GIVEN A PROXY MAY REVOKE IT EITHER BY (A) SIGNING A PROXY BEARING A LATER DATE AND DEPOSITING THE SAME AT THE OFFICE OF COMPUTERSHARE, 3RD FLOOR - 510 BURRARD STREET, VANCOUVER, BC 48 HOURS (EXCLUDING SATURDAYS, SUNDAYS AND HOLIDAYS) BEFORE THE HOLDING OF THE ANNUAL GENERAL MEETING); OR (B) ATTENDING THE MEETING IN PERSON AND REGISTERING WITH THE SCRUTINEERS AS A SHAREHOLDER PERSONALLY PRESENT.

#### 3. EXERCISE OF DISCRETION BY PROXIES

A SHAREHOLDER'S INSTRUCTIONS ON HIS PROXY FORM AS TO THE EXERCISE OF VOTING RIGHTS WILL BE FOLLOWED IN CASTING SUCH SHAREHOLDER'S VOTES ON ANY BALLOT THAT MAY BE CALLED FOR. **IN THE ABSENCE OF ANY INSTRUCTIONS, THE SHARES WILL BE VOTED AS IF THE SHAREHOLDER HAD SPECIFIED AN AFFIRMATIVE VOTE.**

THE ENCLOSED PROXY FORM CONFERS DISCRETIONARY AUTHORITY UPON THE PERSONS NAMED THEREIN WITH RESPECT TO (A) AMENDMENTS OR VARIATIONS TO MATTERS IDENTIFIED IN THE NOTICE OF MEETING AND (B) OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT THEREOF. AT THE TIME OF PRINTING OF THIS INFORMATION CIRCULAR, MANAGEMENT OF THE COMPANY KNOWS OF NO SUCH AMENDMENTS, VARIATIONS OR OTHER MATTERS TO COME BEFORE THE MEETING OTHER THAN THE MATTERS REFERRED TO IN THE NOTICE OF MEETING.

#### 4. NON-REGISTERED HOLDERS

ONLY REGISTERED SHAREHOLDERS OR DULY APPOINTED PROXYHOLDERS ARE PERMITTED TO VOTE AT THE MEETING. MOST SHAREHOLDERS OF THE COMPANY ARE "NON-REGISTERED" SHAREHOLDERS BECAUSE THE SHARES THEY OWN ARE NOT REGISTERED IN THEIR NAMES BUT ARE INSTEAD REGISTERED IN THE NAME OF THE BROKERAGE FIRM, BANK OR TRUST COMPANY THROUGH WHICH THEY PURCHASED THE SHARES. MORE PARTICULARLY, A PERSON IS NOT A REGISTERED SHAREHOLDER IN RESPECT OF SHARES WHICH ARE HELD ON BEHALF OF THAT PERSON (THE "NON-REGISTERED HOLDER") BUT WHICH ARE REGISTERED EITHER: (A) IN THE NAME OF AN INTERMEDIARY (AN "INTERMEDIARY") THAT THE NON-REGISTERED HOLDER DEALS WITH IN RESPECT OF THE SHARES (INTERMEDIARIES INCLUDE, AMONG OTHERS, BANKS, TRUST COMPANIES, SECURITIES DEALERS OR BROKERS AND TRUSTEES OR ADMINISTRATORS OF SELF-ADMINISTERED RRSP'S, RRIF'S, RESP'S AND SIMILAR PLANS); OR (B) IN THE NAME OF A CLEARING AGENCY (SUCH AS THE CANADIAN DEPOSITORY

FOR SECURITIES LIMITED ("CDS")) OF WHICH THE INTERMEDIARY IS A PARTICIPANT. IN ACCORDANCE WITH THE REQUIREMENTS OF NATIONAL INSTRUMENT 54-101, THE COMPANY HAS DISTRIBUTED COPIES OF THE NOTICE OF MEETING, THIS INFORMATION CIRCULAR AND THE PROXY (COLLECTIVELY, THE "MEETING MATERIALS") TO THE CLEARING AGENCIES AND INTERMEDIARIES FOR ONWARD DISTRIBUTION TO NON-REGISTERED HOLDERS.

INTERMEDIARIES ARE REQUIRED TO FORWARD THE MEETING MATERIALS TO NON-REGISTERED HOLDERS UNLESS A NON-REGISTERED HOLDER HAS WAIVED THE RIGHT TO RECEIVE THEM. VERY OFTEN, INTERMEDIARIES WILL USE SERVICE COMPANIES TO FORWARD THE MEETING MATERIALS TO NON-REGISTERED HOLDERS. GENERALLY, NON-REGISTERED HOLDERS WHO HAVE NOT WAIVED THE RIGHT TO RECEIVE MEETING MATERIALS WILL EITHER:

- (A) BE GIVEN A FORM OF PROXY **WHICH HAS ALREADY BEEN SIGNED BY THE INTERMEDIARY** (TYPICALLY BY A FACSIMILE, STAMPED SIGNATURE), WHICH IS RESTRICTED AS TO THE NUMBER OF SHARES BENEFICIALLY OWNED BY THE NON-REGISTERED HOLDER BUT WHICH IS OTHERWISE NOT COMPLETED. BECAUSE THE INTERMEDIARY HAS ALREADY SIGNED THE FORM OF PROXY, THIS FORM OF PROXY IS NOT REQUIRED TO BE SIGNED BY THE NON-REGISTERED HOLDER WHO WISHES TO SUBMIT A PROXY SHOULD OTHERWISE PROPERLY COMPLETE THE FORM OF PROXY AND **DEPOSIT IT WITH THE COMPANY'S TRANSFER AGENT AS PROVIDED ABOVE; OR**
- (B) MORE TYPICALLY, BE GIVEN A VOTING INSTRUCTION FORM **WHICH IS NOT SIGNED BY THE INTERMEDIARY**, AND WHICH, WHEN PROPERLY COMPLETED AND SIGNED BY THE NON-REGISTERED HOLDER AND **RETURNED TO THE INTERMEDIARY OR ITS SERVICE COMPANY**, WILL CONSTITUTE VOTING INSTRUCTIONS (OFTEN CALLED A "PROXY AUTHORIZATION FORM") WHICH THE INTERMEDIARY MUST FOLLOW. TYPICALLY, THE PROXY AUTHORIZATION FORM WILL CONSIST OF A ONE PAGE PRE-PRINTED FORM. SOMETIMES, INSTEAD OF THE ONE PAGE PRE-PRINTED FORM, THE PROXY AUTHORIZATION FORM WILL CONSIST OF A REGULAR PRINTED PROXY FORM ACCOMPANIED BY A PAGE OF INSTRUCTIONS WHICH CONTAINS A REMOVABLE LABEL CONTAINING A BAR-CODE AND OTHER INFORMATION. IN ORDER FOR THE FORM OF PROXY TO VALIDLY CONSTITUTE A PROXY AUTHORIZATION FORM, THE NON-REGISTERED HOLDER MUST REMOVE THE LABEL FROM THE INSTRUCTIONS AND AFFIX IT TO THE FORM OF PROXY, PROPERLY COMPLETE AND SIGN THE FORM OF PROXY AND RETURN IT TO THE INTERMEDIARY OR ITS SERVICE COMPANY IN ACCORDANCE WITH THE INSTRUCTIONS OF THE INTERMEDIARY OR ITS SERVICE COMPANY.

IN EITHER CASE, THE PURPOSE OF THIS PROCEDURE IS TO PERMIT NON-REGISTERED HOLDERS TO DIRECT THE VOTING OF THE SHARES WHICH THEY BENEFICIALLY OWN. SHOULD A NON-REGISTERED HOLDER WHO RECEIVES ONE OF THE ABOVE FORMS WISH TO VOTE AT THE MEETING IN PERSON, THE NON-REGISTERED HOLDER SHOULD STRIKE OUT THE NAMES OF THE MANAGEMENT PROXYHOLDERS NAMED IN THE FORM AND INSERT THE NON-REGISTERED HOLDER'S NAME IN THE BLANK SPACE PROVIDED. IN EITHER CASE, NON-REGISTERED HOLDERS SHOULD CAREFULLY FOLLOW THE INSTRUCTIONS OF THEIR INTERMEDIARY, INCLUDING THOSE REGARDING WHEN AND WHERE THE PROXY OR PROXY AUTHORIZATION FORM IS TO BE DELIVERED.

## **5. INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

NO DIRECTOR OR SENIOR OFFICER OF THE COMPANY, WHO HAS HELD THE POSITION AT ANY TIME SINCE THE BEGINNING OF THE LAST COMPLETED FINANCIAL YEAR OF THE COMPANY, NOR ANY PROPOSED NOMINEE OF THE MANAGEMENT OF THE COMPANY FOR ELECTION AS A DIRECTOR OF THE COMPANY, NOR ANY ASSOCIATE OR AFFILIATE OF THE FOREGOING PERSONS HAS ANY MATERIAL INTEREST, DIRECT OR INDIRECT, BY WAY OF BENEFICIAL OWNERSHIP OF SECURITIES OR OTHERWISE IN ANY MATTER TO BE ACTED UPON AT THE SAID MEETING (OTHER THAN THE ELECTION OF DIRECTORS OR THE APPOINTMENT OF AUDITORS AND ANY INTEREST FROM THE OWNERSHIP OF SHARES OF THE COMPANY WHERE THE SHAREHOLDER RECEIVED NO EXTRA OR SPECIAL BENEFIT OR ADVANTAGE NOT SHARED ON A PRO RATA BASIS BY ALL HOLDERS OF SHARES IN THE CAPITAL OF THE COMPANY) SAVE AND EXCEPT FOR THE TRANSACTIONS REFERRED TO UNDER THE HEADINGS "EXECUTIVE COMPENSATION" AND "PARTICULARS OF OTHER MATTERS TO BE ACTED UPON" AND AS OTHERWISE DISCLOSED HEREIN.

## **6. VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

THE COMPANY HAS AN AUTHORIZED SHARE STRUCTURE CONSISTING OF UNLIMITED COMMON SHARES AT NPV COMMON SHARES (THE "COMMON SHARES") WITHOUT PAR VALUE, EACH SHARE CARRYING THE RIGHT TO ONE VOTE. AS OF MAY 26, 2009, 69,621,116 COMMON SHARES WERE ISSUED AS FULLY PAID AND NON-ASSESSABLE. THE CENTRAL SECURITIES REGISTER OF THE COMPANY WILL NOT BE CLOSED, BUT THE BOARD OF DIRECTORS HAS FIXED MAY 26, 2009 AS THE RECORD DATE FOR THE DETERMINATION OF SHAREHOLDERS ENTITLED TO NOTICE OF AND TO VOTE AT THE ANNUAL GENERAL MEETING AND AT ANY ADJOURNMENT THEREOF, AND ONLY SHAREHOLDERS OF RECORD AT THE CLOSE OF BUSINESS ON THAT DATE ARE ENTITLED TO SUCH NOTICE AND TO VOTE AT THE ANNUAL GENERAL MEETING. A COMPLETE LIST OF THE SHAREHOLDERS ENTITLED TO VOTE AT THE ANNUAL GENERAL MEETING WILL BE OPEN TO EXAMINATION BY ANY

SHAREHOLDER FOR ANY PURPOSE GERMANE TO THE ANNUAL GENERAL MEETING, DURING ORDINARY BUSINESS HOURS FOR A PERIOD OF 10 DAYS PRIOR TO THE ANNUAL GENERAL MEETING, AT THE OFFICE OF COMPUTERSHARE, 3RD FLOOR - 510 BURRARD STREET, VANCOUVER, BC.

TO THE KNOWLEDGE OF THE DIRECTORS OR SENIOR OFFICERS OF THE COMPANY, NO PERSON BENEFICIALLY OWNS, DIRECTLY OR INDIRECTLY OR EXERCISES CONTROL OR DIRECTION OVER, SHARES CARRYING MORE THAN 10% OF THE VOTING RIGHTS ATTACHED TO THE COMPANY'S ISSUED AND OUTSTANDING COMMON SHARES, AS AT THE DATE HEREOF, EXCEPT AS FOLLOWS:

NAME AND ADDRESS	NUMBER OF SHARES	PERCENTAGE OF ISSUED SHARES
CDS & Co., 25 THE ESPLANADE, TORONTO, ON, M5W 1G5	46,865,342	67.3%
CEDE & Co., PO Box 222, BOWLING GREEN, STATION NEW YORK, NY, 10274	16,428,493	23.6%

## 7. VOTES NECESSARY TO PASS RESOLUTIONS AT THE ANNUAL GENERAL MEETING

UNDER THE COMPANY'S ARTICLES, SUBJECT TO THE SPECIAL RIGHTS AND RESTRICTIONS ATTACHED TO THE SHARES OF ANY CLASS OR SERIES OF SHARES, A QUORUM FOR THE TRANSACTION OF BUSINESS AT A MEETING OF SHAREHOLDERS IS TWO PERSONS WHO ARE SHAREHOLDERS, OR WHO REPRESENTED BY PROXY, IN THE AGGREGATE, HOLD AT LEAST ONE-TWENTIETH OF THE ISSUED SHARES ENTITLED TO BE VOTED AT THE MEETING. UNDER THE COMPANY'S ARTICLES AND THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA), A MAJORITY OF THE VOTES CAST AT THE MEETING (IN PERSON OR BY PROXY) IS REQUIRED IN ORDER TO ELECT DIRECTORS AND TO PASS THE RESOLUTIONS REFERRED TO IN THE ACCOMPANYING NOTICE OF MEETING.

## 8. APPOINTMENT OF AUDITORS

THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY INTEND TO VOTE FOR THE APPOINTMENT OF HEIN & ASSOCIATES, **CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS**, 717 17<sup>TH</sup> STREET, 16<sup>TH</sup> FLOOR, DENVER, COLORADO 80202, AS AUDITORS OF THE COMPANY TO HOLD OFFICE UNTIL THE NEXT ANNUAL GENERAL MEETING OF SHAREHOLDERS. HEIN & ASSOCIATES HAVE BEEN AUDITORS OF THE COMPANY SINCE JULY 18, 2008.

## 9. NUMBER OF AND ELECTION OF DIRECTORS

THE SHAREHOLDERS OF THE COMPANY WILL BE ASKED TO PASS AN ORDINARY RESOLUTION TO DETERMINE THE NUMBER OF DIRECTORS OF THE COMPANY AT FOUR (4). THE MANAGEMENT OF THE COMPANY RECOMMENDS TO THE SHAREHOLDERS THAT THE RESOLUTION BE PASSED.

THE BOARD OF DIRECTORS PRESENTLY CONSISTS OF FIVE (5) DIRECTORS AND IT IS INTENDED TO DETERMINE THE NUMBER OF DIRECTORS AT FOUR (4) AND TO ELECT FOUR (4) DIRECTORS FOR THE ENSUING YEAR.

THE PERSONS NAMED BELOW ARE THE NOMINEES OF MANAGEMENT FOR ELECTION AS DIRECTORS. EACH DIRECTOR ELECTED WILL HOLD OFFICE UNTIL HIS SUCCESSOR IS ELECTED OR APPOINTED, UNLESS HIS OFFICE IS EARLIER VACATED UNDER ANY OF THE RELEVANT PROVISIONS OF THE ARTICLES OF THE COMPANY OR THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA). IT IS THE INTENTION OF THE PERSONS NAMED AS PROXYHOLDERS IN THE ENCLOSED FORM OF PROXY TO VOTE FOR THE ELECTION TO THE BOARD OF DIRECTORS OF THOSE PERSONS HEREINAFTER DESIGNATED AS NOMINEES FOR ELECTION AS DIRECTORS. THE BOARD OF DIRECTORS DOES NOT CONTEMPLATE THAT ANY OF SUCH NOMINEES WILL BE UNABLE TO SERVE AS A DIRECTOR; HOWEVER, IF FOR ANY REASON ANY OF THE PROPOSED NOMINEES DO NOT STAND FOR ELECTION OR ARE UNABLE TO SERVE AS SUCH, **PROXIES IN FAVOUR OF MANAGEMENT DESIGNEES WILL BE VOTED FOR ANOTHER NOMINEE IN THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN HIS PROXY THAT HIS SHARES ARE TO BE WITHHELD FROM VOTING IN THE ELECTION OF DIRECTORS.**

THE FOLLOWING TABLE SETS OUT THE NAME OF EACH OF THE PERSONS PROPOSED TO BE NOMINATED FOR ELECTION AS A DIRECTOR AND THE NAME OF EACH OF THE PERSONS WHOSE TERM OF OFFICE, IF ELECTED, SHALL CONTINUE AFTER THE MEETING; ALL POSITIONS AND OFFICES IN THE COMPANY PRESENTLY HELD BY HIM; HIS PRINCIPAL OCCUPATION AT PRESENT AND DURING THE PRECEDING FIVE YEARS; THE PERIOD(S) DURING WHICH HE HAS SERVED AS A DIRECTOR; AND THE NUMBER OF SHARES OF THE COMPANY THAT HE HAS ADVISED ARE BENEFICIALLY OWNED BY HIM, DIRECTLY OR INDIRECTLY, OR OVER WHICH CONTROL OR DIRECTION IS EXERCISED, AS OF THE DATE HEREOF.

NAME, MUNICIPALITY OF RESIDENCE AND POSITION WITH COMPANY	PRESENT AND IF NOT A CURRENT DIRECTOR ELECTED BY SHAREHOLDERS, PRINCIPAL OCCUPATION DURING THE LAST FIVE YEARS	DATE OF APPOINTMENT AS DIRECTOR	COMMON SHARES BENEFICIALLY OWNED OR CONTROLLED DIRECTLY OR INDIRECTLY
<b>JEFFREY ALAN MORHET</b> , SCOTTSDALE, ARIZONA, USA PRESIDENT, CEO & CHAIRMAN OF THE BOARD OF DIRECTORS	PRESIDENT, CEO & CHAIRMAN, INNEXUS BIOTECHNOLOGY INC., (06-PRESENT), VP OPERATIONS, INNEXUS BIOTECHNOLOGY, INC., (04-06), VP & GEN. MGR., ZILA BIOTECHNOLOGY INC., (02-04), PRODUCT DIRECTOR, INTEGRATED PHYSICIAN NETWORKS, (99-02)	SEPTEMBER 21, 2006	1,617,170(1)
<b>DAVID WARDEN</b> , * <sup>^</sup> HOUSTON, TEXAS, USA DIRECTOR	PARTNER, YETTER & WARDEN LLP, (97 – PRESENT)	AUGUST 15, 2008	5,000(2)
<b>DR. LEROY CHIAO</b> , * <sup>^</sup> FRIENDSWOOD, TEXAS, USA DIRECTOR	VISITING PROFESSOR TO LOUISIANA STATE UNIVERSITY & EXECUTIVE VP AND DIRECTOR OF EXCALIBUR, ALMAZ (06 – PRESENT), ASTRONAUT WITH NASA SPACE CENTRE (95-05);	DECEMBER 19, 2006	0
<b>RAY MULLANEY</b> , BRIDGEPORT, CONNECTICUT, USA DIRECTOR	FOUNDER AND PRESIDENT OF MULLANEY MANAGEMENT AND TRUST, LLC (00 – PRESENT)	JUNE 30, 2009 (IF ELECTED)	1,300,000(3)

**NOTES:**

- (\*) DENOTES MEMBER OF AUDIT COMMITTEE
- (<sup>^</sup>) DENOTES MEMBER OF COMPENSATION COMMITTEE
- (1) 100,000 OF THESE SHARES ARE HELD DIRECTLY, 1,517,170 ARE HELD INDIRECTLY
- (2) THESE SHARES ARE HELD INDIRECTLY
- (3) 40,000 OF THESE SHARES ARE HELD DIRECTLY, 1,260,000 ARE HELD INDIRECTLY

UNLESS OTHERWISE STATED ABOVE, EACH OF THE PROPOSED NOMINEES HAS HELD THE PRINCIPAL OCCUPATION OR EMPLOYMENT INDICATED FOR AT LEAST FIVE (5) YEARS. UNLESS OTHERWISE STATED EACH OF THE PROPOSED NOMINEES HAS SERVED CONTINUALLY AS DIRECTOR SINCE THE YEAR HE FIRST BECAME A DIRECTOR.

THE INFORMATION AS TO SHARES BENEFICIALLY OWNED, NOT BEING WITHIN THE KNOWLEDGE OF THE COMPANY, HAS BEEN FURNISHED BY THE RESPECTIVE INDIVIDUALS OR HAS BEEN EXTRACTED FROM THE CENTRAL SECURITIES REGISTER MAINTAINED BY THE COMPANY'S TRANSFER AGENT.

## 10. EXECUTIVE COMPENSATION

### SUMMARY COMPENSATION TABLE

EXECUTIVE COMPENSATION IS DETERMINED BY THE COMPENSATION COMMITTEE, COMPOSED OF THREE INDEPENDENT DIRECTORS.

THE FOLLOWING TABLE SETS FORTH ALL ANNUAL AND LONG TERM COMPENSATION FOR SERVICES IN ALL CAPACITIES TO THE COMPANY AND ITS SUBSIDIARIES FOR THE THREE MOST RECENTLY COMPLETED FINANCIAL YEARS IN RESPECT OF EACH OF THE INDIVIDUALS WHO WERE, AS OF JUNE 30, 2008, THE CHIEF EXECUTIVE OFFICER AND THE OTHER OF THE MOST HIGHLY COMPENSATED EXECUTIVE OFFICERS OF THE COMPANY WHOSE INDIVIDUAL TOTAL COMPENSATION FOR THE MOST RECENTLY COMPLETED FINANCIAL YEAR EXCEEDS \$150,000 (COLLECTIVELY "THE NAMED EXECUTIVE OFFICERS"), IF ANY, INCLUDING ANY INDIVIDUAL WHO WOULD HAVE QUALIFIED AS A NAMED EXECUTIVE OFFICER BUT FOR THE FACT THAT INDIVIDUAL WAS NOT SERVING AS SUCH AN OFFICER AT THE END OF THE MOST RECENTLY COMPLETED FINANCIAL YEAR.

## SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION			LONG TERM COMPENSATION			ALL OTHER COMPENSATION (USD\$)
		SALARY (USD\$)	BONUS (USD\$) (5)	OTHER ANNUAL COMPENSATION (USD\$) (1)	AWARDS		PAYOUTS	
					SECURITIES UNDER OPTIONS/ SARs GRANTED	RESTRICTED SHARES OR RESTRICTED SHARE UNITS	LTIP PAYOUTS	
JEFF MORHET	2008	55,614	361,789	297,534	2,390,507	NIL	NIL	6,820
	2007	NIL	200,655	242,677	1,890,290	NIL	NIL	6,820
	2006	104,796	NIL	NIL	650,000	NIL	NIL	NIL
WADE BROOKSBY	2008	108,088	68,868	155,904	1,400,759	NIL	NIL	5,944
	2007	23,797		155,790	1,065,289	NIL	NIL	5,944
	2006	63,690			300,000	NIL	NIL	NIL
ALTON MORGAN	2008	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	2007	30,000	NIL	51,250	410,000	1,566,875	NIL	NIL
	2006	NIL	NIL	110,000	550,000	NIL	NIL	NIL

### NOTES:

- (1) EXCLUDING THE IMPUTED VALUE OF STOCK BASED COMPENSATION, THE PERQUISITES AND OTHER PERSONAL BENEFITS DOES NOT EXCEED THE LESSER OF \$50,000 AND 10% OF THE TOTAL OF THE ANNUAL SALARY AND BONUS OF ANY OF THE NAMED EXECUTIVE OFFICERS.
- (2) MORGAN RESIGNED AS CEO & PRESIDENT OF THE COMPANY ON SEPTEMBER 1, 2006.
- (3) THESE ARE EXCHANGEABLE PREFERRED SHARES IN A WHOLLY OWNED SUBSIDIARY OF THE COMPANY CONVERTIBLE TO AN EQUAL NUMBER OF COMMON SHARES IN THE COMPANY, THAT ARE BOUND BY AN ESCROW AGREEMENT
- (4) MR MORHET REPLACED MORGAN AS CEO & PRESIDENT OF THE COMPANY ON SEPTEMBER 1, 2006.
- (5) INCLUDES \$245,000 RP BONUS APPROVED AT THE MARCH 17, 2008 SHAREHOLDER MEETING, WHICH WAS IMMEDIATELY REINVESTED IN THE COMPANY BY A PRIVATE PLACEMENT OF 1,136,363 COMMON SHARES.

### LONG-TERM INCENTIVE PLAN (LTIP) AWARDS

THE COMPANY DOES NOT HAVE A LTIP, PURSUANT TO WHICH CASH OR NON-CASH COMPENSATION INTENDED TO SERVE AS AN INCENTIVE FOR PERFORMANCE (WHEREBY PERFORMANCE IS MEASURED BY REFERENCE TO FINANCIAL PERFORMANCE OR THE PRICE OF THE COMPANY'S SECURITIES), AND THEREFORE DID NOT MAKE ANY AWARDS PURSUANT TO AN LTIP WHICH WERE PAID OR DISTRIBUTED TO THE NAMED EXECUTIVE OFFICERS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR.

### OPTIONS AND STOCK APPRECIATION RIGHTS ("SAR'S") GRANTED DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR

THE COMPANY HAS AN EXISTING STOCK OPTION PLAN (THE "STOCK OPTION PLAN") WHICH PROVIDES FOR EQUITY PARTICIPATION IN THE COMPANY BY ITS DIRECTORS, OFFICERS, EMPLOYEES, CONSULTANTS AND CONSULTANT COMPANIES THROUGH THE ACQUISITION OF SHARES PURSUANT TO THE GRANT OF OPTIONS TO PURCHASE SHARES. THE STOCK OPTION PLAN IS ADMINISTERED BY THE BOARD OF DIRECTORS AND SUCH ADMINISTRATION MAY BE DELEGATED TO A COMMITTEE OF THE BOARD OF DIRECTORS OF THE COMPANY, IF APPOINTED, FROM TIME TO TIME. UNDER THE STOCK OPTION PLAN, A MAXIMUM OF 20%, UP TO A MAXIMUM OF 13,924,223 SHARES, OF THE ISSUED AND OUTSTANDING SHARES OF THE COMPANY ARE CURRENTLY RESERVED FOR ISSUANCE ON THE EXERCISE OF STOCK OPTIONS. OPTIONS ARE GRANTED BASED ON THE ASSESSMENT BY THE BOARD OF DIRECTORS OF THE COMPANY OF THE OPTIONEE'S PAST AND PRESENT CONTRIBUTION TO THE SUCCESS OF THE COMPANY. THE EXERCISE PRICE OF OPTIONS SHALL BE DETERMINED BY THE BOARD OF DIRECTORS AT THE TIME THE OPTION IS GRANTED, PROVIDED THAT SUCH PRICE MAY BE AT A DISCOUNT TO MARKET PRICE BUT IT WILL NOT BE LESS THAN THE DISCOUNTED MARKET PRICE AS DEFINED IN THE TSX-V POLICY 1.1. THE OPTIONS GRANTED UNDER THE STOCK OPTION PLAN ARE NOT TRANSFERABLE AND WILL NOT EXCEED A TERM OF FIVE YEARS. IN ADDITION, THE OPTIONS MUST BE EXERCISED WITHIN (i) 90 DAYS AFTER THE OPTION HOLDER CEASES TO BE A DIRECTOR OR AN EMPLOYEE OF THE COMPANY (30 DAYS IF THE OPTION HOLDER WAS INVOLVED IN INVESTOR RELATIONS ACTIVITIES), AND (ii) SUCH NUMBER OF DAYS FOLLOWING THE DEATH OF THE OPTIONEE AS IS SPECIFIED IN EACH OPTIONEE'S OPTION AGREEMENT PROVIDED THAT THIS PERIOD SHALL NOT EXCEED ONE YEAR FROM THE OPTIONEE'S DEATH.

**OPTIONS AND STOCK APPRECIATION RIGHTS (“SAR’s”) GRANTED DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR**

THE FOLLOWING TABLE SETS OUT INFORMATION WITH RESPECT TO ALL STOCK OPTIONS TO PURCHASE OR ACQUIRE SECURITIES OF THE COMPANY OR ANY OF ITS SUBSIDIARIES AND ANY SARs GRANTED TO NAMED EXECUTIVE OFFICERS AND DIRECTORS OF THE COMPANY DURING THE FISCAL YEAR ENDED JUNE 30, 2008.

NAME	SECURITIES UNDER OPTIONS/SARs GRANTED IN FISCAL YEAR	% OF TOTAL OPTIONS/SARs GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE	MARKET VALUE OF SECURITIES UNDERLYING OPTIONS/SARs ON THE DATE OF GRANT	EXPIRATION DATE
JEFF MORHET	60,000	7.19%	\$0.21	\$12,000	12/20/12
	356,534		\$0.15	\$53,480	2/06/13
	333,683		\$0.26	\$86,758	3/28/13
WADE BROOKSBY	60,000	4.65%	\$0.21	\$12,000	12/20/12
	425,470		\$0.26	\$110,622	3/28/13
LAURENCE LUKE	60,000	1.77%	\$0.21	\$8,900	12/20/12
	125,000		\$0.29	\$18,500	3/17/13
DR. LEROY CHIAO	60,000	1.77%	\$0.21	\$8,900	12/20/12
	125,000		\$0.29	\$18,500	3/17/13
GLENN WILLIAMSON	60,000	1.77%	\$0.21	\$8,900	12/20/12
	125,000		\$0.29	\$18,500	3/17/13
DR. DONALD CAPRA	60,000	0.57%	\$0.15	\$8,250	2/6/13
THOMAS WHARTON	70,000	0.67%	\$0.29	\$8,633	3/17/13

THE COMPANY DID NOT REPRICE DOWNWARD ANY OPTIONS OR SARs HELD BY NAMED EXECUTIVE OFFICERS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR.

THE COMPANY DOES NOT HAVE A PENSION PLAN OR OTHER DEFINED BENEFIT OR ACTUARIAL PLAN.

**AGGREGATED OPTION/SARs EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR**

THE FOLLOWING TABLE SETS FORTH DETAILS OF ALL EXERCISED STOCK OPTIONS AND SAR’s DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR ENDED JUNE 30, 2008 BY EACH OF THE NAMED EXECUTIVE OFFICERS AND DIRECTORS AND THE FINANCIAL YEAR END VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AND SAR’s ON AN AGGREGATED BASIS.

**AGGREGATED OPTION/SAR EXERCISES  
DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR  
AND FINANCIAL YEAR-END OPTION/SAR VALUES**

NAME	SECURITIES ACQUIRED ON EXERCISE	AGGREGATE VALUE REALIZED (3)	UNEXERCISED OPTIONS/SARs AT FISCAL YEAR END EXERCISABLE/ UNEXERCISABLE (1)	VALUE OF UNEXERCISED IN THE MONEY OPTIONS/SARs AT FISCAL YEAR END EXERCISABLE/ UNEXERCISABLE (1)(2)
WADE BROOKSBY	150,000	NIL	0	\$0
MIKE RUSS	16,500	NIL	0	\$0

**NOTES**

- (1) AS AT JUNE 30, 2008.
- (2) NUMBER OF THE UNEXERCISED OPTIONS TIMES THE NET OF THE CLOSING OF THE COMMON SHARES AT THE END OF THE FINANCIAL YEAR END (\$0.20) AND THE EXERCISE PRICE.
- (3) OPTIONS EXERCISED TIMES THE NET OF THE CLOSING PRICE OF COMMON SHARES ON THE EXERCISE DATE AND THE EXERCISE PRICE.

**TERMINATION OF EMPLOYMENT, CHANGES IN RESPONSIBILITY AND EMPLOYMENT CONTRACTS**

THE COMPANY AND ITS SUBSIDIARIES DO NOT HAVE ANY EMPLOYMENT CONTRACTS WITH ANY NAMED EXECUTIVE OFFICER EXCEPT AS FOLLOWS:

NAME	TERMS AND CONDITIONS
<b>JEFF MORHET</b>	EMPLOYMENT AGREEMENT ENTERED INTO MARCH 17, 2008 SETTING OUT TERMS AND CONDITIONS OF EMPLOYMENT OF JEFF MORHET, AS PRESIDENT AND CEO OF THE COMPANY. ALL PAYMENTS WERE MADE TO JEFF MORHET LLC. (SEE EXHIBIT 4.6 OF 2008 FORM 20F FILED ON EDGAR DECEMBER 31, 2008)
<b>WADE BROOKSBY</b>	EMPLOYMENT AGREEMENT ENTERED INTO MARCH 17, 2008, SETTING OUT TERMS AND CONDITIONS OF EMPLOYMENT OF WADE BROOKSBY AS CFO OF THE COMPANY. (SEE EXHIBIT 4.7 OF 2008 FORM 20F FILED ON EDGAR DECEMBER 31, 2008)

THE EMPLOYMENT AGREEMENTS DEFINE THE COMPENSATION, IF ANY, THAT MAY BE RECEIVED BY THE NAMED EXECUTIVE OFFICERS IN THE EVENT OF (A) A CHANGE OF CONTROL OF THE COMPANY OR ANY SUBSIDIARY OR (B) THE RESIGNATION, RETIREMENT OR OTHER TERMINATION OF EMPLOYMENT OF THE NAMED EXECUTIVE OFFICER OR (C) A CHANGE IN RESPONSIBILITIES FOR THE NAMED EXECUTIVE OFFICER FOLLOWING A CHANGE OF CONTROL WHERE THE AMOUNT INVOLVED (INCLUDING ALL PERIODIC PAYMENTS OR INSTALMENTS) EXCEEDS \$100,000 EXCEPT AS FOLLOWS:.

Name	Terms and Conditions
<b>JEFF MORHET</b>	<p>ON OCTOBER 1, 2006, THE COMPANY ENTERED INTO AN EMPLOYMENT AGREEMENT WITH JEFF MORHET. MR. MORHET'S EMPLOYMENT AGREEMENT PROVIDES FOR AN INITIAL BASE SALARY OF \$265,000 AND PERIODIC SALARY ADJUSTMENTS AS DETERMINED BY THE BOARD. MR. MORHET'S EMPLOYMENT AGREEMENT PROVIDES FOR ANNUAL INCENTIVE COMPENSATION UNDER A PROGRAM TO BE DEVELOPED BY THE BOARD AND FOR A GRANT OF 850,000 OPTIONS, WITH ADDITIONAL GRANTS OF 150,000 OPTIONS ON EACH OF THE FIRST AND SECOND ANNIVERSARIES OF THE EFFECTIVE DATE OF THE EMPLOYMENT AGREEMENT. ALL STOCK OPTIONS SHALL BE GRANTED ON THE TERMS AND CONDITIONS SET OUT IN THE COMPANY'S STOCK OPTION PLAN.</p> <p>MR. MORHET'S AGREEMENT WAS EFFECTIVE OCTOBER 1, 2006 AND MODIFIED NOVEMBER 28, 2006 AND MODIFIED MARCH 17, 2008, AND CONTINUES UNTIL TERMINATED AS PROVIDED IN THE AGREEMENT. THE AGREEMENT PROVIDES 100% OF HIS ANNUAL BASE SALARY AND CONTINUATION OF MEDICAL BENEFITS FOR 48 MONTHS, REIMBURSEMENT FOR CONTINUING EDUCATION, OUTPLACEMENT ASSISTANCE, FULL VESTING OF STOCK OPTIONS AND PAYMENT OF A PRO-RATED ANNUAL BONUS FOLLOWING TERMINATION BY THE COMPANY WITHOUT CAUSE OR TERMINATION BY MR. MORHET IF THE COMPANY CHANGES HIS TITLE, MATERIALLY REDUCES HIS DUTIES OR AUTHORITY, REQUIRES HIM TO REPORT INTERNALLY OTHER THAN TO THE BOARD, OR REQUIRES A RELOCATION FROM THE ARIZONA AREA, OTHER THAN BY HIS VOLUNTARY RESIGNATION. IN THE EVENT THAT MR. MORHET'S EMPLOYMENT IS TERMINATED BY THE COMPANY WITHOUT CAUSE OR BY MR. MORHET FOR ANY OF THE REASONS LISTED ABOVE FOLLOWING A CHANGE IN CONTROL OF THE COMPANY, MR. MORHET IS ENTITLED TO CONTINUATION OF BASE SALARY, MEDICAL BENEFITS AND CASH BONUS FOR UP TO FOUR YEARS. UNDER THE EMPLOYMENT AGREEMENT, MR. MORHET IS SUBJECT TO CONFIDENTIALITY, CONFLICT OF INTEREST AND NONSOLICITATION PROVISIONS.</p>
<b>WADE BROOKSBY</b>	<p>ON OCTOBER 15, 2006, THE COMPANY ENTERED INTO AN EMPLOYMENT AGREEMENT WITH WADE BROOKSBY. MR. BROOKSBY'S EMPLOYMENT AGREEMENT PROVIDES FOR AN INITIAL BASE SALARY OF \$235,000 AND PERIODIC SALARY ADJUSTMENTS AS DETERMINED BY THE BOARD. MR. BROOKSBY'S EMPLOYMENT AGREEMENT PROVIDES FOR ANNUAL INCENTIVE COMPENSATION UNDER A PROGRAM TO BE DEVELOPED BY THE BOARD AND FOR A GRANT OF 550,000 OPTIONS, WITH ADDITIONAL GRANTS OF 150,000 OPTIONS ON EACH OF THE FIRST AND SECOND ANNIVERSARIES OF THE EFFECTIVE DATE OF THE EMPLOYMENT AGREEMENT. ALL STOCK OPTIONS SHALL BE GRANTED ON THE TERMS AND CONDITIONS SET OUT IN THE COMPANY'S STOCK OPTION PLAN.</p> <p>MR. BROOKSBY'S AGREEMENT WAS EFFECTIVE OCTOBER 15, 2006 AND MODIFIED NOVEMBER 28, 2006, AND MODIFIED MARCH 17, 2008 AND CONTINUES UNTIL TERMINATED AS PROVIDED IN THE AGREEMENT. THE AGREEMENT PROVIDES 100% OF HIS ANNUAL BASE SALARY AND CONTINUATION OF MEDICAL BENEFITS FOR THREE YEARS, REIMBURSEMENT FOR CONTINUING EDUCATION, OUTPLACEMENT ASSISTANCE, FULL VESTING OF STOCK OPTIONS AND PAYMENT OF A PRO-RATED ANNUAL BONUS FOLLOWING TERMINATION BY THE COMPANY WITHOUT CAUSE OR TERMINATION BY MR. BROOKSBY IF THE COMPANY CHANGES HIS TITLE, MATERIALLY REDUCES HIS DUTIES OR AUTHORITY, REQUIRES HIM TO REPORT INTERNALLY OTHER THAN TO THE PRESIDENT AND CEO, OR REQUIRES A RELOCATION FROM THE ARIZONA AREA, OTHER THAN BY HIS VOLUNTARY RESIGNATION. IN THE EVENT THAT MR. BROOKSBY'S EMPLOYMENT IS TERMINATED BY THE COMPANY WITHOUT CAUSE OR BY MR. BROOKSBY FOR ANY OF THE REASONS LISTED ABOVE FOLLOWING A CHANGE IN CONTROL OF THE COMPANY, MR. BROOKSBY IS ENTITLED TO CONTINUATION OF BASE SALARY AND MEDICAL BENEFITS FOR UP TO THREE YEARS, PAYMENT OF A PRORATED ANNUAL BONUS, AND HIS TARGET ANNUAL BONUS, UNDER THE EMPLOYMENT AGREEMENT, MR. BROOKSBY IS SUBJECT TO CONFIDENTIALITY, CONFLICT OF INTEREST AND NONSOLICITATION PROVISIONS.</p>

**COMPOSITION OF THE COMPENSATION COMMITTEE**

THE COMPANY HAD A COMPENSATION COMMITTEE DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR WHICH CONSISTED OF THREE MEMBERS, LEROY CHIAO, LAURENCE LUKE, AND GLENN WILLIAMSON. ALL THE MEMBERS OF THE COMPENSATION COMMITTEE WERE INDEPENDENT DIRECTORS OF THE COMPANY.

#### **REPORT ON EXECUTIVE COMPENSATION**

THE COMPANY'S EXECUTIVE COMPENSATION PROGRAM CONSISTS OF CASH PAYMENTS, THE GRANT OF INCENTIVE STOCK OPTIONS AND THE ISSUANCE OF RESTRICTED PERFORMANCE ESCROW SHARES WHICH ARE DESCRIBED BELOW. THE INCENTIVE STOCK OPTIONS ARE USED TO ATTRACT AND RETAIN QUALIFIED PERSONNEL, TO MOTIVATE PERFORMANCE WITH INCENTIVE COMPENSATION AND TO FOSTER IDENTIFICATION WITH SHAREHOLDER INTERESTS. FACTORS CONSIDERED BY THE DIRECTORS IN DETERMINING EXECUTIVE COMPENSATION ARE LARGELY SUBJECTIVE, INCLUDING THEIR RESPECTIVE PERCEPTION OF EACH INDIVIDUAL'S PERFORMANCE, LEVEL OF RESPONSIBILITY AND RELATIVE CONTRIBUTION TO THE PERFORMANCE OF THE COMPANY, AND THEIR RESPECTIVE GENERAL KNOWLEDGE OF COMPENSATION LEVELS IN THE BIOTECHNOLOGY INDUSTRY. THE DIRECTORS USE THE NATION'S LEADING INDEPENDENT COMPENSATION CONSULTANT TO OBTAIN COMPARATIVE EXECUTIVE AND DIRECTOR COMPENSATION INFORMATION BENCHMARKED TO SPECIFIC PEER GROUPS WITHIN SIMILAR COMPANIES IN THE BIOTECHNOLOGY INDUSTRY.

THE COMPANY HAS ISSUED NO ESCROW SHARES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR ENDING JUNE 30, 2008.

THE ABOVE REPORT IS PRESENTED BY THE BOARD OF DIRECTORS OF THE COMPANY.

#### **DIRECTORS' COMPENSATION**

DIRECTORS OF THE COMPANY ARE PAID A STIPEND OF \$600 USD PER DIRECTOR FOR EACH MEETING OF THE BOARD OF DIRECTORS ATTENDED AND ARE GRANTED 60,000 STOCK OPTIONS EACH PER ANNUM. IN ADDITION, EACH DIRECTOR WHO SERVES AS CHAIRMAN OF THE BOARD, OR AS CHAIRMAN OF THE AUDIT COMMITTEE OR COMPENSATION COMMITTEE IS PAID \$3,000 USD PER YEAR. IN ADDITION, CERTAIN DIRECTORS MAY BE COMPENSATED FOR SERVICES AS CONSULTANTS OR EXPERTS. EFFECTIVE MARCH 1, 2009 THE DIRECTORS AGREED THAT ALL FEES WILL BE INDEFINATELY SUSPENDED.

DIRECTORS ARE ALSO ELIGIBLE TO RECEIVE INCENTIVE STOCK OPTIONS TO PURCHASE COMMON SHARES GRANTED FROM TIME TO TIME.

THE DIRECTORS HAVE BEEN GRANTED AND/OR EXERCISED THE INCENTIVE STOCK OPTIONS DESCRIBED ABOVE UNDER THE HEADING "OPTIONS AND STOCK APPRECIATION RIGHTS".

#### **11. INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS**

NO DEBTS ARE OWED TO THE COMPANY NOR HAS THE COMPANY GUARANTEED OR SUPPORTED THE INDEBTEDNESS OF ANY PERSON WHO IS OR AT ANY TIME DURING THE MOST RECENTLY COMPLETED FISCAL YEAR WAS A DIRECTOR, SENIOR OFFICER, OR PROPOSED NOMINEE FOR ELECTION AS A DIRECTOR OF THE COMPANY, OR ANY ASSOCIATE OR AFFILIATE OF ANY OF THE FOREGOING, EXCEPT AS SET OUT HEREIN.

#### **12. INTEREST OF INSIDERS AND OTHERS IN MATERIAL TRANSACTIONS**

OTHER THAN TRANSACTIONS CARRIED OUT IN THE NORMAL COURSE OF BUSINESS OF THE COMPANY OR ANY OF ITS AFFILIATES, NO PERSON NOW IS OR WHO HAS BEEN A DIRECTOR OR SENIOR OFFICER OF THE COMPANY AT ANY TIME SINCE THE BEGINNING OF THE LAST FINANCIAL YEAR, ANY PROPOSED MANAGEMENT NOMINEE FOR ELECTION AS A DIRECTOR OF THE COMPANY, ANY MEMBER BENEFICIALLY OWNING SHARES CARRYING MORE THAN 10% OF THE VOTING RIGHTS ATTACHED TO THE SHARES OF THE COMPANY NOR AN ASSOCIATE OR AFFILIATE OF ANY OF THE FOREGOING PERSONS HAD, SINCE THE COMMENCEMENT OF THE COMPANY'S LAST COMPLETED FINANCIAL YEAR, ANY MATERIAL INTEREST, DIRECT OR INDIRECT, IN ANY TRANSACTIONS WHICH MATERIALLY AFFECTED THE COMPANY OR ANY OF ITS SUBSIDIARIES OR IN ANY PROPOSED TRANSACTION WHICH HAS OR WOULD MATERIALLY AFFECT THE COMPANY OR ANY OF ITS SUBSIDIARIES OR IN ANY PROPOSED TRANSACTION WHICH HAS OR WOULD MATERIALLY AFFECT THE COMPANY OR ANY OF ITS SUBSIDIARIES SAVE AND EXCEPT FOR THE TRANSACTIONS REFERRED TO UNDER THE HEADINGS "EXECUTIVE COMPENSATION" AND "PARTICULARS OF OTHER MATTERS TO BE ACTED UPON" OR OTHERWISE DISCLOSED HEREIN OR SET FORTH BELOW.

#### **13. INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

OTHER THAN AS SET FORTH IN THE INFORMATION CIRCULAR, NO DIRECTOR OR SENIOR OFFICER OF THE COMPANY NAMED HEREIN, NO PERSON WHO, TO THE KNOWLEDGE OF THE COMPANY, HOLDS 10% OR MORE OF THE VOTES, ATTACHED TO SECURITIES OF THE COMPANY, NOR ANY PROPOSED NOMINEE FOR ELECTION AS A DIRECTOR OF THE COMPANY, NOR ANY ASSOCIATE OR AFFILIATE OF ANY OF THE FOREGOING PERSONS, HAS OR HAS HAD ANY MATERIAL INTEREST, DIRECT OR INDIRECT, IN ANY TRANSACTION SINCE THE COMMENCEMENT OF THE COMPANY'S LAST COMPLETED FINANCIAL YEAR OR IN

ANY PROPOSED TRANSACTION, WHICH IN EITHER CASE HAS MATERIALLY AFFECTED OR WILL MATERIALLY AFFECT THE COMPANY.

#### **14. MANAGEMENT CONTRACTS**

MANAGEMENT FUNCTIONS OF THE COMPANY ARE NOT TO ANY SUBSTANTIAL DEGREE PERFORMED BY A PERSON OTHER THAN THE DIRECTORS OR SENIOR OFFICERS OF THE COMPANY.

#### **15. CORPORATE GOVERNANCE**

PURSUANT TO NATIONAL POLICY 58-101 *DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES*, THE COMPANY IS REQUIRED TO AND HEREBY DISCLOSES ITS CORPORATE GOVERNANCE PRACTICES AS FOLLOWS:

##### **BOARD OF DIRECTORS**

THE BOARD IS RESPONSIBLE FOR THE GENERAL SUPERVISION OF THE MANAGEMENT OF THE COMPANY'S BUSINESS AND AFFAIRS WITH THE OBJECTIVE OF ENHANCING SHAREHOLDER VALUE. THE BOARD DISCHARGES ITS RESPONSIBILITIES DIRECTLY AND THROUGH ITS COMMITTEES, WHICH INCLUDES AN AUDIT COMMITTEE.

THE BOARD CURRENTLY COMPRISES OF FIVE (5) DIRECTORS, WHICH INCLUDES JEFF MORHET AS CHAIRMAN OF THE BOARD OF DIRECTORS AND WADE BROOKSBY AS A DIRECTOR. THE REMAINING DIRECTORS, LEROY CHIAO, PH.D., DR. J. DONALD CAPRA AND DAVID WARDEN, ARE INDEPENDENT. IN BRITISH COLUMBIA, A DIRECTOR IS INDEPENDENT IF A REASONABLE PERSON WITH KNOWLEDGE OF ALL THE RELEVANT CIRCUMSTANCES WOULD CONCLUDE THAT THE DIRECTOR IS INDEPENDENT OF MANAGEMENT OF THE ISSUER AND OF ANY SIGNIFICANT SECURITY HOLDER.

##### **DIRECTORSHIPS**

PLEASE REFER TO SECTION 9 OF THIS INFORMATION CIRCULAR UNDER THE HEADING ENTITLED "ELECTION OF DIRECTORS" WHICH DISCLOSES THE DIRECTORSHIPS IN OTHER ISSUERS.

##### **ORIENTATION AND CONTINUING EDUCATION**

THE COMPANY HAS AN ORIENTATION PROGRAM FOR NEW DIRECTORS. NEW DIRECTORS WILL RECEIVE AN ORIENTATION PACKAGE WHICH INCLUDES REPORTS ON OPERATIONS AND RESULTS, AND PUBLIC DISCLOSURE FILINGS BY THE COMPANY. THEY WILL ALSO MEET WITH AND BE BRIEFED BY SENIOR MANAGEMENT.

WITH RESPECT TO PROVIDING CONTINUING EDUCATION FOR THE COMPANY'S DIRECTORS, THE BOARD ENSURES THAT ALL DIRECTORS ARE KEPT APPRISED OF CHANGES IN THE COMPANY'S OPERATIONS AND BUSINESS, ANY CHANGES IN THE REGULATORY ENVIRONMENT AFFECTING THE COMPANY'S BUSINESS AND CHANGES IN THEIR ROLES AS DIRECTORS OF A PUBLIC COMPANY.

##### **ETHICAL BUSINESS CONDUCT**

THE BOARD HAS ADOPTED A WRITTEN CODE OF BUSINESS CONDUCT AND ETHICS. ALL EMPLOYEES ARE REQUIRED TO SIGN A STATEMENT ON THE FIRST DAY OF THEIR EMPLOYMENT THAT THEY HAVE READ AND THAT THEY AGREE TO COMPLY WITH THE COMPANY WRITTEN CODE OF BUSINESS CONDUCT AND ETHICS. THE PURPOSE OF THIS PRACTICE IS TO PROMOTE A CULTURE OF ETHICAL BUSINESS CONDUCT BY PROMOTING COMPLIANCE WITH APPLICABLE LAWS, RULES AND REGULATIONS; PROVIDING GUIDANCE TO EMPLOYEES, OFFICERS AND DIRECTORS TO HELP THEM RECOGNIZE AND DEAL WITH ETHICAL ISSUES; PROMOTING A CULTURE OF OPEN COMMUNICATION, HONESTY AND ACCOUNTABILITY; AND ENSURING AWARENESS OF DISCIPLINARY ACTION FOR VIOLATIONS OF ETHICAL BUSINESS CONDUCT.

TO ENSURE DIRECTORS EXERCISE INDEPENDENT JUDGEMENT IN CONSIDERING TRANSACTIONS AND AGREEMENTS IN RESPECT OF WHICH A DIRECTOR OR EXECUTIVE OFFICER HAS A MATERIAL INTEREST, THE BOARD HAS APPROVED A POLICY REQUIRING DIRECTORS TO ACT IN THE INTEREST OF THE COMPANY AT ALL TIMES. IF A DIRECTOR OR MEMBER OF THE DIRECTOR'S FAMILY HAS OR MAY HAVE A CONFLICT, THE DIRECTOR IS REQUIRED TO DISCLOSE SUCH CONFLICT AND EITHER ELIMINATE THE CONFLICT OR ABSTAIN FROM PARTICIPATION IN ANY DISCUSSION OR DECISION MAKING PROCESS IN RELATION TO THE SUBJECT MATTER OF THE CONFLICT.

##### **NOMINATION OF DIRECTORS**

THE BOARD HAS CONCLUDED THAT ITS SMALL SIZE ALLOWS IT TO EFFECTIVELY CONDUCT THE MAJORITY OF THE COMPANY'S BUSINESS AT THE FULL BOARD LEVEL RATHER THAN THROUGH DELEGATION TO SEVERAL SINGLE PURPOSE BOARD COMMITTEE. THE BOARD AS A WHOLE IS RESPONSIBLE FOR IDENTIFYING AND RECOMMENDING NEW NOMINEES TO THE

BOARD. THE PROCESS BY WHICH THE BOARD IDENTIFIES NEW CANDIDATES IS THROUGH RECOMMENDATIONS FROM BOARD MEMBERS BASED ON CORPORATE LAW AND REGULATORY REQUIREMENTS AS WELL AS RELEVANT EDUCATION AND EXPERIENCE RELATED TO THE COMPANY'S BUSINESS.

## **COMPENSATION**

THE COMPANY HAS HAD A COMPENSATION COMMITTEE DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR WHICH CONSISTED OF THREE MEMBERS, LEROY CHIAO, LAURENCE LUKE AND GLENN WILLIAMSON. ALL THE MEMBERS OF THE COMPENSATION COMMITTEE WERE INDEPENDENT DIRECTORS OF THE COMPANY.

BASED ON THE RECOMMENDATIONS OF THE COMPENSATION COMMITTEE, THE BOARD REVIEWS AND DETERMINES COMPENSATION FOR THE DIRECTORS OF THE COMPANY TO ENSURE IT REFLECTS THE RESPONSIBILITIES AND RISKS OF BEING A DIRECTOR OF A PUBLIC COMPANY. THE BOARD CONDUCTS REVIEWS WITH REGARD TO DIRECTORS' COMPENSATION ONCE A YEAR. TO MAKE ITS RECOMMENDATIONS ON DIRECTORS' COMPENSATION, THE COMPENSATION COMMITTEE ENGAGED AN INDEPENDENT RESEARCH COMPENSATION MANAGEMENT SERVICE COMPANY TO BENCHMARK THE TYPES OF COMPENSATION AND THE AMOUNTS PAID TO DIRECTORS OF COMPARABLE PUBLICLY TRADED CANADIAN COMPANIES.

## **OTHER BOARD COMMITTEES**

THE COMPANY HAS AN AUDIT COMMITTEE AND A COMPENSATION COMMITTEE AT THIS TIME. SEE SECTION 16 OF THIS INFORMATION CIRCULAR UNDER THE HEADING ENTITLED "AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR".

## **ASSESSMENTS**

THE BOARD, ITS AUDIT COMMITTEE AND COMPENSATION COMMITTEE, AND ITS INDIVIDUAL DIRECTORS ARE ASSESSED REGULARLY, AT LEAST ON AN ANNUAL BASIS, AS TO THEIR EFFECTIVENESS AND CONTRIBUTION. IN ADDITION, THE CHAIRMAN ENCOURAGES DISCUSSION AMONG THE BOARD OR THE COMMITTEE MEMBERS, AS THE CASE MAY BE, AS TO THEIR EVALUATION OF THEIR OWN EFFECTIVENESS OVER THE COURSE OF THE YEAR. ALL DIRECTORS AND/OR COMMITTEE MEMBERS ARE FREE TO MAKE SUGGESTIONS FOR IMPROVEMENT OF THE PRACTICE OF THE BOARD AND/OR ITS COMMITTEES AT ANY TIME AND ARE ENCOURAGED TO DO SO.

## **16. AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR**

MULTILATERAL INSTRUMENT 52-110 OF THE CANADIAN SECURITIES ADMINISTRATORS ("MI 52-110") REQUIRES THAT THE COMPANY, AS A VENTURE ISSUER, DISCLOSE ANNUALLY IN ITS MANAGEMENT INFORMATION CIRCULAR CERTAIN INFORMATION CONCERNING THE CONSTITUTION OF ITS AUDIT COMMITTEE AND ITS RELATIONSHIP WITH ITS INDEPENDENT AUDITOR, AS SET FORTH IN THE FOLLOWING:

THE COMPANY'S AUDIT COMMITTEE IS COMPRISED OF THREE INDEPENDENT DIRECTORS AND IS GOVERNED BY AN AUDIT COMMITTEE CHARTER, A COPY OF WHICH IS ATTACHED AS SCHEDULE "A" HERETO.

MI 52-110 REQUIRES THAT THE AUDIT COMMITTEE BE COMPRISED OF AT LEAST THREE DIRECTORS, THE MAJORITY OF WHICH MUST BE "INDEPENDENT" AND, SUBJECT TO CERTAIN LIMITED EXCEPTIONS, "FINANCIALLY LITERATE", AS DEFINED IN MI 52-110. THE COMPANY'S AUDIT COMMITTEE WAS COMPRISED OF THREE DIRECTORS, **LAURENCE LUKE, LEROY CHIAO AND R. GLENN WILLIAMSON**. AS DEFINED IN MI 52-110, ALL MEMBERS OF THE AUDIT COMMITTEE ARE "INDEPENDENT". THE AUDIT COMMITTEE HELD SIX MEETINGS DURING THE YEAR ENDING JUNE 30, 2008 AND ALL MEMBERS ATTENDED ALL THE MEETINGS. FURTHER, AS DEFINED IN MI 52-110, ALL OF THE AUDIT COMMITTEE MEMBERS ARE "FINANCIALLY LITERATE". ACCORDINGLY, THE COMPANY'S AUDIT COMMITTEE MEETS THE COMPOSITION AND FINANCIAL LITERACY REQUIREMENTS OF MI 52-110.

SINCE THE COMMENCEMENT OF THE COMPANY'S MOST RECENTLY COMPLETED FINANCIAL YEAR, THE COMPANY'S BOARD OF DIRECTORS HAS NOT FAILED TO ADOPT A RECOMMENDATION OF THE AUDIT COMMITTEE TO NOMINATE OR COMPENSATE AN EXTERNAL AUDITOR.

SINCE THE EFFECTIVE DATE OF MI 52-110, THE COMPANY HAS NOT RELIED ON EXEMPTIONS IN SECTIONS 2.4 OR 8 OF MI 52-110.

THE AUDIT COMMITTEE HAS NOT ADOPTED SPECIFIC POLICIES AND PROCEDURES FOR THE ENGAGEMENT OF NON-AUDIT SERVICES.

THE FEES PAID BY THE COMPANY TO ITS AUDITOR IN EACH OF THE LAST TWO FISCAL YEARS, BY CATEGORY, ARE AS FOLLOWS:

<b>FINANCIAL YEAR ENDING</b>	<b>AUDIT FEES</b>	<b>AUDIT RELATED FEES</b>	<b>TAX FEES</b>	<b>ALL OTHER FEES</b>
JUNE 30, 2008	121,000	NIL	NIL	NIL
JUNE 30, 2007	60,400	1,995	NIL	NIL

**17. PARTICULARS OF OTHER MATTERS TO BE ACTED ON**

**(A) OTHER MATTERS**

MANAGEMENT OF THE COMPANY IS NOT AWARE OF ANY OTHER MATTERS TO COME BEFORE THE MEETING OTHER THAN AS SET FORTH IN THE NOTICE OF THE ANNUAL GENERAL MEETING. IF ANY OTHER MATTER PROPERLY COMES BEFORE THE MEETING, IT IS THE INTENTION OF THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY TO VOTE THE SHARES REPRESENTED THEREBY IN ACCORDANCE WITH THEIR BEST JUDGMENT ON SUCH MATTER.

DATED AS OF THIS 26TH DAY OF MAY, 2009.

**BY ORDER OF THE BOARD**

**"JEFF MORHET"**

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**JEFF MORHET**  
**CHAIRMAN OF THE BOARD OF DIRECTORS**

## SCHEDULE "A"

### AUDIT COMMITTEE CHARTER

#### INNEXUS BIOTECHNOLOGY INC. (THE "COMPANY")

APPROVED BY THE AUDIT COMMITTEE JANUARY 4, 2008

(Implemented pursuant to Multilateral Instrument 52-110 (the "Instrument"))

This Charter has been adopted by the Board in order to comply with the Instrument and to more properly define the role of the Committee in the oversight of the financial reporting process of the Company. Nothing in this Charter is intended to restrict the ability of the Board or Committee to alter or vary procedures in order to comply more fully with the Instrument, as amended from time to time.

### PART I

#### Purpose:

The purpose of the Committee is to manage and maintain the effectiveness of the financial aspects of the governance structure of the Company.

#### 1.1 Definitions

In this Charter,

"accounting principles" has the meaning ascribed to it in National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*;

"Affiliate" means a company that is a subsidiary of another company or companies that are controlled by the same entity;

"audit services" means the professional services rendered by the Company's external auditor for the audit and review of the Company's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements;

"Board" means the board of directors of the Company;

"Charter" means this audit committee charter;

"Company" means **INNEXUS BIOTECHNOLOGY INC.**

"Committee" means the committee established by and among certain members of the Board for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company;

"Control Person" means any person that holds or is one of a combination persons that holds a sufficient number of any of the securities of the Company so as to affect materially the control of the Company, or that holds more than 20% of the outstanding voting shares of the Company, except where there is evidence showing that the holder of those securities does not materially affect control of the Company;

"executive officer" means an individual who is:

- a) the chair of the Company;
- b) the vice-chair of the Company;
- c) the President of the Company;
- d) the vice-president in charge of a principal business unit, division or function including sales, finance or production;
- e) an officer of the Company or any of its subsidiary entities who performs a policy-making function in respect of the Company; or
- f) any other individual who performs a policy-making function in respect of the Company;

"financially literate" has the meaning set forth in Section 1.3;

"immediate family member" means a person's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the person or the person's immediate family member) who shares the individual's home;

"independent" has the meaning set forth in Section 1.2;

"Instrument" means Multilateral Instrument 52-110;

"MD&A" has the meaning ascribed to it in National Instrument 51-102;

"Member" means a member of the Committee;

"National Instrument 51-102" means National Instrument 51-102 *Continuous Disclosure Obligations*;

"non-audit services" means services other than audit services;

## **1.2 Meaning of Independence**

1. A Member is independent if the Member has no direct or indirect material relationship with the Company.

2. For the purposes of subsection 1, a material relationship means a relationship which could, in the view of the Board, reasonably interfere with the exercise of a Member's independent judgement.

3. Despite subsection 2 and without limitation, the following individuals are considered to have a material relationship with the Company:

- a) a Control Person of the Company;
- b) an Affiliate of the Company; and
- c) an employee of the Company.

**1.3 Meaning of Financial Literacy** -- For the purposes of this Charter, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

## **PART 2**

**2.1 Audit Committee** – The Board has hereby established the Committee for, among other purposes, compliance with the requirements of the Instrument.

**2.2 Relationship with External Auditors** – The Company will henceforth require its external auditor to report directly to the Committee and the Members shall ensure that such is the case.

## **2.3 Committee Responsibilities**

1. The Committee shall be responsible for making the following recommendations to the Board:

- a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company; and
- b) the compensation of the external auditor.

2. The Committee shall be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting. This responsibility shall include:

- a) reviewing the audit plan with management and the external auditor;
- b) reviewing with management and the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting;
- c) reviewing audit progress, findings, recommendations, responses and follow up actions;
- d) reviewing any problems experienced by the external auditor in performing the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;

- e) reviewing audited annual financial statements, in conjunction with the report of the external auditor, and obtain an explanation from management of all significant variances between comparative reporting periods;
- f) reviewing the evaluation of internal controls by the external auditor, together with management's response;
- g) reviewing the appointments of the chief financial officer and any key financial executives involved in the financial reporting process, as applicable; and
- h) annual approval of audit mandate.

3. The Committee shall pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the issuer's external auditor.

4. The Committee shall review the Company's financial statements, MD&A and annual and interim earnings press releases before the Company publicly discloses this information.

5. The Committee shall ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, and shall periodically assess the adequacy of those procedures.

6. When there is to be a change of auditor, the Committee shall review all issues related to the change, including the information to be included in the notice of change of auditor called for under National Policy 31, and the planned steps for an orderly transition.

7. The Committee shall review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Policy 31, on a routine basis, whether or not there is to be a change of auditor.

8. The Committee shall, as applicable, establish procedures for:

a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and

b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

9. As applicable, the Committee shall establish, periodically review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer, as applicable.

10. The responsibilities outlined in this Charter are not intended to be exhaustive. Members should consider any additional areas which may require oversight when discharging their responsibilities.

#### **2.4 De Minimis Non-Audit Services**

1. The Committee shall satisfy the pre-approval requirement in subsection 2.3(3) if:

- a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the issuer and its subsidiary entities to the issuer's external auditor during the fiscal year in which the services are provided;
- b) the Company or the subsidiary of the Company, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
- c) the services are promptly brought to the attention of the Committee and approved by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee, prior to the completion of the audit.

#### **2.5 Delegation of Pre-Approval Function**

1. The Committee may delegate to one or more independent Members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2.3(3).

2. The pre-approval of non-audit services by any Member to whom authority has been delegated pursuant to subsection 1 must be presented to the Committee at its first scheduled meeting following such pre-approval.

### **3.1 Composition**

1. The Committee shall be composed of a minimum of three Members.
2. Every Member shall be a director of the issuer.
3. The majority of Members shall be independent.
4. Every audit committee member shall be financially literate.

## **PART 4**

### **4.1 Authority**

1. Until the replacement of this Charter, the Committee shall have the authority to:
  - a) to engage independent counsel and other advisors as it determines necessary to carry out its duties,
  - b) to set and pay the compensation for any advisors employed by the Committee,
  - c) to communicate directly with the internal and external auditors; and
  - d) recommend the amendment or approval of audited and interim financial statements to the Board.

## **PART 5**

**5.1 Disclosure in Information Circular** -- If management of the Company solicits proxies from the security holders of the Company for the purpose of electing directors to the Board, the Company shall include in its management information circular the disclosure required by Form 52-110F2 (*Disclosure by Venture Issuers*).

## **PART 6**

### **6.1 Meetings**

1. The Committee shall meet at such times during each year as it deems appropriate.
2. Opportunities shall be afforded periodically to the external auditor, the internal auditor and to members of senior management to meet separately with the Members.
3. Minutes shall be kept of all meetings of the Committee.

**SCHEDULE B**

**INNEXUS BIOTECHNOLOGY INC.**  
**STOCK OPTION PLAN**  
**20% PLAN**

**APPROVED BY SHAREHOLDERS DECEMBER 20, 2005**  
**APPROVED AS AMENDED BY SHAREHOLDERS DECEMBER 19, 2006**  
**APPROVED BY TSX VENTURE EXCHANGE FEBRUARY 2, 2006**  
**APPROVED AS AMENDED BY SHAREDHOLDERS MARCH 17, 2008**  
**AMENDED AND APPROVED BY BOARD OF DIRECTORS FEBRUARY 28, 2009, SUBJECT TO SHAREHOLDER**  
**RATIFICATION**

**INNEXUS BIOTECHNOLOGY INC.**  
**STOCK OPTION PLAN**

**1. PURPOSE OF THE PLAN**

The Company hereby establishes a stock option plan for directors, senior officers Employees, Management Company Employees and Consultants (as such terms are defined below) of the Company and its subsidiaries (collectively "Eligible Persons"), to be known as the "Stock Option Plan" (the "Plan"). The purpose of the Plan is to give to Eligible Persons, as additional compensation, the opportunity to participate in the success of the Company by granting to such individuals options, exercisable over periods of up to five (5) years as determined by the board of directors of the Company, to buy shares of the Company at a price not less than the Market Price prevailing on the date the option is granted.

**2. DEFINITIONS**

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

- 2.1 "Associate" means an "Associate" as defined in the Exchange Policies.
- 2.2 "Board" means the Board of Directors of the Company.
- 2.3 "Change of Control" means the acquisition by any person or by any person and all Joint Actors, whether directly or indirectly, of voting securities (as defined in the Securities Act) of the Company, which, when added to all other voting securities of the Company at the time held by such person or by such person and a Joint Actor, totals for the first time not less than fifty percent (50%) of the outstanding voting securities of the Company or the votes attached to those securities are sufficient, if exercised, to elect a majority of the Board of Directors of the Company.
- 2.4 "Company" means InNexus Biotechnology Inc. and its successors.
- 2.5 "Consultant" means a "Consultant" as defined in the TSX Policies.
- 2.6 "Consultant Company" means a "Consultant Company" as defined in the TSX Policies.
- 2.7 "Disability" means any disability with respect to an Optionee which the Board, in its sole and unfettered discretion, considers likely to prevent permanently the Optionee from:
  - (a) being employed or engaged by the Company, its subsidiaries or another employer, in a position the same as or similar to that in which he was last employed or engaged by the Company or its subsidiaries; or
  - (b) acting as a director or officer of the Company or its subsidiaries.
- 2.8 "Distribution" means a "Distribution" as defined in the TSX Policies.
- 2.9 "Eligible Persons" has the meaning given to that term in paragraph 1 hereof.
- 2.10 "Employee" means an "Employee" as defined in the TSX Policies.
- 2.11 "Exchanges" means the TSX Venture Exchange and, if applicable, any other stock exchange on which the Shares are listed.
- 2.12 "Expiry Date" means the date set by the Board under section 3.1 of the Plan, as the last date on which an Option may be exercised.
- 2.13 "Grant Date" means the date specified in an Option Agreement as the date on which an Option is granted.
- 2.14 "Insider" means an "Insider" as defined in the TSX Policies, other than a person who is an insider solely by virtue of being a director or senior officer of a subsidiary of the Company.
- 2.15 "Investor Relations Activities" means "Investor Relations Activities" as defined in the TSX Policies.
- 2.16 "Joint Actor" means a person acting "jointly or in concert with" another person as that phrase is interpreted in section 96 of the Securities Act.
- 2.17 "Management Company Employee" means a "Management Company Employee" as defined in the TSX Policies.
- 2.18 "Market Price" of Shares at any Grant Date means the last closing price per Share on the trading day immediately preceding the day on which the Company announces the grant of the option or, if the grant is not announced, on the Grant Date, or if the Shares are not listed on any stock exchange, "Market Price" of Shares means the price per Share on the over-the-counter market determined by dividing the aggregate sale price of the Shares sold by the total number of such Shares so sold on the applicable market for the last day prior to the Grant Date.
- 2.19 "Option" means an option to purchase Shares granted pursuant to this Plan.
- 2.20 "Option Agreement" means an agreement, in the form attached hereto as Schedule "A", whereby the Company grants to an Optionee an Option.
- 2.21 "Optionee" means each of the Eligible Persons granted an Option pursuant to this Plan and their heirs, executors and administrators.
- 2.22 "Option Price" means the price per Share specified in an Option Agreement, adjusted from time to time in accordance with the provisions of section 5.
- 2.23 "Option Shares" means the aggregate number of Shares which an Optionee may purchase under an Option.
- 2.24 "Plan" means this Stock Option Plan.
- 2.25 "Shares" means the common shares in the capital of the Company as constituted on the Grant Date provided that, in the event of any adjustment pursuant to section 5, "Shares" shall thereafter mean the shares or other property resulting from the events giving rise to the adjustment.
- 2.26 "Securities Act" means the Securities Act, R.S.B.C. 1996, c.418, as amended, as at the date hereof.
- 2.27 "TSX Policies" means the policies included in the TSX Venture Exchange Corporate Finance Manual and "TSX Policy" means any one of them.
- 2.28 "Un-issued Option Shares" means the number of Shares, at a particular time, which have been reserved for issuance upon the exercise of an Option but which have not been issued, as adjusted from time to time in accordance with the provisions of section 5, such adjustments to be cumulative.
- 2.29 "Vested" means that an Option has become exercisable in respect of a number of Option Shares by the Optionee pursuant to the terms of the Option Agreement.

### 3. GRANT OF OPTIONS

#### 3.1 Option Terms

The Board may from time to time authorize the issue of Options to Eligible Persons of the Company and its subsidiaries. The Option Price under each Option shall be not less than the Discounted Market Price on the Grant Date. The Expiry Date for each Option shall be set by the Board at the time of issue of the Option and shall not be more than 5 years after the Grant Date. Options shall not be assignable (or transferable) by the Optionee.

#### 3.2 Limits on Shares Issuable on Exercise of Options

The maximum number of Shares which may be issuable pursuant to options granted under the Plan shall be **10,746,923** Shares or such additional amount as may be approved from time to time by the shareholders of the Company. The number of Shares which may be issuable under the Plan and all of the Company's other previously established or proposed share compensation arrangements, within a one-year period:

- (a) to any one Optionee, shall not exceed 5% of the total number of issued and outstanding Shares on the Grant Date on a non-diluted basis; and
- (b) to Insiders as a group shall not exceed 20% of the total number of issued and outstanding Shares on the Grant Date on a non-diluted basis.
- (c) to any one Consultant shall not exceed 2% in the aggregate of the total number of issued and outstanding Shares on the Grant Date on a non-diluted basis; and
- (d) all Eligible Persons who undertake Investor Relations Activities shall not exceed 2% in the aggregate of the total number of issued and outstanding Shares on the Grant Date on a non-diluted basis.
- (e) options issued to Consultants performing Investor Relations Activities must vest in stages over 12 months with no more than  $\frac{1}{4}$  of the options vesting in any three month period.

#### 3.3 Option Agreements

Each Option shall be confirmed by the execution of an Option Agreement. Each Optionee shall have the option to purchase from the Company the Option Shares at the time and in the manner set out in the Plan and in the Option Agreement applicable to that Optionee. For stock options to Employees, Consultants, Consultant Companies or Management Company Employees, the Company is representing herein and in the applicable Stock Option Agreement that the Optionee is a bona fide Employee, Consultant, Consultant Company or Management Company Employee, as the case may be, of the Company or its subsidiary. The execution of an Option Agreement shall constitute conclusive evidence that it has been completed in compliance with this Plan.

### 4. EXERCISE OF OPTION

#### 4.1 When Options May be Exercised

Subject to sections 4.3 and 4.4, an Option may be exercised to purchase any number of Shares up to the number of Vested Un-issued Option Shares at any time after the Grant Date up to 4:00 p.m. local time on the Expiry Date and shall not be exercisable thereafter.

#### 4.2 Manner of Exercise

The Option shall be exercisable by delivering to the Company a notice specifying the number of Shares in respect of which the Option is exercised together with payment in full of the Option Price for each such Share. Upon notice and payment there will be a binding contract for the issue of the Shares in respect of which the Option is exercised, upon and subject to the provisions of the Plan. Delivery of the Optionee's cheque payable to the Company in the amount of the Option Price shall constitute payment of the Option Price unless the cheque is not honoured upon presentation in which case the Option shall not have been validly exercised.

#### 4.3 Vesting of Option Shares

The Directors may determine and impose terms upon which each Option shall become Vested in respect of Option Shares. Provided the Company remains a Tier 2 Issuer with the Exchange, the vesting period shall be no less than 18 months.

#### 4.4 Termination of Employment

If an Optionee ceases to be a director, officer or Service Provider of the Company or one of the Company's subsidiaries, his or her Option shall be exercisable as follows:

##### (a) Death or Disability

If the Optionee ceases to be an Eligible Person, due to his or her death or Disability or, in the case of an Optionee that is a company, the death or Disability of the person who provides management or consulting services to the Company or to any entity controlled by the Company, the Option then held by the Optionee shall be exercisable to acquire Vested Un-issued Option Shares at any time up to but not after the earlier of:

- (i) 365 days after the date of death or Disability; and
- (ii) the Expiry Date;

- (b) **Termination For Cause**  
If the Optionee, or in the case of a Management Company Employee or a Consultant Company, the Optionee's employer, ceases to be an Eligible Person as a result of termination for cause, as that term is interpreted by the courts of the jurisdiction in which the Optionee, or, in the case of a Management Company Employee or a Consultant Company, of the Optionee's employer, is employed or engaged; any outstanding Option held by such Optionee on the date of such termination, whether in respect of Option Shares that are Vested or not, shall be cancelled as of that date.
- (c) **Early Retirement, Voluntary Resignation or Termination Other than For Cause**  
If the Optionee or, in the case of a Management Company Employee or a Consultant Company, the Optionee's employer, ceases to be an Eligible Person due to his or her retirement at the request of his or her employer earlier than the normal retirement date under the Company's retirement policy then in force, or due to his or her termination by the Company other than for cause, or due to his or her voluntary resignation, the Option then held by the Optionee shall be exercisable to acquire Vested Un-issued Option Shares at any time up to but not after the earlier of the Expiry Date and the date which is 90 days (30 days if the Optionee was engaged in Investor Relations Activities) after the Optionee or, in the case of a Management Company Employee or a Consultant Company, the Optionee's employer, ceases to be an Eligible Person.

For greater certainty, an Option that had not become Vested in respect of certain Un-issued Option Shares at the time that the relevant event referred to in this paragraph 4.4 occurred, shall not be or become vested or exercisable in respect of such Un-issued Option Shares and shall be cancelled.

#### 4.5 Effect of a Take-Over Bid

Subject to the prior approval of the Exchange, if a bona fide offer ( an "Offer") for Shares is made to the Optionee or to shareholders of the Company generally or to a class of shareholders which includes the Optionee, which Offer, if accepted in whole or in part, would result in the offeror becoming a control person of the Company, within the meaning of subsection 1(1) of the Securities Act, the Company shall, immediately upon receipt of notice of the Offer, notify each Optionee of full particulars of the Offer, whereupon all Option Shares subject to such Option will become Vested and the Option may be exercised in whole or in part by the Optionee so as to permit the Optionee to tender the Option Shares received upon such exercise, pursuant to the Offer. However, if:

- (a) the Offer is not completed within the time specified therein; or
- (b) all of the Option Shares tendered by the Optionee pursuant to the Offer are not taken up or paid for by the offeror in respect thereof, then the Option Shares received upon such exercise, or in the case of clause (b) above, the Option Shares that are not taken up and paid for, may be returned by the Optionee to the Company and reinstated as authorized but Un-issued Shares and with respect to such returned Option Shares, the Option shall be reinstated as if it had not been exercised and the terms upon which such Option Shares were to become Vested pursuant to paragraph 4.3 shall be reinstated. If any Option Shares are returned to the Company under this paragraph 4.5, the Company shall immediately refund the exercise price to the Optionee for such Option Shares.

#### 4.6 Acceleration of Expiry Date

Subject to the prior approval of the Exchange, if at any time when an Option granted under the Plan remains unexercised with respect to any Un-issued Option Shares, an Offer is made by an offeror, the Directors may, upon notifying each Optionee of full particulars of the Offer, declare all Option Shares issuable upon the exercise of Options granted under the Plan, Vested, and declare that the Expiry Date for the exercise of all unexercised Options granted under the Plan is accelerated so that all Options will either be exercised or will expire prior to the date upon which Shares must be tendered pursuant to the Offer. The Directors shall give each Optionee as much notice as possible of the acceleration of the Options under this section, except that not less than 5 business days and not more than 35 days notice is required.

#### 4.7 Effect of a Change of Control

Subject to the prior approval of the Exchange, if a Change of Control occurs, all Option Shares subject to each outstanding Option will become Vested, whereupon such Option may be exercised in whole or in part by the Optionee.

#### 4.8 Exclusion From Severance Allowance, Retirement Allowance or Termination Settlement

If the Optionee, or, in the case of a Management Company Employee or a Consultant Company, the Optionee's employer, retires, resigns or is terminated from employment or engagement with the Company or any subsidiary of the Company, the loss or limitation, if any, pursuant to the Option Agreement with respect to the right to purchase Option Shares which were not Vested at that time or which, if Vested, were cancelled, shall not give rise to any right to damages and shall not be included in the calculation of nor form any part of any severance allowance, retiring allowance or termination settlement of any kind whatsoever in respect of such Optionee.

#### 4.9 Shares Not Acquired

Any Un-issued Option Shares not acquired by an Optionee under an Option which has expired may be made the subject of a further Option pursuant to the provisions of the Plan.

### 5. ADJUSTMENT OF OPTION PRICE AND NUMBER OF OPTION SHARES

#### 5.1 Share Reorganization

Whenever the Company issues Shares to all or substantially all holders of Shares by way of a stock dividend or other distribution, or subdivides all outstanding Shares into a greater number of Shares, or combines or consolidates all outstanding Shares into a lesser number of Shares (each of such events being herein called a "Share Reorganization") then effective immediately after the record date for such dividend or other distribution or the effective date of such subdivision, combination or consolidation, for each Option:

- (a) the Option Price will be adjusted to a price per Share which is the product of:

- (i) the Option Price in effect immediately before that effective date or record date; and
  - (ii) a fraction, the numerator of which is the total number of Shares outstanding on that effective date or record date before giving effect to the Share Reorganization, and the denominator of which is the total number of Shares that are or would be outstanding immediately after such effective date or record date after giving effect to the Share Reorganization; and
- (b) the number of Un-issued Option Shares will be adjusted by multiplying (i) the number of Un-issued Option Shares immediately before such effective date or record date by (ii) a fraction which is the reciprocal of the fraction described in subsection (a)(ii).

## 5.2 Special Distribution

Subject to the prior approval of the Exchanges, whenever the Company issues by way of a dividend or otherwise distributes to all or substantially all holders of Shares;

- (a) shares of the Company, other than the Shares;
- (b) evidences of indebtedness;
- (c) any cash or other assets, excluding cash dividends (other than cash dividends which the Board of Directors of the Company has determined to be outside the normal course); or
- (d) rights, options or warrants;

then to the extent that such dividend or distribution does not constitute a Share Reorganization (any of such non-excluded events being herein called a "Special Distribution"), and effective immediately after the record date at which holders of Shares are determined for purposes of the Special Distribution, for each Option the Option Price will be reduced, and the number of Un-issued Option Shares will be correspondingly increased, by such amount, if any, as is determined by the Board in its sole and unfettered discretion to be appropriate in order to properly reflect any diminution in value of the Option Shares as a result of such Special Distribution.

## 5.3 Corporate Organization

Whenever there is:

- (a) a reclassification of outstanding Shares, a change of Shares into other shares or securities, or any other capital reorganization of the Company, other than as described in sections 5.1 or 5.2;
- (b) a consolidation, merger or amalgamation of the Company with or into another corporation resulting in a reclassification of outstanding Shares into other shares or securities or a change of Shares into other shares or securities; or
- (c) a transaction whereby all or substantially all of the Company's undertaking and assets become the property of another corporation;

(any such event being herein called a "Corporate Reorganization") the Optionee will have an option to purchase (at the times, for the consideration, and subject to the terms and conditions set out in the Plan) and will accept on the exercise of such option, in lieu of the Un-issued Option Shares which he would otherwise have been entitled to purchase, the kind and amount of shares or other securities or property that he would have been entitled to receive as a result of the Corporate Reorganization if, on the effective date thereof, he had been the holder of all Un-issued Option Shares or if appropriate, as otherwise determined by the Directors.

## 5.4 Determination of Option Price and Number of Un-issued Option Shares

If any questions arise at any time with respect to the Option Price or number of Un-issued Option Shares deliverable upon exercise of an Option following a Share Reorganization, Special Distribution or Corporate Reorganization, such questions shall be conclusively determined by the Company's auditor, or, if they decline to so act, any other firm of Chartered Accountants in Vancouver, British Columbia, that the Directors may designate and who will have access to all appropriate records and such determination will be binding upon the Company and all Optionees.

## 5.5 Regulatory Approval

Any adjustment to the Option Price or the number of Un-issued Option Shares purchasable under the Plan pursuant to the operation of any one of paragraphs 5.1, 5.2 or 5.3 is subject to the approval of the Exchanges and any other governmental authority having jurisdiction.

## 6. MISCELLANEOUS

### 6.1 Right to Employment

Neither this Plan nor any of the provisions hereof shall confer upon any Optionee any right with respect to employment or continued employment with the Company or any subsidiary of the Company or interfere in any way with the right of the Company or any subsidiary of the Company to terminate such employment.

### 6.2 Necessary Approvals

The Plan shall be effective only upon the approval of the shareholders of the Company given by way of an ordinary resolution. Any Options granted under this Plan prior to such approval shall only be exercised upon the receipt of such approval. Disinterested shareholder approval (as required by the Exchanges) will be obtained for any reduction in the exercise price of any Option granted under this Plan if the Optionee is an Insider of the Company at the time of the proposed amendment. The obligation of the Company to sell and deliver Shares in accordance with the Plan is subject to the approval of the Exchanges and any governmental authority having jurisdiction. If any Shares cannot be issued to any Optionee for any reason, including, without limitation, the failure to obtain such approval, then the obligation of the Company to issue such Shares shall terminate and any Option Price paid by an Optionee to the Company shall be immediately refunded to the Optionee by the Company.

### 6.3 Administration of the Plan

The Directors shall, without limitation, have full and final authority in their discretion, but subject to the express provisions of the Plan, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations deemed necessary or advisable in respect of the Plan. Except as set forth in section 5.4, the interpretation and construction of any provision of the Plan by the Directors shall be final and

conclusive. Administration of the Plan shall be the responsibility of the appropriate officers of the Company and all costs in respect thereof shall be paid by the Company.

6.4 Income Taxes

As a condition of and prior to participation in the Plan any Optionee shall on request authorize the Company in writing to withhold from any remuneration otherwise payable to him or her any amounts required by any taxing authority to be withheld for taxes of any kind as a consequence of his or her participation in the Plan.

6.5 Amendments to the Plan

The Directors may from time to time, subject to applicable law and to the prior approval, if required, of the Exchanges or any other regulatory body having authority over the Company or the Plan, suspend, terminate or discontinue the Plan at any time, or amend or revise the terms of the Plan or of any Option granted under the Plan and the Option Agreement relating thereto, provided that no such amendment, revision, suspension, termination or discontinuance shall in any manner adversely affect any Option previously granted to an Optionee under the Plan without the consent of that Optionee. Any amendments to the Plan or options granted thereunder will be subject to the approval of the shareholders.

6.6 Form of Notice

A notice given to the Company shall be in writing, signed by the Optionee and delivered to the head business office of the Company.

6.7 No representation or Warranty

The Company makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

6.8 Compliance with Applicable Law

If any provision of the Plan or any Option Agreement contravenes any law or any order, policy, by-law or regulation of any regulatory body or Exchange having authority over the Company or the Plan, then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

6.9 No Assignment

No Optionee may assign any of his or her rights under the Plan or any option granted thereunder.

6.10 Rights of Optionees

An Optionee shall have no rights whatsoever as a shareholder of the Company in respect of any of the Un-issued Option Shares (including, without limitation, voting rights or any right to receive dividends, warrants or rights under any rights offering).

6.11 Conflict

In the event of any conflict between the provisions of this Plan and an Option Agreement, the provisions of this Plan shall govern.

6.12 Governing Law

The Plan and each Option Agreement issued pursuant to the Plan shall be governed by the laws of the province of British Columbia.

6.13 Time of Essence

Time is of the essence of this Plan and of each Option Agreement. No extension of time will be deemed to be or to operate as a waiver of the essentiality of time.

6.14 Entire Agreement

This Plan and the Option Agreement sets out the entire agreement between the Company and the Optionees relative to the subject matter hereof and supersedes all prior agreements, undertakings and understandings, whether oral or written.

Approved by the Board of Directors as at October 17, 2005

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