

SECURITIES AND EXCHANGE COMMISSION

FORM 40-F

Annual reports filed by certain Canadian issuers pursuant to Section 15(d) and Rule 15d-4

Filing Date: **2013-01-28** | Period of Report: **2012-10-31**

SEC Accession No. [0001437749-13-000719](#)

([HTML Version](#) on [secdatabase.com](#))

FILER

NORDION INC.

CIK: [1057698](#) | IRS No.: **000000000** | State of Incorporation: **A6** | Fiscal Year End: **1031**
Type: **40-F** | Act: **34** | File No.: [001-15016](#) | Film No.: **13550114**
SIC: **3826** Laboratory analytical instruments

Mailing Address
447 MARCH ROAD
OTTAWA A6 K2K 1X8

Business Address
447 MARCH ROAD
OTTAWA A6 K2K 1X8
613.592.3400

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934
OR
☒ ANNUAL REPORT PURSUANT TO SECTION 13(A) OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended October 31, 2012

Commission File Number 001-15016

NORDION INC.

(Exact name of Registrant as specified in its charter)

Canada (Federal)

(Province or other jurisdiction of incorporation or organization)

8099

(Primary Standard Industrial Classification Code Number (if applicable))

98-0170107

(I.R.S. Employer Identification Number (if applicable))

447 March Road

Ottawa, Ontario, Canada K2K 1X8

(613) 592-2790

(Address and telephone number of Registrant's principal executive offices)

CT Corporation

111 Eighth Avenue, New York, NY 10011

(212) 590-9343

(Name, address (including zip code) and telephone number (including area code)
of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class

Common Shares, no par value

Name of each exchange on which registered

New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

none

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

none

For annual reports, indicate by check mark the information filed with this Form:

☒ Annual Information Form

☒ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: **The Registrant had 61,909,101 Common Shares outstanding as at October 31, 2012.**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No []

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes [X] No []

A. Disclosure Controls and Procedures

Disclosure controls and procedures are defined by the Securities and Exchange Commission (the “Commission”) as those controls and other procedures that are designed to ensure that information required to be disclosed by the Registrant in reports filed or submitted by it under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms.

The Registrant’s Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Registrant’s disclosure controls and procedures and have concluded that such disclosure controls and procedures were not effective as at October 31, 2012 as a result of the material weakness described in the Registrant’s internal control over financial reporting discussed in the Management’s Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended October 31, 2012 filed as Exhibit No. 1.3 to this Annual Report on Form 40-F, under the heading “Disclosure controls and procedures”.

B. Management's Annual Report on Internal Control over Financial Reporting

See Management’s Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended October 31, 2012 filed as Exhibit No. 1.3 to this Annual Report on Form 40-F, under the heading “Internal control over financial reporting”.

C. Attestation Report of the Registered Public Accounting Firm

The attestation report of Ernst & Young LLP (the “Independent Auditors”) is included in the Independent Auditors’ report to the shareholders of the Registrant, dated January 25, 2013, which accompanies the Registrant’s audited consolidated financial statements for the fiscal year ended October 31, 2012, filed as Exhibit 1.2 to this Annual Report on Form 40-F.

D. Changes in Internal Control over Financial Reporting

See Management’s Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended October 31, 2012, filed as Exhibit No. 1.3 to this Annual Report on Form 40-F, under the heading “Remediation of the material weakness from the prior year and related material changes in internal control over financial reporting”.

E. Notice of Pension Fund Blackout Period

The Registrant was not required by Rule 104 of Regulation BTR to send any notice to any of its directors or executive officers during the fiscal year ended October 31, 2012.

F. Audit Committee Financial Expert

The Registrant’s board of directors (the “Board”) has determined that all of the members of the Registrant’s Finance & Audit Committee are “independent” within the meaning of applicable Commission regulations and the listing standards of the New York Stock Exchange (the “NYSE”). In addition, the Board has determined that all of the members of Finance & Audit Committee are audit committee financial experts within the meaning of General Instruction B(8)(b) of Form 40-F under the Exchange Act.

The Commission has indicated that the designation of a person as an audit committee financial expert does not make such person an “expert” for any purpose, impose any duties, obligations or liability on such person that are greater than those imposed on members of the Finance & Audit Committee and the Board who do not carry this designation or affect the duties, obligations or liability of any other member of the Finance & Audit Committee or Board.

G. Code of Ethics

The Registrant’s code of ethics, entitled Global Business Practice Standards, is applicable to all of its directors and employees including the Chief Executive Officer, Chief Financial Officer and other senior officers. On October 26, 2012, the code of ethics was amended, in substantive part, to further stress the importance of compliance with all applicable anti-corruption laws and regulations, including on the part of third parties acting in a representative capacity on the Registrant’s behalf. The code of ethics can be viewed on the Registrant’s website at http://www.nordion.com/pdf/Global_Business%20Practices.pdf and has been filed as Exhibit 99.1 to this Annual Report on Form 40-F.

H. Principal Accountant Fees and Services

(All amounts are in U.S. dollars unless otherwise indicated)

Audit Fees

The aggregate fees billed by the Independent Auditors for professional services rendered for the audit of the Registrant's annual financial statements, including services related thereto, were \$941,000 for the fiscal year ended October 31, 2012 and \$935,000 for the fiscal year ended October 31, 2011. These engagements include the opinion issued on the consolidated financial statements of the Registrant and its subsidiaries as required by statute in certain jurisdictions, and opinions issued on the financial statements of subsidiaries or entities over which the Registrant exercises management discretion including audit opinions issued on Pension Plans established for the benefit of the Registrant's employees.

Audit-Related Fees

The aggregate fees billed by the Independent Auditors for assurance and related services that are reasonably related to the performance of the audit or review of the Registrant's financial statements and are not reported as "Audit Fees," including consultations concerning financial accounting and reporting matters not classified as audit, were \$285,000 for the fiscal year ended October 31, 2012 and \$195,000 for the fiscal year ended October 31, 2011. Such engagements include reviews of the interim financial statements, the reports of which are provided to the Finance & Audit Committee, accounting assistance, advice and translation services related solely to our filed financial reports and audit-related services in connection with acquisitions, including audits of transaction-date balance sheets and similar services.

Tax Fees

During the fiscal years ended October 31, 2012 and 2011, the Independent Auditors were not engaged to provide tax compliance, tax advice and tax planning related services.

All Other Fees

The aggregate fees billed by the Independent Auditors for all other fees were \$40,000 for the fiscal year ended October 31, 2012 and \$nil for the fiscal year ended October 31, 2011. The services comprising the fees reported as "All Other Fees" included internal investigation costs and web user access fees.

Audit Committee Pre-Approval Policies and Procedures

All audit and non-audit services performed by the Independent Auditors must be pre-approved by the Finance & Audit Committee of the Registrant.

I. Off-Balance Sheet Arrangements

See Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended October 31, 2012, filed as Exhibit No. 1.3 to this Annual Report on Form 40-F, under the heading "Off-balance sheet arrangements".

J. Tabular Disclosure of Contractual Obligations

Tabular disclosure of the Registrant's contractual obligations can be found in its Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended October 31, 2012, filed as Exhibit 1.3 to this Annual Report on Form 40-F, under the heading "Contractual obligations".

K. Critical Accounting Policies

See Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended October 31, 2012, filed as Exhibit 1.3 to this Annual Report on Form 40-F, under the heading "Critical accounting policies and estimates".

L. Identification of Audit Committee

The Board has appointed a Finance & Audit Committee consisting of four independent directors: Janet Woodruff (Chair), Kenneth E. Newport, Sean Murphy and Robert W. Luba.

M. NYSE Exemptions

As required by the NYSE, the Registrant will post on its corporate website at http://www.nordion.com/corporate_governance/disclosure_303a11.asp any significant differences between the corporate governance practices followed by the Registrant in Canada and those applicable to U.S. companies under the NYSE's listing standards.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to the securities in relation to which the obligation to file an annual report on Form 40-F arises, or transactions in said securities.

B. Consent to Service of Process

The Registrant has previously filed with the Commission a Form F-X in connection with its Common Shares.

EXHIBITS

The following exhibits are filed as part of this report:

<u>Exhibit No.</u>	<u>Description</u>
1.1	Annual Information Form for the fiscal year ended October 31, 2012.
1.2	Audited Consolidated Financial Statements for the fiscal year ended October 31, 2012, prepared in accordance with United States generally accepted accounting principles.
1.3	Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended October 31, 2012.
10.1	Amended and Restated Credit Agreement
23.1	Consent of Ernst & Young LLP.
31.1	Certification of Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Nordion Inc. Global Business Practice Standards.
101	Interactive Data File.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

Nordion Inc.

By: /s/ PETER DANS

Name: G. Peter Dans

Title: Chief Financial Officer

Date: January 25, 2013

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
1.1	Annual Information Form for the fiscal year ended October 31, 2012.
1.2	Audited Consolidated Financial Statements for the fiscal year ended October 31, 2012, prepared in accordance with United States generally accepted accounting principles.
1.3	Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended October 31, 2012.
10.1	Amended and Restated Credit Agreement
23.1	Consent of Ernst & Young LLP.
31.1	Certification of Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Nordion Inc. Global Business Practice Standards.
101	Interactive Data File.

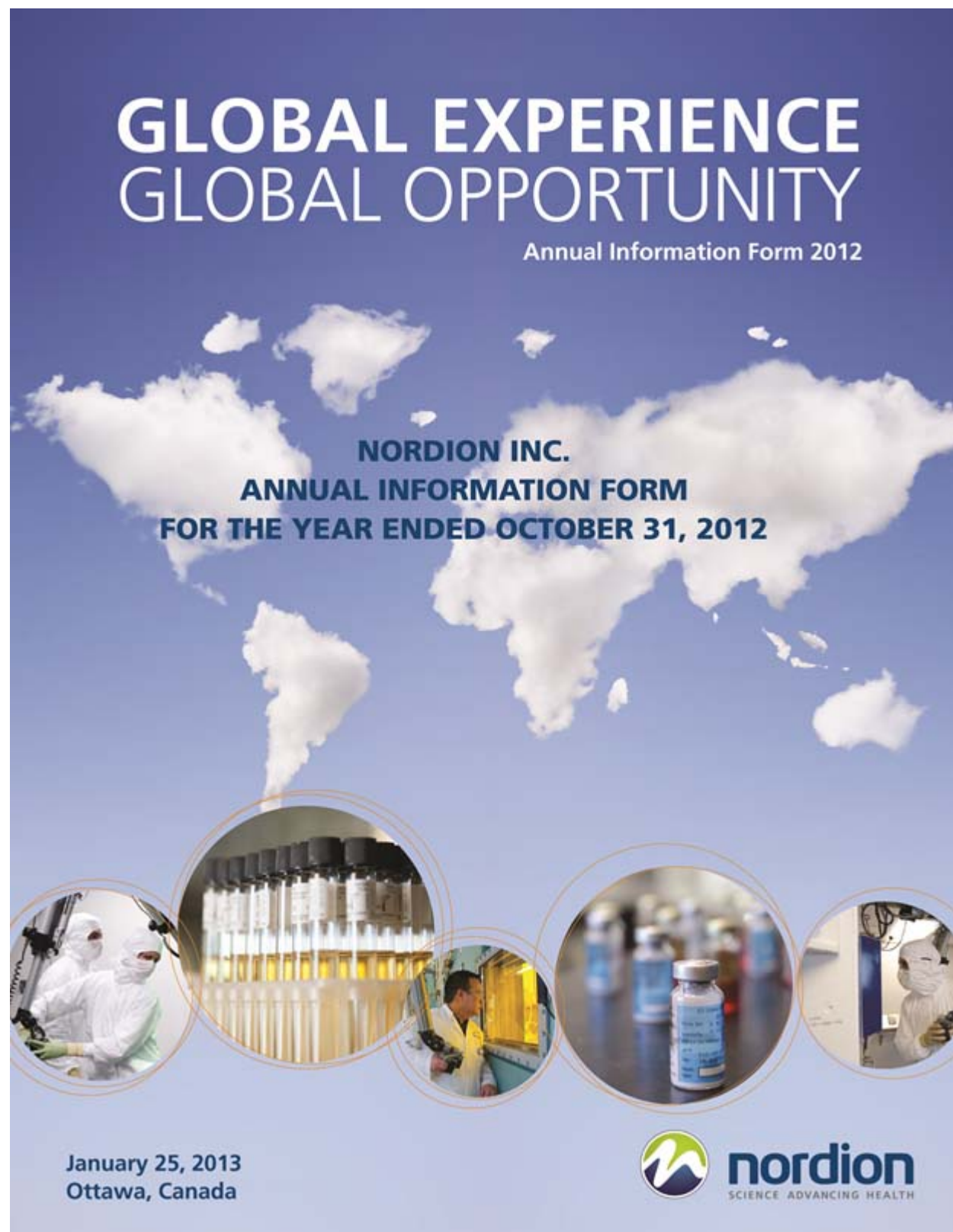


TABLE OF CONTENTS

1.	PRELIMINARY NOTES	5
1.1.	Interpretation	5
1.2.	Items Affecting the Comparability of Financial Information of Prior Years	5
1.3.	Caution Regarding Forward-looking Statements	6
2.	CORPORATE STRUCTURE	7
2.1.	Jurisdiction of Incorporation ⁷	7
2.2.	Current Organization	7
2.3.	Discontinued Operations	7
3.	GENERAL DEVELOPMENT OF THE BUSINESSES	8
3.1.	Three-year History and Significant Acquisitions and Divestitures	8
3.2.	Business Focus	10
4.	DESCRIPTION OF THE BUSINESS	11
4.1.	Overview	11
4.2.	Reportable Operating Segments	11
4.3.	Targeted Therapies	11
4.4.	Specialty Isotopes – Sterilization Technologies	14
4.5.	Specialty Isotopes – Medical Isotopes	17
4.6.	Corporate and Other	25
4.7.	Divested Businesses	25
4.8.	Customers	26
4.9.	Employees	27
4.10.	Principal Facilities	27
4.11.	Research and Development	28
4.12.	Regulatory Compliance	28
4.13.	Environment, Health, Safety and Governance	30
5.	RISK FACTORS	31
6.	SELECTED CONSOLIDATED FINANCIAL INFORMATION	45

6.1.	Summary Annual Information	45
6.2.	Capital Structure	45

6.3.	Shareholders Rights Plan	46
6.4.	Dividend and Share Buy Backs	46
6.5.	Ownership and Other Restrictions	47
7.	MANAGEMENT'S DISCUSSION AND ANALYSIS	47
8.	MARKET FOR SECURITIES	48
8.1.	Trading Price and Volume	48
9.	LEGAL PROCEEDINGS	49
9.1.	AECL Arbitration	49
9.2.	Bioequivalence Studies	49
9.3.	Arbitration with Life Technologies Corporations	49
9.4.	Radiation Overexposure Claim	50
9.5.	Factory Mutual Global	50
9.6.	BioAxone BioSciences	50
10.	DIRECTORS AND OFFICERS	50
10.1.	Directors	50
10.2.	Executive Officers	57
10.3.	Cease Trade Orders, Bankruptcies, Penalties or Sanctions	58
10.4.	Conflicts of Interest	58
11.	FINANCE & AUDIT COMMITTEE	58
11.1.	Composition of Finance & Audit Committee	58
11.2.	Auditor Fees	59
11.3.	Pre-approval Policy for External Auditor Services	60
12.	INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	60
13.	TRANSFER AGENT AND REGISTRAR	60
14.	MATERIAL CONTRACTS	60
15.	EXPERTS	60
16.	ADDITIONAL INFORMATION	60
	SCHEDULE A – NORDION INC. FINANCE AND AUDIT COMMITTEE CHARTER	62

Appendix A – Position Description of Chair of the Finance & Audit Committee	71
SCHEDULE B – GLOSSARY	72

Nordion®, Science Advancing Health®, and GammaFIT™ are trademarks or registered trademarks of Nordion Inc. or its subsidiaries.

TheraSphere® is a registered trademark of Theragenics Corporation used under license by Nordion (Canada) Inc.

The following are trademarks or registered trademarks belonging to the companies indicated:

Bexxar®	GlaxoSmithKline
CardioGen-82®	Bracco Diagnostics Inc.
Nexavar®	Bayer AG
SIR-Spheres®	Sirtex SIR-Spheres Pty Ltd
Glucotrace®	Best Medical Belgium Inc.
Agiris™	Best Medical Belgium Inc.

NORDION INC.
ANNUAL INFORMATION FORM

1. PRELIMINARY NOTES

1.1. Interpretation

In this Annual Information Form (AIF), “we”, “us”, “our”, “Nordion”, and “the Company” refer collectively to Nordion Inc., its subsidiaries and joint ventures. On November 1, 2010, the Company changed its name from MDS Inc. to Nordion Inc. In this AIF, all references to specific years are references to the fiscal years of Nordion ended October 31. All references to “\$” or “dollars” are references to U.S. dollars and all references to C\$ are to Canadian dollars, unless otherwise specified. This AIF should be read in conjunction with Nordion’s 2012 Annual Report, which includes the Company’s 2012 audited consolidated financial statements and notes (2012 Financial Statements) and the 2012 Management’s Discussion and Analysis (2012 MD&A), but which, for greater certainty, are not incorporated by reference herein.

Certain terms and abbreviations used in this AIF are defined in Schedule B – Glossary.

1.2. Items Affecting the Comparability of Financial Information of Prior Years

All financial references in this document, unless otherwise indicated, are based on continuing operations.

In September 2012, Nordion announced a strategic realignment of its business designed to focus on improving the execution of Nordion’s business strategy. Nordion transitioned to a Business Unit model with two distinct business units: Targeted Therapies and Specialty Isotopes, each of which is supported by centralized shared corporate functions. The Specialty Isotopes business includes two segments: Sterilization Technologies and Medical Isotopes. Nordion reports financial results by three business segments: Targeted Therapies, Sterilization Technologies, and Medical Isotopes, as well as certain corporate functions and activities reported as Corporate and Other.

The results reported in Nordion’s fiscal 2012 financial statements and MD&A reflect the new Business Unit model structure. The primary change to the Company’s reporting is that Contract Manufacturing is now reported in Medical Isotopes (previously reported in Targeted Therapies). Prior years have been restated to reflect this change.

During fiscal 2011, the Company sold MDS Nordion S.A. During fiscal 2010, the Company sold its Pharma Services Early Stage and Analytical Technologies operations. Prior to their sale, Phase II-IV, Central Labs and Early Stage operations were operated as a single business unit, Pharma Services. During fiscal 2009, the Company sold its Pharma Services Phase II-IV and Central Labs operations. All these operations are reported as discontinued operations. All financial references for the prior years have been restated to reflect this treatment.

1.3. Caution Regarding Forward-looking Statements

From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including under applicable Canadian securities laws and the “safe harbour” provisions of the United States Private Securities Litigation Reform Act of 1995. This document and the documents incorporated by reference herein, contains forward-looking statements, including but not limited to, statements relating to our expectations with respect to: our business strategy and the competitive landscape; factors influencing our commercial success; the demand for and supply of our products and competing products; the supply of the inputs for our products; potential outcomes of current legal proceedings and our internal investigation; the potential for additional legal and regulatory proceedings; the regulatory status of our products, reimbursement approvals and the costs and results of clinical trials; our research and development initiatives; our estimates of future site remediation costs; our intentions with respect to our liquidity levels and access to capital; and more generally statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words “may”, “will”, “could”, “should”, “would”, “outlook”, “believe”, “plan”, “anticipate”, “estimate”, “project”, “expect”, “intend”, “indicate”, “forecast”, “objective”, “optimistic”, and similar words and expressions are intended to identify forward-looking statements.

Forward-looking statements are necessarily based on estimates and assumptions made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate in the circumstances, but which are inherently subject to significant business, political, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to, the following factors, which are discussed in greater detail in the “Risk Factors” described in section 5 of this AIF; and our success in anticipating and managing these risks: availability of supply of reactor-based isotopes; business interruptions; the Company’s primary Targeted Therapies product, TheraSphere, is sold under a Humanitarian Device Exemption in the U.S.; anti-corruption and fraud and abuse risk; effectiveness of internal controls; risks arising from doing business in various countries around the world; dependence on one customer for the majority of the Medical Isotopes segment revenue and earnings; risks related to the Company’s credit facility agreement; shareholder activism; sources of supply; reimbursement risk; an unfavourable outcome of one of the Company’s clinical trials for TheraSphere®; external forces may result in significant declines in pricing and/or sales volumes; the Company’s primary operating locations handle and store hazardous and radioactive materials; the Company faces significant competition and may not be able to compete effectively; long-term supply commitments of Co-60; risks related to insurance coverage; the Company’s business, financial condition, and results of operations are subject to significant fluctuation; current and future litigation and regulatory proceedings; risks relating to the Company’s defined benefit pension plans; the Company is subject to complex and costly regulation; Restrictions on foreign ownership; outcome of the Company’s arbitration with AECL and its lawsuit against AECL; Risks related to any strategic transaction; compliance with laws and regulations affecting public companies; the Company may be unable to effectively introduce and market new products and services, or may fail to keep pace with advances in technology; foreign currency exchange rates may adversely affect results; changes in trends in the pharmaceutical and biotechnology industries; regulations may reduce demand for the Company’s products and services, and increase expenses; current economic instability; volatility of share price and dividend policy; dependence on information technology (IT) systems and communication systems; uncertain disposal and decommissioning costs; access to cash for ongoing operations or for strategic transactions; intellectual property protection; tax reassessment risk; dependence upon the services of key personnel; labour relations.

The foregoing list of factors that may affect future results is not exhaustive. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. We caution readers not to place undue reliance on the Company’s forward-looking statements, as a number of factors, including but not limited to the risk factors listed above and further described in section 5 of our AIF, could cause our actual results, performance or achievements to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements.

The Company does not assume any obligation to update or revise any forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf, except as required by applicable law.

2. CORPORATE STRUCTURE

2.1. Jurisdiction of Incorporation

Nordion Inc. (formerly MDS Inc.) was incorporated on April 17, 1969 under the laws of the Province of Ontario under the name Medical Data Sciences Limited. The Company changed its name to MDS Health Group Limited in April 1973 and to MDS Inc. in November 1996. On November 1, 2010, the Company changed its name to Nordion Inc. The Company was continued under the *Canada Business Corporations Act* (CBCA) on October 10, 1978 and is governed by that Act.

The head office of Nordion, and its principal place of business, is located at 447 March Road, Ottawa, Ontario, K2K 1X8.

On March 7, 2012 at the Company's Annual and Special Meeting of Shareholders the Company's shareholders voted to approve two amendments to the Company's By-laws. The first amendment removed the ability of the Chairman of a Board of Directors meeting to cast an addition or "casting" vote. The second amendment simplified the provision governing the persons authorized to execute documents on behalf of the Company to allow any officer or employee acting within the scope of his or her authority to execute documents in the usual and ordinary course of the Company's business, and by allowing any director, officer or individual appointed by Board of Directors resolution to execute documents on behalf of the Company that are outside of the usual and ordinary course of the Company's business.

2.2. Current Organization

Material operating subsidiaries are defined as those companies that contribute 10% or more of the consolidated sales and operating revenues of Nordion, or account for 10% or more of the consolidated assets of the Company, or those subsidiaries that, in the aggregate contribute 20% or more of the consolidated sales and operating revenues of Nordion, or account for 20% or more of the consolidated assets of the Company.

As at October 31, 2012, Nordion's sole material operating subsidiary was Nordion (Canada) Inc., a corporation incorporated under the CBCA. Nordion Inc. beneficially owns through a wholly-owned subsidiary of Nordion Inc. all of Nordion (Canada) Inc.'s issued and outstanding shares.

2.3. Discontinued Operations

During fiscal 2011, Nordion completed the sale of MDS Nordion S.A., its wholly-owned Belgian subsidiary. This subsidiary included products across Nordion's three operating business segments: Targeted Therapies, Sterilization Technologies, and Medical Isotopes.

During fiscal 2010, Nordion completed the sales of its MDS Analytical Technologies operations and the Early Stage portion of MDS Pharma Services. The Phase I-IV and Central Lab portions of the MDS Pharma Services business were sold in fiscal 2009.

3. GENERAL DEVELOPMENT OF THE BUSINESSES

3.1. Three-year History and Significant Acquisitions and Divestitures

Nordion is a global health science company that provides market-leading products and services for the prevention, diagnosis and treatment of disease. The Company operates in three business segments: Targeted Therapies, Sterilization Technologies, and Medical Isotopes.

Fiscal 2012 Highlights

- October 29, 2012 Nordion announced it had been granted permission to enter into molybdenum-99 (Mo-99) supply negotiations with the Research Institute of Atomic Reactors (RIAR) and terminated its Mo-99 supply agreement with Open Joint Stock Company "Isotope" (JSC Isotope) effective, October 26, 2012
- October 22, 2012 Nordion announced an extension of its contract until the end of 2015 with its largest customer, Lantheus Medical Imaging, Inc. (Lantheus) to supply Mo-99.
- September 18, 2012 Nordion announced the cancellation of its 2012 Normal Course Issuer Bid (NCIB). Nordion had purchased and cancelled 71,120 common shares under this NCIB, representing approximately 0.1% of the 62,118,021 common shares outstanding as of January 24, 2012. During fiscal 2012, the Company also repurchased 398,500 common shares under its 2011 NCIB.
- September 12, 2012 Nordion announced a strategic realignment of its business by transitioning Nordion to a Business Unit model with two distinct Business Units (Targeted Therapies and Specialty Isotopes) and the appointment of Jeff Brown to its Board of Directors.
- September 10, 2012 Nordion announced the suspension of its quarterly dividend and its intention to cease repurchasing shares under its NCIB.
- September 10, 2012 Nordion announced it was unsuccessful in its claim for specific performance or monetary damages relating to Atomic Energy of Canada Limited's (AECL) cancelled construction of the MAPLE facilities.
- August 8, 2012 Nordion voluntarily disclosed it was conducting an internal inquiry and investigating a foreign supplier and related parties related to compliance with the Canadian Corruption of Foreign Public Officials Act and the U.S. Foreign Corrupt Practices Act.
- June 5, 2012 Nordion announced it had extended its Co-60 contract with Zhongjin Irradiation Co. Ltd. until 2014 and that it had signed a multi-year agreement with Japan Radioisotope Association.
- May 9, 2012 Nordion launched the Gamma Centre of Excellence.
- April 24, 2012 Nordion announced YES-P Europe-focused Phase III clinical trial for TheraSphere® liver cancer treatment.
- March 25, 2012 Nordion launched custom doses for TheraSphere® in Europe and Canada.
- January 31, 2012 Nordion announced the renewal of its NCIB.
- January 19, 2012 Nordion announced it entered into a six-year cobalt-60 (Co-60) supply agreement with Synergy Health.

Fiscal 2011 Highlights

October 31, 2011	As at October 31, 2011 the Company had repurchased and cancelled 4,860,132 million Common shares for \$52.4 million pursuant to its 2011 NCIB.
October 27, 2011	The Canadian Nuclear Safety Commission (CNSC) announced the renewal of the National Research Universal (NRU) reactor licence until 2016.
June 16, 2011	Nordion awarded the contract for the STOP-HCC and EPOCH TheraSphere® Phase III clinical trials to Theorem Clinical Research.
June 3, 2011	Nordion secured a new three-year \$75 million revolving credit facility.
March 31, 2011	Nordion completed the divestiture of MDS (Nordion) S.A. Belgium.
March 23, 2011	Nordion announced the STOP-HCC and EPOCH Phase III clinical trials for TheraSphere.
March 10, 2011	Nordion appointed Janet Woodruff and Sean Murphy to its Board of Directors.
January 25, 2011	Nordion entered a five-year Co-60 supply contract with Sterigenics International.
January 20, 2011	Nordion approved the introduction of a quarterly cash dividend policy and an initial quarterly dividend of \$0.10 per share was paid on April 1, 2011. Nordion announced the reinstatement of a NCIB authorizing it to purchase for cancellation up to 5,677,108 of its Common shares.
January 5, 2011	Nordion announced it had extended its Mo-99 supply contract with Lantheus to 2013.

Fiscal 2010 Highlights

September 23, 2010	The Company entered into a framework agreement with Isotope, the authorized subsidiary of RosAtom State Corporation. Under the framework agreement, the Company signed a 10-year agreement for the supply of Mo-99.
August 17, 2010	The NRU reactor returned to operation and the Company resumed its role in the medical isotope supply chain.
August 13, 2010	The Company announced the extension of its existing Co-60 supply agreement with Ontario Power Generation until 2020.
July 8, 2010	The Company completed the move of its headquarters from Toronto, Canada to Ottawa, Canada. The Company announced the signing of a new contract with customer Lantheus to purchase Mo-99.
March 29, 2010	The Company repurchased and cancelled 52,941,176, or 44%, of the issued and outstanding Common shares, at a purchase price of \$8.50 per Common share for a total cost of \$450 million under a substantial issuer bid.
March 11, 2010	The shareholders of the Company approved a special resolution authorizing the change of the Company's name to Nordion Inc. at the Company's 2010 Annual and Special Meeting of Shareholders.
March 8, 2010	The Company completed the divestiture of MDS Pharma Services Early Stage.

February 3, 2010 The Company repaid in full its remaining outstanding senior unsecured notes for \$223 million.

February 1, 2010 William D. Anderson became Chairman of the Company's Board of Directors.

Peter Dans became Chief Financial Officer of the Company.

January 29, 2010 The Company completed the divestiture of MDS Analytical Technologies for a purchase price of \$623 million in cash.

January 8, 2010 Steven West was appointed as Chief Executive Officer of the Company.

November 2, 2009 The Company completed the divestiture of MDS Pharma Services Central Labs.

3.2. Business Focus

Nordion is a global health science company that provides market-leading products and services for the prevention, diagnosis and treatment of disease. The Company is organized into two business units: Targeted Therapies and Specialty Isotopes, which operates two business segments: Sterilization Technologies and Medical Isotopes.

Nordion's business strategy is focused on three strategic initiatives: to build an Interventional Oncology (IO) business within the Targeted Therapies unit with an initial focus on TheraSphere®, to maintain cash generation and selectively invest in growth opportunities in the Sterilization Technologies business, and to optimize the Medical Isotopes business. The Company's business strategy builds upon its core competencies in manufacturing, logistics, and regulatory capabilities and leverages its investments in human capital and an extensive distribution infrastructure. Nordion continues to focus on maintaining its leadership positions and investing in products that are characterized by high margins and strong cash flows, and management, from time-to-time, considers other various strategic alternatives, including but not limited to corporate reorganization and acquisition or divestiture of certain assets or businesses.

In the first quarter of 2013, with a view to enhancing shareholder value and creating new opportunities, the Company has initiated a review of strategic alternatives. Jefferies & Company has been engaged to advise and assist in this review. No decision has been made to enter into any specific strategic transaction or any other strategic alternative at this time, and there can be no assurance that Nordion will enter into a transaction in the future. The Company does not plan to disclose or comment on developments regarding the strategic review process until further disclosure is deemed appropriate. Nordion intends to continue with planned business activities throughout the strategic alternatives review process.

4. DESCRIPTION OF THE BUSINESS

4.1. Overview

Nordion's two business units, Targeted Therapies and Specialty Isotopes, revolve around the development, processing and timely shipment of radioactive isotopes to provide products for the prevention, diagnosis and treatment of disease.

Entry into the Targeted Therapies and Specialty Isotopes markets requires significant capital investment, extensive process development and access to limited supplies of raw materials. The processing of raw isotopes is dependent upon the availability of capacity in acceptable types of nuclear reactors and cyclotrons. Processing facilities such as those operated by Nordion are centralized, capital intensive, and expensive to operate. In addition, due to the nature of the materials handled by the facilities, government and environmental regulation are significant factors in the business.

For the year ended October 31, 2012, Nordion's consolidated revenues were \$244.8 million compared with \$274.0 million for the year ended October 31, 2011.

As of October 31, 2012, Nordion distributed its products in more than 60 countries.

4.2. Reportable Operating Segments

In September 2012, Nordion announced a strategic realignment of its business designed to focus on improving the execution of Nordion's business strategy. Nordion transitioned to a Business Unit model with two distinct business units: Targeted Therapies and Specialty Isotopes, each of which is supported by centralized shared corporate functions. The Specialty Isotopes business includes two segments: Sterilization Technologies and Medical Isotopes. Nordion reports financial results by three business segments: Targeted Therapies, Sterilization Technologies, and Medical Isotopes, as well as certain corporate functions and activities reported as Corporate and Other.

The results reported in Nordion's fiscal 2012 financial statements and MD&A reflect the new Business Unit structure. The primary change to the Company's reporting is that Contract Manufacturing is now reported in Medical Isotopes (previously reported in Targeted Therapies). Prior years have been restated to reflect this change.

As a result of a strategic repositioning that took place over fiscal 2009 through fiscal 2011, the Company reports MDS Pharma Services, MDS Analytical Technologies, and MDS Nordion S.A. as discontinued operations in the Consolidated Statements of Operations for all relevant periods presented therein.

4.3. Targeted Therapies

Nordion's Targeted Therapies unit's sole product is TheraSphere®, a therapeutic medical device that is used in the treatment of inoperable liver cancer.

TheraSphere® can experience variation in demand due to routine oncology care, contributing to fluctuations between quarters. Demand has generally been growing over the long-term.

For the year ended October 31, 2012, Targeted Therapies revenue was \$48.5 million compared with \$42.6 million for the year ended October 31, 2011.

Product Overview and Industry Dynamics

The primary use of TheraSphere® is the treatment of liver cancer by delivering radiation therapy to the tumor using a glass microsphere impregnated with the isotope, Yttrium-90 (Y-90). The microspheres are delivered via a catheter (tube) into the blood vessels of the liver where they get lodged and emit radiation. The technical term for the process is radioembolization. The glass microspheres used in TheraSphere® are smaller than the diameter of human hair and allow for a higher concentration of radiation treatment directed to the tumor and limits both damage to surrounding healthy tissue and side effects for the patient that often result from other forms of cancer treatment, such as external radiation or drug therapy. TheraSphere® also may allow patients to receive future treatment options as they progress through various stages of their disease. Alternative treatment options may include repeat TheraSphere® treatment, surgery, transplantation or other therapy.

According to the International Agency on Research in Cancer (IARC), liver cancer remains the fifth most common form of cancer worldwide. According to Globocan 2008, over 700,000 people globally will be diagnosed with primary liver cancer annually. The mortality rate is slightly less than 700,000 annually.

There are two general classifications of liver cancer, both of which can be treated using TheraSphere®. The first classification is primary liver cancer, in which the cancer begins in the liver itself and is predominantly hepatocellular carcinoma, or HCC, but also includes cholangiocarcinoma. The second classification is metastatic liver cancer or secondary liver cancer, in which the cancer migrates to the liver from another organ. The predominant form of metastatic liver cancer is from colorectal cancer. Colorectal cancer is estimated to result in liver cancer at a rate of 60% (Reference: Sasson AR, Sigurdson ER. Surgical treatment of liver metastases. *Semin Oncol*. 2002; 29:107-118). Based on colorectal cancer figures from Globocan 2008, the annual incidence of metastatic liver cancer from colorectal cancer is greater than 600,000 people globally.

As of October 31, 2012, TheraSphere® was sold in 14 countries around the world.

Products/Services

TheraSphere®

TheraSphere® was licensed from Theragenics Corporation in 1995 and developed as a medical device for the targeted treatment of liver cancer. TheraSphere® treatment involves injecting tiny radioactive glass beads through a catheter such that they will lodge in cancerous tumors in the liver. The radioisotope used in this treatment is Y-90.

Nordion purchases glass beads that contain a target material, which is converted into Y-90 when the beads are irradiated (placed in a source of radiation) in a research reactor. Nordion has arrangements with two reactors (the Missouri University Research Reactor and NTP Radioisotopes (Pty) Ltd. (NTP), a wholly owned subsidiary of the South African Nuclear Energy Corporation (NECSA)) for irradiation. The NRU reactor is not used in the production of TheraSphere®. The glass beads are processed and dispensed into unit doses at Nordion facilities and shipped directly to hospitals and clinics globally, for treatment of patients.

Nordion has also developed the apparatus that is used to inject the TheraSphere® dose into the patient's liver, which is referred to as the *administration system*. Each dose is injected using a sterile, single use administration set attached to a catheter inserted in the hepatic artery (the main artery in the liver) to deliver TheraSphere® directly to the liver tumor area. The injection of TheraSphere® infusion is a minimally invasive, non-surgical procedure performed by an interventional radiologist.

TheraSphere® accounted for 100% of Targeted Therapies revenue in fiscal 2012.

TheraSphere® Regulatory Status

TheraSphere® is currently authorized by the U.S. Food and Drug Administration (FDA) as a Humanitarian Use Device for use under a Humanitarian Device Exemption (HDE) as a radiation treatment for unresectable (cannot be removed by surgery) HCC. Unless or until Pre-market Approval for TheraSphere® is received from the FDA, regulations applicable to the HDE for TheraSphere® include limitations on profits from sales and operations in the U.S. related to the product, such as demonstrating that the amount charged in the U.S. for TheraSphere® does not exceed TheraSphere®'s research, development, fabrication and distribution costs, that U.S. incidence of the disease indication remain below a prescribed level (4,000 cases per year) and that there is not a similar FDA approved product for the indication available in the U.S. In addition, each customer must apply for approval from their hospital's Institutional Review Board before administering the treatment.

TheraSphere® is reimbursed in the U.S. under the HDE by Centers for Medicare and Medicaid Services (CMS) and by many commercial payors.

TheraSphere® is fully approved under a medical device CE mark for sale in Europe. TheraSphere® received a medical device CE mark in 2005 and is indicated for use in the treatment of liver neoplasia, which includes both HCC and metastatic liver cancer. TheraSphere® also has approval for liver neoplasia in other jurisdictions, including Canada.

TheraSphere® is considered eligible for reimbursement in certain European countries, including Belgium, Germany and parts of Italy.

The Company has launched Phase III clinical trials for TheraSphere® to provide the data required to assess safety and efficacy that would be used to support an application to obtain U.S. Pre-Market Approval (PMA), and to establish clinical utility and support the approval and amount of reimbursement of TheraSphere® in certain global markets. The Phase III trials are described in the section on Strategic Achievements (below). If a PMA is achieved related to the indication that TheraSphere® is currently approved for under its HDE, the limitation and restrictions associated with the HDE would be eliminated.

Competition

For inoperable liver cancer, and in particular, unresectable HCC, therapies that may be used instead of TheraSphere® to treat liver cancer include transarterial chemo-embolization (TACE), kinase inhibitors, drug-eluting beads, radiofrequency ablation, and Y-90 resin microspheres. TACE uses a non-standardized mixture of agents that is defined and formulated locally at the hospital or clinic. Drug-eluting beads are referred to as the next generation TACE in which the drug is loaded into a porous bead and elutes over time after infusion into the liver. Kinase inhibitors are also a common form of treatment and are growing in use. As of October 31, 2012, the sole kinase inhibitor product in this area is Nexavar® (Sorafenib), which is made by Bayer AG.

For secondary liver cancers, TheraSphere® may be considered as a treatment option following standard drug or chemotherapy treatments. This may occur in a third line (after failure of first and second line treatment options) or subsequent settings. Nordion has initiated a clinical trial (see Strategic Achievements section below), that involves TheraSphere® combined with standard chemotherapy treatment in a second line application after the patient has failed first line chemotherapy alone. A resin Y-90 microsphere product, called Sir-Spheres®, made by Sirtex Medical Limited, is used in both HCC and secondary liver cancers in its approved markets.

Strategic Achievements

During fiscal 2012, Nordion continued to focus on the growth of TheraSphere®. TheraSphere® continued to gain market acceptance as the knowledge and application of radioembolization became more widely used and accepted for the treatment of liver cancer.

The Company is investing in TheraSphere® growth by conducting Phase III clinical trials, which are intended to i) expand approved indications in the U.S., ii) demonstrate improved effectiveness over certain existing treatment options, which is expected to support adoption growth in Europe and Asia, and iii) expand European reimbursement.

Nordion is currently involved in three Phase III clinical trials: STOP-HCC, EPOCH and YES-P. Nordion has engaged Theorem Clinical Research (Theorem), a full service clinical research organization (CRO) to conduct these trials. Theorem is providing clinical trial implementation services which include clinical data management, statistical analysis, monitoring, and administrative expertise to support the conduct of the trials. These trials are expected to be significantly larger than any of the clinical trial activities that Nordion has completed to date, and are expected to result in a significant increase in the Company's level of research and development (R&D) investment.

In the second quarter of fiscal 2011, the FDA approved Nordion's Phase III clinical trial applications for both primary liver cancer (STOP-HCC) (approximately 400 patients at up to 40 sites around the world) and metastatic liver cancer (EPOCH) (approximately 360 patients at up to 30 sites around the world). The Company has designed these trials to provide the data to support a submission to the FDA to obtain PMAs for the product in the U.S.

The STOP-HCC and EPOCH trials are also expected to support reimbursement both within and outside the U.S. TheraSphere® is currently authorized by the U.S. FDA under an HDE, and reimbursed in the U.S. as a radiation treatment for primary liver cancer or HCC.

Nordion has made progress in the STOP-HCC and EPOCH clinical trials, including the initiation of multiple clinical sites that are available for patient enrollment. The Company anticipates the level of activity associated with these trials to increase during fiscal 2013 as a greater number of clinical sites are initiated and more patients are screened for eligibility and enrolled in the trials.

During the second quarter of fiscal 2012, Nordion announced more information regarding its commitment to a European-focused randomized trial (YES-P) in the subset of primary liver cancer patients with portal vein thrombosis (PVT). PVT is a complication in which a clot or tumor forms in or against one of the major blood vessels supplying the liver, and occurs in approximately 30 to 40% of HCC cases. The presence of PVT is a contraindication for most embolic therapies, but as TheraSphere® is microembolic, it represents an available alternative treatment even for such patients. The trial has been planned to evaluate and compare the safety and efficacy of TheraSphere® versus sorafenib in HCC patients with PVT. The trial is targeting enrolment of about 350 patients at approximately 24 sites.

The overall cost of the three Phase III clinical trials is currently expected to be approximately \$15 million to \$20 million each over approximately six years.

In addition to the Phase III clinical trials, Nordion has completed a Phase II open label study, which is focused on demonstrating safety in liver metastases. A manuscript is under development and expected to be published in early 2013. Nordion also supports medical or scientific research by supporting Investigator Initiated Studies (IIS). In 2012 Nordion supported 15 studies that explore specific areas of interest intriguing to both investigators and Nordion alike to advance the clinical utility of TheraSphere. Currently, there are several studies underway globally in various settings and investigating the use of TheraSphere® in a number of liver cancer indications.

Throughout fiscal 2012 Nordion announced a number of key TheraSphere® achievements including launching the following:

- Innovative iPad App designed to provide physicians with a comprehensive educational tool to enable finding product information easier and enable physicians to share information with their referral networks;
- New preceptor program designed to connect physicians with experienced interventional radiologists that provide medical and technical advice to treatment users; and,
- New custom dosing option to provide physicians with a total of 35 standardized, reproducible, ready-to-infuse unit dose vial configurations providing a more personalized treatment option to meet patient-specific needs and assist doctors with more options for “hard-to-treat” patients.

4.4. Specialty Isotopes – Sterilization Technologies

The Sterilization Technologies segment focuses on the prevention of disease through the terminal (in final packaging) sterilization of medical products and devices, as well as microbial reduction in food and consumer products.

Nordion is a leading supplier of gamma sterilization consumables and equipment: Co-60 and production irradiators. Gamma sterilization is primarily used for sterilization of single-use medical devices and various other applications including food irradiation. The global market for Co-60 is driven primarily by the growth in volume of single-use medical devices needed to satisfy market requirements, and by any changes in sterilization modality share of these products. An estimated 40% of the world’s single use medical supplies, such as bandages, catheters and syringes, are sterilized with gamma irradiation. A number of consumer products, including contact-lens solutions, cosmetics, and certain foods, are also irradiated with this technology. Management expects that the number of products that need to be safely and effectively sterilized will continue to grow.

For the year ended October 31, 2012, Sterilization Technologies revenue was \$95.4 million compared with \$108.7 million for the year ended October 31, 2011.

Product Overview and Industry Background

Gamma sterilization requires both consumables and equipment: Co-60 and production irradiators, respectively. A production irradiator is the infrastructure that makes up a part of a sterilization and warehousing operation. The production irradiator houses Co-60, a radioactive metal. The products to be sterilized are moved from the exterior to the interior chamber of the production irradiator where they are safely exposed to the radiation from Co-60. The radiation passes through the products and destroys any contaminating micro-organisms, leaving the products untouched in their original packaging. Nordion's customers include contract sterilizers who sterilize products on behalf of manufacturers, medical product manufacturers, food exporters or processors, and consumer goods manufacturers. Nordion estimates that approximately 80% of the installed Co-60 in the world is used for the sterilization of single-use medical devices.

While there has been a general trend towards outsourcing sterilization to contract service providers, some medical device manufacturers continue to invest in the sterilization facilities for their own use. The primary drivers for building their own facilities are a desire to reduce the cost of inventory, improve turnaround time, and have control of the product and sterilization process at all times. Contract sterilizers provide sterilization services to medical device manufacturers who either do not have sufficient volumes to warrant the investment in their own sterilization facility or who have chosen not to for strategic reasons.

The medical device and sterilization markets in the U.S., Europe and Japan are the largest in proportion to the rest of the world and are considered to be mature. The regulatory environment is well defined for construction and operation of facilities, and for transportation of Co-60. The sterilization modality share is also relatively stable in these markets.

Drivers for growth in developing markets, such as in Central and South America and Asia-Pacific, are typically large populations with potential for increased consumer spending, and the availability of inexpensive skilled and unskilled labour to attract manufacturing and other business from more developed countries. The regulatory requirements for the environment impact the use of sterilization modalities competitive to Co-60 in these regions, and this presents potential upside opportunity for Co-60 in the medium to longer term. Another characteristic of developing markets is that there tends to be a higher proportion of non-medical products processed using Co-60, such as food, consumer products, etc. The majority of new production irradiators currently being built are in the developing markets.

The food irradiation market segment is characterized by higher growth, although it accounts for a small proportion of the installed irradiation capacity. Today, food irradiation is utilized in the U.S. and Europe mostly for reducing or eliminating harmful microorganisms in spices, which have been irradiated in the U.S. for over a decade, and in the developing economies for phytosanitary purposes (elimination of pests in fresh produce), shelf life extension and microbial reduction purposes. The technology is endorsed by the World Health Organization, United Nations Food and Agriculture Organization, the FDA, and the National Aeronautics and Space Administration and the American Medical Association. Globally, food irradiation is increasingly being adopted by countries in regions that are focused on both safety of their food supply and export (e.g. Asia-Pacific and Central and South America).

Products/Services

The primary product Nordion sells in its Sterilization Technologies segment is Co-60. Co-60 is a radioactive metal that emits the radiation that sterilizes items by destroying any contaminating micro-organisms. Co-60 has a half-life of just over five years; therefore processing and shipping efficiency are less time-sensitive for this isotope than for isotopes used in medical imaging and radiopharmaceuticals. Co-60 is produced by placing Cobalt-59 (Co-59), the most common form of Cobalt, into a nuclear power reactor to be irradiated. The radiation in the nuclear reactor converts the Co-59 to Co-60. Co-60 is produced in some types of nuclear reactors that are used to generate electricity. The technology to modify these reactors such that they can be used to produce Co-60 was originally developed by engineers at AECL. Depending on the type of reactor and the location of the Co-59 in the reactor, it takes between 18 months and five years (typically 18 to 30 months in Canada and approximately five years in Russia) to convert sufficient Co-59 into Co-60. Therefore, forecasting supply and working closely with suppliers to manage the amount and timing of shipments is important in this part of the business. The Co-60 is then shipped to Nordion's Ottawa facilities where it is processed and doubly encapsulated to form "pencils" with specific levels of radioactivity. Co-60 is sold by the level of radioactivity as measured in curies.

Nordion also sells production irradiator facilities, which are loaded with Co-60. Production irradiators, the infrastructure that makes up a part of a sterilization operation, include the shield, a series of conveyors, and control systems, and are designed to expose target products to the correct dosage of gamma radiation in a safe and efficient manner. While Nordion designs and project manages the construction and installation of production irradiators, the Company outsources the majority of their construction.

Delivery of a production irradiator is usually accompanied by an initial shipment or "loading" of Co-60. Resupply or replenishment of Co-60 is required from time-to-time, as the activity level of Co-60 declines at a rate of approximately 12% per year. Co-60 is delivered to customers using Nordion-designed and internationally approved fleet of transport containers and procedures.

As of October 31, 2012, Nordion had designed and built more than 120 of the estimated 180 large scale production irradiators operating globally. The Company considers its share of the installed base and the longevity of customer relationships to be a competitive advantage.

In May 2012, Nordion launched the Gamma Centre of Excellence (GCE) in support of its mandate to foster the growth of the gamma irradiation market through new applications. The GCE focuses on applied research and development, training and specialty gamma processing for industrial and academic customers from across Canada and around the world. The GCE offers world-class R&D, and specialty contract irradiation services and training to Nordion's customers and partners, and develops gamma irradiation processes for new or challenging products and materials. These activities help position Nordion as a partner of choice for gamma processing, application development and training.

Nordion also sells small quantities of Co-60 that are used in medical equipment as radiation sources for cancer treatments.

Co-60 Supply

The amount of Co-60 supply is currently limited by the number of power reactors that are available to produce it. Receipt of isotopes used for sterilization tends to vary on a quarterly basis, due primarily to the length of time required to convert Co-59 into Co-60, the limited number of facilities in which this can be done economically, and the timing of the removal of Co-60 from the reactor. The Canadian reactors that supply Co-60 have to be shut down for routine maintenance during defined times of the year; Co-60 is removed during these scheduled maintenance periods. As the reactors' primary purpose is to generate electricity, they tend to shut down in the spring and fall. The Company expects current inventory and expected supply to meet demand over the next several years.

The majority of raw Co-60 material is produced under long-term supply contracts with nuclear power suppliers including Bruce Power L.P. (Bruce Power), Ontario Power Generation (OPG), and The Open Joint Stock Company "Isotope" (JSC Isotope), which receives the Co-60 from Russia's State Atomic Energy Corporation "Rosatom" (RosAtom), the operator of Russia's nuclear power plants. Bruce Power supplies the largest share of Nordion's Co-60 from four reactors under an exclusive contract with Nordion that extends to 2018. OPG's exclusive Co-60 contract with Nordion extends to 2020. The contract with JSC Isotope, the subsidiary of Rosatom, for the supply of Co-60 to Nordion extends to 2024.

The variability of Co-60 supply from nuclear reactors may impact revenue based on the timing of the discharge. In addition, revenue is impacted by the Company's customers' abilities to receive supply from Nordion, as customers must shut down their production irradiators in order to install the Co-60. Customers generally schedule installation of new Co-60 supply into their production irradiators when their irradiation demands are lower.

Competition

Competition in the sterilization technologies market is affected by the ability of suppliers to source Co-60, manage their inventory of Co-60, and transport their Co-60 around the world. While sourcing, delivery and logistics are advantages for Nordion in North America, the most significant competition in the supply of Co-60 comes from REVISS Services (U.K.) Ltd. based in England. REVISS acquires Co-60 from Russian and Argentine sources and over the past 25 years has supplied customers in many countries. In June 2010, the first quantities of Co-60 produced by China Isotope Corporation (CIC) were removed from the Third Qinshan Nuclear Power Company Ltd (TQNPC) reactors, creating a third, but regional, competitor for the supply of Co-60. The CIC has not publicly stated its intent to export Co-60 outside of China. The Company's primary competitors in the construction of production irradiators are contract sterilizers who build their own production irradiators, including Sterigenics and Synergy Health, and companies that are currently building a number of new production irradiators in Asia.

Competition also comes from alternative sterilization technologies, the most significant of which are Ethylene Oxide (EtO) and electron-beam technologies. Balchem Corporation is the only EtO supplier in the U.S., with many smaller players serving other markets. Ion Beam Applications, S.A. is one of the major manufacturers of electron-beam sterilization technologies. Management believes that Co-60 based sterilization technologies continue to have certain advantages over these alternative technologies for a number of applications. Major advantages that gamma sterilization has over EtO include allowing for the immediate release of the product without wait times and not resulting in toxic residues that could remain on products after sterilization with EtO. Major advantages that gamma sterilization has over electron-beam include gamma being able to sterilize all densities of product, while electron-beam is only applicable to low density. In addition, penetration of gamma is significantly higher, so it can be used to sterilize large volumes of product without breaking down the product packages. Also, there are a significant number of industrial sites that exclusively use Co-60. The sterilization modality share remains fairly stable in the developed economies but may be subject to a shift in favour of gamma in the emerging economies, such as

China if tougher environmental regulations emerge for the use of EtO. These regulations may not come into effect for a number of years, but if implemented, they could have a similar impact as they had in North America, making gamma use more cost competitive.

Co-60 source production requires large capital expenditures to build hot cell facilities, container licensing, transportation route development, and long-term Co-60 supply agreements with reactor owners. Nordion has a license to the production technology to allow CANDU reactors to be modified to allow for Co-60 irradiation. The CANDU reactors are manufactured by SNC Lavalin. SNC Lavalin acquired the CANDU division from AECL in 2011.

Strategic Achievements

During fiscal 2012, Nordion announced it had entered into a six-year contract with Synergy Health to 2017, formalized an agreement with Zhongjin Irradiation Co. Ltd to 2014, and signed a multi-year agreement with Japan Radioisotope Association for the sale of Co-60.

In May 2012, Nordion launched the Gamma Centre of Excellence (GCE) in support of its mandate to foster the growth of the gamma irradiation market through new applications. The GCE focuses on applied research and development, training and specialty gamma processing for industrial and academic customers from across Canada and around the world. The GCE offers world-class R&D and specialty contract irradiation services and training to Nordion's customers and partners, and develops gamma irradiation processes for new or difficult to sterilize products and materials. These activities help position Nordion as a partner of choice for gamma processing, application development and training.

In December 2011, the GammaFIT, a new Flexible Irradiation Technology modular irradiator, became commercially available. The GammaFIT is a market-entry irradiator offering lower capital investment and is designed for optimum processing and flexibility to support future growth. The GammaFIT enables customers to start off with a lower cost configuration, and has the flexibility to be scaled up and increase throughput as processing volume and needs grow. Because many smaller companies are discouraged from entering the sterilization business due to the large initial capital investment in equipment, Management believes that the GammaFIT may provide a more affordable product that could be used in new Co-60 markets for Nordion, particularly Latin-America and Asia.

4.5. Specialty Isotopes – Medical Isotopes

Nordion is a global supplier of medical isotopes and is viewed as a leader in this market segment of the nuclear medicine industry. The most common uses of medical isotopes are for the diagnosis and risk stratification of patients at risk for coronary artery disease, and in oncology to detect, stage, and treat cancer. The most common medical isotope in use today in nuclear medicine is Technetium-99m (Tc-99m), which is derived from Mo-99, one of Nordion's most commonly purchased products. According to the World Nuclear Association, approximately 30 million procedures using Tc-99m are performed each year, accounting for 80% of all nuclear medicine procedures worldwide.

The overall increase in healthcare spending and population growth, both have an impact on the growth in the utilization of diagnostic tests. Sales of medical isotopes do not follow any notable seasonal patterns or other cycles, and demand is relatively constant. The short half-life of the isotopes used for medical purposes, typically measured in hours, limits the ability of any market participant to build significant inventories.

Nordion is also a contract manufacturer for two commercially available radiopharmaceuticals: Bexxar®, a GlaxoSmithKline, Inc. (GSK) product for the treatment of non-Hodgkin's lymphoma and CardioGen-82®, a Bracco Diagnostics Inc. (Bracco) product for cardiovascular PET imaging.

For the year ended October 31, 2012, Medical Isotopes revenue was \$101.0 million compared with \$122.8 million for the year ended October 31, 2011.

Product Overview and Industry Background

A radioactive isotope, or radioisotope, is a form of a chemical element that emits energy in the form of radiation during its decay to a stable form. Radioisotopes have important uses in medical diagnosis, treatment, and research, and are referred to as medical isotopes. Medical isotopes are used in many hospitals or imaging centers around the world for medical imaging and targeted therapies and have been used for more than 30 years.

Isotopes are used for medical imaging diagnostic procedures because of their ability to emit radiation. Isotopes used in medical imaging decay relatively rapidly and emit high energy photons that can be detected by Single Photon Emission Computed Tomography (SPECT) or Positron Emission Tomography (PET) cameras. When formulated in combination with chemical compounds that are attracted to, or accumulate in, particular cells, these isotopes can aid physicians to create images of the functioning tissues and organs of the body. These images can then be used in the identification, monitoring and treatment of disease. Certain types of radiation can be used alone to deliver radiation therapy directly to cancerous cells.

Processing raw radiochemicals into medical isotopes that are in a form suitable for the intended medical use is highly specialized. Many medical isotopes have a half-life, or the time it takes for the level of radiation from material to reduce (or decay) to half its initial level, of several hours to several days. While this is an important medical characteristic, it imposes constraints on the manufacturing process and the logistics procedures needed to deliver refined product to Nordion's customers, radiopharmaceutical manufacturers. Security of logistics is a key customer concern due to the short lifespan of the products; hence, efficient and safe transportation systems are vital components of the business. Management believes that the Company's strength in manufacturing and logistics creates a competitive advantage.

Nordion also manufactures radiopharmaceuticals at its facilities on behalf of customers who own such products and are responsible for marketing, selling and developing them. Nordion manufactures the radiopharmaceutical product, which includes a medical isotope, and delivers it directly to radiopharmacies, hospitals or clinics. Each of the radiopharmaceutical products manufactured by Nordion has its own customized facilities that are designed to meet pharmaceutical regulatory manufacturing requirements.

Products/Services

Reactor and Cyclotron Isotopes

Nordion's Reactor and Cyclotron isotopes are sourced from nuclear reactors and cyclotrons, respectively. Nuclear reactors are commonly used to generate electricity; however, the nuclear reactors that produce medical isotopes are typically smaller reactors that are used for multiple purposes, including research and radioisotope production. These research reactors are generally owned by government entities in the countries in which they operate. Nuclear reactors produce energy and radiation used to produce radioisotopes through the fission of reactor fuel, which typically contains Uranium-235 (U-235).

Cyclotrons are machines that use electricity to accelerate subatomic particles in a circular path to increase the particles' energy. Cyclotrons come in various sizes and are generally owned by the medical isotope producer. Academic or government-owned cyclotrons that are used for research may also be used in medical isotope production. Medical isotopes are produced by placing material, commonly referred to as a target, in a reactor or cyclotron. When the target is irradiated (bombarded by particles from a reactor or cyclotron), a physical reaction occurs that changes a portion of the target material into a radioisotope.

Nordion's primary product is Mo-99, which is produced in a nuclear research reactor. Nordion purchases reactor isotopes in an unfinished, non-purified form, and transports them to its facilities in Ottawa, Canada, for further processing. Currently, Nordion's principal source of such isotopes is the NRU reactor, which is operated by AECL. After Nordion processes the Mo-99, it is sold to the Company's customers, radiopharmaceutical manufacturers, as a medical isotope. Mo-99 naturally decays into Tc-99m, the isotope that is combined with chemical compounds to form radiopharmaceuticals that are used in imaging procedures to diagnose heart disease and certain forms of cancer.

The targets used to produce Mo-99 are made from U-235, which produces Mo-99 as one of its isotopes when it goes through radioactive decay. Uranium targets used in isotope production are classified as highly enriched uranium (HEU) or low-enriched uranium (LEU), which differ in the concentration of U-235 contained in the material. Material with a content of U-235 below 20 percent is considered to be LEU. Mo-99 can also be generated from LEU targets, by irradiating other material in a nuclear reactor or by irradiating material using

cyclotrons or other accelerators. Up to 2010, all major producers of Mo-99 used reactors with targets made from HEU (see *Section 4.5 Specialty Isotopes – Medical Isotopes – Recent Industry Trends*).

In 2010, South Africa's NTP and the Australian Nuclear Science and Technology Organization (ANSTO), both began the production of Mo-99 using both LEU fuel and targets. The NRU reactor uses LEU fuel but HEU targets. The NRU reactor is not retrofitted to irradiate LEU targets.

Other key reactor isotopes include Xenon-133 (Xe-133) (used in lung scans), I-131 (used to treat hyperthyroidism, thyroid cancer and non-Hodgkin's lymphoma), Iodine-125 (I-125) and Y-90 (used to treat liver cancer and non-Hodgkin's lymphoma).

Nordion also manufactures and processes cyclotron isotopes including Iodine-123 (I-123) (used to diagnose thyroid disease), Thallium-201 (Tl-201) (used to diagnose and assess risk of coronary artery heart disease), Palladium-103 (Pd-103) (used to treat prostate cancer), Sr-82 (used in CardioGen-82® manufacturing), and Indium-111 (In-111) and Gallium-67 (Ga-67) (In-111 and Ga-67 are used to diagnose cancer) at its facilities in Vancouver, Canada.

Medical isotopes are typically sold in curies, a measure of the amount of radioactivity of an isotope, or fractions of curies, which are typically processed into small liquid quantities and packaged into shielding to protect personnel shipping and receiving the material.

Nordion purifies medical isotopes using its proprietary manufacturing processes to meet regulatory requirements for incorporating active pharmaceutical ingredients into radiopharmaceuticals. The medical isotopes are shipped in highly specialized proprietary containers to customers around the world primarily using air transportation.

Contract Manufacturing

Nordion is a contract manufacturer for two commercially available radiopharmaceuticals: CardioGen-82® (Rubidium Rb-82 Generator) and Bexxar® (Tositumomab and Iodine I-131 Tositumomab).

CardioGen-82®, a cardiovascular PET imaging agent, is manufactured for Bracco, and is referred to as a generator. The medical isotope Strontium-82 (Sr-82) is put into the generator as a chemical solution. Sr-82 naturally decays into Rubidium-82 (Rb-82), which is the medical isotope that is injected into the patient. The generator is designed such that when the product is dispensed for patient use, only Rb-82 is dispensed. There are limited quantities of Sr-82 available globally. Nordion processes a portion of the Sr-82 required to manufacture CardioGen-82® in a cyclotron at its Vancouver facilities, and purchases a portion of the requirements from other suppliers. Nordion began manufacturing CardioGen-82® in September 2009.

Nordion halted manufacturing of CardioGen-82® in its second quarter of fiscal 2011 due to a manufacturing process change relating to component modifications with a third party supplier. While Nordion expected to restart manufacturing of CardioGen-82® in its fourth quarter of fiscal 2011, in July 2011, Bracco announced it was voluntarily discontinuing the sale of its product and recalling the units in the market due to two patients having received a higher radiation dose than expected. The reason for the recall by Bracco was a different issue from the one that interrupted Nordion's manufacturing of CardioGen-82® in its second quarter of fiscal 2011. As a result, Nordion has not manufactured CardioGen-82® generators since its fiscal second quarter of fiscal 2011.

Bracco began the reintroduction of CardioGen-82® during Nordion's second quarter of fiscal 2012; however Nordion's role has not yet been defined. While Nordion had been supplying Sr-82 to another CardioGen-82® manufacturer to support the reintroduction of CardioGen-82®, the Company stopped shipments in its third fiscal quarter of 2012 as Bracco was investigating a variation of measurements in the field with respect to Sr-82 that Nordion had supplied. Accordingly, Nordion did not ship Sr-82 during its fourth quarter of fiscal 2012.

Nordion also manufactures Bexxar for GSK. Nordion signed a two-year extension through 2014 of its agreement with GSK relating to the supply and manufacture of Bexxar. Nordion has been contracting with GSK for the last nine years.

Recent Industry Trends

Nordion's Medical Isotopes segment is impacted by both the global demand for radiopharmaceuticals used for the diagnosis and treatment of disease, as well as events within the medical isotopes industry.

Some of the key drivers that are increasing the global demand for radiopharmaceuticals include: the improvement of healthcare systems and standards in developing countries, including increased access and reimbursement for medical procedures and treatments in these countries; the aging of the population, particularly in many of the developed countries; and increased incidence of chronic disease and disease related to obesity and other factors.

There are also a number of factors that are reducing global demand for radiopharmaceuticals. There has been an increased focus in the medical community on reducing the amount of exposure to radiation, which may reduce the number of scans that are performed. There is also an increasing focus on the criteria used by physicians in referring patients for scans, with an emphasis on ensuring that only those patients who truly need a scan receive one.

Governments in the U.S., Canada, Europe and elsewhere in the world have recognized the benefits of medical procedures that help provide for early diagnosis of disease and generally support reimbursement of these procedures, which in turn encourages use by physicians and patients. In 2012, the medical isotopes industry continued to adjust to a market environment that was impacted by a global medical isotopes shortage in 2010. Significant events and trends are described below.

Medical Isotopes Supply and Demand

In 2012, the medical isotopes industry continued to adjust to a changing supply and demand market environment.

The majority of the global commercial supply of medical isotopes has historically been produced by five nuclear multi-purpose research reactors, all of which are more than 40 years old. These five reactors are the AECL's NRU reactor in Chalk River, Canada; the European Commission's High Flux Reactor (HFR) in Petten, Netherlands; the Centre d'Etude de l'Energie Nucléaire's Belgian Nuclear Radiopharmacy Centre (BR2) in Mol, Belgium; the Commissariat à l'Energie Atomique's Osiris reactor in Saclay, France; and the Nuclear Energy Corporation of South Africa's (NECSA), SAFARI-1 reactor in Pelindaba, South Africa, operated by NTP. The key isotope produced by these reactors is Mo-99.

Over the past several years, two of these reactors – the NRU reactor in Canada and the HFR in the Netherlands – have each been shut down for extended periods of time. The most recent unplanned extended shutdown of the NRU reactor occurred from May 2009 until August 2010. The HFR was out of service from February 2010 to September 2010. Annual one-month planned shutdowns are a common practice among the large nuclear reactors to conduct inspections, maintenance and repairs. Historically, the NRU reactor and HFR have supplied the majority of medical isotopes globally. As a result of these shutdowns, there have been several periods during which there has been a global shortage in the supply of medical isotopes, and in particular, of Mo-99.

During the 15-month extended NRU outage in 2009 and 2010, a number of changes took place in the medical isotope market impacting global demand for Mo-99, which continued into fiscal 2011 and started to stabilize in fiscal 2012, including:

- Optimized utilization of Mo-99 through matching the scheduling of patients with receipt of product;
- Efficiencies gained in the manufacture, distribution and dispensing of the product; and,
- Increased pricing of Mo-99 compared with historical levels.

In addition to the Mo-99 market being negatively impacted by lower overall demand, the following items have negatively impacted demand for Nordion's products:

- Mandates by Nordion's customers to diversify their supply. Historically, customers purchased all or a large majority of their Mo-99 requirements from Nordion; now, however, they purchase only a portion of their requirements from the Company;

- The Canadian Nuclear Safety Commission (CNSC) mandated an annual one-month planned shut-down of the NRU reactor, during which time Nordion's customers need to obtain alternate supply. This recurring period during which Nordion cannot supply Mo-99 makes the extensions of existing contracts at the same volumes and securing of new contracts with new customers difficult;
- Multi-year commitments of Nordion's customers were required to secure purchases of Mo-99 from the Company's competitors while the NRU reactor was shut down;
- Changes in Nordion's customers' market share as a result of short supply of Mo-99 during the NRU outage;
- Increased capacity of global Mo-99 supply in the market, including from the Australian Nuclear Science and Technology Organization (ANSTO), which announced expansion plans of its Mo-99 production facility scheduled to be completed by 2016; and,
- Commitment from European nations (France, Belgium, and the Netherlands) toward converting medical isotope production to the use of LEU from HEU by 2015.

While the NRU reactor was shut down for the 15-month period, certain other producers that historically were part of the global supply of medical isotopes increased their production levels. In addition, to help mitigate some of the shortage of Mo-99, reactors in Poland and the Czech Republic began to contribute supply as did a reactor in Australia, although at relatively small volumes. Existing producers flexed their capacity to increase supply as well.

Since the NRU reactor and HFR restarted production, there has been sufficient supply to meet demand. In the cases where other products and methods were being used, their use has largely reverted to Mo-99-based products. Nordion believes, however, that many of the changes negatively impacting global demand, as described above, have continued, resulting in a reduction in the global demand for Mo-99, compared with demand prior to the shutdown of the NRU reactor in May 2009.

Irradiating HEU targets is currently the most prevalent way to produce Mo-99. Many countries, led by the U.S., are working to eliminate the export and use of HEU and convert to LEU due to concerns over the proliferation of nuclear weapons and safety.

In this regard, in November 2009, Bill H.R. 3276, also known as, the American Medical Isotopes Production Act, was passed by the U.S. House of Representatives. The Bill called for the appropriation of \$163 million over the next four years to support provisions related to phasing out the export of all HEU for use in making medical isotopes within a decade. In addition, the U.S. government targeted to have at least 50% of U.S. domestic supply of Mo-99 from suppliers that do not use HEU in their processes. Bill H.R. 3276 never became law; however, the American Medical Isotopes Production Act of 2011, Bill S.99, with similar objectives was introduced in January 2011 and was passed by the U.S. Senate on November 17, 2011. Bill S.99 intends to develop a reliable domestic U.S. supply of Mo-99 for medical isotopes production, and proposes a 14-year phase-out from the use of HEU for medical isotopes production. The Act authorizes the U.S. Department of Energy to work with U.S. companies to develop this domestic supply. The legislation proposes no further exports of HEU from the U.S. within seven years but allows for a six-year extension under certain conditions, including insufficient supply of non-HEU-based isotopes. This Act was referred to the House subcommittee on Energy and Environment on December 2, 2011. On November 29, 2012 Bill S.99 was proposed and since then agreed to in Senate by voice vote as an amendment (S.3208) to the National Defense Authorization Act (NDAA) for fiscal year 2013. Bill S.99 was passed by U.S. Congress on December 21, 2012.

The Organisation for Economic Co-operation and Development (OECD) predicts that due to the expected exit of major reactors from the supply chain in 2016 and 2018, combined with the expected conversion to LEU targets in 2015 by many of the existing reactors, the supply of bulk Mo-99 from current processors might be insufficient from as early as 2016 or by 2019.

Governments of several countries have been increasing the funding of domestic and foreign projects both to support reliable isotope supply and the conversion to non-HEU-based supply of Mo-99. Projects to provide new supply, which currently are at various stages from assessment to implementation, include converting existing reactors to produce Mo-99, converting reactors from the use of HEU to LEU, developing new reactors or other technologies, and building new processing facilities.

In 2010, South Africa's NTP and ANSTO, both began the production of Mo-99 using both LEU fuel and targets. The NRU reactor uses LEU fuel but HEU targets. The NRU reactor is not retrofitted to irradiate LEU targets.

As a result of the disruptions of medical isotopes supply and the potential impact of the focus on conversion to non-HEU-based medical isotopes, the medical isotopes industry is working toward developing new technologies for viable long-term supply alternatives to produce medical isotopes, alongside the use of additional medical isotopes produced by methods other than nuclear reactors, including cyclotrons.

Nordion's Supply of Medical Isotopes

NRU Reactor

Nordion's principal source of Mo-99 is the existing NRU reactor located in Chalk River, Canada, which is owned and operated by AECL. In October 2011, the CNSC renewed the AECL Chalk River Laboratories Operating Licence until 2016. The licence covers a broad range of nuclear activities and facilities, including the operation of the NRU reactor.

In 2012, the NRU underwent a planned maintenance shutdown for 31 days during April and May, during which for majority of the time, Nordion did not receive supply of reactor isotopes. This shutdown went as scheduled and Nordion resumed supplying its customers as planned. The Company expects the NRU reactor to undergo a shutdown in or around April 2013 for annual planned maintenance activities. Other than the planned maintenance shutdown described above, Nordion experienced two unplanned interruptions in supply from the NRU reactor in February and March 2012, which were primarily related to NRU reactor repair activities. These shutdowns negatively impacted the Company's revenue by approximately \$2 million in Q2 2012. In Q3 2012, there was also one unplanned supply interruption from the NRU reactor, which impacted two days of shipments.

As previously noted, the NRU reactor restarted the production of medical isotopes in August 2010, following a 15-month shutdown for the repair of the reactor vessel. While AECL was granted a licence extension to 2016 and could potentially be granted a new licence in 2016 to continue operation beyond that time, members of the Government of Canada, including the Prime Minister have stated that it will stop isotope production in 2016.

MAPLE Facilities and Arbitration with AECL

In 1991, Nordion acquired the Medical Isotopes business from the Government of Canada. At that time, Nordion assumed an existing 1988 isotope supply agreement (the 1988 Agreement) with AECL, a Canadian Crown corporation. The 1988 Agreement provided for the supply of isotopes from AECL to Nordion for a maximum of 23 years. The isotopes were being produced at the AECL's NRU reactor, and were eventually to be produced from a new AECL-owned reactor called MAPLE X, which was to be constructed and operated within this period to provide Nordion with the assurance of a long-term supply of isotopes. The obligation to build MAPLE X became the subject matter of a dispute between Nordion, AECL and the Government of Canada in 1993 to 1994, which resulted in Nordion entering a new agreement with AECL in 1996 (the 1996 Agreement).

The 1996 Agreement, which replaced the 1988 Agreement, provided for ongoing interim supply from the NRU reactor, and provided for AECL to design, develop, construct and operate two nuclear reactors and a processing centre (the MAPLE Facilities), which were to be owned by Nordion. The MAPLE project was intended to replace the majority of the isotopes currently produced in AECL's NRU reactor, in particular Mo-99, I-131, I-125 and Xe-133, and also to provide a redundant source of supply with the two MAPLE reactors. AECL agreed to provide interim supply of medical isotopes from the NRU reactor until the MAPLE Facilities were operational. The MAPLE Facilities were required to achieve certain operational criteria by the year 2000 at a planned cost to Nordion of C\$145 million.

By 2005, the project had not yet been completed and the costs had more than doubled, with Nordion's investment exceeding C\$350 million. To address those issues, in March 2005, the Company entered into mediation with AECL related to disputes arising from the 1996 Agreement. In February 2006, both parties agreed to a new agreement (the 2006 Agreement) under which Nordion exchanged all of its ownership rights and obligations in the MAPLE Facilities for a new 40-year long-term supply of isotopes to be produced in the now AECL-owned MAPLE Facilities. AECL also acquired \$46 million of raw material inventory (Mo-99 targets) from Nordion, which are used to produce medical isotopes. In return, Nordion received a cash payment of \$22 million and a non-interest bearing note receivable for \$46 million. In addition, the interim supply agreement in the 1996 Agreement was exchanged for essentially the same interim supply agreement in the 2006 Agreement. Under the 2006 Agreement, AECL assumed complete ownership of the MAPLE Facilities and took responsibility for all costs associated with completing the facilities and all associated ownership responsibilities including maintenance,

repair, production of isotopes, and decommissioning of the MAPLE Facilities. The MAPLE Facilities were required to meet certain operational criteria by October 31, 2008, as specified in the 2006 Agreement. The parties retained certain rights related to existing claims. The terms of this agreement are the subject of the Company's current dispute with AECL and the Government of Canada as discussed below.

On May 16, 2008, AECL and the Government of Canada announced their intention to discontinue AECL's work on the MAPLE Facilities located at its Chalk River, Canada laboratories, effective immediately. Nordion was neither consulted nor informed in advance by AECL or the Government of Canada about their decision. Prior to its May 16, 2008 announcement, AECL had consistently maintained in regular project review meetings with the Company that it would complete the MAPLE Facilities. AECL's announcement and position represents a different perspective on AECL's obligations than that held by Nordion.

On July 8, 2008, Nordion served AECL with Notice of Arbitration proceedings seeking an order to compel AECL to fulfill its contractual obligations under the 2006 Agreement to complete the MAPLE Facilities, and, in the alternative and in addition to such order, seeking significant monetary damages.

On September 10, 2012, Nordion announced it had received the decision in its confidential arbitration with AECL. The Company announced that it was unsuccessful in its claim for specific performance or monetary damages relating to AECL's cancelled construction of the MAPLE facilities. The majority of the tribunal ruled 2:1 that Nordion's claim against AECL in the arbitration was precluded under the terms of the 2006 Agreement between Nordion and AECL. Thus, Nordion was not entitled to a remedy under the 2006 Agreement for the unilateral termination by AECL of the construction of the MAPLE facilities.

AECL had served certain counterclaims claiming damages for breach of contract in the amount of C\$250 million and other relief in response to Nordion's arbitration claim. The arbitrators dismissed AECL's counterclaim against Nordion.

The appeal period in the arbitration matter expired in December 2012, and neither Nordion nor AECL filed an appeal in relation to the ruling.

As the decision of the arbitration favoured AECL, Nordion may be responsible for a portion of AECL's arbitration costs, which could be material. Nordion has received and is currently assessing the legal merits and financial implications of AECL's cost submission. AECL submitted total arbitration-related costs of \$46 million. Nordion and AECL have agreed upon a schedule with the tribunal to determine the allocation of arbitration-related costs. The parties are expected to make written submissions with regard to costs, following which the tribunal is expected to schedule proceedings to hear both parties' arguments during the Company's second fiscal quarter of 2013. Nordion expects a decision to be rendered thereafter.

In 2008, Nordion filed a court claim against AECL and the Government of Canada. Nordion was seeking against AECL (i) damages in the amount of C\$1.6 billion for negligence and breach of contract relating to the 1996 Agreement; and (ii) interim, interlocutory and final orders directing AECL to continue to supply radioisotopes under a certain agreement, i.e., the 2006 Agreement, pending any final judgment and completion of the MAPLE Facilities; and, against the Government of Canada, Nordion was seeking (i) damages in the amount of C\$1.6 billion for inducing breach of contract and interference with economic relations in respect to the 2006 Agreement; (ii) an order that Nordion may set off the damages owing to it by the Government of Canada as a result of the Government's conduct set out herein against any amounts owing by Nordion to the Government of Canada under the Facilities Development and Construction Funding Agreement (FDCFA), a loan agreement between the Government of Canada and Nordion for C\$100 million; and (iii) an interim and interlocutory order suspending any payments that may be owing to the Government of Canada under the FDCFA pending the determination of the issues in this litigation and an interim or interlocutory order requiring the return of all security instruments delivered in connection with the FDCFA. The arbitration decision leaves Nordion open to pursue its ongoing lawsuit against AECL in the Ontario courts in relation to the 1996 Isotope Production Facilities Agreement (IPFA). In the analysis of the decision, although the arbitrators did not rule on the issue, the view of the majority was that a breach of contract by AECL did not occur under the 2006 Agreement. Nordion is pursuing its rights under the IPFA.

The parties have agreed on a preliminary schedule for proceeding in the IPFA claim and Nordion filed an amended statement of claim on January 18, 2013. Having regard to the majority opinion in the arbitration, the amended statement of claim under the IPFA no longer includes the Government of Canada and the damages claimed are substantially lower. Nordion and the Government of Canada have agreed to the discontinuance of the action against the Government of Canada without costs. The schedule provides for AECL to file motions if it sees fit and to file a defence. Documentary productions and discoveries are currently anticipated to begin during 2013. Based on the current schedule, the matter would not be expected to be set down for trial before mid-2014. The claim requests damages in the amount of \$243.5 million for negligence and breach of the IPFA, as well as pre- and post-judgment interest and costs. The damages claimed are for the recovery of Nordion's costs up to the end of the IPFA, net of certain amounts settled between Nordion and AECL at the time of entering into the Interim and Long-Term Supply Agreement (ILTSA).

Under the 2006 Agreement, commercially reasonable efforts are required to maintain isotope production from the NRU reactor until such time as Nordion has established a satisfactory, long-term alternative supply. Nordion continues to explore supply alternatives to mitigate the lack of supply from AECL, for both back-up and the long-term supply of reactor-based medical isotopes.

Permission to Enter Direct Negotiations with Research Institute of Atomic Reactors

In September 2010, the Company signed a framework agreement with JSC Isotope. The framework agreement allows Nordion and JSC Isotope to explore and define areas of collaboration in the field of supply, marketing and sales of isotopes, including medical isotopes produced in Russia.

The framework agreement is intended to facilitate the collaboration and build the business relationship between Nordion and JSC Isotope. The collaboration may result in the creation of joint ventures, supply agreements or other mutually beneficial supply arrangements, in order to efficiently sell isotopes outside of Russia.

Under the terms of a supply agreement that was entered into at the same time as the framework agreement, JSC Isotope committed to supply Mo-99 to Nordion on an exclusive basis for processing, distribution and sales outside of the Russian Federation.

In October 2012, Nordion and JSC Isotope jointly agreed that their Mo-99 supply agreement structure was no longer appropriate and terminated the Russian Mo-99 supply agreement they had entered into in September 2010. The 2010 framework agreement remains in effect. In addition, Nordion had been granted special permission by JSC Isotope to enter into a negotiation directly with the Research Institute of Atomic Reactors (RIAR) for the supply of Mo-99 from RIAR's reactors in Dimtrovgrad, Russia, to potentially reach an agreement that better fits the current production capabilities and market dynamics. If an agreement is reached with RIAR, Nordion expects that such an agreement could establish, following required regulatory approvals, a supplemental supply of Mo-99 that could potentially meet a portion of Nordion's long-term supply requirements. Any Mo-99 volume associated with supply from RIAR would be anticipated to be significantly lower compared with the original agreement that Nordion had with Isotope. The negotiations with RIAR had not begun as of the date of this AIF, and it is uncertain as to whether an agreement will be reached that provides Nordion with sufficient quantities and economic returns to make a potential source of long-term supply viable.

As of the date of this AIF, the Company had only received test samples from JSC Isotope.

Demand for Nordion's Medical Isotopes

As of the date of this AIF, Nordion estimates its current share of the global Mo-99 market share to be in the low 20% range in terms of revenues and weekly Mo-99 volumes.

Lantheus is Nordion's largest customer, purchasing the majority of the Mo-99 that the Company sells. Lantheus accounted for 21%, 22%, and 9% of the Company's total revenue in fiscal 2012, 2011, and 2010, respectively. The percentages were lower in fiscal 2010 due to the shutdown of the NRU reactor for 15 months.

Lantheus stated that it has proactively implemented a diversification strategy for the supply of Mo-99. During the shutdown of the NRU reactor, Nordion maintained business relationships with its customers and, in January 2011, the Company announced it had extended its contract with Lantheus until December 2013 for the supply of Mo-99. On October 22, 2012, Nordion announced it had extended its contract with Lantheus for the supply of Mo-99 for an additional two years until the end of 2015.

Competition

Significant capital and logistics investments are required to successfully compete in the medical isotopes market, and the Company's view is that its established position is a competitive advantage. Since Mo-99 is the most significant medical isotope globally, the majority of competition faced by the Company is in this product. Major Mo-99 competitors include: Covidien plc, based in Ireland; Institute National des Radioéléments (IRE) of Belgium; and NTP of South Africa. Covidien uses the majority of the Mo-99 it processes to generate Tc-99m, and therefore also competes with Nordion's customers. Due to past instability in isotope supply, it is possible that new entrants could decide to enter the market and identify alternative modalities for testing, or develop alternative reactor sources of supply to current reactors, including funding initiatives for reactor capacity in the U.S. New entrants likely would require a minimum of three years to build any such facility. As discussed above in *Description of the Business – Medical Isotopes – Recent Industry Trends – Medical Isotopes Supply and Demand* governments of several countries have been increasing the funding of domestic and foreign projects to support reliable isotope supply and the conversion to non-HEU-based supply of Mo-99. If all of such projects were completed, which Nordion estimates would take from three to ten years, Nordion expects that the result would be a surplus of supply relative to demand.

On a selective basis, Nordion is involved in the development, production and sale of radiopharmaceutical products under contracts with third parties. Companies with products that compete with Nordion's other contract manufacturing products include General Electric and Eckert & Ziegler.

The Company is dependent on its customers' ability to successfully compete in their markets.

Strategic Achievements

On October 22, 2012, Nordion extended its contract with its primary Medical Isotopes customer, Lantheus. Under the terms of the amended agreement with Lantheus, the contract has been extended for an additional two years through 2015. Nordion expects to supply Mo-99 on a weekly basis to Lantheus. The multi-year contract reflects specific pricing for each year of the contract.

On October 29, 2012, Nordion announced that it had been granted special permission by JSC Isotope to enter into a negotiation directly with RIAR for supply of Mo-99. Nordion and JSC Isotope terminated their Mo-99 supply agreement effective October 26, 2012. The 2010 framework agreement with JSC Isotope, to explore and define areas of collaboration for the supply, marketing and sale of isotopes produced in Russia remains in effect.

4.6. Corporate and Other

Certain of Nordion's shared corporate functions and activities are reported as Corporate and Other.

During fiscal 2010, Nordion relocated its corporate headquarters to Ottawa, Canada from Toronto, Canada. The Toronto offices were closed in July 2010, and a large majority of the corporate staff left the Company. The Company implemented a transition plan and reduced the size of the corporate headquarters to reflect the reduced size of the overall business (*See Section 4.9 – Employees*).

4.7. Divested Businesses

MDS Nordion S.A.

On March 31, 2011, Nordion completed the sale of MDS Nordion S.A. its Belgian subsidiary to Best Medical Belgium Inc. (Best Medical) for nominal proceeds. Pursuant to the share purchase agreement signed in February 2011, the Company left cash of \$18.5 million (€13 million) as capital in the business. Best Medical acquired all of Nordion's Belgian operations and the employees in Belgium, including related benefit and pension plans, with the exception of the TheraSphere® business. Best Medical also acquired the Belgian facilities, including current and future decommissioning and waste disposal requirements.

Nordion recorded a total loss of \$15.7 million on the sale of MDS Nordion S.A. in Q2 2011 including net working capital and inventory adjustments of \$2.8 million and recognition of a non-cash unrealized foreign currency translation gain of \$4.6 million as the sale represented a substantial liquidation of our Belgian operations. The financial results of the divested operations have been classified as “discontinued” in current and comparative financial statements.

Products included in the sale included GlucoTrace™, a radiopharmaceutical used in PET imaging previously reported in the Targeted Therapies segment, and Agiris™, which included cameras used primarily in the non-destructive testing of welds, and for pipeline construction in the oil and gas industry, previously reported in the Sterilization Technologies segment.

MDS Pharma Services Early Stage and MDS Analytical Technologies

The divestitures of the MDS Pharma Services Early Stage and MDS Analytical Technologies businesses were completed in fiscal 2010.

MDS Pharma Services Early Stage offered global pharmaceutical research services and operated both early and late stage pharmaceutical research facilities.

The sale of the MDS Pharma Services Early Stage business occurred during fiscal 2009 and fiscal 2010 and was completed through four separate sale transactions, which resulted in Nordion retaining certain employees and facilities, including the Montreal, Canada MDS Pharma Services Early Stage operations.

In March 2010, the Company completed the sale of MDS Pharma Services Early Stage to Ricerca Biosciences, LLC and Celerion, Inc. for total consideration of \$45.0 million including \$12.9 million in cash after a \$7.1 million reduction for preliminary net working capital adjustments, a \$25.0 million note receivable from Celerion, and 15% minority interest in Celerion. The sale was structured as a stock and asset purchase transaction. Total net assets disposed of were \$120.2 million (for more information, refer to the Management’s Discussion and Analysis (MD&A) of financial condition and results of operation of Nordion for the fiscal year ended October 31, 2010).

Nordion retained certain liabilities related to the Montreal operations, including two legal claims which have been filed against the Company (for more information, refer to *Section 9 – Legal Proceedings and Regulatory Actions*).

In July 2009, Nordion completed the sale of its MDS Pharma Services Phase II-IV operations to INC Research, Inc. for \$50.0 million. This included \$10.0 million in restricted cash, of which \$5.0 million was released in fiscal 2010 and the remaining \$5.0 million was released in fiscal 2011.

MDS Analytical Technologies offered life sciences instruments and products to pharmaceutical, biotechnology and academic customers. This business unit was involved in research and engineering, and had expertise in molecular and cell biology, and chemistry to develop mass spectrometers and bioanalytical measurement instruments.

On January 29, 2010, the Company completed the sale of the MDS Analytical Technologies business to Danaher Corporation, which included the Company’s 50% interest in two joint ventures, Applied Biosystems MDS Analytical Technologies Instruments (AB/MDS) and PerkinElmer Sciex Instruments (PKI/Sciex), for an initial purchase price of \$641.3 million received in cash. The sale was structured as a stock and asset purchase transaction. Total net assets disposed of were \$597.6 million. Final net working capital and other closing adjustments resulted in net cash proceeds of \$623.5 million. The Company recorded an after-tax gain on the sale of MDS Analytical Technologies of \$3.5 million in fiscal 2010.

4.8. Customers

Customers of Nordion include a broad range of manufacturers of medical products including radiopharmaceutical and pharmaceutical manufacturers, biotechnology companies, manufacturers of medical supplies and devices, contract sterilizers, hospitals, and academic and government institutions. Certain of Nordion’s targeted therapy products are sold directly to healthcare providers including hospitals, government institutions, and clinics. Nordion also provides products and services related to Sterilization Technologies to customers in the food and consumer goods industries; however, the majority of its customers are medical product manufacturers and contract sterilization providers. Nordion’s customers are located in most major international markets, including the U.S., China and Japan.

For the year ended October 31, 2012, one major customer, Lantheus, accounted for \$51.8 million or 21% (fiscal 2011 - \$60.8 million or 22%; fiscal 2010 – \$20.6 million or 9%) of the Company's product revenues.

The Company's business and customer base are global. Nordion's total revenues, as invoiced to customers in fiscal 2012, were approximately 68% U.S., 10% Europe, 18% Asia and rest of world, and 4% Canada.

4.9. Employees

As at October 31, 2012, Nordion had 516 employees located in North America, Europe and Asia.

Some technical and production employees of Nordion belong to the Public Service Alliance of Canada, a collective-bargaining agent representing, among others, certain employees of the Government of Canada. Labour relations are judged to be healthy with the unions. Approximately 44% percent of Nordion employees operations were unionized as at October 31, 2012.

Nordion is dependent on staff with specialized skills and knowledge necessary to operate a highly regulated processing facility for radioactive materials. These areas of expertise include, but are not limited to:

- **Science:** Biology, chemistry (inorganic, polymer, medicinal/organic chemistry), microbiology, medical science and clinical research knowledge
- **Radiochemistry & Radiopharmaceuticals**
- **Process Management:** Good Manufacturing Practice (GMP), Current GMP (cGMP), Good Clinical Practice (GCP), project management, Lean-Sigma
- **Nuclear Technology:** Cyclotron, nuclear safety, radiation safety, developing gamma irradiators
- **Logistics:** Packaging and global distribution of radioactive materials

4.10. Principal Facilities

The following were the principal operating facilities of the Company as at October 31, 2012:

<u>Location of Facility</u>	<u>Type of Facility</u>	<u>Owned/ Leased</u>	<u>Business Unit</u>	<u>Approximate Square Footage</u>
<u>Continuing Operations</u>				
Ottawa, Canada	Corporate Office and Manufacturing Plant	Owned	Nordion	376,000
Vancouver, Canada	Manufacturing Plant	Leased	Nordion	55,000
Laval, Canada	Manufacturing Plant	Leased	Nordion	14,000
Ottawa, Canada	Research Laboratory	Leased	Nordion	1,700
<u>Discontinued Operations</u>				
Toronto, Canada	Corporate Offices	Leased	Nordion	16,283
Bothell, U.S.	Research Laboratory	Leased	MDS Pharma Services	58,000

4.11. Research and Development

Nordion conducts R&D in its own laboratories and through collaborations with academic, government, and industry partners. The company supports R&D programs in each of the technology areas that underlie its businesses. In its Targeted Therapies segment, Nordion is expanding the clinical research program for TheraSphere. In the nuclear medicine field Nordion participates in the development of agents that are focused on new types of diagnostic imaging.

In fiscal 2011, Nordion announced two Phase III clinical trials for TheraSphere. One trial is for primary liver cancer (STOP-HCC) and the other is for metastatic liver cancer (EPOCH). These trials are expected to support global adoption and long-term growth of TheraSphere, as well as reimbursement both within and outside the U.S. TheraSphere® is currently authorized by the U.S. FDA under an HDE as a radioembolization treatment for primary liver cancer or hepatocellular carcinoma. The Company has designed these trials to provide the data to support a submission to the FDA to obtain pre-market approval of the product in the U.S. In addition, data collected from these trials may demonstrate with statistical significance that TheraSphere® is an effective treatment for primary and metastatic liver cancer.

The overall cost of these trials is currently expected to be approximately \$15 million to \$20 million each over approximately six years.

Nordion also announced a randomized trial in the subset of primary liver cancer patients with portal vein thrombosis (PVT). This trial would provide randomized comparative data to demonstrate TheraSphere's competitive advantage in the treatment of liver cancer patients with PVT. Nordion expects this data would enable it to build on the strong growth and adoption in the European market, to provide strong scientifically-supported comparative data to other liver cancer therapies, and to provide a base for expansion into Asia. The trial is also expected to support the Company's pursuit of the expansion of the reimbursement of that treatment in Europe. Nordion expects the overall cost and timelines of this trial in a similar range as those of our STOP-HCC and EPOCH trials.

In its Sterilization Technologies segment, Nordion has re-initiated a R&D program at the Gamma Centre of Excellence in Laval, a fully operational sterilization facility that is used to assess parameters and conditions for sterilization of a wide variety of materials and products.

R&D expenditure in fiscal 2012 was \$6.6 million (2011 – \$5.6 million; 2010 – \$4.5 million). Accounting for R&D is described in Note 2 in the Company's 2012 Financial Statements.

4.12. Regulatory Compliance

The nature of Nordion's products, and the highly regulated environment in which the Company operates, require compliance with a multitude of regulations as well as legislation governing possession, operation, use and transportation of radioactive materials. Nordion's policy is to comply with all applicable regulations around the world. Nordion uses these regulations as a minimum standard and applies its own controls and procedures, which are, in some cases, more stringent than the required protocols. Nordion's Ottawa facility is licensed as a Class 1B nuclear facility, regulated by the CNSC, and is audited across various dimensions of this licence on an annual basis.

In addition to the nuclear aspect of its products, many of the products processed or manufactured by Nordion are either pharmaceuticals or medical devices directed for human use, or products used in the manufacture of pharmaceuticals or medical devices that are directed for human use. Nordion is ISO 9001 registered and has drug and device facility and specific product registrations with North American (Health Canada and the FDA) and European Drug and Device health regulators. These regulators exert oversight through requirements for product registration and direct audit of the Nordion operations.

Nordion processes isotopes, delivers them to manufacturers, hospitals or treatment centres within a few hours or days. Regulatory standards applicable to Nordion include, but are not limited to:

- Transport Canada regulations for the Transportation of Dangerous Goods.
- CNSC regulations for General Nuclear Safety and Controls, Class I Facilities, Packaging and Transport of Nuclear Substances, Import/Export controls and source tracking requirements.

- International Atomic Energy Agency's (IAEA) Code of Conduct on the Safety and Security of Radioactive Sources.
- International Transport Regulations for Radioactive Materials (Safety Series and Safety Standards for transportation of radioactive materials).
- International Civil Aviation Organization (ICAO) and International Maritime Organization (IMO) requirements for safe transport by air and sea, respectively.
- U.S. Department of Transportation requirements.
- U.S. Nuclear Regulatory Commission requirements.
- International Atomic Energy Agency (IAEA) Member State requirements for the transportation of radioactive materials.
- U.S. FDA requirements for drugs and devices.
- Health Canada requirements for drugs and devices.
- EU requirements for drugs and devices.
- U.S. Physician Payment Sunshine Act.

Nordion believes it is compliant, in all material respects, with all applicable regulations.

Internal Investigation

In August 2012, Nordion disclosed that it was conducting an internal inquiry and investigation of a foreign supplier and related parties focusing on compliance with the Canadian *Corruption of Foreign Public Officials Act* (CFPOA) and the U.S. *Foreign Corrupt Practices Act* (FCPA) (the "Internal Investigation").

Through the Company's own internal review as part of its CFPOA compliance program, Nordion discovered potential compliance irregularities. As a result, the Company commenced an internal investigation of the possible compliance issues. These issues related to potential improper payments and other related financial irregularities in connection with the supply of materials and services to the Company. The investigation is being conducted by outside legal counsel and external forensic and accounting firms who are experts in such compliance. These external advisors report regularly to a special Committee of the Board of Directors constituted to deal with this matter.

Nordion voluntarily contacted the regulatory and enforcement authorities, including the Canadian and U.S. Department of Justice, the Royal Canadian Mounted Police, and the U.S. Securities and Exchange Commission, to provide details of the matter and to advise that an internal investigation was underway. The Company's external advisors have met with these authorities and will continue to provide information to them as the investigation progresses. Nordion continues to investigate this matter and cooperate with Canadian and U.S. law enforcement authorities and regulators.

As a result of the investigation to date, Nordion has ceased to make payments to, and has terminated its contractual arrangements with the affected foreign supplier. These actions were reflected in, among other things, a reduction in the notional amount of commitments included in the calculation of the embedded derivative expense in the third quarter of fiscal 2012. Nordion does not expect that the cessation of payments or termination of this relationship will impact its revenue in 2012 or 2013 or otherwise have a material impact on supplies necessary for our current business operations.

Nordion is currently unable to comment as to whether there will be any potential regulatory and/or enforcement action from either Canadian or U.S. law enforcement authorities or regulators resulting from these matters or, if any such action is taken, whether it will have a material adverse effect on Nordion's business, financial position, profitability or liquidity. If law or enforcement authorities or regulators determine to take action against the Company, Nordion may be, among other things, subject to fines and/or penalties which may be material.

Nordion is committed to the highest standards of integrity and diligence in its business dealings and to the ethical and legally compliant business conduct of its employees, representatives and suppliers. The Company reviews its compliance programs on a regular basis to assess and align them with emerging trends and business practices. Corrupt or fraudulent business conduct is in direct conflict with the Company's Global Business Practice Standards (GBPS) and corporate policies. The Company continues to investigate this matter and cooperate with regulatory and enforcement authorities.

In parallel with the Internal Investigation, Nordion has developed and implemented a number of new and enhanced policies and procedures related to compliance. This remediation process has included enhancements to Nordion's GBPS, policies related to anti-corruption, third-party due diligence, travel and expenses, sponsorships, and payment control processes. Nordion is continuing to develop and strengthen other policies and procedures, as well as monitoring protocols to detect exceptions to these new policies, and is delivering training to employees, high risk third parties and other stakeholders affected by the changes. The intent of these changes is to strengthen Nordion's overall compliance framework.

4.13. Environment, Health, Safety and Governance

Nordion is committed to complying with all environmental, health and safety laws and regulations relevant to its operations. The Company's Ottawa, Canada, facility has received ISO 14001: 2004 (environmental management systems) certification. In addition, Nordion maintains a comprehensive Environment, Health, Safety and Governance (EHS & Governance) program, including training for employees and contractors. Nordion's policy is to protect the natural environment by using environmentally sound operation practices, including ALARA (as low as reasonably achievable), which is designed to keep radiation doses at a minimum for workers and the public. Nordion maintains insurance coverage for third-party claims relating to bodily injury or property damage.

Nordion has established a series of policies and programs to facilitate compliance with applicable EHS & Governance laws and regulations. The policies require regular environmental assessments of Company activities, establishment of remedial and contingency plans to deal with any incidents, and establishment of processes to report to senior corporate management and to the Board of Directors through the EHS & Governance Committee of the Board of Directors on the environmental status of the Company and its subsidiaries. Nordion uses an independent third party environment, health and safety auditing firm to conduct regular regulatory audits of Nordion operations. Nordion believes its approach to EHS & Governance compliance meets all regulatory requirements. It is not expected that this policy will have a significant impact on capital expenditures, consolidated earnings, or the Company's competitive position.

Seven years ago, as part of its licensing with the CNSC, Nordion pledged a C\$15.4 million letter of credit in support of future site remediation costs at its Ottawa, Canada facility. Remediation costs include the cost to remove radioactive material from the site when the Company exits the site. In fiscal 2010, Nordion re-estimated that future costs have increased by approximately \$20 million to \$35 million. This bond is under review and the new estimate for future site remediation for the Ottawa facility was submitted to the CNSC in April 2011. The Company is awaiting the outcome of the CNSC's review of the new estimate.

Nordion has put into place a new public disclosure protocol in compliance with requirements of the CNSC. The new protocol forms part of our existing public information program with respect to the CNSC-licensed activities of Nordion's Ottawa facilities, to ensure that information related to the health, safety and security of persons and the environment, and other issues associated with the lifecycle of this facility are effectively communicated to the public on an ongoing and timely basis.

5. RISK FACTORS

The businesses that Nordion operates are subject to a number of risks and uncertainties discussed below and in other documents incorporated herein by reference, many of which are not in the Company's control. Additional risks and uncertainties not presently known to the Company, or that the Company does not currently anticipate may be material and may impair the Company's business operations. If any such risks occur, the Company's business, financial condition and results of operations could be materially adversely affected.

Availability of supply of reactor-based isotopes.

As a result of supply issues mainly arising from the NRU's extended shutdown in 2009/2010, Nordion's customers have reduced their purchases from the Company, in part because they are finding alternative sources, and in part because ultimate customer demand for medical isotopes has not, and may never, return to pre-2009 levels, likely due to a combination of factors such as: more efficient use of isotopes; shifts to alternative diagnostic imaging modalities; and growing concerns about patient radiation exposure resulting in lower doses and less product usage.

The Company depends upon the NRU reactor operated by AECL in Chalk River, Ontario, Canada for the supply of the majority of its reactor-based medical isotopes. The Canadian government, which owns AECL, has stated that it intends to stop producing medical isotopes from the NRU reactor by 2016. The NRU reactor is over fifty years old and was out of service due to a heavy water leak in the reactor vessel for 15 months from May 2009 to August 2010, during which period Nordion was unable to obtain supply of substantially all of its reactor-based medical isotopes requirements from AECL. In addition the Company experienced several unplanned supply interruptions from the NRU during fiscal 2012, and expects that such unplanned supply interruptions may continue to occur in the future. During April and May of 2012, the NRU reactor was shut down for 31 days for planned inspections and maintenance. The NRU reactor is expected to shut down for an extended period of approximately one month for planned inspections and maintenance on at least an annual basis. During shut-downs Nordion will not receive medical isotopes from AECL. As Nordion did not have back-up supply for the shut down in 2012 and, as discussed below, does not expect to have significant back-up supply for planned shutdowns for the foreseeable future, the Company's customers have sought to increase their supply from competitors.

Since the NRU reactor returned to service in August 2010 following its extended shutdown there generally has been more supply available than demand for reactor-based isotopes. As a result there has been increased competition globally, resulting in lower pricing. There can also be no assurances that the NRU reactor will not experience other extended planned or unplanned shutdowns in the future.

Nordion was unsuccessful in its claim for specific performance or monetary damages relating to AECL cancelled construction of the MAPLE facilities. Following the ruling in favour of AECL in the MAPLE arbitration, Nordion made an election to continue receiving supply from AECL under the existing agreement between the parties. If, among other things, the volumes of isotopes Nordion is required to purchase or the price the Company pays AECL through its revenue share arrangement decline, AECL and the Government of Canada may stop isotope production prior to the end of the NRU reactor's current licence that extends to 2016. AECL may also require Nordion to pay increased or additional costs to maintain continued supply from the NRU reactor. The Canadian government, which owns AECL, has stated that it intends to stop producing medical isotopes from the NRU reactor by 2016.

In September 2010, Nordion entered into an agreement with JSC Isotope, the authorized subsidiary of RosAtom State Corporation for a supplemental supply of Mo-99. In October 2012, the Mo-99 supply agreement was terminated with JSC Isotope, though a framework agreement with JSC Isotope to explore and define areas of collaboration for the supply, marketing and sale of isotopes produced in Russia remains in effect. In October 2012, Nordion entered into negotiations directly with RIAR, which continues to develop its processing capability and capacity of Mo-99 from three reactors in Dmitrovgrad, Russia. As such, there is no certainty that Nordion and RIAR will reach an agreement. If an agreement is reached with RIAR, Nordion expects that such an agreement could establish, following required regulatory approvals, a supplemental supply of Mo-99 which could potentially meet a portion of Nordion's long-term supply requirements. The Mo-99 volume associated with supply from RIAR would be anticipated to be significantly lower compared with the original agreement that Nordion had with JSC Isotope, and it is unlikely to be sufficient to meet Nordion's customer demand. In addition, while RIAR may in the future convert to LEU, it currently uses HEU in the production of reactor-based isotopes, which may prevent supply from RIAR from being sold into the U.S. depending upon potential future U.S. regulations.

The Company is working with RIAR to attempt to come to an agreement related for the supply of reactor-based medical isotopes. The Company is also assessing other potential supply options. For a supply option to be viable it must provide reliable supply, sufficient quantities, be economical and available prior to 2016. In addition, as the majority of the Company's current sales of reactor-based isotopes are to the U.S., the supply may also be required to be from a non-HEU source to meet potential future U.S. regulations.

If Nordion's customers believe the Company will be unsuccessful in obtaining long term isotope supply, they may further reduce or altogether stop purchasing medical isotopes from Nordion. If the Company is unable to secure a long term supply of medical isotopes it may have to exit the business. Any or all of the foregoing could have a material adverse effect on the business, financial condition and results of operations of the Company.

Business interruptions.

Almost all of the Company's products are manufactured at single locations, with limited alternate facilities due primarily to the licensing requirements for facilities that handle and store radioactive material and the specialized equipment required to manufacture its products. The vast majority of Nordion's revenues are generated from products produced at the Company's Ottawa facility. Any event, including a labour dispute, weather or other acts of nature, pandemics or other public health crises, fire, flood, power outage, threats to physical security, information technology or cyber-attacks or failures, regulatory, health or other issue that results in a prolonged business disruption or shutdown to one or more of the Company's facilities, could create conditions that prevent the Company from processing, manufacturing, or shipping products at previous levels, or at all. Such events could adversely affect our sales, increase our expenses, create potential liabilities and/or damage our reputation, any of which could have a material adverse effect on our cash flows, competitive position, financial condition or results of operations.

The Company's primary Targeted Therapies product, TheraSphere®, is sold under a Humanitarian Device Exemption in the U.S.

While the Company has full regulatory approval for the use of TheraSphere® in many countries, including Canada and the European Union, in the U.S., where the majority of the Company's TheraSphere® revenue is earned, TheraSphere® is sold under a Humanitarian Device Exemption (HDE). Medical devices sold under an HDE are subject to a number of restrictions. More particularly, the Company is required to demonstrate that: (i) the amount charged in the U.S. for TheraSphere® does not exceed TheraSphere's research, development, fabrication and distribution costs; (ii) the disease TheraSphere® is approved to treat under the HDE occurs in fewer than 4,000 individuals in the U.S. per year, and (iii) there is no similar FDA-approved product for the same indication available in the U.S. Failure to comply with these restrictions could result in the HDE being revoked. As well, other factors, such as safety issues could also result in the HDE being revoked. Without the HDE, the Company would lose all or a significant portion of its TheraSphere® sales in the U.S., which would likely have a material adverse effect on the business and results of operations. The Company is currently in the process of conducting a STOP-HCC clinical trial to obtain full approval in the U.S. Delays in the completion of the STOP-HCC trial may increase the Company's risk of becoming noncompliant with the HDE requirements and there is no certainty that full U.S. approval will be obtained.

Anti-corruption and fraud and abuse risk.

Nordion is subject to the Canadian Corruption of Foreign Public Officials Act (CFPOA), and may be subject to other similar anti-corruption and "fraud and abuse" laws in other jurisdictions such as the U.S. Foreign Corrupt Practices Act (FCPA), the UK *Bribery Act*, the U.S. *False Claims Act*, the U.S. *Anti-Kickback Statute*. Such legislation generally prohibit companies and their intermediaries from making improper payments or other things of value, including gifts, travel or entertainment for the purpose of obtaining or retaining business.

In August 2012, Nordion voluntarily disclosed it was conducting an internal investigation of a foreign supplier and other third parties, related to potential improper payments and other related financial irregularities in connection with the supply of materials and services, focusing on compliance with the CFPOA and FCPA. As of the filing of this AIF, it has not yet been determined whether there will be any potential regulatory and/or enforcement action resulting from these matters or, if any such action is taken, whether it will have a material adverse effect on the business or its financial position, profitability or liquidity. It is difficult for Nordion to estimate the time or resources that will be needed for this investigation or its final resolution. In addition, the cost of the investigation, which was \$9.8 million in fiscal 2012, and the cost of implementing remediation plans, which has not yet been estimated, may be significant.

Nordion sells and/or procures products in more than 60 countries. In the majority of these countries Nordion does not have employees and relies on third parties or intermediaries to represent the Company. A number of these countries have a high risk of corruption. Based on the nature of the Company's products involve potential interaction with government, or public, officials.

If Nordion's employees or agents violate the provisions of anti-corruption laws, the Company may incur fines or penalties, be unable to market our products in certain countries, have to expend significant time and money on investigative and remedial efforts, suffer damage to our reputation, or experience other consequences which could have a material adverse effect on its business, operating results or financial condition.

Risks related to the Company's credit facility agreement and liquidity.

In January 2013 Nordion entered an \$80 million Amended and Restated senior secured credit facility agreement with the Toronto-Dominion Bank (TD) and a select group of other financial institutions. The credit facilities consist of a \$20 million revolving credit facility and a separate facility of up to \$60 million to be used for the issuance of letters of credit. The latter facility will be fully secured including a specific pledge of cash collateral. Cash pledged against the facility will be reported as restricted cash and will be unavailable for operation. The facilities contain a number of financial and non-financial covenants. The financial covenants related to the \$20 million revolving credit facility require the Company to, among other things, maintain a certain level of earnings before interest, tax, depreciation and amortization (EBITDA) and tangible net worth (both measures are defined in the credit facility agreement and include certain adjustments to amounts included in our financial statements). Failure to meet a covenant, or another event of default, could result in the Company being required to repay all amounts drawn on the credit facility. As at October 31, 2012, the Company had \$30.6 million of letters of credit, and the amount in letters of credit issued against the credit facility is expected to increase by more than \$25 million in fiscal 2013. The use of cash, if available, to repay drawn amounts and/or to collateralize letters of credit issued against the credit facilities, could have a material adverse effect on the Company's financial position and have a negative effect on the Company's ability to execute its strategy.

In addition, the Company will or may have to make a number of payments in fiscal 2013 and beyond where the amount and timing may be uncertain. These include, among other things, the payment of a portion of AECL's arbitration costs, insurance and costs relating to litigation matters, an amount related to the Life arbitration award, and potential fines and/or penalties related to the Internal Investigation. The Company may not have sufficient cash on hand, cash from operations and credit facilities, if available, to fund these payments, which could have a material adverse effect on the Company's financial position.

Effectiveness of internal controls.

Nordion's CEO and CFO are required to report on the effectiveness of the Company's internal control over financial reporting. The results of this review are reported in the Company's annual report and in its MD&A for the year ended October 31, 2012. Management's review is designed to provide reasonable assurance, not absolute assurance, that all material weaknesses existing within the Company's internal controls are identified. Material weaknesses represent a deficiency, or a combination of deficiencies in the Company's internal controls over financial reporting such that there is a reasonable possibility that a material misstatement of the reporting issuer's annual financial statements or interim financial report will not be prevented or detected on a timely basis. In addition, management cannot provide assurance that any remedial actions being taken by the Company to address any material weaknesses identified will be successful, nor can management provide assurances that no further material weaknesses will be identified within its internal controls over financial reporting in future years. If the Company fails to maintain effective internal controls over its financial reporting, there is the possibility of errors or omissions occurring, or misrepresentations in the Company's disclosures, which could have a material adverse effect on the Company's business, its financial statements, and the value of the Company's Common shares.

Risks arising from doing business in various countries around the world.

Nordion's operations are subject to the risks associated with carrying on business in various countries in North and South America, Europe and Asia. Accordingly, future business, financial condition and results of operations of the Company could be materially adversely affected by a variety of factors including, but not limited to:

- Changes in a jurisdiction's political or economic conditions, particularly in developing or emerging markets;
- Compliance with trade protection measures and export and import regulations;
- Reliance on intermediaries or third parties to represent the Company in various capacities;
- Compliance with regulations related to corrupt business practices;
- Exposure to foreign-exchange rate fluctuations between currencies;
- Tax consequences and/or other potential restrictions on the transfer of funds between subsidiaries;
- Longer payment cycles of foreign customers and difficulty of collecting receivables in foreign jurisdictions;
- Potential nationalization of industries, properties or assets that the Company relies on;
- Differing tax laws and changes in those laws including investment tax credits, or changes in the countries in which Nordion is subject to tax;
- Differing cultural and business practices associated with foreign operations;
- Differing labour laws and changes in those laws;
- Differing protection of intellectual property and changes in that protection; and,
- Differing regulatory requirements and changes in those requirements.

Dependence on one customer for the majority of the Medical Isotopes segment revenue and earnings.

Lantheus, Nordion's largest customer, purchases the majority of the Mo-99 the Company sells. Lantheus accounted for 21%, 22%, and 9% of the Company's total revenue in fiscal 2012, 2011, and 2010, respectively. The percentages were lower in 2010 due to the extended shutdown of the NRU reactor.

Lantheus has stated that it is proactively implementing a diversification strategy for the supply of Mo-99. In October 2012, Nordion extended its contract with Lantheus by two years until the end of 2015. The contract reflects specific pricing and volume commitments for each year of the contract, which can be affected by the demand Lantheus experiences for its product. In particular, if new or increased sources of Mo-99 supply are brought on-line by competitors, the level of demand for the product the Company sells to Lantheus could be reduced. In addition, the Company's inability to provide back-up supply during the planned NRU shutdown that occurred in 2012 and the Company's likely future inability to provide back-up supply during future planned and unplanned shutdowns of the NRU reactor is resulting in Lantheus having to increase its purchases from other suppliers.

In addition, during 2011, Lantheus increased its debt level by approximately 60%. In addition to Nordion's ability to collect accounts receivable owed, if Lantheus were to breach its covenants associated with its debt or was unable to make payments against its debt or was otherwise unable to make payments under the supply agreement with Nordion, its ability to compete in its markets may be reduced and its demand for Mo-99 from Nordion may therefore be significantly reduced.

A decline in sales volumes and/or price of Mo-99 sold to Lantheus could have a material adverse effect on the business, financial condition or results of operations of the Company.

Shareholder activism.

As at October 31, 2012, the Company's top five shareholders were estimated to hold over 40% of the Company's Common shares. If a shareholder is dissatisfied with the market value of the Company's Common shares, the Company's strategic direction, or their inability to sell due to the trading illiquidity of the Company's Common shares, that shareholder or a group of these shareholders, may become activist. Certain of our existing shareholders have undertaken activist activities with other companies. Activist shareholders, among other things, may propose changes to the Company's Board of Directors, recommend that the Company make changes to its strategy including buying back the Company's stock with cash on hand, issuing debt or divesting certain of the Company's businesses, or launch a takeover bid. These actions may result in an investment in the Company being less attractive to current and potential shareholders, result in a decline in the Company's share price, distract management and employees, adversely affect our ability to retain key employees and attract

new employees, require the expenditure of significant resources and time, creating uncertainty that may materially adversely affect our business and results of operations.

Sources of supply.

Due to the uniqueness of Nordion's business, it is common for the Company to purchase certain components and raw materials necessary for its products from sole or limited suppliers, and as a result, it may not be able to establish, whether due to cost, regulatory and other business considerations, in a timely manner or at all, additional or replacement sources for certain components or materials in the event an existing supplier becomes unavailable. Nordion realizes this potential vulnerability and incorporates many additional considerations that mitigate this risk. These would include exclusive, long-term supply arrangements, particularly related to Co-60, multiple inventory lots with extended shelf-life, back-up supply redundancy and many other practices intended to ensure the product can be consistently and reliably delivered.

In the event an existing supplier becomes unavailable, this could result in production delays, increased costs, or an inability to continue to manufacture key products, in particular if Nordion was unable to find a replacement of one of its long-term suppliers of Co-60, all of which could have a material adverse effect on the business, financial condition or results of operations of the Company.

Reimbursement risk.

Sales of TheraSphere® are to some extent dependent upon the levels of reimbursement for the product offered by governmental health administration authorities, private health coverage insurers and other third-party payors. Reimbursement and healthcare payment systems vary significantly by country. There can be no assurance that reimbursement approvals will be received. Nordion currently has two ongoing Phase III clinical trials for TheraSphere, one for primary liver cancer (STOP-HCC) and the other for metastatic liver cancer (EPOCH). A third trial (YES-P) was initiated in 2012. While these trials are expected to support reimbursement of TheraSphere® both within and outside the U.S. if efficacy is demonstrated, there may be some transitional effects on the current qualification for reimbursement of TheraSphere® in some jurisdictions such as the U.S. while the trials are ongoing. The loss of qualification for reimbursement of TheraSphere® or a reduction in the level of reimbursement for any reason could have a significant negative impact on TheraSphere®, which could have a material adverse effect on the business and results of operations.

An unfavourable outcome of one of the Company's clinical trials for TheraSphere®.

The Company initiated two clinical trials for TheraSphere® in 2011 and a third one in 2012. These trials are larger than any trials the Company has previously completed for TheraSphere® and are intended to provide statistically significant data that would support the safety and efficacy of the product. In the course of, or at the completion of the trials, it may be determined that the product is not safe and/or not effective, or requires significant labeling limitations. An unfavourable outcome for any of the trials may result in a reduction or termination of sales, any of which could have a material adverse effect on the Company's business, financial condition, and results of operations.

If the clinical trials for TheraSphere® are delayed or terminated, the Company's prospects for future revenue growth would be adversely affected. Since TheraSphere® is approved in the U.S., Canada, and many other jurisdictions where the clinical trials are being conducted, Nordion faces risks in its ability to enrol sufficient patients in clinical trials in a timely manner, due in part to the availability of TheraSphere® outside of clinical trial participation, to obtain and maintain sufficient clinician support, in its need to modify or delay its clinical trials or to perform additional trials, and in the risk of failing to obtain Health Canada, FDA and other regulatory body approvals. If these trials cannot be completed on a timely basis, or at all, then the Company's prospects for future growth may be adversely impacted.

In addition, the occurrence of adverse events in the course of the clinical trials could result in claims against the Company which could have a material adverse impact on the business, financial condition, and results of operations of the Company.

Nordion extensively outsources its clinical trial activities and performs only a small portion of the activities in-house. The Company relies on an independent third-party contract research organization (CRO) to perform most of its clinical studies, including document preparation, site identification, screening and preparation, pre-study visits, training, program management and bioanalytical analysis. Most important aspects of the services performed for Nordion by the CRO are out of the Company's direct control. If there is any dispute or disruption in the Company's relationship with its CRO, Nordion's clinical trials may be delayed. Moreover, in Nordion's regulatory submissions, the Company relies on the quality and validity of the clinical work performed by its third-party CRO. If any of Nordion's CRO's processes, methodologies or results were determined to be invalid or inadequate, the Company's own clinical data and results and related regulatory approvals could be adversely affected.

The clinical trials required for regulatory approval of TheraSphere, as well as clinical trials we are required to conduct after approval, are very expensive and lengthy processes. It is difficult to accurately predict or control the amount or timing of these expenses from quarter to quarter, and Health Canada, the FDA and/or other regulatory agencies may require more clinical testing than we originally anticipated. Uneven and unexpected spending on these programs may cause the Company's operating results to fluctuate from quarter-to-quarter, and/or could have a material adverse impact on the business, financial condition, and results of operations of the Company.

External forces may result in significant declines in pricing and/or sales volumes.

A number of factors, including but not limited to, increases in supply of competitive product from new sources, new products which overtake Nordion's products, consolidation within the industry and within our customers' industries, competitive pricing pressures, lower demand from the Company's customers and, in particular from its largest customer, (upon whom the Company is dependent for the majority of sales and earnings from Mo-99), and lower demand from our customers' customers, could result in significant declines of either or both pricing and sales volumes, which may in turn have a material adverse effect on our business, financial condition, and results of operations.

The Company's primary operating locations handle and store hazardous and radioactive materials.

Nordion is subject to federal, provincial, state, local, and foreign laws, rules, regulations and policies relating to environmental protection, health and safety. These laws, rules, regulations and policies govern the generation, manufacture, storage, handling, transportation, use, discharge and disposal of certain hazardous and potentially hazardous substances used in connection with our operations and products. Nordion's facilities handle and store radioactive material and, in particular, the Company's Ottawa site handles and stores large quantities of highly radioactive Co-60. A significant release of radioactivity, which could result from, among other things, a natural disaster, equipment failure, human error, an act of terrorism or a transportation accident, could result in employees and/or the public being exposed to radiation. In addition, failure or damage to Nordion's shipping containers used to ship material to and from the Company's site could also result in a release of radioactivity.

Although the Company is focused on complying with these laws and regulations in all material respects, believes it is in compliance with these regulations and has designed its processes and equipment with the intent of avoiding releases of radiation, if we were to fail to comply with present or future regulations and/or a release of radioactivity were to occur, we could be subject to substantial liabilities, litigation, loss of licences to operate and reputational damage. In addition, there can be no assurance that we will not be required to incur significant costs to comply with environmental regulations in the future. Any of the above could have a material adverse effect on the business, financial condition, and results of operations of the Company.

The Company faces significant competition and may not be able to compete effectively.

Nordion competes with many companies ranging from multinationals to start-up. Many of our competitors have substantially greater financial, technical and human resources, and spend substantially more on research and development, sales and marketing activities. Competition can take many forms, including aggressive pricing for competing products or services, development of new, better and/or cheaper products or services, the ability to obtain patent protection or regulatory clearance earlier, or the ability to commercialize new products or technologies rapidly. Failure to compete effectively could cause the Company to lose market share to its competitors and have a material adverse effect on the business, financial condition and results of operations of the Company.

The Company also faces competition for marketing, distribution and collaborative development agreements, for establishing relationships with academic and research institutions, and for licences to intellectual property. In addition, academic institutions, governmental agencies and other public and private research organizations also may conduct research, seek patent protection and establish collaborative arrangements for discovery, research, clinical development and marketing of products or services similar to those offered by Nordion. These companies and institutions compete with Nordion in recruiting and retaining qualified scientific and management personnel, as well as in acquiring necessary product technologies. Globalization of the Company's industries also affects its competitiveness. As competitors and new entrants establish operations in lower-cost labour markets, pricing in these industries may be reduced resulting in lower revenues and profitability for the Company, which could have a material adverse effect on the business, financial condition and results of operations of the Company.

Long-term supply commitments of Co-60.

As a result of the investment Nordion's suppliers are required to make and supply product, and the Company's intent to acquire access to supply over longer periods, Nordion has entered into long-term supply agreements for the supply of Co-60, which include set pricing levels and minimum purchase commitments. These supply agreements extend for 12 years, eight years and six years, respectively, with Nordion's largest three suppliers of Co-60. While certain of the contracts contain provisions that allow the Company to reduce the quantities purchased and terminate the agreement under certain circumstances, the Company may not be able to rely on or effectively enforce these provisions. In addition, the contractual arrangements Nordion has made with its customers to supply Co-60 to them generally only extend for periods of one to three years. Accordingly, in the future, the Company may not be able to cover its costs of Co-60 purchased under existing supply commitments, which may in turn have a material adverse effect on our business, financial condition, and results of operations.

Risks related to insurance coverage.

Nordion maintains a global insurance program covering all of its operating units. The policies provide coverage for normal operating risks and include annual liability coverage of up to \$100 million. The Company also maintains a global policy covering property and business interruption risks with a total insured value of \$700 million and directors' and officers' insurance having a limit of \$80 million. There is no certainty that the amount of coverage is adequate to protect the Company in all circumstances that the Company's insurance policy will cover a specific claim, or that the Company will be able to acquire such insurance on an ongoing basis at rates acceptable to the Company. In addition, the Company has retained liabilities for businesses which were previously divested, and may not have adequate insurance in place to cover these potential liabilities, thereby self-insuring any future losses that may arise. Furthermore, even where a claim is covered by insurance, Nordion is subject to deductibles which it must cover, and the insurance coverage might be inadequate and Nordion would have to pay the amount of any settlement or judgment that is in excess of the policy limits or that is excluded from policy coverage. Failure to obtain or maintain adequate insurance may have a material adverse effect on the Company's business and operations.

The Company's business, financial condition and results of operations are subject to significant fluctuation.

The Company cannot reliably predict future sales, pricing, and profitability. Changes in competitive, market and economic conditions may require the Company to adjust its operations, and it may not be able to make those adjustments or to make them quickly enough to adapt to changing conditions. The Company has a number of long-term supply contracts which include specified purchase commitments. The majority of the Company's products, excluding product related to Sterilization Technologies, involve radioactive isotopes that decay rapidly and, therefore, cannot be held in inventory. Declines in sales, pricing, profitability and/or supply could disproportionately affect the Company's business, financial condition, and results of operations in any particular quarter.

Factors that may negatively affect sales and operating results include:

- Access to supplies of key materials;
- The timing of supply of Co-60;
- Inability to secure a carrier to meet the necessary delivery schedules to customers;
- Global or regional economic downturns;
- Lack of demand for the Company's products and services;
- Voluntary or regulatory recall or stoppage of manufacture of the Company's, or the Company's customer's, products;
- Adverse changes in industries upon which the Company is dependent, such as the pharmaceutical and biomedical industries;
- Concentration of customers;
- Changes in the volume or timing of product or service orders;

- Inability of the Company's customers to obtain regulatory approval or funding to continue the development of their products;
- Changes in the relative amounts of sales represented by various products, services and customers, which have different gross margin levels;
- Regulatory changes affecting Nordion, its customers, or suppliers;
- Delays or problems in the introduction of new products or services;
- Competitors' introduction of new products, services or technological innovations;
- Competitive pressures resulting in lower selling prices or other terms;
- Changes in foreign exchange rates and interest rates;
- Increased costs of raw materials or supplies;
- Changes in import licences or duties; or
- Changes in the financial stability of customers or suppliers, including their ability to obtain financing at a reasonable cost.

Management believes that operating results for any particular quarter are not necessarily a meaningful indication of future results. While fluctuations in the Company's quarterly operating results could negatively or positively affect the price of the Company's Common shares, these fluctuations may not be related to the future overall operating performance. Reductions in a particular quarter's results may not be recovered in future quarters, which could have a material adverse effect on the business, financial condition, and results of operations of the Company.

Current and future litigation and regulatory proceedings.

The Company is currently pursuing and defending various proceedings, and will in all likelihood be subject to additional proceedings in the future, including potential litigation regarding the products and services it provides. Any claim brought against us, regardless of its merits, could be costly to defend and could result in an increase of the Company's insurance premiums. The outcome of litigation, particularly class action lawsuits, is difficult to assess or quantify. Some claims brought against Nordion might not be covered by the Company's insurance policies. Nordion has significant self-insured retention amounts, which the Company would have to pay in full before obtaining any insurance proceeds. Furthermore, even where the claim is covered by insurance, the insurance coverage might be inadequate and Nordion would have to pay the amount of any settlement or judgment that is in excess of policy limits. Proceedings that are not covered or not sufficiently covered by insurance policies, or which falls within retained liability under the Company's policies, could have a material adverse impact on the business, financial condition, or results of operations of the Company.

The Company may become involved in litigation regarding products and services it expects or receives from others and may also be subject to regulatory proceedings. Lack of success in such litigation or regulatory proceedings may expose the Company to the loss of marketing approvals, financial loss or prevent it from enforcing rights that are important to the Company, thereby having an adverse effect on the business or results of operations of the Company.

Manufacturing flaws, component failures, design defects, off-label uses or inadequate disclosure of product-related information could result in unsafe conditions or in injuries or death, which could lead to a recall, or issuance, of a safety alert and/or litigation, which would in each case entail significant costs, negative publicity and a diversion of management's attention from Nordion's business.

Risks relating to the Company's defined benefit pension plans.

The Company operates, and is responsible for, funding a number of defined benefit pension plans for current employees, retirees and employees who transferred to other organizations upon the sale of various businesses. All of these plans are closed to new entrants. The Nordion pension plan in Canada is the largest plan and holds assets in Canadian equities, global equities, Canadian bonds, including real return bonds and cash and money market investments. In addition, the retirement payments are indexed to account for inflation and as a result the expected liability for future retirement payments increases as real interest rates decline. The Nordion pension plan is currently in a deficit position on a solvency basis, which is used for the calculation of regulatory funding in Canada. Among other factors, declines in equity or bond prices and/or declines in real interest rates could result in the Company having to make increased contributions to its pension plans to fund deficits, which could have a material adverse effect on the Company's financial position and result of operations.

The Company is subject to complex and costly regulation.

The health and life science industries are subject to extensive, complex, and frequently changing regulations. Our research and development, manufacturing, operations, transport, marketing, promotion and pricing practices and the manner in which we or third parties working on our behalf interact with customers, health care professionals and patients, are all subject to extensive regulation.

All of the Company's facilities that handle or store radioactive material are government regulated and inspected. Operating licences related to radioactive materials could be subject to cancellation under certain circumstances. Failure to obtain or maintain operating licences could have a material adverse effect on the business, financial condition, or results of operations of the Company.

Governmental agencies throughout the world strictly regulate the drug and medical device development process. The Nordion facilities devoted to pharmaceutical development are subject to regular inspection by the FDA, Health Canada, the European Medicines Agency (EMA) and other regulatory agencies. Customers also are subject to periodic review by drug approval authorities. The Company's failure, or any of its customers' failures, to pass an inspection conducted by the FDA, Health Canada, the EMA, or any other regulatory body could result in disciplinary action leading to increased costs, recall or seizure of products, total or partial suspension of production, suspension or withdrawal of regulatory approval, delays in subsequent regulatory approval processes, suspension of ongoing clinical trials, imposition of new manufacturing requirements, closure of facilities, limitations on marketing practices and/or reduced customer demand that could have a material adverse effect on the business, financial condition or results of operations of the Company.

The nature of Nordion's products, and the highly regulated environment in which Nordion operates, requires compliance with a multitude of regulations governing radioactive material transportation. The receipt, processing, handling, shipping and use of radioisotopes are highly regulated (see *Section 4.12 – Regulatory Compliance*). There has been an increased focus on the regulation of radioactive material. A change in regulation could increase the Company's costs, which could have a material adverse effect on the business, financial condition, or results of operations of the Company. The Company is subject to increasingly strict data privacy and security laws in various jurisdictions, the violation of which could result in fines or other sanctions.

The Company is subject to compliance costs, potential litigation, regulatory proceedings and other potentially adverse consequences as a result of scrutiny and regulation by governmental authorities, including the time and effort required by our personnel to maintain compliance. If the Company fails to comply with applicable regulations, it could suffer civil and criminal damages, fines and penalties, loss of various licences, certificates and authorizations necessary to operate its business, as well as incur liabilities from third-party claims, all of which could have a material adverse effect on the business of the Company, financial condition, or results of operations of the Company.

Restrictions on foreign ownership.

The wholly-owned indirect subsidiary of the Company which holds the Nordion assets is subject to the *Nordion and Theratronics Divestiture Authorization Act* (Canada). This Act effectively imposes restrictions and limitations on the beneficial ownership or control of voting shares of Nordion (Canada) Inc. by "non-residents" of Canada (as such term is defined in the Act). In addition, under the 2006 Interim and Long-Term Supply Agreement between Nordion (Canada) Inc. and AECL, Nordion (Canada) Inc. has granted rights of first offer and first refusal in favour of AECL in the event that Nordion (Canada) Inc. proposes to transfer all or a substantial portion of its isotopes business to certain designated third parties. These restrictions can significantly reduce the ability of the Company to consider certain strategic transactions which could be beneficial to the Company.

Outcome of the Company's arbitration with AECL and its lawsuit against AECL.

In September 2012 the Company announced that it had received the decision in the confidential arbitration with AECL and was unsuccessful in its claim for specific performance or monetary damages relating to AECL's cancelled construction of the MAPLE facilities, and therefore was not entitled to a remedy under the 2006 Agreement for the unilateral termination by AECL of the construction of the MAPLE facilities. The arbitrators have not yet decided on the issue of costs and requested that Nordion and AECL make submissions. As the decision of the tribunal favoured AECL, Nordion may be responsible for a portion of AECL's costs, which could be material.

The arbitration decision leaves Nordion open to pursue its ongoing lawsuit against AECL in the Ontario courts in relation to the 1996 Isotope Production Facilities Agreement (IPFA). The claim requests damages in the amount of \$243.5 million for negligence and breach of the IPFA, as well as pre- and post-judgment interest and costs.

An order for Nordion to pay all or a portion of AECL's costs of the arbitration and/or pursuing a claim against the AECL that is ultimately unsuccessful could have a material adverse effect on the Company's financial condition.

Risks related to any strategic transaction.

Any acquisition that Nordion undertakes would be accompanied by the risks commonly encountered in acquisitions, including the potential disruption of our business while we evaluate opportunities and attempt to complete acquisitions.

Any business Nordion may seek to acquire or technology it may seek to license may fall short of expectations or may prove to be unprofitable. Accordingly, the earnings or losses from any such acquired business or licensed technology may dilute earnings. In addition, any failure to complete an acquisition, divestiture or licensing may result in adverse market reaction.

Nordion may be unable to integrate acquired businesses or licensed technologies into its existing business, or make the acquired businesses or licensed technologies profitable for various reasons including but not limited to: its ability to retain key employees and/or customers; its ability to integrate operations, personnel, business information systems and processes; its ability to complete the development of products; difficulty with sales; difficulty in maintaining uniform standards, controls, procedures and policies; and incompatible management or other cultural differences. Any of the foregoing could have a material adverse effect on the Company's financial position and results of operations.

Any divestitures may result in significant write-offs, including those related to property plant and equipment and other assets, and could involve risks relating to difficulties in the separation of operations, services, products and personnel, diversion of management's attention, disruption to remaining businesses and the potential loss of key employees, all of which could have a material adverse effect on our financial position and results of operations.

Compliance with laws and regulations affecting public companies.

As Nordion is traded on both the Toronto Stock Exchange (TSX) and the New York Stock Exchange (NYSE), it is subject to complex regulations for which compliance is expensive and time consuming. Any future changes to the laws and regulations affecting Canadian public companies and U.S. foreign private issuers, and/or a determination that Nordion no longer qualifies as a foreign private issuer, may cause the Company to incur increased costs and efforts as it evaluates the implications of the new rules and responds to new requirements. Delays or a failure to comply could result in enforcement actions, the assessment of penalties and/or civil suits.

The Company may be required to hire additional personnel and utilize additional outside legal, accounting and advisory services, all of which could cause general and administrative costs to increase beyond what the Company currently has budgeted. The Company is continually evaluating and monitoring developments with respect to these laws, rules and regulations, and it cannot predict or estimate the amount of the additional costs it may incur or the timing of such costs.

New laws and regulations may make it more expensive for the Company to provide indemnities to its officers and directors and may make it more difficult to obtain certain types of insurance, including liability insurance for directors and officers. The Corporation may, therefore, be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these changes could also make it more difficult for the Company to attract and retain qualified persons to serve on its Board of Directors, or as executive officers.

The Company may be unable to effectively introduce and market new products and services, or may fail to keep pace with advances in technology.

Without the timely introduction of new products and enhancements, the Company's current products could become technologically obsolete, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Our products are often complex and, therefore, often require significant research, planning, design, development and testing before they may be marketed. New product offerings will not succeed if the Company is unable to: accurately anticipate customer needs; accurately anticipate evolving government and regulatory policies; innovate and develop new products and services; successfully commercialize new technologies in a timely manner; price products competitively; source, manufacture and deliver high-quality products in sufficient volumes and on time; or differentiate product offerings from its competitors' product offerings.

Developing new products may require significant investments before the Company, or its customers, can determine the commercial viability of the new product. Investments may be made in R&D of products that do not become commercially viable. Nordion may experience design, manufacturing, marketing or other difficulties that could delay or prevent our development, introduction or marketing of new or improved products; which delays would increase development expenses, which could affect the Company's results of operations negatively.

In addition, the timely introduction of new products or enhancements may be adversely affected if reimbursement of such products by governmental health administration authorities, private health coverage insurers and other third-party payors is not available. Reimbursement and healthcare payment systems vary significantly by country. There can be no assurance that reimbursement approvals will be received, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Foreign currency exchange rates may adversely affect results.

The Company derives a large portion of its revenues from international sales. For the year ended October 31, 2012, the Company derived approximately 96% and 32% of total revenues from continuing operations, from outside Canada and the U.S., respectively. In addition, the Company purchases product from outside of Canada and has commitments to purchase products over a number of years in U.S. dollars. The Company's financial statements are denominated in U.S. dollars. However, the Company's primary operating locations are in Canada, and the Company incurs operating expenses in Canadian dollars. As a result, factors associated with international operations, including changes in foreign currency exchange rates, could significantly affect the business, financial condition and results of operations of the Company.

As a global company, the Company's exposure to foreign-exchange rate changes includes, but is not limited to, the following:

- Costs and revenues denominated in Canadian dollars, when translated into U.S. dollars for financial reporting purposes, can fluctuate due to exchange rate movements;
- Embedded derivatives based on the currency of certain contracts the Company enters into with customers and suppliers, in particular the Company's Russian supply agreements, are valued at market rates, and the Company may report significant gains or losses based on changes in current and expected future, or commonly referred to as forward, exchange rates;
- The Company may hold a portion of its cash in Canadian dollars which may result in a reduction cash reported in U.S. dollars if the U.S. dollar strengthens relative to the Canadian dollar;
- Certain long-term contracts with suppliers or customers may experience significant fluctuations in foreign exchange rates over several years thereby impacting cash flows and results of operations of the Company; and
- Certain contracts may involve foreign exchange risk when costs are incurred in a different currency than revenue.

Changes in trends in the pharmaceutical and biotechnology industries.

Industry trends and economic and political factors that affect pharmaceutical and biotechnology companies also affect the Company's business. The Company provides services to pharmaceutical and biotechnology companies, including Contract Manufacturing and product development support. The Company's business could be adversely affected by any significant decrease in life science research and development expenditures by pharmaceutical and biotechnology companies, as well as changes in the acceptance and use of radiopharmaceutical products.

Regulations may reduce demand for the Company's products and services, and increase expenses.

Nordion competes in markets in which it, and its customers, must comply with federal, state, local, and foreign regulations, such as environmental, nuclear, health and safety, food and drug, and medical device regulations. These regulations may create or affect market demand for products and services. Because of the high cost to develop, configure, and market products and services to meet customer needs and regulatory requirements, any significant change in applicable regulations could reduce demand for the Company's products or services or increase the costs associated with manufacturing, distributing and selling these products and services. Sales of Nordion's products depend, in part, upon the extent to which the costs of its products are reimbursed by governmental health administration authorities, private health coverage insurers and other third-party payors. Reimbursement criteria for approval vary by country, and are becoming increasingly stringent. Moreover, reimbursement requires management expertise and significant attention to obtain and maintain. The Company's customers' ability to obtain appropriate reimbursement affects both the quantity and price of the products they purchase and the prices they are willing to pay. In addition, demand for new products may be limited unless Nordion obtains reimbursement approval from governmental and private third-party payors prior to introduction.

In addition, changes to government healthcare reimbursement policies could have a significant impact on our customers' spending decisions. In recent years, the U.S. Congress and U.S. state legislatures have considered various types of healthcare reform in order to control growing healthcare costs. Similar reform movements have occurred in Europe and Asia. Implementation of healthcare reform legislation to reduce costs could limit the profits that can be made from existing products and the development of new improved products. This could adversely affect R&D expenditures by pharmaceutical and biotechnology companies which could in turn decrease the business opportunities available to the Company.

We are subject to various laws related to prohibiting payments intended to induce physicians or others either to refer patients or to acquire or arrange for or recommend the acquisition of healthcare products or services, prohibiting false claims, and protecting patient confidentiality. These laws constrain our sales, marketing and other promotional activities by limiting the kinds of arrangements we may enter into with hospitals, physicians or other potential purchasers of medical devices. These laws prescribe civil and criminal penalties for noncompliance, which can be substantial.

The U.S. *Patient Protection and Affordable Care Act* (PPACA) and the *Health Care and Education Reconciliation Act of 2010* (Reconciliation Act), among other things, impose a 2.3% excise tax on the sale of certain medical devices that will take effect in 2013. A section of the PPACA known as the "Sunshine Act" requires applicable manufacturers of drugs and devices to report annually for publication certain payments and other transfers of value to health care professionals and teaching hospitals, as well as certain ownership interests held by physicians. It is anticipated that Nordion will be required to track these payments and other transfers of value beginning in 2013, with the first annual report to be submitted in 2014.

Current economic instability.

International financial markets and economies have been experiencing a period of upheaval characterized by significant debt levels, bankruptcy, failure, collapse or sale of various financial institutions, diminished liquidity and credit availability, declines in consumer confidence and economic growth, increases in unemployment rates and uncertainty about economic stability. Nordion's customers may experience financial difficulties or be unable to borrow money to fund their operations, which may adversely affect their ability or decision to purchase our products, or pay for our products once purchased. The economic downturn may also, among other things, create downward pressure on the demand for and pricing of our products which could have an adverse effect on our business, financial position and results of operations.

Volatility of share price and dividend policy

The market price of Nordion's shares is subject to volatility. Deviations in actual financial results as compared to the expectations of securities analysts who follow the Company can have a significant effect on the trading of Nordion's Common shares. In addition, Nordion's revenues and profitability growth may vary from one quarter to another due to, among other things, the events discussed in these risk factors, quarter-to-quarter variances in our financial results, the nature of our business, or a decline or rise of stock prices in the capital markets generally.

Nordion suspended its quarterly dividend in the fourth quarter of fiscal 2012, and currently does not anticipate paying dividends in the foreseeable future. Any future decisions to pay dividends will be made at the discretion of the Board of Directors and will depend on, among other things, our cash flows, results of operations and financial condition.

Dependence on information technology (IT) systems and communication systems.

The Company's business depends, in part, on the continued and uninterrupted performance of its IT systems. Sustained system failures or interruptions could disrupt the Company's ability to perform many of the functions that are critical to the Company's business, including processing customer orders, transportation of raw materials and finished products, manufacturing of products, and timely invoicing and collections. The Company's business, financial condition and results of operations could have a material adverse effect from a prolonged system failure.

The Company's computer systems are vulnerable to damage and interruption from a variety of sources, including telecommunications failures, malicious human acts, and natural disasters, and there is always a risk of unanticipated problems. There is additional risk if critical systems are not kept up to date and maintained under full manufacturer's support. The Company's insurance policies may not cover or adequately compensate the Company for any losses that may occur due to any failures in its IT systems.

Uncertain disposal and decommissioning costs.

Nordion currently disposes of cobalt sources returned from customers in the normal course of business, and expects this practice to continue. The future disposal path, and Nordion's actual disposal costs, are subject to change at the discretion of the disposal site and are subject to availability. If disposal facilities are not readily available to Nordion, the Company may store quantities of spent Co-60 at its facility until alternate disposal becomes available.

As a result of processing radioactive material, the buildings and equipment at the Company's facilities may become contaminated with radioactive material. When a site is exited, the Company is required by law to dismantle and dispose of all contaminated buildings and equipment, which may include radioactive materials stored on site as inventory for sale and radioactive materials returned from customers for eventual disposal by the Company. The costs of dismantling and, in particular, disposing of radioactive material, could be significant and may have a material adverse effect on the Company's financial position.

Access to cash for ongoing operations or for strategic transactions.

While Nordion intends to finance ongoing operations, capital expenditures and restructuring costs from existing cash, and cash flow from operations, cash financing may prove costly, and difficult or impossible to obtain. The Company's issued letters of credit, future pension funding obligations, uncertainty related to the costs and potential penalties associated with the internal investigation, the payment of AECL's legal cost related to the MAPLE arbitration and other litigation, among other things may limit Nordion's borrowing capacity. Banks and other lenders may not be willing to provide financing to the Company, or financing on acceptable terms. Global market conditions and lack of credit availability will also affect our ability to obtain financing on acceptable terms.

Intellectual property protection.

Nordion's success depends in part on obtaining, maintaining and enforcing our patents, trademarks, and other proprietary rights, and our ability to avoid infringing the proprietary rights of others. The Company possesses an array of copyrights, trademarks, patents, unpatented proprietary technologies, trade secrets and know-how.

Nordion has applied, or intends to apply, for additional patents to cover its newest products. The Company may not obtain issued patents from any pending or future patent applications owned by or licensed to us. Of the U.S. and foreign patents Nordion currently holds, the claims allowed may not be sufficient to protect the full scope of its technology. In addition, competitors may design around Nordion's technology or develop competing technologies.

We may not be able to effectively protect our rights in unpatented technology, trade secrets and confidential information. Although we require our new employees, consultants and others with whom we do business to execute confidentiality agreements, these agreements may not provide effective protection of our information or, in the event of unauthorized use or disclosure, may not provide adequate remedies. Intellectual property rights may also be unavailable or limited in some foreign countries, which could make it easier for some of the Company's competitors to capture increased market position.

Nordion may incur significant expense in any legal proceedings to protect the Company's proprietary rights or to defend infringement claims by third parties. If Nordion is unable to adequately protect its intellectual property, the Company's market share, financial condition and results of operations may be adversely affected.

Third parties may claim that our products infringe their intellectual property rights. Claims of third parties against the Company of infringements would divert management's time and effort and could result in decreased sales; substantial litigation costs; awards of substantial damages; court orders that could force us to make changes to our products, pay royalties or other fees to licence rights in order to continue manufacturing and selling our products, or effectively prevent the Company from manufacturing, using, importing or selling its products in certain countries; all of which could have a material adverse effect on the Company's financial results.

Nordion licences intellectual property rights to and from third parties. The measures that the Company employs to protect these technologies and these rights may not be adequate. Moreover, in some cases, the licensor can terminate a licence or convert it to a non-exclusive arrangement if Nordion fails to meet specified performance targets.

Substantially all of the Company's revenue is derived from products, including TheraSphere, that are not protected by patents. While the Company have among other things, trade secrets, know-how, regulatory approvals and licenses, most of Nordion's products or similar variations could be produced by other companies that may choose to compete with Nordion, which could result in a loss of market share or reduction in price.

Tax reassessment risk.

Nordion tax filings are subject to audit and review by government tax authorities who may disallow certain deductions or disagree with the Company's interpretation or application of tax laws, which may result in its having to pay additional taxes and incur additional tax expense, including interest charges and potential penalties. This obligation extends to Nordion filings prior to the sale of those subsidiaries sold by the Company.

Dependence upon the services of key personnel.

The Company's success depends, to a significant extent, upon the Company's ability to continue to attract, retain, develop and motivate qualified personnel, in particular its executive officers and key management, scientific, technical and sales personnel. The loss of the services of the Company's key personnel could have a material adverse effect on the business and results of operations of the Company. The Company does not maintain key person life insurance policies on any of its officers or employees. The competition for qualified employees is intense. The investment required to attract and retain key personnel, including the provision of compensation packages that are competitive, could have an impact on the profitability of the business of the Company. Compensation and benefit packages provided by the Company may not be viewed as competitive and the Company may have to increase salaries and benefits in an effort to retain key employees and the failure to do so could adversely affect the Company's ability to attract or retain key employees.

Labour relations.

Approximately 44% of our employees, mainly technical and production employees, are currently unionized. Our current collective agreement with our Kanata employees expires in 2014 and our current collective agreement with our Vancouver employees expires in 2013. Management believes that the Company's current labour relations with unionized employees are healthy, however its failure to renew these agreements on reasonable terms could result in labour disruptions and increased labour costs, which could have a material adverse effect on the business, financial conditions and results of operations.

6. SELECTED CONSOLIDATED FINANCIAL INFORMATION

6.1. Summary Annual Information

Years ended October 31

(thousands of U.S. dollars)

	2012	2011	2010
Revenues	\$ 244,840	\$ 274,027	\$ 221,968
Costs and expenses			
Direct cost of revenues	110,992	126,076	104,677
Selling, general and administration	69,831	65,107	100,286
Depreciation and amortization	17,080	22,375	28,514
Restructuring charges, net	1,781	1,592	62,531
Change in fair value of embedded derivatives	12,020	(2,649)	(13,050)
Other expenses, net	32,041	8,549	25,057
Operating income from continuing operations	\$ 1,095	\$ 52,977	\$ (86,047)
Interest expense	(4,406)	(2,499)	(5,522)
Interest income	6,835	10,274	8,590
Equity loss	-	(128)	(650)
Income tax expense	(32,393)	(17,122)	(187)
Loss from discontinued operations, net of income taxes	-	(26,655)	(148,194)
Net (loss) income	\$ (28,869)	\$ 16,847	\$ (232,010)
Gross margin	55%	54%	53%
Capital expenditures from continuing operations	\$ 7,384	\$ 6,732	\$ 7,251
Total assets	\$ 428,581	\$ 458,663	\$ 564,021
Long term financial obligations	\$ 43,331	\$ 44,330	\$ 44,150

6.2. Capital Structure

When looking at the Company's capital structure, Nordion considers, among other things, requirements for operations, including working capital fluctuations, the Company's ability to access capital, the Company's risk profile, and the flexibility provided by cash and liquidity sources. In addition, with the uncertainty in the Medical Isotopes business, in particular Nordion's current reliance on the NRU reactor, the Company intends to maintain a certain level of liquidity and access to capital.

Nordion uses a combination of equity and long-term debt to finance its business. The Company has one class of shares authorized and outstanding, being Common shares. As at October 31, 2012, there were 61,909,101 Common shares issued and outstanding.

The Common shares entitle the holder thereof to receive notice of, to attend, and to vote at all meetings of holders of Common shares. Each Common share entitles the holder thereof to one vote per share and to share rateably in the assets of the Company on liquidation or dissolution.

On January 25, 2013, Nordion entered an \$80 million Amended and Restated senior secured credit facility agreement (Amended and Restated from the three-year \$75 million credit facility entered into on June 3, 2011) with the Toronto-Dominion Bank (TD) and a select group of other financial institutions. The credit facilities consist of a \$20 million revolving credit facility and a separate facility of up to \$60 million to be used for the issuance of letters of credit. The latter facility will be fully secured including a specific pledge of cash collateral. Cash pledged against the facility will be reported as restricted cash and will be unavailable for operation. The primary purpose of the \$20 million revolving credit facility is for general corporate purposes.

Under this credit facility, the Company is able to borrow Canadian and US dollars by way of Canadian dollar prime rate loans, US dollar base rate loans, US dollar Libor loans, the issuance of Canadian dollar banker's acceptances and letters of credit in Canadian and US dollars. The amended credit facility is for a one-year term, which may be extended on mutual agreement of the lenders for successive subsequent periods.

As at October 31, 2012, the Company had \$30.6 million of letters of credit issued against the credit facility.

On June 3, 2011, Nordion entered into a three-year \$75 million revolving committed credit facility with TD as its lead lender and a syndicate of other financial institutions. In 2012, the Company used the credit facility, as planned, to reissue existing letters of credit, to issue new letters of credit, and to provide an additional source of liquidity.

In the first quarter of fiscal 2010, Nordion cancelled its previous C\$500 million revolving credit facility, which had no outstanding or drawn amounts.

The Company has a defeased non-interest bearing government loan, and a note payable associated with the purchase of specific assets. At October 31, 2012, long-term debt consisted of a \$43.0 million, non-interest bearing government loan; and other commitments totaling \$0.3 million which represent capital lease obligations. The fully funded financial instrument that defeases the non-interest bearing government loan is valued at \$43.0 million.

In fiscal 2010, the Company repaid in full its outstanding senior unsecured notes at a cost of \$223 million.

6.3. Shareholders Rights Plan

On March 7, 2012, the shareholders of the Company ratified and confirmed an amended and restated shareholder rights plan (the "Rights Plan"). The Company originally implemented a shareholder protection rights agreement on March 3, 2000 and was amended, restated and renewed by shareholders in March of 2003, 2006 and 2009. The Rights Plan will expire at the close of business on the date upon which the annual meeting of shareholders to be held in 2015 terminates, subject to earlier termination or reconfirmation by the shareholders. The Rights Plan is available at www.sedar.com.

6.4. Dividend and Share Buy Backs

In September 2012, Nordion announced it had suspended the payment of its quarterly dividend and cancelled its normal course issuer bid (NCIB). This decision was based on the uncertainty associated with several factors. These include the potential payment of a portion of AECL's arbitration costs, the ongoing internal investigation, pension funding obligations and molybdenum-99 revenue and supply.

The Company had previously approved the introduction of a quarterly cash dividend, which was set at \$0.10 per share, and the reinstatement of a NCIB to repurchase outstanding Common shares of the Company on the open market in January 2011.

In fiscal 2012, Nordion distributed \$18.6 million in dividends, by \$0.10 per share dividends issued in the first and second quarters. In fiscal 2011, Nordion distributed \$19.2 million in dividends, by \$0.10 per share dividends issued in each quarter of fiscal 2011. The Company did not pay dividends in fiscal 2010.

In fiscal 2012, Nordion repurchased 398,500 common shares for \$3.5 million through the 2011 NCIB that commenced on January 31, 2011, and 71,120 common shares for \$0.5 million through the 2012 NCIB that commenced on February 2, 2012.

In fiscal 2011, Nordion repurchased 4,860,132 Common shares for \$52.4 million through an NCIB that commenced on January 31, 2011. Nordion was authorized by the TSX to purchase for cancellation up to 5,677,108 Common shares, which represented approximately 10% of Nordion's then public float and 8% of its outstanding shares.

During fiscal 2010, Nordion conducted a Substantial Issuer Bid, repurchasing and cancelling 52,941,176 or 44% of the Company's Common shares for an aggregate purchase price of \$450 million.

6.5. Ownership and Other Restrictions

The wholly-owned indirect subsidiary of the Company which holds the Nordion assets is subject to the *Nordion and Theratronics Divestiture Authorization Act (Canada)*. This Act effectively imposes restrictions and limitations on the beneficial ownership or control of voting shares of Nordion (Canada) Inc. by "non-residents" of Canada (as such term is defined in the Act). In addition, under the 2006 Interim and Long-Term Supply Agreement between Nordion (Canada) Inc. and AECL, Nordion (Canada) Inc. has granted rights of first offer and first refusal in favour of AECL in the event that Nordion (Canada) Inc. proposes to transfer all or a substantial portion of its isotopes business to certain designated third parties. These restrictions can significantly reduce the ability of the Company to consider certain strategic transactions which could be beneficial to the Company.

7. MANAGEMENT'S DISCUSSION AND ANALYSIS

Please refer to Nordion's fiscal 2012 MD&A.

8. MARKET FOR SECURITIES

8.1. Trading Price and Volume

The Company's outstanding Common shares are listed for trading on the Toronto Stock Exchange (TSX) (TSX: NDN) and the New York Stock Exchange (NYSE) (NYSE: NDZ). The following table sets forth the price ranges and volume of Common shares traded on the TSX and the NYSE for each month of fiscal 2012.

	TSX			NYSE		
	High	Low	Volume	High	Low	Volume
	(CDN\$)			(US\$)		
Fourth Quarter of 2012						
October	6.75	6.13	804,518	6.90	6.21	4,409,308
September	7.24	6.43	1,609,418	10.69	6.64	15,745,882
August	10.32	9.35	615,469	10.43	9.42	3,265,368
Third Quarter of 2012						
July	9.60	9.18	307,015	9.55	9.06	4,566,626
June	9.83	8.69	914,758	9.65	8.47	6,229,701
May	9.28	8.84	377,303	9.15	8.65	2,493,321
Second Quarter of 2012						
April	9.55	8.82	651,318	9.62	8.92	2,906,634
March	10.20	9.49	1,869,129	10.33	9.51	7,760,934
February	10.05	9.91	1,117,743	10.09	9.91	4,303,995
First Quarter of 2012						
January 2012	9.74	8.56	1,006,910	9.74	8.46	4,030,790
December 2011	9.34	8.25	1,304,109	9.20	8.01	3,538,823
November 2011	9.80	8.76	1,490,137	9.26	8.54	2,667,292

Source: Bloomberg

Other than the Common shares, no other class of securities of the Company is traded or quoted on any exchange or market.

9. LEGAL PROCEEDINGS

The following is a summary of material legal proceedings involving Nordion.

9.1. AECL Arbitration

Please refer to Description of the Business – Medical Isotopes – Nordion’s Supply of Medical Isotopes –MAPLE Facilities and Arbitration with AECL for additional information regarding the arbitration and related claim.

9.2. Bioequivalence Studies

During fiscal 2009, Nordion was served with a complaint, filed with the Superior Court of New Jersey, from Dr. Reddy’s Laboratories Limited, Dr. Reddy’s Laboratories, Inc. and Dr. Reddy Pharmaceuticals, Inc. related to repeat study and mitigation costs of \$10 million and lost profits of \$70 million. This action relates to certain bioequivalence studies carried out at the Company’s former MDS Pharma Services business unit at the Montreal, Canada facility from January 1, 2000 to December 31, 2004. The Company maintains reserves in respect of study costs, as well as errors and omissions insurance. Nordion has assessed this claim, and has accrued amounts related to the direct costs associated with the repeat study costs in an FDA provision (see Note 10 in the *2012 Financial Statements*). No specific provision has been recorded related to the claim for lost profit, other than insurance deductible liabilities included in accrued liabilities. The Company has filed an Answer and intends to vigorously defend this action. Discoveries are ongoing, and no trial date has been set. To date, attempts to mediate the claim have been unsuccessful.

During fiscal 2009, Nordion was served with a statement of claim from Apotex Inc., filed with the Ontario Court of Justice, related to repeat study and mitigation costs of C\$5 million and loss of profit of C\$30 million. This action relates to certain bioequivalence studies carried out by the Company’s former MDS Pharma Services business unit at the Montreal, Canada facility from January 1, 2000 to December 31, 2004. The Company maintains reserves in respect of study costs, as well as errors and omissions insurance. Nordion has assessed this claim, and has accrued amounts related to the direct costs associated with the repeat study costs in an FDA provision (see Note 10 in the *2012 Financial Statements*). No specific provision has been recorded related to the claim for lost profit, other than insurance deductible liabilities included in accrued liabilities. The Company has filed a Statement of Defence and intends to vigorously defend this action. Document production is completed and discoveries have commenced.

9.3. Arbitration with Life Technologies Corporations

As part of the sale of MDS Analytical Technologies completed in the first quarter of fiscal 2010, Nordion’s joint venture partnership with Applied Biosystems, a division of Life Technologies Corporation (Life), was dissolved. A disagreement arose between Nordion and Life, the former partners, as to the appropriate treatment of certain inventory sold by the partnership to Applied Biosystems prior to the dissolution of the joint venture partnership. In the third quarter of fiscal 2011 the arbitrator in the hearing ruled in favour of Life, awarding them a settlement of approximately \$9.5 million. Nordion has not made payment.

Subsequent to the arbitrator’s ruling, on September 30, 2011, Nordion filed a statement of claim against Life in the Ontario Superior Court of Justice seeking recovery of approximately C\$30 million and requested the \$9.5 million settlement payment be stayed pending the outcome of this new claim. In December 2011, Life filed its statement of defense, and Nordion expects that Life will vigorously defend this action. In March 2012, Nordion filed a motion for summary judgment, requesting damages of \$35 million and a stay of the previous arbitration award. In May 2012, Life filed a motion to dismiss. A schedule for the hearing of motions has yet to be set. Affidavits and expert reports in support of the action have been prepared and delivered by Nordion. LIFE has retained experts and is in the process having reports prepared. Initial hearings may occur during the Company’s fiscal 2013.

9.4. Radiation Overexposure Claim

The Company has received a Petition for Damages from counsel representing approximately 34 plaintiffs, which was filed on October 20, 2011, in the Circuit Court of St. Louis County, Missouri, United States. The petition claims damages resulting from alleged overexposure of the plaintiffs arising from defects in external beam irradiation therapy equipment. The petition has been filed against several defendants including the Company. The action stems from suits filed in Missouri in 2001, and later in several other jurisdictions (including Panama), all of which were dismissed on competency or jurisdictional grounds. After the Supreme Court in Panama in 2010 reaffirmed the lack of competence and jurisdiction in Panama, Plaintiff's re-filed the present action in St. Louis County, Missouri.

The Plaintiffs are claiming wrongful death and/or loss of chance of survival arising from alleged negligence in design, testing, manufacture and operation, and resulting defects in, external beam irradiation therapy equipment (Theratron 780-C teletherapy units) and associated software, which the Plaintiffs claim resulted in overexposure to radiation during treatment of 34 patients in Panama who either died as a result of overexposure to radiation or continue to suffer from the effects of over radiation.

The treatment planning software calculating patient irradiation exposure used with the equipment was of third-party design and was not sold or provided by Nordion. Damages claimed have not been specified by Plaintiffs and no Company specific-provision has been recorded or accruals have been made for this claim. In December 2011, the Company filed motions to dismiss on competency and jurisdictional grounds in St. Louis County, Missouri. The motions were heard in August 2012 and a decision is pending. The Company intends to continue to vigorously defend this action.

9.5. Factory Mutual Global

As a result of the shutdown during 2007 of the NRU reactor operated by AECL, Nordion is advancing a claim against its property insurer Factory Mutual Global (FM Global) with respect to economic loss of up to C\$25M suffered by Nordion. A Proof of Loss under the applicable insurance policy was executed by Nordion on October 20, 2010 and subsequently delivered to FM Global. On October 22, 2010, Nordion filed a Statement of Claim against FM Global in the Ontario Superior Court of Justice. FM Global filed its Statement of Defence in November 2011, and Nordion filed its Reply December 15, 2011. FM Global has indicated that it intends to vigorously defend this claim.

9.6. BioAxone BioSciences

During Q3 2012, Nordion was served with a Complaint filed in Florida relating to the Company's former Pharma Services business. The Complaint, by BioAxone BioSciences Inc., named Nordion (US) Inc. as well as another co-defendant, and alleges that MDS Pharma Services acted negligently in the preparation and qualification of a Bacterial Master Cell Bank relating to the development of a biologic drug. The Plaintiff claims that it has incurred costs to take corrective actions to the cell bank and to the development of its drug as a result of associated delays in development, progress through clinical trials and the FDA approvals process, in an amount greater than \$90 million. Nordion has not made a specific provision related to this Complaint. Nordion is currently assessing the merits of the Complaint and intends to vigorously defend this claim. In September 2012, the Company filed a motion to dismiss the claim in Ft. Lauderdale, Florida and a decision is pending.


10. DIRECTORS AND OFFICERS

10.1. Directors

The Company currently has a Board of Directors comprised of 10 persons. Each of the directors has been elected or appointed to serve until the next annual meeting of shareholders. In accordance with the provisions of the CBCA, the directors are authorized from time-to-time to increase the size of the Board of Directors, and to fix the number of directors, up to the maximum of 20 persons, as currently provided under the articles of the Company, without the prior consent of the shareholders. The Board of Directors is permitted to appoint one or more directors to hold office between annual meetings for a term expiring not later than the next annual meeting of shareholders, provided that in no event shall the number of directors appointed in that manner exceed one third of the number of directors elected at the previous annual meeting.

The following describes the Directors of the Company. Details on compensation and share ownership guidelines for the Directors will be contained in the Company's management proxy circular for its 2013 annual and special meeting of shareholders, scheduled for March 6, 2013, which will be posted on the Company's website at www.nordion.com and will be available at www.sedar.com and www.sec.gov.

The information below as to securities of the Company, including both deferred share units ("DSUs") and Common Shares, is as at October 31, 2012. The information as to the number of Common Shares beneficially owned or over which control or direction is exercised has been provided by the respective directors.

 William D. Anderson , 63 Toronto, Ontario, Canada Director since 2007 Independent ¹	Mr. Anderson, a Chartered Accountant, is a Corporate Director, having retired in 2005 after serving 14 years with BCE Inc. (a global communications company headquartered in Montreal, Quebec). From 2001 to 2004, Mr. Anderson was President of BCE Ventures and from 1997 to 2000 was Chief Financial Officer of BCE Inc. Mr. Anderson was formerly a director of Four Seasons Hotels Inc. and Sears Canada Inc.				
	Areas of Expertise: Business Development/Global Financial/Operations/Strategy				
	Nordion Board/Committee Membership			F2012 Meeting Attendance	Current Public Board Membership²
	Board of Directors (Chair)			16/16	Gildan Activewear Inc. (Chairman of the Board) Sun Life Financial Inc. (Chair, Audit and Conduct Review Committee) TransAlta Corporation (Chair, Audit and Risk Committee)
	Finance & Audit Committee (F&A Committee) (attended as Chair of the Board)			7/7	
	Environment, Health, Safety & Governance (EHS & G Committee) (attended as Chair of the Board)			4/4 4/5	
	Human Resources & Compensation (HRC) Committee (attended as Chair of the Board)			3/3 11/11	
	Technology Committee (attended as Chair of the Board)			12/14	
	Ad Hoc (AECL) Committee (attended as Chair of the Board)				
	Ad Hoc (GBPS) Committee (attended as Chair of the Board)				
Securities Held					
Fiscal Year	Common Shares	DSUs³	Total Common Shares and DSUs	Total At-Risk Value of Common Shares and DSUs⁴	Minimum Ownership Requirement⁵
2012	5,000	54,261	59,261	\$685,012	\$746,555
2011	5,000	41,560	46,560	\$563,304	
change	nil	12,701	12,701	\$121,709	
Options Held: Nil (Director option grants were discontinued in 2003)					



Jeffrey Brown, 51

Corona del Mar, CA,
USA
Director since 2012

Independent¹

Since 2007, Mr. Brown has been the Chief Executive Officer and founding member of Brown Equity Partners, LLC (a U.S. venture capital firm and private equity firm in Orange County, California). Previously he served as a founding partner for Forrest Binkley & Brown, a U.S. private equity/venture capital firm. Mr. Brown has served on the board of directors of over 40 companies during his 25 years in the investment industry. He has also been Chairman of the board of directors of 10 companies in both the public and private sectors and has extensive experience in chairing Audit, Compensation, Finance and Special Committees.

Areas of Expertise: Financial/Governance

Nordion Board/Committee Membership	F2012 Meeting Attendance ⁶	Current Public Board Membership ²
Board of Directors	5/5	-
F&A Committee	n/a	
EHS&G Committee	n/a	

Securities Held

Fiscal Year	Common Shares	DSUs ³	Total Common Shares and DSUs	Total At-Risk Value of Common Shares and DSUs ⁴	Minimum Ownership Requirement ⁵
2012	Nil	6,124	6,124	\$39,734	\$124,426
2011	N/A	N/A	N/A	N/A	
change	Nil	6,124	6,124	\$39,734	

Options Held: Nil (Director option grants were discontinued in 2003)



William G. Dempsey, 61

Marco Island,
Florida,
USA
Director since 2008
Independent¹

Mr. Dempsey was an Executive with Abbott Laboratories (a healthcare company) for 25 years prior to his retirement in 2007. Mr. Dempsey's assignments included Executive Vice-President of the Pharmaceutical Products Group and Senior Vice-President of International Operations.

Areas of Expertise: Business Development/Global Financial/Global Life Sciences/ Governance/Human Resources/Marketing/Operations/R&D/Strategy/Sales

Nordion Board/Committee Membership	F2012 Meeting Attendance	Current Public Board Membership ²
Board of Directors	16/16	Hospira, Inc. (Member,
HRC Committee (Chair)	5/5	Audit Committee)
Technology Committee	3/3	Landaeur, Inc.
Ad Hoc (GBPS) Committee	14/14	

Securities Held

Fiscal Year	Common Shares	DSUs ³	Total Common Shares and DSUs	Total At-Risk Value of Common Shares and DSUs ⁴	Minimum Ownership Requirement ⁵
2012	Nil	85,520	85,520	\$800,109	\$ 124,426
2011	Nil	64,828	64,828	\$612,781	
change	Nil	20,692	20,692	\$187,328	

Options Held: Nil (Director option grants were discontinued in 2003)



Robert W. Luba, 70
Toronto, Ontario,
Canada
Director since 1996
Independent¹

Mr. Luba is President of Luba Financial Inc. (an investment company in Toronto, Ontario). Prior to 1994, he was President and Chief Executive Officer of Royal Bank Investment Management Inc., President of Crown Life Insurance Company and Senior Vice-President of John Labatt Limited. Mr. Luba was formerly a director of ATS Automation Tolling Systems Inc., Menu Foods Income Fund, KCP Income Fund and Vincor International Inc.

Areas of Expertise: Business Development/Global Financial/Governance/Marketing/Operations/Strategy

Nordion Board/Committee Membership			F2012 Meeting Attendance	Current Public Board Membership ²	
Board of Directors			16/16	Invesco Funds Softchoice Corporation (Chair, Audit Committee)	
Finance & Audit Committee			7/7		
Human Resources & Compensation Committee			5/5		
Ad Hoc (AECL) Committee			10/11		
Securities Held					
Fiscal Year	Common Shares	DSUs ³	Total Common Shares and DSUs	Total At-Risk Value of Common Shares and DSUs ⁴	Minimum Ownership Requirement ⁵
2012	11,600	93,316	104,916	\$1,279,872	\$124,426
2011	11,600	77,915	89,515	\$1,126,556	
change	nil	15,401	15,401	\$153,316	
Options Held: 2,500 ⁹ (Director option grants were discontinued in 2003)					



Mary A. Mogford, 68
Newcastle, Ontario,
Canada

Director since 1998
Independent¹

Ms. Mogford is a Corporate Director and a former Deputy Minister of Finance and Deputy Minister of Natural Resources for the Province of Ontario. Ms. Mogford was made a Fellow of the Institute of Corporate Directors (ICD) in 2002 in recognition of her contribution to corporate governance in Canada and in 2004 she was one of the first directors accredited to the ICD/Rotman School of Management Directors Education Program. Ms. Mogford was formerly a director of Falconbridge Limited, Sears Canada and 9 other public company boards.

Areas of Expertise: Governance/Government/Human Resources/Environmental/Health & Safety/Regulatory/Strategy

Nordion Board/Committee Membership			F2012 Meeting Attendance	Current Public Board Membership ²	
Board of Directors			16/16	Potash Corporation of Saskatchewan	
EHS & G Committee (Chair)			4/4		
HRC Committee			5/5		
Ad Hoc (AECL) Committee (Chair)			11/11		
Securities Held					
Fiscal Year	Common Shares	DSUs ³	Total Common Shares and DSUs	Total At-Risk Value of Common Shares and DSUs ⁴	Minimum Ownership Requirement ⁵
2012	13,150	52,386	65,536	\$906,422	\$124,426
2011	13,150	43,591	56,741	\$815,515	
change	nil	8,795	8,795	\$90,907	



Sean Murphy, 60
Lake Forest, Illinois,
USA
Director since 2011
Independent¹

Mr. Murphy joined Evercore Partners Inc., an independent investment banking advisory firm, in September 2011 as a Senior Advisor, Investment Banking. He previously served as Vice-President of Licensing and Business Development for Abbott Laboratories (a healthcare company) for 10 years, prior to his retirement in 2010. During Mr. Murphy's 30 years of service at Abbott, he also served as President of Perclose Inc., a company in the international vascular business, which was acquired by Abbott.

Areas of Expertise: Business Development/Global Financial/Global Life Sciences/Marketing/Operations/ R&D/Strategy/Sales

Nordion Board/Committee Membership			F2012 Meeting Attendance	Current Public Board Membership ²	
Board of Directors			16/16	Immucor Inc. (Chair, Audit Committee)	
F&A Committee			7/7		
EHS & GCommittee			4/4		
Ad Hoc (GBPS) Committee			14/14		
Securities Held					
Fiscal Year	Common Shares	DSUs ³	Total Common Shares and DSUs	Total At-Risk Value of Common Shares and DSUs ⁴	Minimum Ownership Requirement ⁵
2012	Nil	35,677	35,677	\$333,091	\$124,426
2011	Nil	14,921	14,921	\$152,044	
change	Nil	20,757	20,757	\$181,047	
Options Held: Nil (Director option grants were discontinued in 2003)					



Kenneth E. Newport,
47
Ottawa, Ontario,
Canada
Director since 2010
Independent¹

Mr. Newport, CA, CPA, served as Senior Vice-President and Executive Committee member at PRA International Inc. for three years until his retirement in 2005. In the mid-nineties he was co-founder and President of CroMedica Inc., a clinical trials contract research organization which was sold to PRA International in 2002. Mr. Newport was also a founding member of Global Biomedical Capital Corporation, Zelos Therapeutics Inc., Prime Trials Inc. and other life science organizations. He is a member of the Institute of Corporate Directors (ICD.D) and serves on the corporate boards of Jennerex Inc., Medgenesis Therapeutics Inc. and The Ottawa Hospital Research Institute.

Areas of Expertise Business Development/Global Financial/Global Life Sciences/Operations/ R&D/ Strategy/Sales

Nordion Board/Committee Membership			F2012 Meeting Attendance	Current Public Board Membership ²	
Board of Directors			16/16	-	
F&A Committee			7/7		
Technology Committee (Chair)			3/3		
Ad Hoc (AECL) Committee			10/11		
Securities Held					
Fiscal Year	Common Shares	DSUs ³	Total Common Shares and DSUs	Total At-Risk Value of Common Shares and DSUs ⁴	Minimum Ownership Requirement ⁵
2012	Nil	28,995	28,995	\$269,391	\$124,426

2011	Nil	13,335	13,335	\$135,380
change	Nil	15,660	15,660	\$134,011
Options Held: Nil (Director option grants were discontinued in 2003)				



Dr. Adeoye Olukotun, 67
Hopewell, New Jersey, USA
Director since 2010

Independent¹

Dr. Olukotun has been the Chief Executive Officer of Cardiovox Inc., a biotechnology company focused on developing innovative cardiovascular therapies, since 2006. He is also a co-founder of VIA Pharmaceuticals and served as its Chief Medical Officer from 2004 until 2008. From 2000 to 2003, he was the Chief Executive Officer of CR Strategies, LLC, a clinical research and development consulting firm. From 1996 to 2000, Dr. Olukotun was Vice President of Medical and Regulatory Affairs and Chief Medical Officer of Mallinckrodt, Inc. He is a Fellow of the American College of Cardiology as well as the American Heart Association. Dr. Olukotun was previously a director of Icagen Inc. and SemBioSys Genetic, Inc.

Areas of Expertise Global Life Sciences/Governance/Medical/Operations/R&D/Regulatory/Strategy

Nordion Board/Committee Membership				F2012 Meeting Attendance	Current Public Board Membership ²
Board of Directors				14/16	BioClinica Inc.
EHS & G Committee				4/4	
Technology Committee				3/3	
Ad Hoc (AECL) Committee				3/4 ⁶	
Securities Held					
Fiscal Year	Common Shares	DSUs ³	Total Common Shares and DSUs	Total At-Risk Value of Common Shares and DSUs ⁴	Minimum Ownership Requirements ⁵
2012	Nil	38,089	38,089	\$360,427	\$124,426
2011	Nil	19,167	19,167	\$193,743	
change	Nil	18,922	18,922	\$166,684	
Options Held: Nil (Director option grants were discontinued in 2003)					



Steven M. West, 60

Ottawa, Ontario,
Canada

Director since 2010

Not Independent⁷

Mr. West is President and Chief Executive Officer of Nordion. He was appointed Chief Executive Officer in January 2010. Mr. West, who in September 2009 was appointed Chief Operating Officer, has served as President of Nordion since April 2003. He joined MDS Capital Corp. (now Lumira Capital) in 2001 as a senior partner after serving as President of DiverseyLever Canada. His background includes various Chief Executive Officer assignments in Asia and the Pacific Rim, as well as international business-development responsibilities in the specialty chemicals field. Steve has a degree in Genetics from London University (UK) and completed postgraduate research in Biotechnology. He is a member of the Canadian Council of Chief Executives and the Institute of Corporate Directors.

Areas of Expertise: Business Development/Global Life Sciences

Nordion Board/Committee Membership			F2012 Meeting Attendance	Current Public Board Membership ²	
Board of Directors			14/16	-	
Technology Committee			3/3		
Securities Held					
Fiscal Year	Common Shares	DSUs/RSUs ⁸	Total Common Shares and DSUs/RSUs	Total At-Risk Value of Common Shares and DSUs/RSUs ⁸	Minimum Ownership Requirement ⁵
2012	29,800	96,415	126,215	\$1,317,914	\$928,604 ⁷
2011	29,800	60,647	90,447	\$1,028,785	
change	Nil	35,768	35,768	\$289,129	
Options Held: 854,500 (options granted as an executive officer)					



Janet Woodruff, 55

Vancouver, British
Columbia, Canada

Director since 2011
Independent¹

Ms. Woodruff, a Chartered Accountant, is a Consultant and Corporate Director, having recently served as Vice-President and Special Advisor of BC Hydro until 2011, and as a director of Pacific Northern Gas Ltd.. Prior to this, Ms. Woodruff served as Interim President (2009-10) and Vice-President and Chief Financial Officer (2007-08) of BC Transmission Corporation. Ms. Woodruff was Vice President and CFO of Vancouver Coastal Health (2003-07), following fourteen years with Westcoast Energy. Ms. Woodruff holds the Institute of Corporate Directors accreditation. Ms. Woodruff is a director of the Mutual Fund Dealers Association of Canada and a former director of Pacific Northern Gas.

Areas of Expertise: Business Development/Financial/Governance/Government/Human Resources/Operations/Regulatory/Strategy

Nordion Board/Committee Membership			F2012 Meeting Attendance	Current Public Board Membership ²	
Board of Directors			16/16	-	
F&A Committee (Chair)			7/7		
HRC Committee			5/5		
Ad Hoc Committee (GBPS) Committee (Chair)			14/14		
Securities Held					
Fiscal Year	Common Shares	DSUs ³	Total Common Shares and DSUs	Total At-Risk Value of Common Shares and DSUs ⁴	Minimum Ownership Requirement ⁵

	2012	Nil	37,756	37,756	\$347,541	
	2011	Nil	13,901	13,901	\$140,692	\$124,426
	change	Nil	23,855	23,855	\$206,849	
Options Held: Nil (Director option grants were discontinued in 2003)						

1 Each of the directors, other than Steven West, has been determined by the Board of Directors to be free of any relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of his or her independent judgment and to meet the criteria to be considered independent as described in the corporate governance guidelines of the Ontario Securities Commission National Policy 58-101 and New York Stock Exchange corporate governance rules.

2 Based upon information provided by each of the nominees there are no board interlocks.

3 Independent directors have the option of receiving their compensation in the form of DSUs under the Nordion Amended and Restated Deferred Share Unit Plan for Non-Executive Directors of the Board ("DSU Plan").

4 For the purpose of determining the value of the equity investment of a director in the Company at any time, the value of the DSUs or Common Shares held by a director is based upon the higher of a) the acquisition cost or b) the market value of the Common Shares held or Common Shares represented by DSUs held under the DSU Plan.

The acquisition cost for DSUs is the cumulative value of the TSX five-day average closing share price up to and including the last trading day of each applicable fiscal quarter used to calculate the number of DSUs to be issued to each independent director. The acquisition cost for Common Shares is the purchase price paid for shares bought on the secondary market by the director. The market value for DSUs and Common Shares is the five-day average closing share price up to and including October 31st. For fiscal 2012 and 2011 the value of Common Shares and DSUs for all independent directors is based on the acquisition cost.

5 Each independent director is required to own shares or DSUs in the Company with a value of not less than 5x his/her annual retainer. Directors are given three years to accumulate such ownership position. Mr. Anderson was appointed Chairman of the Board in January 2010, at which time his minimum ownership requirements increased to \$746,555. Mr. Anderson is expected to achieve his minimum ownership requirement by the third quarter of fiscal 2013. Mr. Brown was appointed to the Board on September 9, 2012, and he will have until September 2015 to meet his minimum ownership requirement, which is currently \$124,426.

6 Mr. Brown was appointed to the Board on September 9, 2012, and was appointed to the F&A and EHS&G Committees on December 18, 2012, and since those dates has attended 100% of all Board and Committee meetings at which he were required to attend. Dr. Olukotun joined the Ad Hoc (AECL) committee July 23, 2012, and attended 3 out of 4 meetings for the remainder of the year.

7 Mr. West, the Chief Executive Officer of the Company, is the only non-independent director. His share ownership requirement is based on two times his three-year average salary as at October 31, 2012.

8 As an employee director, Mr. West does not participate in the DSU Plan. Mr. West's DSUs and restricted share units ("RSUs") are issued to him in his capacity as Chief Executive Officer. For Mr. West, the value of Common Shares, RSUs and DSUs is calculated as set out in the Executive Share Ownership Guidelines; at the highest share price on the TSX for the six-month period ending October 31st and converted to US dollars. For fiscal 2012 the TSX highest share price for the six month period ending October 31, 2012 was C\$10.49. For fiscal 2011, the highest share price on the TSX for the six-month period ending October 31, 2011 was C\$11.60.

9 Subsequent to October 31, 2012, 2,500 of each of Mr. Luba's and Ms. Mogford's options expired.

10.2. Executive Officers

In addition to Mr. Steven West, CEO of Nordion, the Company's Executive Management team currently comprises the following individuals:

Executive Officer	Officer of the Company Since	Position with Nordion	Employment History for the Previous Five Years
Peter Dans Ontario, Canada	2007	Chief Financial Officer (CFO)	Mr. Dans held the positions of SVP and VP Financial Planning and Analysis with Nordion from 2007 to 2010. Before that he worked at Nortel Networks and was CFO of LG-Nortel in Korea since 2005.
Christopher Ashwood Ontario, Canada	2010	Senior Vice-President (SVP), Corporate Services	Mr. Ashwood was Nordion's SVP of Human Resources and Information Technology from 2008 to 2010. Prior to joining Nordion in 2008, he was Vice President, Product Development Solutions at Nortel Networks.
Jill Chitra Ontario, Canada	2010	SVP, Quality & Regulatory Affairs	Prior to 2010, Ms. Chitra was VP, Strategic Technologies. From 2006 to 2008, she was VP, Global Research & Development, and before that VP, Engineering & Development.
Scott McIntosh Ontario, Canada	2010	Chief Operating Officer, Specialty Isotopes	Prior to his appointment, Mr. McIntosh was VP, Manufacturing with Nordion since 2005.
Tamra Benjamin Ontario, Canada	2010	Vice-President (VP), Public Affairs	Prior to her appointment, Ms. Benjamin was VP, Communications, Nordion. From 2006 to 2009, Ms. Benjamin worked in various Communications roles. Prior to joining Nordion, Ms. Benjamin was Director, Marketing Communications with TenXc Wireless.
Tom Burnett Ontario, Canada	2012	General Manager, Medical Isotopes	Mr. Burnett joined Nordion in 2006 as the Global Marketing Director for Medical Isotopes, and subsequently held the position of VP, Global Sales prior to his appointment.

Kevin Brooks, formerly Senior Vice President of Sales and Marketing, and Peter Covitz, formerly Senior Vice President of Innovation, left the organization as of October 31, 2012. Andrew Foti, formerly Senior Vice President, General Counsel and Corporate Secretary, assumed the position of Special Counsel to the CEO in January 2013.

To the knowledge of Nordion, based upon information provided by each of the directors and executive officers, the directors and executive officers of Nordion, as a group, beneficially owned, directly or indirectly, or exercise control or direction over an aggregate of 113,477 Nordion Common shares representing less than one percent of Nordion's issued and outstanding Common shares as of October 31, 2012.

10.3. Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of Nordion, no director or executive officer of Nordion (a) is at the date hereof or has been, in the last 10 years before the date hereof, a director, chief executive officer (CEO) or chief financial officer (CFO) of any company, including Nordion, that (i) was subject to a cease trade order, similar order or an order that denied the relevant company access to any exemptions under securities legislation, for a period of more than 30 consecutive days (an “Order”) that was issued while the director or executive officer was acting in that capacity; or, (ii) was subject to an Order that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO. To the knowledge of Nordion, no director or executive officer of Nordion, and no shareholder holding a sufficient number of securities of Nordion to affect materially the control of Nordion, (i) is at the date hereof or has been in the 10 years before the date hereof, a director or executive officer of a company, including Nordion that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets, or, (ii) has, within the last 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer, or shareholder except for; (i) Mr. Robert Luba, a director of Nordion who was an independent director of Safety-Kleen Corp., a New York Stock Exchange listed company, which filed for bankruptcy in 2000; and (ii) Mr. Jeff Brown, who was a member of the Office of the President of Forrest Binkley & Brown Venture Co., a Texas corporation which was the general partner of Forrest Binkley & Brown, L.P., a Texas limited partnership, which in turn was the general partner of SBIC Partners II, L.P., a technology venture capital fund formed in 1998. In March 2005, SBIC Partners II, L.P. entered into a consent judgment whereby the U.S. Small Business Administration (SBA) was appointed as receiver for SBIC Partners II, L.P. Following the appointment of the SBA as receiver, Forrest Binkley & Brown was appointed as agent to the receiver. Jeff Brown has not been materially involved since 2006.

10.4. Conflicts of Interest

To the Company’s knowledge there are no existing or potentially material conflicts of interest between the Company or a subsidiary of the Company and any director or officer of the Company or of a subsidiary of the Company.

11. FINANCE & AUDIT COMMITTEE

11.1. Composition of Finance & Audit Committee

Chair: Janet P. Woodruff

Members (as of October 31, 2012): Robert W. Luba, Sean Murphy, and Kenneth E. Newport.

The responsibilities and duties of the Committee are set out in the Committee’s charter, the text of which is set forth in Schedule A to this AIF. The responsibilities and duties of the Committee’s Chair are set out in the Committee’s Chair position description, the text of which is set forth in Appendix A of Schedule A of this AIF.

The Board of Directors believes that the composition of the Finance & Audit Committee reflects a high level of financial literacy and expertise. Each member of the Finance & Audit Committee has been determined by the Board of Directors to be “independent” and “financially literate” as such terms are defined under applicable Canadian and United States securities laws and the NYSE Corporate Governance Listing Standards. In addition, the Board of Directors has determined that each of Janet P. Woodruff, Robert W. Luba, Sean Murphy, and Kenneth E. Newport is an “Audit Committee Financial Expert” as such term is defined under United States securities laws. The Board of Directors has made these determinations based on the education and breadth and depth of experience of each member of the Committee in particular.

Janet P. Woodruff (Chair) has been a Chartered Accountant in good standing with CICA since 1986. She received a Masters in Business Administration in 1984. She has been Chair of Audit Committee for Pacific Northern Gas since 2006 and was Interim President of BC Transmission Corporation from 2009 to 2010. She was Chief Financial Officer for BC Transmission Corp from 2007 to 2008; Vancouver Coastal Health from 2003 to 2007; and Engage Energy from 2000 to 2002. She was Controller for Westcoast Energy in 1998; Union Gas from 1994 to 1998; and Centra Gas from 1991 to 1993. She was Manager at Ernst and Young in 1988.

Robert W. Luba (Member) has been a Chartered Accountant since 1964 and Fellow of the Ontario Institute of Chartered Accountants since 1988. Mr. Luba received a Masters in Business Administration in 1967 and practiced as an accountant for six years from 1959 to 1965. He was President of Crown Life from 1987 to 1988. Previously, he held the position of Chief Financial Officer at John Labatt Limited.

Sean Murphy (Member) obtained a Certified Public Accountant designation in the State of Illinois in 1976. He received a Masters in Finance from the University of Illinois in 1975. He was Controller of a division of Abbott from 1981 to 1987. He was President of Perclose Inc., a subsidiary of Abbott, from 2000-2001.

Kenneth E. Newport (Member) has been a Chartered Accountant in good standing with CICA since 1988, and is also a Chartered Public Accountant. Mr. Newport received a Masters in Accounting from the University of Waterloo in 1988. He worked in a public accounting firm as a Chartered Accountant for eight years from 1988 to 1996, and was a Partner for seven of those years. He was Chief Financial Officer for CroMedica International Inc. from 1996 to 1999.

11.2. Auditor Fees

The fees for all services performed by the auditors for the years ended October 31, 2012 and October 31, 2011 are set out below.

Years ended October 31	2012 (US\$'000s)	2011 (US\$'000s)
Audit Fees	941	935
Audit-related Fees	285	195
All other Fees	40	-
Total	1,266	1,130

Audit Fees – an audit engagement is one in which Ernst & Young LLP, or a foreign affiliate, has been hired to render an audit opinion on a set of financial statements or related financial information. These engagements include the opinion issued on the consolidated financial statements of Nordion, the opinions issued on subsidiaries of Nordion as required by statute in certain jurisdictions, and opinions issued on the financial statements of subsidiaries or entities over which Nordion exercises management discretion. The latter category includes audit opinions issued on Pension Plans established for the benefit of Nordion employees.

Audit-related Fees – an audit-related engagement is one in which some sort of assurance is provided that is not an audit opinion or one which supports the ability of Ernst & Young LLP to render an audit opinion in an indirect manner. Such engagements include reviews of the interim financial statements, the reports of which are provided to the Audit Committee, accounting assistance and advice and translation services related solely to the Company's filed financial reports. From time to time, Ernst & Young LLP may also be engaged to provide audit-related services in connection with acquisitions, including audits of transaction-date balance sheets and similar services.

Tax Fees – a tax engagement is one in which Ernst & Young LLP has been engaged to provide tax services, including assistance with tax compliance and tax advice and planning. Tax compliance assistance is generally provided to the foreign subsidiaries of Nordion and to certain entities that are controlled by Nordion, but in which there are other minority interests. Tax compliance services include assistance with the preparation and filing of tax returns, and assistance in dealing with tax audits. Tax advice and planning services are provided to the Company and many of its subsidiaries and relate to both income taxes and sales and use taxes.

11.3. Pre-approval Policy for External Auditor Services

The Finance & Audit Committee has adopted processes for the pre-approval of engagements for services of its external auditors. The Finance & Audit Committee's policy requires pre-approval of all audit and non-audit services provided by the external auditor.

All fees paid to the independent auditors for fiscal 2012 were approved in accordance with the pre-approval policy.

12. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer of Nordion, and, to the knowledge of the directors and executive officers of Nordion, (i) no person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of Nordion's Common shares, (ii) nor any of such persons' or companies' associates or affiliates, (iii) nor any associates or affiliates of any director or executive officer of Nordion, has had a material interest, direct or indirect, that has materially affected or is reasonably expected to materially affect the Company within the three most recently completed financial years or during the current financial year.

13. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Company's Common shares is CIBC Mellon Trust Company, Toronto, Canada.

14. MATERIAL CONTRACTS

Following are the only material contracts, other than contracts entered into in the ordinary course of business, which have been entered into by the Company within the most recently completed fiscal year, or were entered into before the most recently completed fiscal year and are still in effect, deemed to be material:

- a) Interim and Long-Term Supply Agreement between AECL and Nordion (Canada) Inc. dated as of February 21, 2006 (see *Section 4.5 – Specialty Isotopes – Medical Isotopes*).
- b) Credit facility Agreement between Nordion Inc. as Borrower, The Toronto-Dominion Bank as Administrative Agent. TD Securities Inc. as Lead Arranger and Bookrunner and various financial institutions dated as of January 25, 2013 (see *Section 6.2 – Capital Structure*).

15. EXPERTS

The fiscal 2012 Financial Statements have been audited by Ernst & Young LLP, 1600-100 Queen Street, Ottawa, ON, K1P 1K1. During fiscal 2012, Nordion's Audit Committee obtained written confirmation from Ernst & Young LLP confirming that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

16. ADDITIONAL INFORMATION

Additional information about Nordion is available on the Company's website at www.nordion.com, on SEDAR (System for Electronic Document Analysis and Retrieval) at www.sedar.com, and on the U.S. Securities and Exchange website at www.sec.gov.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans will be contained in the Company's management proxy circular for its 2013 annual and special meeting of shareholders, scheduled for March 6, 2013, which will be posted on the Company's website at www.nordion.com and will be available at www.sedar.com and www.sec.gov.

Additional financial information is provided in the Company's consolidated financial statements for the year ended October 31, 2012, and the Company's 2012 MD&A. The above documents and additional information relating to the Company are available at www.nordion.com, www.sedar.com and www.sec.gov.

Nordion (Canada) Inc., a wholly-owned indirect subsidiary of the Company and the entity which holds the Nordion assets, is subject to the *Nordion and Theratronics Divestiture Authorization Act (Canada)*. The Act is incorporated by reference to this Annual Information Form. The full text of the Act is available at <http://laws-lois.justice.gc.ca/eng/acts/N-23.7>.

In addition, copies of the above mentioned documents may be obtained from:

Investor Relations

Nordion Inc.

Telephone: 613-595-4580

Fax: 613-595-4599

Email: investor.relations@nordion.com

Mailing address: 447 March Road,
Ottawa, Ontario
K2K 1X8

SCHEDULE A – NORDION INC. FINANCE AND AUDIT COMMITTEE CHARTER

CHARTER OF THE FINANCE AND AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF NORDION INC.

Purpose

The primary function of the finance and audit committee (the “Finance & Audit Committee”) of the board of directors (the “Board”) of Nordion Inc. (the “Corporation”) is to assist the Board in fulfilling its oversight responsibilities for the financial reporting process including responsibility for overseeing:

- the integrity of the Corporation’s financial statements and financial reporting process, including the system of internal control over financial reporting, the audit process and the processes for identifying, evaluating and managing the Corporation’s principal risks impacting financial reporting;
- compliance with legal and regulatory requirements, other than those otherwise assigned from time to time by the Board;
- financial oversight of Pension Plan management;
- the qualifications and independence of the independent auditor; and
- the Corporation’s internal audit function.

Consistent with these functions, the Finance & Audit Committee should encourage continuous improvement of, and should foster adherence to, the Corporation’s policies, procedures and practices.

Approval of Charter

The Committee shall review and reassess annually the adequacy of this Charter. Future changes of a material nature to this Charter require approval by the Board based on the recommendation of this Committee.

Authority to make minor technical amendments to this Committee Charter is delegated to the Corporate Secretary of the Company, who shall report any amendments to the Committee and Board of Directors at its next meeting.

Structure and Composition

The Finance & Audit Committee shall consist of no fewer than three members from among the Board.

Each member of the Finance & Audit Committee shall: (i) be free from any relationship that, in the opinion of the Board, would reasonably be expected to interfere with the exercise of his or her independent judgment as a member of the Finance & Audit Committee; and (ii) meet the independence and financial literacy requirements of all applicable corporate, exchange and securities statutes, rules and regulations in Canada and the United States (the “Regulations”).

Each member of the Finance & Audit Committee shall be financially literate as contemplated by applicable regulations and as determined by the Board in its business judgment.

At least one member of the Audit Committee shall be an “audit committee financial expert” as such term is defined by the Regulations. The Board shall make determinations as to whether any particular member of the Finance & Audit Committee satisfies this requirement.

The members of the Finance & Audit Committee shall be appointed by the Board annually or until their successors are duly appointed on the recommendation of the EHS & Governance Committee.

The Board shall normally designate the Chair of the Finance & Audit Committee. In the event that a Board designation is not made, the members of the Finance & Audit Committee shall elect a Chair by majority vote of the full Finance & Audit Committee.

In the event that the Chair of the Finance & Audit Committee does not attend a meeting of the Finance & Audit Committee, the members of the Finance & Audit Committee shall elect a temporary Chair for such meeting by majority vote of the members in attendance at the meeting.

Once appointed, Committee members shall cease to be a member of the Committee upon removal by the Board at any time for any reason.

Members of the Finance & Audit Committee shall not simultaneously serve on the audit committees of more than three public companies, including the Corporation, unless the Board determines that such simultaneous service would not impair the ability of such member to effectively serve on the Finance & Audit Committee.

Compensation for Committee members shall be approved by the Board on the recommendation of the EHS & Governance Committee.

Meetings

The Finance & Audit Committee shall meet at least quarterly and more frequently as circumstances dictate.

A majority of Finance & Audit Committee members present in person or by phone is required for meeting quorum.

The Finance & Audit Committee shall meet separately at their quarterly meetings with management, the Internal Auditor, the Director, Corporate Compliance, and the independent auditor in separate committee sessions.

The Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Vice President Tax and Treasury, Vice President Financial Planning and Analysis, Vice President Internal Audit and Risk and Corporate Secretary of the Corporation and representatives of the independent auditor shall normally attend meetings of the Finance & Audit Committee. The Finance & Audit Committee may request any officer or employee of the Corporation or the Corporation's outside counsel or independent auditor to attend a meeting of the Finance & Audit Committee or to meet or provide consultations to the Finance & Audit Committee or any member thereof. Others may also attend meetings as the Finance & Audit Committee may request.

Notice of all meetings of the Finance & Audit Committee shall be sent to all Finance & Audit Committee members and to those persons referred to in the preceding paragraph.

Chair

The Chair of the Committee shall have the duties and responsibilities set forth in Appendix "A".

Resolutions

Any decision or determination of the Committee reduced to writing and signed by all of the members of the Committee shall be fully as effective as if it had been made at a meeting duly called and held.

Responsibilities and Duties

(i) Minutes and Reporting to the Board

The Finance & Audit Committee shall prepare written minutes of all of its meetings. The Finance & Audit Committee shall make regular reports to the Board, but not less frequently than quarterly. In addition, after each meeting of the Finance & Audit Committee, the Chair of the Finance & Audit Committee or designate shall report to the Board on the significant matters addressed by the Finance & Audit Committee at such meeting and a copy of the minutes shall be made available to all members of the Board.

(ii) Selection, Evaluation and Oversight of Independent Auditor

With respect to the Corporation's independent auditor the Finance & Audit Committee shall:

- have the sole authority to recommend to the Board the appointment, retention or replacement of the independent auditor (subject, if applicable, to shareholder approval)
- be directly responsible for establishing the compensation of the independent auditor
- have the independent auditor report directly to the Finance & Audit Committee and otherwise be directly responsible for overseeing the work of the independent auditor
- have the authority to communicate directly with the independent auditor
- meet with the independent auditor prior to the annual audit to discuss the planning, scope and staffing of the audit and approve the selection of the coordinating partner having primary responsibility for the audit
- provide for the periodic rotation of the coordinating partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law
- at least on an annual basis, evaluate the qualifications, performance and independence of the independent auditor and the senior audit partners having primary responsibility for the audit
- obtain and review a report from the independent auditor at least annually regarding: (i) the independent auditor's internal quality-control procedures, (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or raised by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (iii) any steps taken to deal with any issues, (iv) all relationships between the independent auditor and the Corporation, and (v) the independence of the independent auditor as required by the Regulations
- review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former independent auditor
- obtain confirmation from management that the Corporation has not hired employees or former employees of the independent auditor who have participated in any capacity in the audit of the Corporation for the immediately previous 12 month period
- pre-approve all auditing services and permitted non-audit services (including fees and terms thereof) to be performed for the Corporation or its subsidiaries by the independent auditor

(iii) Internal Audit

With respect to the Corporation's lead of internal audit (the "Internal Auditor"), the Finance & Audit Committee shall:

- have the authority to approve the appointment and termination of the Internal Auditor
- have the Internal Auditor report directly on a functional basis to the Finance & Audit Committee (although the Internal Auditor may report administratively to the CEO or the CFO)
- have the authority to communicate directly with the Internal Auditor
- meet with the Internal Auditor to discuss the planning, scope and staffing of the internal audit plan
- approve the internal audit mandate and annual plan, including the responsibilities, budget, compensation and staffing of the Corporation's internal audit function, through inquiry with the Corporation's independent auditor, management and the Corporation's internal auditing department

(iv) Corporate Compliance

With respect to the Corporation's lead of corporate compliance (the "Director, Corporate Compliance"), the Finance and Audit Committee shall:

- have the authority to approve the appointment and termination of the Director, Corporate Compliance
- have the Director, Corporate Compliance report directly on a functional basis to the Finance & Audit Committee (although the Director, Corporate Compliance may report administratively to the General Counsel)
- have the authority to communicate directly with the Director, Corporate Compliance
- meet with the Director, Corporate Compliance to discuss the planning, scope and staffing of the corporate compliance plan
- approve the corporate compliance mandate and annual plan, including the responsibilities, budget, compensation and staffing of the Corporation's corporate compliance function, through inquiry with the Corporation's independent auditor, management and the Corporation's corporate compliance department
- receive quarterly reports from the Director, Corporate Compliance on the corporate compliance function and its activities

(v) Financial Reporting of Quarterly Financial Results

With respect to the Corporation's reporting of unaudited quarterly financial results, the Finance & Audit Committee shall:

- prior to their public release and filing with securities regulatory agencies, review and discuss with management, the internal auditor and the independent auditor:
 - o earnings press release
 - o financial statements and notes thereto
 - o management's discussion and analysis

The review of the Corporation's unaudited quarterly financial results shall include:

- critical accounting policies and practices

- significant financial reporting issues and judgments (e.g. estimates and reserves) made in the preparation of the Corporation's financial statements, including any significant changes in the Corporation's selection or application of accounting principles
- the extent to which changes or improvements in financial or accounting practices, as approved by the Finance & Audit Committee, have been implemented
- results of the independent auditor's review
- any written communications between the independent auditor and management (e.g. management letters, schedule of unadjusted differences)
- any significant disagreements among management and the independent auditor in connection with the preparation of financial statements
- adequacy of internal controls over financial reporting and any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies
- management certifications of reports filed by the Corporation pursuant to applicable regulations
- the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements
- the Corporation's use of "pro forma" or "adjusted" non-GAAP information
- the Corporation's use of forward-looking financial guidance
- any correspondence with, or published reports by, regulators or governmental agencies which raise material issues regarding the Corporation's financial statements or accounting policies
- approve the unaudited quarterly financial statements of the Corporation

(vi) Financial Reporting of Year-End Financial Results

With respect to the Corporation's annual audit, the Finance & Audit Committee shall:

- prior to their public release and filing with securities regulatory agencies, review and discuss with management, the internal auditors and the independent auditor, the:
 - o earnings press release
 - o financial statements and notes thereto
 - o management's discussion and analysis
 - o results of the independent auditor's audit

The review of the Corporation's audited financial results shall include:

- o all matters described above under "Financial Reporting of Quarterly Financial Results"
- o results of the independent auditor's audit
- o discussions with the independent auditor on the matters required to be discussed by Statement on Auditing Standards No. 61, including significant adjustments, management judgments and accounting estimates, significant new accounting policies, any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management
- o a report from the independent auditor describing (i) all critical accounting policies and practices to be used, (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the

treatment preferred by the independent auditor and (iii) other material communications between the independent auditor and management, such as the annual management letter or schedule of unadjusted differences

- recommend to the Board whether the audited consolidated financial statements of the Corporation should be approved by the Board

(vii) *Financial Oversight of Pension Plan Management*

With respect to the Corporation's management of Pension Plans, the Finance & Audit Committee shall fulfill duties related to financial oversight of pension plan management including funding, asset management, and reporting.

The review of the Corporation's Pension Plan's shall include:

- External Auditor reports and financial statements of the plans, including compliance with pension reporting regulations
- Actuarial valuations and contribution and funding policies
- Plan solvency and compliance with pension legislation
- Review of the investment fund strategy and performance and investment manager selection

(viii) *Regulatory Filings and Guidance*

The Finance & Audit Committee shall:

- consider the effectiveness of the procedures that are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than management's discussion and analysis and annual and interim earnings press releases, and shall periodically assess the adequacy of those procedures
- issue any reports required of the Finance & Audit Committee to be included in the Corporation's annual proxy statement
- prior to their public release or filing with securities regulatory agencies, review and recommend to the Board the approval of the following documents:
 - o Annual Information Form
 - o Annual Report on Form 40-F
 - o prospectuses
 review financial information and review and approve annual earnings guidance provided by the Corporation to analysts and rating agencies or which the Corporation or any of its officers or employees intends to publicly disclose by way of press release (other than press releases referred to under "Financial Reporting of Quarterly Financial Results" and under "Financial Reporting of Year-End Financial Results") or otherwise (which review may be done generally (i.e., discussion of the types of information to be provided or disclosed and type of presentations to be made); the Finance & Audit Committee need not discuss in advance each instance in which the Corporation may provide or disclose earnings guidance)

(ix) *Related Party Transactions and Off-Balance Sheet Structure*

The Finance & Audit Committee shall:

- review all proposed related-party transactions including those between the Corporation and its officers or directors and, if deemed appropriate, recommend approval of any particular transaction to the Board
- review all material off-balance sheet structures to which the Corporation is a party

(x) Internal Controls, Risk Management and Legal Matters

The Finance & Audit Committee shall:

- consider the effectiveness of the Corporation's internal controls over financial reporting
- discuss with management the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation's risk assessment and risk management policies including the use of derivative financial instruments. Areas to be considered in this respect include:
 - o insurance coverage
 - o foreign currency exposure
 - o interest rate exposure
- review with management at least annually reports demonstrating compliance with risk assessment and with risk management policies
- review quarterly with management, and if necessary, the Corporation's counsel, any legal matter which could reasonably be expected to have a material impact on the Corporation's financial statements or accounting policies
- review the yearly report prepared by management, and attested to by the Corporation's independent auditor, assessing the effectiveness of the Corporation's internal control over financial reporting and stating management's responsibility for establishing and maintaining adequate internal control over financial reporting prior to its inclusion in the Corporation's annual filings under applicable securities laws
- review quarterly with the Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Internal Auditor and Independent Auditor, periodically, the following:
 - o all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Corporation's ability to record, process, summarize and report financial information; and
 - o any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal control over financial reporting
- review and approve the Corporation's disclosure policy

(xi) Capital Structure, Investment and Cash Management Policies, Disclosure Policy

The Finance & Audit Committee shall:

- review and recommend any changes to the Corporation's capital structure
- review and approve the Corporation's treasury management policies
- review and approve the Corporation's disclosure policy
- review and approve any inter-company capital transactions
- review and approve any tax planning proposals

(xii) "Whistle Blower" and Related Procedures

The Finance & Audit Committee shall oversee the establishment of procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls, auditing matters or fraud, and for the confidential and/or anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters, internal control failures or fraud, which procedures shall include the requirement to advise the Finance & Audit Committee of all such complaints received.

(xiii) *Review of Charter and Self-Assessment*

The Finance & Audit Committee shall:

- review and reassess annually the adequacy of this Charter
- review annually the Finance & Audit Committee's own performance

(xiv) *Other Activities*

The Finance & Audit Committee shall carry out such other activities consistent with this Charter, the Corporation's by-laws and governing law, that the Finance & Audit Committee or the Board deems necessary or appropriate.

Resources and Authority

The Finance & Audit Committee shall have the authority to retain independent legal, accounting or other advisors, including consulting with the national office of the independent auditor, as it determines necessary to carry out its duties. The Corporation shall provide for appropriate funding, as determined by the Finance & Audit Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report or performing other audit, review or attest services and to any advisors employed by the Finance & Audit Committee and for ordinary administrative expenses of the Finance & Audit Committee.

The Finance & Audit Committee shall have the authority to conduct any investigation necessary and appropriate to fulfilling its duties and in connection therewith, to inspect all books and records of the Corporation and its subsidiaries and to discuss such books and records and any matters relating to the financial position, risk management and internal controls of the Corporation and its subsidiaries with the officers of the Corporation and with the independent auditor.

Limitations on Committee's Duties

It is recognized that members of the Finance & Audit Committee are not full-time employees of the Corporation and do not represent themselves to be accountants or auditors by profession. Each member of the Finance & Audit Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Corporation from whom such member receives information, and (ii) the accuracy of the financial and other information provided to the Finance & Audit Committee by such persons or organizations absent actual knowledge to the contrary.

While the Finance & Audit Committee has the responsibilities and power set forth in this Charter, it is not the duty of the Finance & Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of either management and/or the independent auditor.

In discharging its duties, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter, including designating any member of the Committee as an "audit committee financial expert" is intended, or should be determined to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all members of the Board are subject.

The essence of the Committee's responsibilities is to monitor and review the activities described in this Charter to gain reasonable assurance (but not to ensure) that such activities are being conducted properly and effectively by the Corporation.

Appendix A – Position Description of Chair of the Finance & Audit Committee

In addition to the duties and responsibilities set out in the Board of Directors Charter and the Charter of the Finance & Audit Committee, the chair (the "Chair") of the Finance & Audit Committee (the "Committee") of Nordion Inc. (the "Company") has the duties and responsibilities described below. The Committee Chair will:

1. Provide overall leadership to enhance the effectiveness of the Committee, including:
 - a. Recommend and oversee the appropriate structure, composition, membership and activities delegated to the Committee;
 - b. Chair all meetings of the Committee and manage agenda items so appropriate consideration can be given to agenda items;
 - c. Encourage Committee members to ask questions and express viewpoints during meetings;
 - d. Schedule and set the agenda for Committee meetings with input from other Committee members, the Chair of the Board of Directors and management as appropriate;
 - e. Facilitate the timely, accurate and proper flow of information to and from the Committee;
 - f. Arrange for management, internal personnel, external advisors and others to attend and present at Committee meetings as appropriate;
 - g. Arrange sufficient time during Committee meetings to fully discuss agenda items; and
 - h. Carry out the responsibilities and duties of the Committee, as outlined in its Charter and review the Charter and duties and responsibilities with Committee members on an annual basis;
2. Foster ethical and responsible decision-making by the Committee and its individual members.
3. Provide for in-camera sessions at the quarterly meetings of the Committee and at such times as required.
4. Following each meeting of the Committee, report to the Board of Directors on the activities, findings and any recommendations of the Committee.
5. Carry out such other duties as may reasonably be requested by the Board of Directors.

SCHEDULE B – GLOSSARY

Key Acronyms:

ALARA	As low as reasonably achievable
AECL	Atomic Energy of Canada Limited
	A nuclear technology and services company providing services to utilities worldwide. AECL delivers a range of nuclear services including R&D support, design and engineering to specialized technology, waste management and decommissioning.
ANSTO	Australian Nuclear Science and Technology Organization
CANDU	CANada Deuterium Uranium
	A Canadian-invented, pressurized heavy water reactor.
CBCA	Canada Business Corporations Act
	The law applicable to business corporations incorporated to carry on business throughout Canada.
CFPOA	Corruption of Foreign Public Officials Act
	A corruption law in force in Canada. It is often referred to as the Canadian equivalent to the Foreign Corrupt Practices Act (FCPA).
CIC	China Isotope Corporation
CICA	Canadian Institute of Chartered Accountants
CMS	Centers for Medicare and Medicaid Services
	U.S. federal agency which administers Medicare, Medicaid, and the State Children's Health Insurance Program.
CNSC	Canadian Nuclear Safety Commission
	An independent federal government agency that regulates the use of nuclear energy and material to protect health, safety, security and the environment and to respect Canada's international commitments on the peaceful use of nuclear energy.
Co-59 and Co-60	Cobalt-59 and Cobalt-60
	Co-59 is the stable form of Cobalt. Co-60 is the radioactive isotope of Co-59. Co-60 has a half-life of 5.2 years.
CRO	Contract Research Organization
	CRO is a service organization that provides support to the pharmaceutical and biotechnology industries in the form of outsourced pharmaceutical research services (for both drugs and medical devices).
DSU	Deferred Share Units

EBITDA	Earnings before interest, tax, depreciation and amortization
EHS & Governance	Environment Health Safety & Governance
EMA	European Medicines Agency
FCPA	Foreign Corrupt Practices Act
	U.S. federal law known primarily for two of its main provisions, one that addresses accounting transparency requirements under the Securities Exchange Act of 1934 and another concerning bribery of foreign officials.
FDA	Food and Drug Administration
	The U.S. regulatory agency charged with maintaining the safety of food, drugs, and cosmetics.
FDCFA	Facilities Development and Construction Funding Agreement
	A loan agreement between the Government of Canada and Nordion for C\$100 million of which C\$68 million is outstanding.
FM Global	Factory Mutual Global
GAAP	Generally Accepted Accounting Principles
	The standard framework of guidelines for financial accounting. It includes the standards, conventions, and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements.
GCE	Gamma Centre of Excellence
GCP and GLP	Good Clinical Practices and Good Laboratory Practices
	Standards for the conduct of clinical trials (including laboratory studies), the data from which are expected to be submitted to a regulatory agency such as the FDA. In the case of GLP, these practices are defined by regulation. GCP have arisen from general accepted clinical practices within the industry.
GMP or cGMP	Good Manufacturing Practice or Current Good Manufacturing Practice
	Part of an approved quality system covering the manufacture and testing of active pharmaceutical ingredients, diagnostics, foods, pharmaceutical products, and medical devices.
HCC	Hepatocellular Carcinoma
	The most common primary malignant or cancerous tumor of the liver.

HDE	Humanitarian Device Exemption
	A Humanitarian Use Device (HUD) is a device that is intended to benefit patients by treating or diagnosing a disease or condition that affects or is manifested in fewer than 4,000 individuals in the United States per year. To obtain approval for an HUD, a humanitarian device exemption (HDE) application is submitted to FDA. An HDE is similar in both form and content to a pre-market approval (PMA) application, but is exempt from the effectiveness requirements of a PMA.
HEU	Highly Enriched Uranium
	Uranium that contains the isotope Uranium-235 in a concentration of 20% or more. Naturally occurring uranium has a Uranium-235 content of about 0.7%.
HFR	High Flux Reactor
IAEA	International Atomic Energy Agency
IPFA	Isotope Production Facilities Agreement
JSC Isotope	Open Joing Stock Company “Isotope”
LEU	Low-Enriched Uranium
	Uranium that contains the isotope Uranium-235 in a concentration 20% or less.
NECSA	South African Nuclear Energy Corporation
OPG	Ontario Power Generation
MAPLE	Multipurpose Applied Physics Lattice Experiment
	The MAPLE (Multipurpose Applied Physics Lattice Experiment) is a pool-type reactor with a compact core of low-enriched uranium fuel surrounded by a vessel of heavy water.
MD&A	Management Discussion and Analysis
	A section of a company’s financial report in which management discusses numerous aspects of the company, both past and present.
Mo-99	Molybdenum-99
	A radioactive chemical formed by nuclear reactions including the fission of uranium. Mo-99 decays into Technetium-99m (Tc-99m), the most common isotope used for medical purposes.
NCIB	Normal Course Issuer Bid
	The action of a company buying back its own outstanding shares from the market so it can cancel them.

NRU	National Research Universal
PET	Nordion's primary source of reactor-based medical isotopes. Positron Emission Tomography
PMA	A diagnostic imaging technology that involves the injecting of a positron-emitting radioisotope into a patient. The positron emission creates gamma rays that are detected by a camera to provide an image of an organ, tumor, or other body system. Pre-market approval Patient Protection and Affordable Care Act Portal Vein Thrombosis
PPACA	
PVT	
SPECT	A blood clot that forms within a vein affecting the hepatic portal vein, which can lead to portal hypertension and reduction in the blood supply to the liver. Single Photon Emission Computed Tomography
RIAR	A diagnostic imaging technology that involves the injection of a gamma ray-emitting radioisotope into a patient. The gamma ray is detected by a camera that allows a physician to see a three-dimensional image of a particular organ or body system. A SPECT scan is often used to visualize blood flow in the heart and other organs. Research Institute of Atomic Reactors Restricted share unit System for Electronic Document Analysis and Retrieval Single Photon Emission Computed Tomography Transarterial chemo-embolization
RSU	
SEDAR	
SPECT	
TACE	
Tc-99m	A procedure in which the blood supply to a tumor is blocked (embolized) and chemotherapy is administered directly into the tumor. Technetium-99m
TQNPC	Tc-99m is the metastable nuclear form of Technetium-99. Third Qinshan Nuclear Power Company Yttrium-90
Y-90	
	A radioactive chemical used in medical isotopes.

Technical Terms:

Antibody	Proteins that are found in blood or other bodily fluids, and are used by the immune system to identify and neutralize foreign objects, such as bacteria and viruses.
Bioequivalence	The study of different formulations of the same drug to determine if the metabolic effects are equivalent.
Biotechnology	The scientific manipulation of living organisms, especially at the molecular genetic level, to produce useful products.
Clinical Trials	Broadly, the regulated process by which new drugs proceed after discovery through to acceptance for marketing to patients. The term most correctly refers to the period during which new compounds are tested in human subjects and encompasses the following broad phases:
Credit Facility	A type of loan made in a business or corporate finance context. Specific types of credit facilities are: revolving credit, term loans, committed facilities, letters of credit and most retail credit accounts.
Phase I	Segment of clinical trials research allocated to assessing the safety, tolerance, and pharmacokinetics of a new drug generally using otherwise healthy study subjects.
Phase II	Segment of clinical trials research allocated to assessing the safety and efficacy of a new drug in selected disease states using patients having the condition.
Phase III	Segment of clinical trials research allocated to assessing the safety and efficacy of a new drug often in comparison with standard therapies, conducted in an expanded, multi-centre manner using patients having the condition.
Phase IV	Follow-on clinical studies completed after the FDA has approved the new drug for marketing.
Pre-Market Approval	The U.S. FDA process of scientific and regulatory review to evaluate the safety and effectiveness of certain medical devices.
Cyclotron	A form of particle accelerator that can be used to produce radioisotopes.
Decay	A spontaneous radioactive process by which the number of radioactive isotopes in a material decreases over time resulting in the release of a defined amount of radiant energy/particles and/or the creation of different isotopes.
Efficacy	Capacity for producing a desired result or effect.
Electron (or E) Beam	A type of particle accelerator that creates a stream of high-energy electrons.
Gamma Radiation	Very high-energy electromagnetic radiation that is released from the decay of radioactive sources.
Generator	A device used to extract an isotope from a source of a decaying parent radioisotope.

Half-life	The time required for radioisotopes to decay to one-half the level of radioactivity originally present.
Heavy Water	Water that is highly enriched in deuterium.
Humanitarian Use Device	A device that is intended to benefit patients in the treatment and diagnosis of diseases or conditions that affect or is manifested in fewer than 4,000 individuals in the United States per year.
Irradiation	The process of exposing product or materials to radiation, including X-rays, electrons or neutrons under controlled conditions.
Isotope	A form of an element having the same number of protons (electrically positive particles) but a different number of neutrons from its ordinary state. Most elements exist in more than one form of isotope, and most isotopes are stable (unchanging). Isotopes are typically identified by an element name followed by a number (e.g. Mo-99).
Kinase Inhibitor	A type of enzyme inhibitor that specifically blocks the action of one or more protein kinases.
Molybdenum-99	The most common isotope used for medical purposes. It is processed into technetium-99m for these purposes.
Nuclear Reactor	A device that initiates and controls a sustained nuclear chain reaction.
Particle Accelerator	A machine that increases the kinetic energy of electrons or protons by accelerating them through electric fields.
Radiation	A process in which energetic particles or waves travel through a medium or space.
Radioisotopes	An isotope that is unstable and returns to a stable state through the release of energy in a process called decay. Nordion processes and distributes radioisotopes for use in medical applications and for sterilization processing.
Radioembolization	A type of selective internal radiation therapy.
Radiofrequency Ablation	A medical procedure where part of the electrical conduction system of the heart, tumor or other dysfunctional tissue is removed using high frequency alternating current to treat a medical disorder.
Radiopharmaceuticals	A specially designed pharmaceutical having as part of its ingredients a minute amount of a radioisotope. After injection or ingestion, the radiopharmaceutical is designed to collect in specific organs or types of cells such as tumor cells.

Substantial Issuer Bid

Substantial Issuer Bid is a process that allows a company to buy back its shares from shareholders. A company offers to repurchase a specific number of shares within a set price range, and shareholders are invited to tender shares during the offer period. Shareholders must specify the lowest price within the range that they are willing to accept. At the end of the offer period, the company collects investor offers and selects the lowest tendered price that allows it to buy the maximum number of shares up to a pre-determined dollar amount. This price becomes the purchase price and all shares that are tendered at or below the purchase price are purchased by the company.

Target

The material that when irradiated produces isotopes.

Report of Independent Registered Accounting Firm on Internal Control

To the Shareholders and Board of Directors of Nordion Inc.

We have audited Nordion Inc.'s internal control over financial reporting as of October 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Nordion Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's annual report on internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. Nordion Inc. did not maintain effective internal control over financial reporting in the accounting for income taxes principally related to historical transactions and tax positions. Specifically, management did not complete a process of evaluating the accounting and reporting of its income tax accounts based on the complex transactions principally arising from prior years.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Nordion Inc. as of October 31, 2012 and 2011 and the related consolidated statements of operations, shareholders' equity, comprehensive loss (income) and cash flows for each of the three years in the period ended October 31, 2012. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2012 financial statements and this report does not affect our report dated January 25, 2013, which expressed an unqualified opinion on those financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Nordion Inc. has not maintained effective internal control over financial reporting as of October 31, 2012, based on the COSO criteria.

/s/ Ernst & Young
Chartered Accountants

Licensed Public Accountants

Ottawa, Canada
January 25, 2013

Nordion Inc. Fiscal 2012 Annual Report

Independent auditors' report of registered public accounting firm

To the Shareholders of Nordion Inc.

We have audited the accompanying consolidated financial statements of Nordion Inc., which comprise the consolidated statements of financial position as at October 31, 2012 and 2011, and the consolidated statements of operations, shareholders' equity, comprehensive income (loss) and cash flows for each of the years in the three-year period ended October 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with United States generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nordion Inc. as at October 31, 2012 and 2011, and the results of its operations and its cash flows for each of the years in the three-year period ended October 31, 2012 in accordance with United States generally accepted accounting principles.

Other matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Nordion Inc.'s internal control over financial reporting as of October 31, 2012, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated January 25, 2013 expressed an opinion that Nordion Inc. has not maintained effective internal control over financial reporting as of October 31, 2012.

/s/ Ernst & Young
Chartered Accountants
Licensed Public Accountants

Ottawa, Canada
January 25, 2013

Nordion Inc. Fiscal 2012 Annual Report

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at October 31

(thousands of U.S. dollars, except share amounts)

	2012	2011
ASSETS		
Current assets		
Cash and cash equivalents	\$ 109,360	\$ 74,067
Accounts receivable <i>(Note 3)</i>	46,488	38,999
Notes receivable <i>(Notes 8(b) and 8(c))</i>	4,004	16,061
Inventories <i>(Note 4)</i>	33,977	30,595
Income taxes recoverable <i>(Note 19)</i>	23,951	22,857
Current portion of deferred tax assets <i>(Note 19)</i>	4,141	7,661
Other current assets <i>(Note 6)</i>	2,042	13,842
Assets of discontinued operations	-	936
Total current assets	223,963	205,018
Property, plant and equipment, net <i>(Note 5)</i>	88,217	97,690
Deferred tax assets <i>(Note 19)</i>	52,855	73,237
Long-term investments <i>(Note 7)</i>	1,450	1,473
Other long-term assets <i>(Note 8)</i>	62,096	81,245
Total assets	\$ 428,581	\$ 458,663
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 18,783	\$ 13,661
Accrued liabilities <i>(Note 10)</i>	80,322	52,914
Income taxes payable <i>(Note 19)</i>	9,494	4,238
Current portion of long-term debt <i>(Note 11)</i>	4,190	4,156
Current portion of deferred revenue <i>(Note 12)</i>	1,500	1,820
Liabilities of discontinued operations	-	4,079
Total current liabilities	114,289	80,868
Long-term debt <i>(Note 11)</i>	39,141	40,174
Deferred revenue <i>(Note 12)</i>	1,958	3,855
Long-term income taxes payable <i>(Note 19)</i>	3,960	9,369
Other long-term liabilities <i>(Note 13)</i>	74,468	39,619
Total liabilities	233,816	173,885
Shareholders' equity		
Common shares at par – Authorized shares: unlimited; Issued and outstanding shares: 61,909,101 and 62,378,521, respectively; <i>(Note 15)</i>	252,168	254,076
Additional paid-in capital	84,726	83,159
Accumulated deficit	(265,474)	(216,789)
Accumulated other comprehensive income	123,345	164,332
Total shareholders' equity	194,765	284,778
Total liabilities and shareholders' equity	\$ 428,581	\$ 458,663

*Commitments and contingencies (Note 24)**The accompanying notes form an integral part of these consolidated financial statements.*

On behalf of the Board:

/s/ William D. Anderson

/s/ Janet Woodruff

William D. Anderson,
Chairman, Board of Directors

Janet Woodruff,
Chair, Finance and Audit Committee

Nordion Inc. Fiscal 2012 Annual Report

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended October 31

(thousands of U.S. dollars, except per share amounts)

	2012		2011		2010
Revenues	\$	244,840	\$	274,027	\$ 221,968
Costs and expenses					
Direct cost of revenues		110,992		126,076	104,677
Selling, general and administration		69,831		65,107	100,286
Depreciation and amortization		17,080		22,375	28,514
Restructuring charges, net <i>(Note 17)</i>		1,781		1,592	62,531
Change in fair value of embedded derivatives <i>(Note 16)</i>		12,020		(2,649)	(13,050)
Other expenses, net <i>(Note 18)</i>		32,041		8,549	25,057
Total costs and expenses		243,745		221,050	308,015
Operating income (loss) from continuing operations		1,095		52,977	(86,047)
Interest expense		(4,406)		(2,499)	(5,522)
Interest and dividend income		6,835		10,274	8,590
Equity loss <i>(Note 7)</i>		-		(128)	(650)
Income (loss) from continuing operations before income taxes		3,524		60,624	(83,629)
Income tax expense (recovery) <i>(Note 19)</i>					
-current		(5,744)		13,456	(8,306)
-deferred		38,137		3,666	8,493
		32,393		17,122	187
(Loss) income from continuing operations		(28,869)		43,502	(83,816)
Loss from discontinued operations, net of income taxes		-		(26,655)	(148,194)
Net (loss) income	\$	(28,869)	\$	16,847	\$ (232,010)
Basic and diluted (loss) earnings per share <i>(Note 14)</i>					
- from continuing operations	\$	(0.47)	\$	0.67	\$ (0.94)
- from discontinued operations		-		(0.41)	(1.66)
Basic and diluted (loss) earnings per share	\$	(0.47)	\$	0.26	\$ (2.60)

The accompanying notes form an integral part of these consolidated financial statements

Nordion Inc. Fiscal 2012 Annual Report

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(thousands of U.S. dollars and number of common shares)	Common Shares		Additional Paid-in Capital	Accumulated (Deficit) Retained Earnings	Accumulated Other Comprehensive Income	Total
	Number	Amount				
Balance as of October 31, 2009	120,137	\$ 488,808	\$ 78,450	\$ 167,229	\$ 259,424	\$ 993,911
Net loss	-	-	-	(232,010)	-	(232,010)
Other comprehensive income	-	-	-	-	21,788	21,788
Repurchase and cancellation of Common shares	(52,941)	(215,304)	-	(127,844)	(106,852)	(450,000)
Stock options exercised	42	327	-	-	-	327
Stock-based compensation	-	-	3,538	-	-	3,538
Other	-	28	(79)	86	-	35
Balance as of October 31, 2010	67,238	273,859	81,909	(192,539)	174,360	337,589
Net income	-	-	-	16,847	-	16,847
Other comprehensive income	-	-	-	-	731	731
Repurchase and cancellation of Common shares	(4,860)	(19,775)	-	(21,864)	(10,759)	(52,398)
Dividends declared	-	-	-	(19,244)	-	(19,244)
Stock-based compensation	-	-	1,250	-	-	1,250
Other	-	(8)	-	11	-	3
Balance as of October 31, 2011	62,378	254,076	83,159	(216,789)	164,332	284,778
Net loss	-	-	-	(28,869)	-	(28,869)
Other comprehensive loss	-	-	-	-	(40,014)	(40,014)
Repurchase and cancellation of Common shares	(469)	(1,911)	-	(1,160)	(973)	(4,044)
Dividends declared	-	-	-	(18,632)	-	(18,632)
Stock-based compensation	-	-	1,567	-	-	1,567
Other	-	3	-	(24)	-	(21)
Balance as of October 31, 2012	61,909	\$ 252,168	\$ 84,726	\$ (265,474)	\$ 123,345	\$ 194,765

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

Years ended October 31

(thousands of U.S. dollars)	2012	2011	2010
Net (loss) income	\$ (28,869)	\$ 16,847	\$ (232,010)
Foreign currency translation	(2,369)	10,959	203,227
Reclassification of realized gain on derivatives designated as cash flow hedges, net of tax of \$141 (2011 - \$nil; 2010 - \$nil), respectively	(420)	-	-
Unrealized gain on derivatives designated as cash flow hedges, net of tax of \$(160) (2011 — \$(14); 2010 — \$nil)	479	41	-
Pension liability adjustments, net of tax of \$12,100 (2011 — \$1,544; 2010 — \$2,532)	(37,704)	(4,129)	(11,869)
Reclassification of realized foreign currency translation gain on divestitures	-	(4,629)	(42,122)
Unrealized gain on available-for-sale assets, net of tax of \$nil (2011 — \$(82); 2010 — \$(123))	-	1	485
Reclassification of realized gain on available-for-sale assets, net of tax of \$nil (2011 — \$180; 2010 — \$nil)	-	(1,512)	-

Unrealized gain on net investment hedge, net of tax of \$nil (2011 — \$nil; 2010 — \$nil)	-	-	2,400
Realized gain on net investment hedge due to divestitures, net of tax of \$nil (2011 — \$nil; 2010 — \$16,271)	-	-	(130,367)
Other	-	-	34
Other comprehensive (loss) income	(40,014)	731	21,788
Comprehensive (loss) income	\$ (68,883)	\$ 17,578	\$ (210,222)

The accompanying notes form an integral part of these consolidated financial statements.

Nordion Inc. Fiscal 2012 Annual Report

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended October 31

(thousands of U.S. dollars)

	2012	2011	2010
Operating activities			
Net (loss) income	\$ (28,869)	\$ 16,847	\$ (232,010)
Loss from discontinued operations, net of income taxes	-	(26,655)	(148,194)
(Loss) income from continuing operations	(28,869)	43,502	(83,816)
Adjustments to reconcile net loss to cash provided by (used in) operating activities relating to continuing operations (Note 20):			
Items not affecting current cash flows	84,394	27,063	72,644
Changes in operating assets and liabilities	7,871	(33,456)	(48,754)
Cash provided by (used in) operating activities of continuing operations	63,396	37,109	(59,926)
Cash used in operating activities of discontinued operations	-	(18,592)	(73,499)
Cash provided by (used in) operating activities	63,396	18,517	(133,425)
Investing activities			
Purchase of property, plant and equipment	(7,384)	(6,732)	(7,251)
Decrease (increase) in restricted cash	1,941	26,592	(16,147)
Proceeds on sale of long-term investments	-	1,668	10,552
Cash (used in) provided by investing activities of continuing operations	(5,443)	21,528	(12,846)
Cash (used in) provided by investing activities of discontinued operations	-	(18,412)	633,167
Cash (used in) provided by investing activities	(5,443)	3,116	620,321
Financing activities			
Payment of cash dividends	(18,632)	(19,244)	-
Repurchase and cancellation of Common shares	(4,044)	(52,398)	(450,000)
Issuance of shares	1	-	327
Repayment of long-term debt	-	-	(221,456)
Cash used in financing activities of continuing operations	(22,675)	(71,642)	(671,129)
Cash used in financing activities of discontinued operations	-	(1,193)	(298)
Cash used in financing activities	(22,675)	(72,835)	(671,427)
Effect of foreign exchange rate changes on cash and cash equivalents	15	2,467	9,130
Net increase (decrease) in cash and cash equivalents during the year	35,293	(48,735)	(175,401)
Cash and cash equivalents, beginning of year	74,067	122,802	298,203
Cash and cash equivalents, end of year	\$ 109,360	\$ 74,067	\$ 122,802
Cash interest paid	\$ 4,504	\$ 2,479	\$ 32,476
Cash taxes (refunded) paid	\$ (1,130)	\$ (2,775)	\$ 526

The accompanying notes form an integral part of these consolidated financial statements.

Nordion Inc. Fiscal 2012 Annual Report

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[All amounts in thousands of U.S. dollars, except where noted]

1. Nature of Operations

Nordion Inc. (Nordion or the Company) is a global health science company that provides market-leading products and services used for the prevention, diagnosis and treatment of disease. The Company's operations are organized into three business segments: Targeted Therapies, Sterilization Technologies and Medical Isotopes as well as certain corporate functions and activities reported as Corporate and Other.

2. Summary of Significant Accounting Policies

Basis of presentation

The consolidated financial statements have been prepared in United States (U.S.) dollars, the Company's reporting currency, and in accordance with U.S. generally accepted accounting principles (GAAP) applied on a consistent basis.

Principles of consolidation

The consolidated financial statements of the Company reflect the assets and liabilities and results of operations of all subsidiaries and entities of which the Company is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated. The results of operations disposed of are included in the consolidated financial statements up to the date of disposal.

The equity method of accounting is used for investments in entities for which the Company does not have the ability to exercise control, but has significant influence.

Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The Company's estimates are based on the facts and circumstances available at the time estimates are made, historical experience, risk of loss, general economic conditions and trends, and the Company's assessments of the probable future outcomes of these matters. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of changes, if any, are reflected in the consolidated statements of operations in the period in which they are determined.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, demand deposits, and investments with maturities of three months or less at the time the investment is made. The fair value of cash and cash equivalents approximates the carrying amounts shown in the consolidated statements of financial position.

Restricted cash

Restricted cash, which is included in other long-term assets, includes cash held for specific purposes which is not readily available to be used in the Company's operations related to insurance liabilities.

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts based on a variety of factors, including the length of time the receivables are past due, macroeconomic conditions, significant one-time events, historical experience and the financial condition of customers. The Company records a specific reserve for individual accounts when it becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. If circumstances related to a customer change, the Company would further adjust estimates of the recoverability of receivables.

Inventories

Inventories of raw materials and supplies are recorded at the lower of cost or market value, determined on a first-in, first-out (FIFO) basis. Finished goods and work-in-process include the cost of material, labor and manufacturing overhead and are recorded on a FIFO basis at the lower of cost or market. The Company reduces the carrying value of inventories for those items that are potentially excess, obsolete or slow-moving based on changes in customer demand, technology developments or other economic factors.

Property, plant and equipment

Property, plant and equipment, including assets under capital leases, are carried in the accounts at cost less accumulated depreciation. Gains and losses arising on the disposal of individual assets are recognized in income in the period of disposal.

The costs associated with modifications to facilities owned by others to permit isotope production are deferred and recorded as facility modifications and amortized over the expected contractual production. Costs, including financing charges and certain design, construction and installation costs, related to assets that are under construction and are in the process of being readied for their intended use are recorded as construction in-progress and are not subject to depreciation.

Nordion Inc. Fiscal 2012 Annual Report

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[All amounts in thousands of U.S. dollars, except where noted]

Depreciation, which is recorded from the date on which each asset is placed into service, is generally provided for on a straight-line basis over the estimated useful lives of the property, plant and equipment as follows:

Buildings (years)	25 — 40
Equipment (years)	3 — 20
Furniture and fixtures (years)	3 — 10
Computer systems (years)	3 — 7
Leaseholds improvements	Term of the lease plus renewal periods, when renewal is reasonably assured

Asset retirement obligations

The Company records asset retirement obligation costs associated with the retirement of tangible long-lived assets. The Company reviews legal obligations associated with the retirement of these long-lived assets. If it is determined that a legal obligation exists and it is probable that this liability will ultimately be realized, the fair value of the liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the expected life of the asset. The present value of the asset retirement obligation is accreted with the passage of time to its expected settlement fair value.

Goodwill

Goodwill is not amortized but is tested for impairment, at least annually. The Company tests goodwill during the fourth quarter of each year for impairment, or more frequently if certain indicators are present or changes in circumstances suggest that impairment may exist. The Company first assesses qualitative factors to determine whether it is necessary to perform the two step quantitative goodwill impairment test. If it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, the Company utilizes the two-step quantitative approach. The first step requires a comparison of the carrying value of the reporting units to the fair value of these units. The Company estimates the fair value of its reporting units through internal analyses and valuation, utilizing an income approach based on the present value of future cash flows. If the carrying value of a reporting unit exceeds its fair value, the Company will perform the second step of the goodwill impairment test to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of a reporting unit's goodwill with its carrying value. The implied fair value of goodwill is determined in the same manner that the amount of goodwill recognized in a business combination is determined. The Company allocates the fair value of a reporting unit to all of the assets and liabilities of that unit, including intangible assets, as if the reporting unit had been acquired in a business combination. Any excess of the value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill.

Impairment of long-lived assets

The Company evaluates the carrying value of long-lived assets, including property, plant and equipment, for potential impairment when events and circumstances warrant a review. Factors that the Company considers important that could trigger an impairment review include, but are not limited to, significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for the Company's overall business, significant negative industry or economic trends, a significant adverse legal or regulatory development, a significant decline in the Company's stock price for a sustained period, and the Company's market capitalization relative to its net book value. In assessing long-lived assets for impairment, assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

The carrying value of a long-lived asset is considered impaired when the anticipated net recoverable amount of the asset is less than its carrying value. In that event, a loss is recognized in an amount equal to the difference between the carrying value and fair value less costs of disposal by a charge to income. The anticipated net recoverable amount for a long-lived asset is an amount equal to the anticipated undiscounted cash flows net of directly attributable general and administration costs, carrying costs, and income taxes, plus the expected residual value, if any.

When required, the fair values of long-lived assets are estimated using accepted valuation methodologies, such as discounted future net cash flows, earnings multiples, or prices for similar assets, whichever is most appropriate under the circumstances.

Long-term investments

The Company accounts for long-term investments where it has the ability to exercise significant influence using the equity method of accounting. In situations where the Company does not exercise significant influence over a long-term investee that is not publicly listed, the investments are recorded at cost. Investments in public companies are carried at fair value. The Company periodically reviews these investments for impairment. In the event the carrying value of an investment exceeds its fair value and the decline in fair value is determined to be other than temporary, the Company writes down the value of the investment to its fair value.

Nordion Inc. Fiscal 2012 Annual Report

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[All amounts in thousands of U.S. dollars, except where noted]

Leases

Leases entered into by the Company in which substantially all of the benefits and risks of ownership are transferred to the Company are recorded as obligations under capital leases, and under the corresponding category of property, plant and equipment. Obligations under capital leases reflect the present value of future lease payments, discounted at an appropriate interest rate, and are reduced by rental payments net of imputed interest. Property, plant, and equipment under capital leases are depreciated, to the extent that these assets are in continuing operations, based on the useful life of the asset. All other leases in continuing operations are classified as operating leases and leasing costs, including any rent holidays, leasehold incentives, and rent concessions, are amortized on a straight-line basis over the lease term.

Revenue recognition

Revenues are recorded when title to goods passes or services are provided to customers, the price is fixed or determinable, and collection is reasonably assured. For the majority of product revenues, title passes to the buyer at the time of shipment and revenue is recorded at that time.

The Company recognizes revenue and related costs for arrangements with multiple deliverables as each element is delivered or completed based upon fair value as determined by vendor-specific objective evidence of selling price or third-party evidence of selling price. If neither vendor-specific objective evidence nor third-party evidence of a selling price is available for any undelivered element, revenue for all elements is calculated based on an estimated selling price method. When a portion of the customer's payment is not due until acceptance, the Company defers that portion of the revenue until acceptance has been obtained. Revenue for training is deferred until the service is completed. Revenue for extended service contracts is recognized ratably over the contract period. Provisions for discounts, warranties, rebates to customers, returns and other adjustments are provided for in the period the related sales are recorded.

Warranty costs

A provision for warranties is recognized when the underlying products or services are recorded as revenues. The provision is based on estimated future costs using historical labor and material costs to estimate costs that will be incurred in the warranty period.

Stock-based compensation

The fair value of stock options is recognized as compensation expense on a straight-line basis over the applicable stock option vesting period. The expense is included in selling, general, and administration expenses in the consolidated statements of operations and as additional paid-in capital grouped within shareholders' equity on the consolidated statements of financial position. The consideration received on the exercise of stock options is credited to share capital at the time of exercise along with the associated amount of additional paid-in capital.

Certain incentive compensation plans of the Company base the determination of compensation to be paid in the future on the price of the Company's publicly traded shares at the time of payment or time of the grant date. Expenses related to these plans are recorded as a liability and charged to income over the period in which the amounts are earned, based on an estimate of the current fair value of amounts that will be paid in the future.

Pension, post-retirement and other post-employment benefit plans

The Company offers a number of benefit plans that provide pension and other post-retirement benefits. The current service cost of benefit plans is charged to income. Cost is computed on an actuarial basis using the projected benefits method and based on management's best estimates of investment yields, salary escalation, and other factors.

The Company recognizes the funded status of its defined benefit plans on its consolidated statements of financial position; recognizes gains, losses, and prior service costs or credits that arise during the period that are not recognized as components of net periodic benefit cost (income) as a component of accumulated other comprehensive income, net of tax; measures its defined benefit plan assets and obligations as of the date of the Company's fiscal year-end consolidated statements of financial position; and discloses additional information in the notes to the consolidated financial statements about certain effects on net periodic benefit cost (income) for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition assets or obligations.

The expected costs of post-employment benefits, other than pensions, for active employees are accrued in the years in which employees provide service to the Company. Adjustments resulting from plan amendments, experience gains and losses, or changes in assumptions

are amortized over the remaining average service term of active employees. Other post-employment benefits are recognized when the event triggering the obligation occurs.

Nordion Inc. Fiscal 2012 Annual Report

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[All amounts in thousands of U.S. dollars, except where noted]

Research and development

The Company conducts various research and development programs and incurs costs related to these activities, including employee compensation, materials, professional services, facilities costs, and equipment depreciation. Research and development programs costs, including those internally processed, are expensed in the periods in which they are incurred.

Clinical trial expenses

Other current assets and Other long-term assets include any clinical trial prepayments made to the clinical research organization (CRO). Research and development expenses include clinical trial expenses associated with the CRO. The invoicing from the CRO for services rendered can lag several months. The Company accrues the cost of services rendered in connection with CRO activities based on its estimate of site management, monitoring costs, and project management costs and record them in accrued liabilities. The Company maintains regular communication with the CRO to gauge the reasonableness of our estimates. Differences between actual clinical trial expenses and estimated clinical trial expenses recorded have not been material and are adjusted for in the period in which they become known.

Income taxes

Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. The Company provides a valuation allowance against its deferred tax assets when it believes that it is more likely than not that the asset will not be realized.

The Company determines whether it is more likely than not that a tax position will be sustained upon examination. The tax benefit of any tax position that meets the more-likely-than-not recognition threshold is calculated as the largest amount that is more than 50% likely of being realized upon resolution of the contingency. To the extent, a full benefit is not expected to be realized on the uncertain tax position, an income tax liability is established. Interest and penalties on income tax obligations are included in income tax expense.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions that the Company has operated in globally. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from current estimates of the income tax liabilities. If the Company's estimate of income tax liabilities proves to be less than the ultimate assessment, an additional charge to income tax expense would result. If payment of these amounts ultimately proves to be less than the recorded amounts, the reversal of the income tax liabilities may result in income tax benefits being recognized in the period when it is determined that the estimated income tax liability is no longer required. All of these potential income tax liabilities are included in income taxes payable or netted against income taxes recoverable on the consolidated statements of financial position.

Investment tax credits related to the acquisition of assets are deferred and amortized to income on the same basis as the related assets, while those related to current expenses are included in the determination of income for the year.

Earnings per share

Basic earnings per share is calculated by dividing net income by the weighted average number of Common shares outstanding during the year.

Diluted earnings per share is calculated using the treasury stock method, by dividing net income available to common shareholders by the sum of the weighted average number of Common shares outstanding and all additional Common shares that would have been outstanding shares arising from the exercise of potentially dilutive stock options during the year.

Foreign currency translation

Although the Company reports its financial results in U.S. dollars, the functional currency of the Company's Canadian operations is Canadian dollars. The functional currencies of the Company's foreign subsidiaries are their local currencies. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currencies of operations at prevailing year-end exchange rates. Non-monetary assets and liabilities are translated into functional currencies at historical rates. Assets and liabilities of foreign operations with a functional currency other than U.S. dollars are translated into U.S. dollars at prevailing year-end exchange rates, while

revenue and expenses of these foreign operations are translated into U.S. dollars at average monthly exchange rates. The Company's net investments in foreign subsidiaries are translated into U.S. dollars at historical exchange rates.

Nordion Inc. Fiscal 2012 Annual Report

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[All amounts in thousands of U.S. dollars, except where noted]

Exchange gains and losses on foreign currency transactions are recorded in other expenses, net. Upon the sale or upon complete or substantially complete liquidation of an investment in a foreign (non-Canadian functional currency) entity, the amount attributable to that entity and accumulated in the translation adjustment component of the equity is removed from the separate component of equity and reported as part of the gain or loss on sale or liquidation of the investment in the period during which the sale or liquidation occurs. Exchange gains or losses arising on translation of the Company's net equity investments in these foreign subsidiaries and those arising on translation of foreign currency long-term liabilities designated as hedges of these investments are recorded in other comprehensive income (OCI). Upon reduction of the Company's investment in the foreign (non-Canadian) subsidiary, due to a sale or complete or substantially complete liquidation, the amount from the reporting currency translation as well as the offsetting amount from the translation of foreign currency long-term liabilities included in accumulated other comprehensive income (AOCI) is recognized in income.

Derivative financial instruments

In the normal course of business, the Company uses derivative financial instruments to manage foreign currency exchange rate risks. Derivative transactions are governed by a uniform set of policies and procedures covering areas such as authorization, counterparty exposure and hedging practices. Positions are monitored based on changes in foreign currency exchange rates and their impact on the market value of derivatives. Credit risk on derivatives arises from the potential for counterparties to default on their contractual obligations to the Company. The Company limits its credit risk by dealing with counterparties that are considered to be of high credit quality. The Company does not enter into derivative transactions for trading or speculative purposes. The Company records derivatives at fair value either as other current assets or accrued liabilities on the consolidated statements of financial position. The Company determines the fair value of the derivative financial instruments using relevant market inputs when no quoted market prices exist for the instruments. The fair value of the derivative financial instruments is determined by comparing the rates when the derivatives are acquired to the market rates at period-end. The key inputs include interest rate yield curves, foreign exchange spot and forward rates. The Company classifies cash flows from its derivative programs as cash flows from operating activities in the consolidated statements of cash flows.

The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. In order for a derivative to qualify for hedge accounting, the derivative must be formally designated as a fair value, cash flow or net investment hedge by documenting the relationship between the derivative and the hedged item. The documentation includes a description of the hedging instrument, the hedged item, the risk being hedged, the Company's risk management objective and strategy for undertaking the hedge, the method for assessing the effectiveness of the hedge and the method for measuring hedge ineffectiveness. Additionally, the hedge relationship must be expected to be highly effective at offsetting changes in either the fair value or cash flows of the hedged item at both inception of the hedge and on an ongoing basis. The Company assesses the ongoing effectiveness of its hedges on a quarterly basis.

Cash flow hedges

The Company's hedging activities include a hedging program to hedge the economic exposure from anticipated U.S. dollar denominated sales. The Company hedges a portion of these forecasted foreign denominated sales with forward exchange contracts. These transactions are designated as cash flow hedges and are accounted for under the hedge accounting. The Company hedges anticipated U.S. dollar denominated sales that are expected to occur over its planning cycle, typically no more than 12 months into the future. The effective portion of the hedge gain or loss is initially reported as a component of accumulated other comprehensive income and subsequently reclassified into revenues when the hedged exposure affects earnings. Any ineffective portion of related gains or losses is recorded in the consolidated statements of operations immediately.

Other derivatives

Derivatives not designated as hedges are recorded at fair value on the consolidated statements of financial position, with any changes in the mark to market being recorded in the consolidated statements of operations. Interest rate swap contracts may be used as part of the Company's program to manage the fixed and floating interest rate mix of the Company's total debt portfolio and the overall cost of borrowing. The Company uses short-term foreign currency forward exchange contracts to hedge the revaluations of the foreign currency balances. The Company has also identified embedded derivatives in certain supply contracts.

Comprehensive income

The Company defines comprehensive income as net income plus the sum of the changes in unrealized gains (losses) on derivatives designated as cash flow hedges, unrealized gains (losses) on translation of debt designated as a hedge of the net investment in self-sustaining foreign subsidiaries, unrealized gains (losses) on pension liability adjustments, foreign currency translation gains (losses) on self-sustaining foreign subsidiaries and an unrealized gain (loss) on translation resulting from the application of U.S. dollar reporting and is presented in the consolidated statements of shareholders' equity and comprehensive (loss) income, net of income taxes.

Recent accounting pronouncements

In December 2011, the Financial Accounting Standards Board (FASB) issued ASU No. 2011-11, "*Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*" which enhances current disclosures about financial instruments and derivative instruments that are either offset on the statement of financial position or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset on the statement of financial position. Entities are required to provide both net and gross information for these assets and liabilities in order to facilitate comparability between financial statements prepared on the basis of U.S. Generally Accepted Accounting Principles (GAAP) and financial statements prepared on the basis of International Financial Reporting Standards (IFRS). ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods and the Company plans to adopt ASU 2011-11 on November 1, 2013. ASU 2011-11 is not expected to have a significant impact on the Company's consolidated financial statements.

Nordion Inc. Fiscal 2012 Annual Report

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

In December 2011, the FASB issued ASU No. 2011-12, "*Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*" which indefinitely defers the requirement in ASU No. 2011-05 to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. During the deferral period, the existing requirements in U.S. GAAP for the presentation of reclassification adjustments must continue to be followed. ASU 2011-12 is effective for annual reporting periods beginning on or after December 15, 2011 and interim periods within those annual periods and the Company plans to adopt ASU 2011-12 on November 1, 2012. ASU 2011-12 is not expected to have a significant impact on the Company's consolidated financial statements.

International Financial Reporting Standards (IFRS)

The Company has been monitoring the deliberations and progress being made by accounting standard setting bodies and securities regulators both in the U.S. and Canada with respect to the convergence to IFRS. The Company currently expects to adopt IFRS as its primary reporting standard when the SEC requires domestic registrants in the U.S. to adopt IFRS.

3. Accounts Receivable

As of October 31	2012	2011
Trade accounts receivable	\$ 35,484	\$ 37,203
Other receivables ^(a)	11,179	1,966
	46,663	39,169
Allowance for doubtful accounts	(175)	(170)
Accounts receivable	\$ 46,488	\$ 38,999

(a) Other receivables as of October 31, 2012, include a one-time settlement receivable of \$8.3 million related to certain litigation matters.

4. Inventories

As of October 31	2012	2011
Raw materials and supplies	\$ 33,843	\$ 31,611
Work-in-process	282	354
Finished goods	1,031	267
	35,156	32,232
Allowance for excess and obsolete inventory	(1,179)	(1,637)
Inventories	\$ 33,977	\$ 30,595

Nordion Inc. Fiscal 2012 Annual Report

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

5. Property, Plant and Equipment

As of October 31	2012		2011	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 2,828	\$ -	\$ 2,834	\$ -
Buildings	84,030	45,677	82,800	43,060
Equipment	83,422	61,989	80,627	56,923
Furniture and fixtures	1,604	1,604	1,608	1,566
Computer systems	82,642	77,331	77,869	73,112
Leasehold improvements	10,779	1,593	10,752	1,046
Facility modifications	36,641	30,237	36,418	26,462
Construction in-progress	4,702	-	6,951	-
	306,648	\$ 218,431	299,859	\$ 202,169
Accumulated depreciation	(218,431)		(202,169)	
Property, plant and equipment	\$ 88,217	\$	97,690	

6. Other Current Assets

As of October 31, 2012, other current assets include embedded derivative and other derivative assets of \$0.2 million (October 31, 2011 — \$11.8 million) (Note 16) as well as prepaid expenses and other of \$1.8 million (October 31, 2011 — \$2.0 million).

7. Long-Term Investments

As of October 31	2012		2011	
Investment in Celerion ^(a)	\$	1,450	\$	1,473
Investment in LCC Legacy Holdings (formerly Lumira Capital Corp.) ^(b)		-		-
Long-term investments	\$	1,450	\$	1,473

(a) Investment in Celerion, Inc. (Celerion)

On March 5, 2010, as part of the consideration for the sale of MDS Pharma Services Early Stage (Early Stage), Nordion received approximately 15% of the total common stock of Celerion assuming the conversion of all the outstanding preferred stock and issuance and exercise of permitted stock options. The outstanding preferred stock of Celerion are voting, all owned by third parties, convertible into common stock on a 1:1 basis, subject to certain adjustments, and are subordinated to the Note (Note 8(c)). Nordion's ability to transfer its Celerion equity and the Note is subject to the consent of Celerion, which is controlled by third-party investors who collectively hold a majority of the outstanding Celerion equity and have no restrictions on selling their interests. These third-party investors also have majority representation on the Board of Directors of Celerion. This investment in Celerion is recorded at cost and has a fair value of \$1.4 million as of October 31, 2012. The fair value has been determined based on an estimate of the fair value of the business sold using proceeds on sale and a discounted future cash flow model using cost of equity of comparable companies adjusted for risk.

Pursuant to applicable U.S. accounting rules, a business entity may be subject to consolidation if it is determined to be a variable interest entity (VIE) and if the reporting entity is the primary beneficiary. The Company has determined that Celerion is a VIE but Nordion is not the primary beneficiary and, therefore, consolidation is not required. The Company continues to assess any reconsideration events and monitor the status of its relationship with Celerion. The fair value of the Company's investment in Celerion and the Note (Note 8(c)) is currently estimated to be \$15.6 million in aggregate. The Company's maximum exposure to loss is limited to the carrying value of the Note and its investment in Celerion.

(b) Investment in LCC Legacy Holdings (LCC) (formerly Lumira Capital Corp.)

Long-term investments include an investment in LCC, an investment fund management company, which has long-term investments in development-stage enterprises that have not yet earned significant revenues from their intended business activities or established their

commercial viability. Nordion does not have any significant involvement in the day-to-day operations of LCC other than to obtain its share of earnings and losses. During the year ended October 31, 2012, the Company received a \$0.9 million dividend from LCC and reported equity loss of \$nil (2011 — \$0.1 million; 2010 - \$0.7 million) from the investment in LCC. The Company's exposure to losses is limited to its investment of \$nil (October 31, 2011 — \$nil).

Nordion Inc. Fiscal 2012 Annual Report

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

8. Other Long-Term Assets

As of October 31	2012	2011
Restricted cash ^(a)	\$ 3,906	\$ 5,847
Financial instrument pledged as security on long-term debt ^(b)	38,989	40,048
Long-term note receivable ^(c)	14,172	20,721
Goodwill (Note 9)	2,526	2,532
Pension assets (Note 22)	-	9,748
Other ^(d)	2,503	2,349
Other long-term assets	\$ 62,096	\$ 81,245

(a) Restricted cash

As of October 31, 2012, restricted cash of \$3.9 million (October 31, 2011 — \$5.8 million) is related to funds for insurance liabilities.

(b) Financial instrument pledged as security on long-term debt

The financial instrument pledged as security on long-term debt is classified as held to maturity and is not readily tradable as it defeases the long-term debt due to the Government of Canada related to the construction of the MAPLE Facilities (Note 11). The effective annual interest rate is 7.02% and it is repayable semi-annually over 15 years commencing October 2, 2000. The carrying value as of October 31, 2012 is \$43.0 million (October 31, 2011 — \$44.1 million), of which \$4.0 million (October 31, 2011 — \$4.1 million) is included in notes receivable in the consolidated statements of financial position. As of October 31, 2012, the fair value is \$49.1 million (October 31, 2011 — \$51.7 million), which has been determined using a discounted cash flow model, in which future cash flows are discounted to present value using the current market borrowing rate pertaining to the remaining life of the receivable.

(c) Long-term note receivable

Atomic Energy of Canada Limited (AECL)

In fiscal 2006, as a result of a comprehensive mediation process that resulted in an exchange of assets between the Company and AECL related to the MAPLE Facilities, a long-term note receivable of \$38.0 million after discounting, was received by the Company. This non-interest bearing note receivable was repayable monthly over four years commencing November 1, 2008 and the last payment was received by the Company during the fourth quarter of fiscal 2012. The carrying value of the long-term note receivable as of October 31, 2012 is \$nil (October 31, 2011 - \$12.0 million) of which the entire \$12.0 million as at October 31, 2011 was included in notes receivable in the consolidated statements of financial position.

Celerion

On March 5, 2010, as part of the consideration for the sale of Early Stage, the Company received a note receivable with a principal amount of \$25.0 million issued by Celerion, which has a five-year term and bears interest at 4% per annum (the Note). Celerion can elect to add the interest to the principal amount of the Note. The Note is partially secured with a second-lien interest in certain real estate of Celerion. As part of the sale of Early Stage, the Company also signed a transition services agreement (TSA) that allowed Celerion to pay for the first three months of TSA services, to a maximum of \$1.8 million, by increasing the principal amount of the Note.

In the first quarter of fiscal 2012, Celerion offered to make an early payment to Nordion of \$6.5 million in cash to reduce the unsecured portion of the Note principal amount by \$12.5 million that would have otherwise been due in 2015, to facilitate a change in Celerion's capital structure related to its strategic initiative. Effective January 2, 2012, the Company accepted the offer from Celerion and amended the Note reflecting a reduction in the principal amount of the Note by \$12.5 million in the face value, or \$8.9 million in the carrying value, for a \$6.5 million cash payment received. As a result, the Company recorded a loss of \$2.4 million in the first quarter of fiscal 2012 (Note 18).

Other than restating the principal amount for the immediate cash payment, all other terms and conditions of the Note remained effectively the same. The Company identified this transaction as an impairment indicator and assessed whether an other-than-temporary impairment of the Note has occurred. As the transaction did not represent an adverse change in the cash flow of the remaining Note

amount, the Company determined no other-than-temporary impairment of the Note occurred as of January 31, 2012. Except for this transaction, the Company did not identify any impairment indicator for the Note during fiscal 2012.

The carrying value of the Note, including interest and accretion as of October 31, 2012 is \$14.2 million (October 31, 2011 – \$20.7 million). The fair value of the Note as of October 31, 2012 is \$14.2 million, which includes \$5.8 million of accreted interest. The fair value has been determined based on discounted cash flows using market rates for secured debt and cost of equity of comparable companies adjusted for risk and any increase in principal amount related to the TSA and interest payments. The current face value of the Note including TSA services and interest is \$16.8 million. The Note is being accreted up to its face value using an effective interest rate of 8% for secured cash flows and 28% for unsecured cash flows.

Nordion Inc. Fiscal 2012 Annual Report

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

(d) Other

Includes the long-term portion of the TheraSphere® clinical trials' prepayment, the deferred charges relating to the credit facility (Note 11) and other long-term receivables and assets.

9. Goodwill

As of October 31, 2012, management determined that the fair value of goodwill exceeds its carrying value of \$2.5 million (October 31, 2011 — \$2.5 million) resulting in no impairment of goodwill.

In the fourth quarter of fiscal 2010, the Company changed its segment reporting structure (Note 23) following the completion of its strategic repositioning and allocated goodwill to two of the Company's business segments: Sterilization Technologies (\$1.6 million) and Medical Isotopes (\$0.9 million). The Company's segment reporting change, following its strategic realignment in the fourth quarter of fiscal 2012 did not require a reallocation of its goodwill.

10. Accrued Liabilities

As of October 31		2012	2011
Employee-related accruals (Note 21)	\$	4,922	\$ 6,716
FDA provision ^(a)		8,321	8,325
Captive insurance liability (Note 24)		2,119	4,492
AECL revenue share and waste disposal		3,770	3,004
Restructuring provision (Note 17)		3,453	4,004
Other ^(b)		57,737	26,373
Accrued liabilities	\$	80,322	\$ 52,914

(a) The FDA provision was established in fiscal 2007 to address certain U.S. Food and Drug Administration (FDA) issues related to the Company's discontinued bioanalytical operations in its Montreal, Canada, facilities. Although the bioanalytical operations were part of MDS Pharma Services, Nordion has retained this potential liability following the sale of Early Stage. The Company may, where appropriate, reimburse clients who have incurred or will incur third party audit costs or study re-run costs to complete the work required by the FDA and other regulators. Management regularly updates its analysis of this critical estimate based on all currently available information. Based on this analysis, the Company recorded payments of \$nil (2011 - \$0.2 million; 2010 - \$9.9 million) for the year ended October 31, 2012. As of October 31, 2012, management believes that the remaining provision of \$8.3 million (October 31, 2011 — \$8.3 million) is sufficient to cover any agreements reached with clients for study audits, study re-runs, and other related costs. Included in this potential liability are amounts for two legal claims the Company has been served with related to repeat study costs (Note 25).

(b) Other includes a \$9.5 million settlement accrual recorded for the arbitration with Life Technologies Corporation (Life) as a result of the ruling that occurred in July 2011 as well as approximately \$32 million estimated litigation accruals (Note 25). Other also includes derivative liabilities, royalties and various miscellaneous payables.

11. Long-Term Debt

As of October 31	Maturity	2012	2011
Total long-term debt	2013 to 2015	\$ 43,331	\$ 44,330
Current portion of long-term debt		(4,190)	(4,156)
Long-term debt		\$ 39,141	\$ 40,174

As of October 31, 2012, debt includes a non-interest-bearing Canadian government loan with a carrying value of \$43.0 million (October 31, 2011 — \$44.1 million) discounted at an effective interest rate of 7.02% and repayable at C\$4.0 million (US\$4.0 million) per year with the remaining balance due April 1, 2015. The fair value of this financial instrument is \$48.8 million (October 31, 2011 — \$52.1 million), which has been determined using a discounted cash flow model, in which future cash flows are discounted to present value.

using the current market borrowing rate pertaining to the remaining life of the related receivable. A long-term financial instrument has been pledged as full security for the repayment of this debt (Note 8(b)).

On January 25, 2013, the Company entered into a \$80.0 million Amended and Restated senior revolving one year committed credit facility with the Toronto-Dominion Bank (TD) and a select group of other financial institutions (the Lenders). The Amended and Restated credit facility consists of a \$20 million revolving credit facility and a separate facility of up to \$60 million to be used for the issuance of letters of credits. Each material subsidiary of Nordion jointly and severally guaranteed the obligations of the borrower to the lenders. The credit facilities are secured by floating and fixed charges over the assets of the borrower and guarantors including, but not limited to, accounts receivable, inventory and real property with the latter facility to be fully secured with a specific pledge of cash collateral.

Nordion Inc. Fiscal 2012 Annual Report

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

Under this credit facility, the Company is able to borrow Canadian and U.S. dollars by way of Canadian dollar prime rate loans, U.S. dollar base rate loans, U.S. dollar Libor loans, the issuance of Canadian dollar banker's acceptances and letters of credit in Canadian and U.S. dollars. The credit facility is for a one-year term which may be extended on mutual agreement of the Lenders for successive subsequent periods. The credit facility is primarily for general corporate purposes. As of October 31, 2012, the Company has not used the credit facility for borrowing; however, we had \$30.6 million (October 31, 2011 - \$19.7 million) of letters of credit issued under this credit facility.

The loan agreement includes customary positive, negative and financial covenants.

Principal repayments

Principal repayments of long-term debt over the next five fiscal years and thereafter are as follows:

2013	\$	4,190
2014		4,156
2015		34,985
2016		-
2017		-
Thereafter		-
	\$	43,331

12. Deferred Revenue

As of October 31	2012	2011
Payment in advance of services rendered	\$ 1,269	\$ 1,115
Deferred credit related to government loan ^(a)	1,958	3,467
Deposits for reimbursable costs	231	1,093
	3,458	5,675
Less: current portion	(1,500)	(1,820)
Long-term portion of deferred revenue	\$ 1,958	\$ 3,855

(a) The deferred credit is related to the Canadian government loan associated with the MAPLE Facilities, which is being amortized over the remaining three-year term of the debt using the sum of the years' digits method.

13. Other Long-Term Liabilities

As of October 31	2012	2011
Post-retirement obligations (Note 22)	\$ 55,516	\$ 18,259
Asset retirement obligation (Note 26)	12,570	11,691
Captive insurance liability (Note 24)	2,505	2,616
Restructuring provision (Note 17)	191	3,617
Other	3,686	3,436
Other long-term liabilities	\$ 74,468	\$ 39,619

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

14. (Loss) Earnings Per Share

The following table illustrates the reconciliation of the denominator in the computations of the basic and diluted (loss) earnings per share:

Years Ended October 31				
(number of shares in thousands)	2012	2011	2010	
Weighted average number of Common shares outstanding – basic	62,029	64,719	89,279	
Impact of stock options assumed exercised	1	90	1	
Weighted average number of Common shares outstanding – diluted	62,030	64,809	89,280	
Basic and diluted (loss) earnings per share from continuing operations	\$ (0.47)	\$ 0.67	\$ (0.94)	
Basic and diluted loss per share from discontinued operations	-	(0.41)	(1.66)	
Basic and diluted (loss) earnings per share	\$ (0.47)	\$ 0.26	\$ (2.60)	

15. Share Capital

As of October 31, 2012, the authorized share capital of the Company consists of unlimited Common shares. The Common shares are voting and are entitled to dividends if and when declared by the Company's Board of Directors.

Summary of share capital

(number of shares in thousands)	Common Shares	
	Number	Amount
Balance as of October 31, 2009	120,137	\$ 488,808
Issued	42	327
Repurchased and cancelled	(52,941)	(215,304)
Other	-	28
Balance as of October 31, 2010	67,238	273,859
Repurchased and cancelled	(4,860)	(19,775)
Other	-	(8)
Balance as of October 31, 2011	62,378	254,076
Repurchased and cancelled	(469)	(1,911)
Other	-	3
Balance as of October 31, 2012	61,909	\$ 252,168

During the first quarter of fiscal 2012, the Company repurchased and cancelled 398,500 common shares for a total cost of \$3.5 million under the 2011 normal course issuer bid (NCIB). The Company repurchased 5,258,632 shares cumulatively under the 2011 NCIB, which expired on January 25, 2012.

On January 31, 2012, the Company announced a 2012 NCIB, which was authorized by the Toronto Stock Exchange (TSX) to purchase for cancellation up to 3,105,901 Common shares. During fiscal 2012, the Company repurchased 71,120 common shares for a total cost of \$0.5 million under the 2012 NCIB. During the fourth quarter of fiscal 2012, the Company ceased repurchasing shares under the current NCIB and cancelled the bid.

In December 2011, March and June 2012 the Company declared quarterly dividends at \$0.10 per share, which were paid on January 3, April 5 and July 3, 2012 each in the amount of \$6.2 million to the Company's shareholders of record on December 23, 2011, March 21 and June 18, 2012, respectively. During the fourth quarter of fiscal 2012, the Board of Directors for the Company decided to suspend the quarterly dividend.

16. Financial Instruments and Financial Risk

Derivative instruments

The Company uses foreign currency forward exchange contracts to manage its foreign exchange risk. The Company enters into foreign exchange contracts to hedge anticipated U.S. dollar denominated sales that are expected to occur over its planning cycle, typically no more than 18 months into the future. If the derivative is designated as a cash flow hedge, the effective portions of the hedge gain or loss is initially reported as a component of accumulated other comprehensive income and subsequently reclassified into revenues when the hedged exposure affects earnings. Any ineffective portions of related gain or loss is recorded in earnings immediately. The Company also uses short-term foreign currency forward exchange contracts to hedge the revaluations of the foreign currency balances which have not been designated as hedges. Derivatives not designated as hedges are recorded at fair value on the consolidated statement of financial position, with any changes in the mark to market being recorded in the consolidated statement of operations.

Nordion Inc. Fiscal 2012 Annual Report

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

The Company has identified embedded derivatives in certain of its supply contracts as a result of the currency of the contract being different from the functional currency of the parties involved. Changes in the fair value of the embedded derivatives are recognized in the consolidated statements of operations.

The Company does not use derivatives for trading or speculative purposes and is not a party to leveraged derivatives. See further discussion of derivative financial instruments in Note 2, Summary of Significant Accounting Policies.

The following table provides the fair value of all Company derivative instruments:

As of October 31	2012		2011	
	Fair Value		Fair Value	
Assets				
Embedded derivatives ^(a)	\$	10	\$	11,584
Foreign currency forward contracts under cash flow hedges ^(b)	\$	195	\$	88
Foreign currency forward contracts not under hedging relationships ^(c)	\$	-	\$	183
Liabilities				
Embedded derivatives ^(a)	\$	814	\$	370
Foreign currency forward contracts under cash flow hedges ^(b)	\$	60	\$	57
Foreign currency forward contracts not under hedging relationships ^(c)	\$	-	\$	148

(a) As of October 31, 2012 and October 31, 2011, total notional amounts for the Company's certain supply contracts identified for embedded derivatives were approximately \$49 million and \$300 million, respectively.

(b) As of October 31, 2012 and October 31, 2011, total notional amounts for the Company's foreign currency forward contracts under cash flow hedges were approximately \$33 million and \$36 million, respectively.

(c) As of October 31, 2012 and October 31, 2011, total notional amounts for the Company's foreign currency forward contracts not under hedging relationships were approximately \$nil and \$13 million, respectively.

The following table summarizes the activities of the Company's derivative instruments:

Years ended October 31	2012		2011		2010
Realized (gain) loss on foreign currency forward contracts under cash flow hedges	\$	(561)	\$	219	\$ -
Unrealized gain (loss) on foreign currency forward contracts under cash flow hedges	\$	639	\$	(55)	\$ -
Realized (gain) loss on foreign currency forward contracts not under cash flow hedges	\$	(482)	\$	(327)	\$ -
Unrealized (loss) gain on foreign currency forward contracts not under cash flow hedges	\$	(79)	\$	10	\$ -
Unrealized (loss) gain on embedded derivatives recorded in change in fair value of embedded derivatives ^(a)	\$	(12,020)	\$	2,649	\$ 13,050
Reclassification of realized gain recorded in OCI relating to net investment hedge	\$	-	\$	-	\$ (146,638)
Unrealized gain recorded in OCI relating to net investment hedges	\$	-	\$	-	\$ (2,400)

(a) Excludes unrealized loss for embedded derivatives related to the discontinued operations of \$0.5 million for the year ended October 31, 2010.

Credit risk

Certain of the Company's financial assets, including cash and cash equivalents, are exposed to credit risk. The Company may, from time to time, invest in debt obligations and commercial paper of governments and corporations. Such investments are limited to those issuers carrying an investment-grade credit rating. In addition, the Company limits the amount that is invested in issues of any one government or corporation.

The Company is also exposed, in its normal course of business, to credit risk from its customers. As of October 31, 2012, accounts receivable is net of an allowance for uncollectible accounts of \$0.2 million (October 31, 2011 — \$0.2 million).

Credit risk on financial instruments arises from the potential for counterparties to default on their contractual obligations to the Company. The Company is exposed to credit risk in the event of non-performance, but does not anticipate non-performance by any of the counterparties to its financial instruments. The Company limits its credit risk by dealing with counterparties that are considered to be of high credit quality. In the event of non-performance by counterparty, the carrying value of the Company's financial instruments represents the maximum amount of loss that would be incurred.

Nordion Inc. Fiscal 2012 Annual Report

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company has cash and cash equivalent totaling \$109.4 million (October 31, 2011 — \$74.0 million), cash generated by the operations and the credit facilities which are sufficient to honor its financial obligations.

Valuation methods and assumptions for fair value measurements

Cash and cash equivalents, accounts receivable, notes receivable, income taxes recoverable, accounts payable, accrued liabilities, and income taxes payable have short periods to maturity and the carrying values contained in the consolidated statements of financial position approximate their estimated fair values.

Fair value hierarchy

The fair value of the Company's financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments is determined by reference to quoted market prices for the same financial instrument in an active market (Level 1). If Level 1 fair values are not available, the Company uses quoted prices for identical or similar instruments in markets which are non-active, inputs other than quoted prices that are observable and derived from or corroborated by observable market data such as quoted prices, interest rates, and yield curves (Level 2), or valuation techniques in which one or more significant inputs are unobservable (Level 3).

The following table discloses the Company's financial assets and liabilities measured at fair value on a recurring basis:

As of October 31, 2012					
Description	Level 1		Level 2		Total
Cash equivalents	\$	100	\$	-	\$ 100
Derivative assets (Note 6)	\$	-	\$	205	\$ 205
Derivative liabilities (Note 10(b))	\$	-	\$	874	\$ 874

As of October 31, 2011					
Description	Level 1		Level 2		Total
Cash equivalents	\$	100	\$	-	\$ 100
Derivative assets (Note 6)	\$	-	\$	446	\$ 11,855
Derivative liabilities (Note 10(b))	\$	-	\$	575	\$ 575

The following table presents the changes in the Level 3 fair value category:

Year ended October 31, 2012						
Description	As of October 31, 2011	Net Realized/ Unrealized Gains (Losses) included in		Purchases, Sales, Issuance and (Settlements), net	Transfers in and/or out of Level 3	As of October 31, 2012
		Earnings	Other			
Derivative assets (Note 6)	\$ 11,409	\$ -	\$ (11,409)	\$ -	\$ -	\$ -

Year ended October 31, 2011				
As of	Net Realized/ Unrealized Gains (Losses) included in	Purchases, Sales,	Transfers in	As of

Description	October 31 2010	Earnings	Other	Issuance and (Settlements), net	and/or out of Level 3	October 31 2011
Derivative assets <i>(Note 6)</i>	\$ 10,514	\$ -	\$ 895	\$ -	\$ -	\$ 11,409

Nordion Inc. Fiscal 2012 Annual Report

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

17. Restructuring Charges, Net

During the fourth quarter of fiscal 2012, Nordion announced a strategic realignment of the business designed to focus on improving the execution of Nordion's business strategy. As a result of this strategic alignment the Company recorded a restructuring charge of \$2.6 million (2011 - \$nil; 2010 - \$nil) relating to workforce reductions for the year ended October 31, 2012.

During the first quarter of fiscal 2012, the Company signed a lease termination agreement and paid a \$2.5 million (C\$2.5 million) early termination penalty for approximately 70% of its former Toronto office space. As a result, during the year ended October 31, 2012 the Company recorded a \$0.7 million net recovery in the first quarter of fiscal 2012.

As of October 31, 2012, the restructuring provision of \$3.6 million (October 31, 2011 — \$7.6 million) is included in accrued liabilities (Note 10) and other long-term liabilities (Note 13) in the consolidated statements of financial position. The majority of the workforce reduction provision is expected to be utilized during fiscal 2013 with a portion of the provision remaining until the first quarter of fiscal 2014. The Company has completed its activities associated with the fiscal 2011 and 2010 restructuring plans and has utilized substantially all of the related prior year provisions. The remaining contract cancellation recovery provision relates to future rental payments related to the Company's remaining former corporate office space in Toronto, which may extend over 2 years.

The table below provides an analysis of the Company's restructuring activities related to its continuing operations until October 31, 2012.

Expenses					Cumulative Activities	Balance as of October 31	
	2012	2011	2010	Total	Cash	Non- Cash	2012
Workforce reductions	\$ 2,557	\$ 1,217	\$ 42,161	\$ 45,935	\$ (42,174)	\$ (1,074)	\$ 2,687
Contract cancellation (recovery) charges	(776)	375	7,175	6,774	(7,042)	1,225	957
Other	-	-	13,195	13,195	(13,181)	(14)	-
Restructuring charges, net	\$ 1,781	\$ 1,592	\$ 62,531	\$ 65,904	\$ (62,397)	\$ 137	\$ 3,644

18. Other Expenses, Net

Years ended October 31	2012	2011	2010
Research and development	\$ 6,552	\$ 5,629	\$ 4,533
Foreign exchange (gain) loss	(832)	4,336	32,003
(Gain) loss on sale of investment	-	(1,691)	1,054
Write-down of investments and other long-term assets	-	-	1,632
Other ^(a)	26,321	275	(14,165)
Other expenses, net	\$ 32,041	\$ 8,549	\$ 25,057

(a) Included in Other is a loss on the Celerion note receivable of \$2.4 million (Note 8(c)) and estimated litigation accruals of \$24.1 million (Note 25) for the year ended October 31, 2012.

19. Income Taxes

Income tax provision

The components of the Company's income (loss) from continuing operations before income taxes and the related provision for income taxes are presented below:

Years ended October 31		2012		2011		2010
Canadian	\$	2,491	\$	57,453	\$	(61,247)
Foreign		1,033		3,171		(22,382)
Income (loss) from continuing operations before income taxes	\$	3,524	\$	60,624	\$	(83,629)

Nordion Inc. Fiscal 2012 Annual Report

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

The components of the income tax expense are as follows:

Years ended October 31	2012	2011	2010
Canadian income tax expense (recovery)			
Current	\$ (5,211)	\$ 12,851	\$ (9,615)
Deferred	38,137	3,666	(6,998)
Foreign income tax (recovery) expense			
Current	(533)	605	1,308
Deferred	-	-	15,492
Income tax expense	\$ 32,393	\$ 17,122	\$ 187

A reconciliation of expected income taxes to reported income tax expenses is provided below.

Years ended October 31	2012	2011	2010
Expected income tax expense (recovery) at the 25% (2011 – 27%; 2010 – 30%) statutory rate	\$ 893	\$ 16,372	\$ (25,050)
Increase (decrease) in taxes as a result of:			
Change in valuation allowance on deferred tax assets	48,515	(406)	19,599
Tax benefit arising on utilization of R&D tax credits	(1,339)	(438)	(11)
Net changes in reserves for uncertain tax positions ^(a)	14,758	1,398	(10,217)
Foreign earnings taxed at rates different from the statutory rate	(264)	(1,166)	1,726
Stock-based compensation	397	471	269
Impact of income tax rate changes	(2,297)	-	1,065
Deferred tax rate differential	1,159	788	(562)
Provision to previously filed tax returns	(5,744)	(671)	4,188
Non-taxable portion of capital loss on investments	(26,694)	-	-
Other investment write downs	-	(109)	-
Non-deductible foreign exchange losses	-	-	6,950
Impact of non-deductible expenses and other differences	3,009	883	2,230
Reported income tax expense	\$ 32,393	\$ 17,122	\$ 187

(a) Excludes net changes in reserves for uncertain tax positions related to discontinued operations.

Deferred tax assets and liabilities

Components of the deferred tax assets and liabilities consist of the following temporary differences:

As of October 31	2012	2011
Tax benefit of losses carried forward	\$ 128,124	\$ 99,498
Tax basis in excess of book value	2,883	9,756
Investment tax credits	68,088	65,283
Provisions and reserves	385	(2,195)
Other comprehensive loss	20,025	8,609
Deferred tax assets before valuation allowance	219,505	180,951
Unrecognized tax benefits	(12,872)	-
Valuation allowance	(149,637)	(100,053)
Net deferred tax assets	\$ 56,996	\$ 80,898

No deferred income taxes have been provided on undistributed earnings, or relating to cash held in foreign jurisdictions as the Company has estimated that any income or withholding taxes on repatriation would not be significant.

Included within the tax benefit of losses carried forward are deferred tax assets relating to capital losses carried forward of \$70.5 million (October 31, 2011 — \$41.1 million). The amount of valuation allowance recorded against these assets is \$57.6 million (October 31, 2011 — \$41.1 million) and \$12.9 million (October 31, 2011 - \$nil) is an unrecognized tax benefit. These tax assets relate to \$545.4 million (October 31, 2011 — \$332.8 million) of gross tax assets and have an indefinite expiry period.

Investment Tax Credits

As of October 31, 2012, the Company has deferred tax assets relating to investment tax credits of \$84.6 million (October 31, 2011 - \$83.9 million). These ITCs will expire in various years between 2024 and 2032. The amount of valuation allowance recorded against these assets is \$35.4 million (October 31, 2011 - \$nil).

Nordion Inc. Fiscal 2012 Annual Report

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

Tax losses carried forward

As of October 31, 2012, the Company has deferred tax assets relating to net operating loss carryovers of \$57.6 million (October 31, 2011 — \$58.4 million). The valuation allowance recorded against these assets is \$56.3 million (October 31, 2011 — \$58.1 million). These tax assets relate to \$178.7 million (October 31, 2011 — \$181.3 million) of gross tax loss carryovers. Of the total losses, \$178.7 million (October 31, 2011 — \$181.3 million) will expire in various years between 2013 and 2031.

Tax contingencies

At October 31, 2012, the gross reserves for uncertain tax positions excluding accrued interest and penalties were \$33.5 million (October 31, 2011 — \$9.4 million) as noted in the following reconciliation. The Company estimates that the total amounts of unrecognized tax benefits will decrease by \$16.7 million during the year ended October 31, 2013.

As at October 31	2012	2011
Gross unrecognized tax benefits, beginning of year	\$ 9,377	\$ 7,842
Additions for tax positions from prior years	17,104	218
Reductions for tax positions from prior years	(3,513)	(1,177)
Additions for tax positions related to the current year	10,388	2,346
Currency translation adjustment	118	148
Gross unrecognized tax benefits, end of year	\$ 33,474	\$ 9,377

The Company accrues an estimate for interest and penalties related to uncertain tax positions in income tax expense. At October 31, 2012, accrued interest and penalties related to uncertain tax positions totaled \$1.9 million (October 31, 2011 — \$2.8 million).

The Company is subject to taxation in its principal jurisdiction of Canada and in numerous other countries around the world. With few exceptions, the Company is no longer subject to examination by Canadian tax authorities for years up to and including 2005. However, most tax returns for 2006 and beyond remain open to examination by various tax authorities.

At October 31, 2012, there are \$21.1 million (2011 - \$9.3 million) of unrecognized tax benefits that if recognized would affect the annual effective tax rate.

20. Supplementary Cash Flow Information

Items not affecting cash flows comprise the following:

Years ended October 31	2012	2011	2010
Depreciation and amortization	\$ 17,080	\$ 22,375	\$ 28,514
Stock option compensation	1,567	1,229	2,768
Loss on Celerion note receivable	2,411	-	-
Deferred income taxes	38,137	3,666	8,493
Change in fair value of embedded derivatives	12,020	(2,649)	(13,050)
Foreign currency transactional loss	6,271	1,623	26,341
Equity loss, including cash distribution of \$nil (2011 — \$951; 2010 — \$3,034)	-	1,079	3,684
Write-down of investments and other long-term assets	-	-	1,632
Loss on sale of investments	-	-	1,054
Other including foreign currency translation adjustments	6,908	(260)	13,208
	\$ 84,394	\$ 27,063	\$ 72,644

Changes in operating assets and liabilities comprise the following:

Years ended October 31	2012	2011	2010
Accounts receivable	\$ (7,963)	\$ 1,159	\$ 1,726

Inventories	(3,382)	(4,012)	(3,697)
Other current assets and long term assets	17,767	5,206	(3,569)
Accounts payable and accrued liabilities	26,254	(26,178)	(2,864)
Income taxes	(18,360)	2,951	(37,216)
Deferred income	(2,217)	(11,298)	(1,396)
Other long-term obligations	(4,228)	(1,284)	(1,738)
	\$ 7,871	\$ (33,456)	\$ (48,754)

Nordion Inc. Fiscal 2012 Annual Report

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

21. Stock-Based Compensation

Stock option plan

At the Company's annual and Special Meeting of Shareholders held on March 8, 2007, shareholders approved the Company's 2007 Stock Option Plan (the Plan), which replaced the Company's 2006 Stock Option Plan. Under the Plan, which conforms to all current regulations of the New York and Toronto stock exchanges, the Company may issue shares on the exercise of stock options granted to eligible employees, officers, directors and persons providing on-going management or consulting services to the Company. The exercise price of stock options issued under the Plan equals the market price of the underlying shares on the date of the grant. All options issued under the Plan are granted and priced on the date on which approval by the Board of Directors of the Company is obtained or a later date set by the Board of Directors in its approval. As of October 31, 2012, 6,159,800 Common shares have been reserved for issuance under the Plan. Stock-based compensation expense related to the Company's stock option plan for the year ended October 31, 2012 is \$1.6 million (2011 — \$1.2 million; 2010 - \$3.5 million), of which \$1.6 million (2011 — \$1.2 million; 2010 - \$0.2 million) is included in selling, general and administration expenses. Stock based compensation expense for fiscal 2010 also included \$2.5 million in restructuring charges (Note 17) and \$0.8 million in "Loss from discontinued operations, net of income taxes".

During the year ended October 31, 2012, the Company granted 42,800 (2011 – 808,700; 2010 – 1,174,000) C\$ stock options at a weighted average exercise price of C\$9.52 (2011 - C\$10.32). All options granted in fiscal 2012 have a seven year term and become exercisable ratably (a graded-vesting schedule) over a three-year period.

Canadian Dollar Options

	Number (000s)		Weighted Average Exercise Price (C\$)	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (C\$ thousands)
Outstanding as of October 31, 2010	3,531	\$	16.53	3.9	\$ 2,067
Granted	809		10.32		
Exercised	-		-		
Cancelled or forfeited	(1,801)		19.80		
Expired	(116)		21.74		
Outstanding as of October 31, 2011	2,423	\$	11.78	5.3	\$ -
Granted	43		9.52		
Exercised	-		-		
Cancelled or forfeited	(6)		20.66		
Expired	(44)		18.90		
Outstanding as of October 31, 2012	2,416	\$	11.59	4.5	\$ -
Vested and expected to vest as at October 31, 2011 ^(a)	2,182	\$	11.98	5.2	\$ -
Vested and expected to vest as at October 31, 2012^(a)	2,204	\$	11.75	3.9	\$ -
Exercisable as at October 31, 2011	440	\$	20.11	1.9	\$ -
Exercisable as at October 31, 2012	645	\$	16.30	2.9	\$ -

(a) The expected to vest amount represents the unvested options as at October 31, 2012 and 2011, respectively, less estimated forfeitures.

Canadian dollar options outstanding as of October 31, 2012 comprise the following:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices (C\$)	Weighted Average Remaining Contractual Life (Years)	Number (000s)	Weighted Average Exercise Price (C\$)	Number (000s)	Weighted Average Exercise Price (C\$)

\$09.52-	\$11.63	5.1	2,026	\$	9.92	255	\$	10.26
\$17.75-	\$21.77	1.1	390		20.24	390		20.24
		4.5	2,416	\$	11.59	645	\$	16.30

Nordion Inc. Fiscal 2012 Annual Report

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

United States Dollar Options

	Number (000s)	Weighted Average Exercise Price (US\$)	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (US\$ thousands)
Outstanding as of October 31, 2010	802	\$ 15.88	4.6	\$ 15
Granted	-	-		
Exercised or released	-	-		
Cancelled or forfeited	(645)	15.91		
Outstanding as of October 31, 2011	157	\$ 15.72	3.6	\$ 8
Granted	-	-		
Exercised or released	-	-		
Cancelled or forfeited	(1)	15.91		
Outstanding as of October 31, 2012	156	\$ 15.73	2.5	\$ 1
Vested and expected to vest as at October 31, 2011	157	\$ 15.72	3.6	\$ 8
Vested and expected to vest as at October 31, 2012	156	\$ 15.73	2.5	\$ 1
Exercisable as at October 31, 2011	157	\$ 15.72	3.6	\$ 8
Exercisable as at October 31, 2012	156	\$ 15.73	2.5	\$ 1

United States dollar options outstanding as of October 31, 2012 comprise the following:

Range of Exercise Prices (US\$)	Options Outstanding			Options Exercisable		
	Weighted Average Remaining Contractual Life (Years)	Number (000s)	Weighted Average Exercise Price (US\$)	Number (000s)	Weighted Average Exercise Price (US\$)	
\$6.15	3.1	3	\$ 6.15	3	\$ 6.15	
\$15.89 - \$15.91	2.5	153	15.91	153	15.91	
	2.5	156	\$ 15.73	156	\$ 15.73	

The Company utilizes the Black-Scholes option valuation model to estimate the fair value of the options granted based on the following assumptions:

	2012	2011	2010
Risk-free interest rate	1.07%	1.94%	2.1%
Expected dividend yield	4.29%	3.75%	0.0%
Expected volatility	0.280	0.304	0.365
Expected time until exercise (years)	3.6	3.6	3.6

The weighted average fair values of options granted are estimated to be C\$1.28 per Common share in fiscal 2012 (2011 - C\$1.83; 2010 - C\$2.91).

The Black-Scholes option valuation model used by the Company to determine fair values was developed for use in estimating the fair value of freely traded options that are fully transferable and have no vesting restrictions. This model requires the use of assumptions, including future stock price volatility and expected time until exercise. The Company uses historical volatility to estimate its future stock price volatility. The expected time until exercise is based upon the contractual term, taking into account expected employee exercise and expected post-vesting employment termination behavior.

The following table summarizes the intrinsic value of options exercised and the fair values of shares vested:

	2012		2011		2010
Aggregate intrinsic value of options exercised	C\$	-	C\$	-	C\$ -
	US\$	-	US\$	-	US\$ 62
Aggregate grant-date fair value of shares vested	C\$	454	C\$	-	C\$ 5,920
	US\$	-	US\$	-	US\$ 4,518

Nordion Inc. Fiscal 2012 Annual Report

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

As of October 31, 2012, the total remaining unrecognized compensation expense related to non-vested stock options amounted to approximately C\$2.0 million and US\$nil, which will be amortized over the weighted average remaining requisite service period of approximately 15 months and nil months, respectively, for the C\$ and US\$ stock options.

Deferred share units (DSU)

During the year ended October 31, 2012, the Company granted 132,493 (2011 – 179,777; 2010 – nil) DSU, respectively. DSU vest immediately or 100% after three years from the grant date. Vesting is time based and not dependent on a performance measure. Vested DSU are payable upon termination of employment and will be settled in cash or share units equal to the number of vested units multiplied by the five-day average closing TSX share price up to and including the termination date.

DSU granted are accompanied by dividend equivalents rights that will be payable in cash upon settlement of the DSU. During the year ended October 31, 2012, the Company recorded 15,449 (2011 – 11,496; 2010 - nil) DSU per dividend equivalent.

The Company records compensation expense and the corresponding liability each period based on vested units and changes in the market price of Common shares. The DSU expense for the year ended October 31, 2012 is \$0.7 million (2011 - \$1.0 million; 2010 — \$nil) of which \$0.6 million (2011 — \$1.0 million; 2010 - \$nil) is included in selling, general and administration expenses and \$0.1 million (2011 — \$nil; 2010 - \$nil) is in restructuring charges (Note 17).

During the fourth quarter of fiscal 2012, 68,570 DSU were paid out in the amount of \$0.6 million.

Restricted share units (RSU)

During the year ended October 31, 2012, the Company granted 201,231 (2011 – nil; 2010 – nil) RSU, respectively, which vest 100% after three years from the grant date. Vesting is time based and not dependent on a performance measure. Vested RSU are settled in cash equal to the number of vested units multiplied by the five-day average closing TSX share price up to and including the vesting date. RSU granted are accompanied by dividend equivalents rights that will be payable in cash upon settlement of the RSU. During the year ended October 31, 2012, the Company recorded 3,939 (2011 – nil; 2010 - nil) RSU per dividend equivalent.

The Company records compensation expense and the corresponding liability over the vesting period of the RSU adjusted for any fair value changes at each reporting date. The RSU expense for the year ended October 31, 2012 is \$0.4 million (2011 - \$nil; 2010 — \$nil) of which \$0.3 million (2011 — \$nil; 2010 - \$nil) is included in selling, general and administration expenses and \$0.1 million (2011 — \$nil; 2010 - \$nil) is in restructuring charges (Note 17).

Performance share units (PSU)

During the year ended October 31, 2012, the Company granted 122,828 (2011 – nil; 2010 – nil) PSU, respectively, which vest 6 months after the achievement of certain performance goals and other criteria over the vesting period by October 31, 2013. Vested PSU are settled in cash equal to the number of vested units multiplied by the five-day average closing TSX share price up to and including the vesting date. PSU granted are accompanied by dividend equivalents rights that will be payable in cash upon settlement of the PSU.

The PSU expense for the year ended October 31, 2012 is \$0.2 million (2011 - \$nil; 2010 — \$nil) of which \$nil (2011 — \$nil; 2010 - \$nil) is included in selling, general and administration expenses and \$0.2 million (2011 — \$nil; 2010 - \$nil) is in restructuring charges (Note 17).

Other mid-term incentive plan (MTIP)

The MTIP income related to the fully vested DSU granted under the Company's original 2006 Plan (2006 MTIP).

Liability ^(a)	As of October 31	
	2012	2011
2006 Plan	\$ 195	\$ 508
2007 Plan	-	-
2008 Plan	-	-
2009 Plan	-	-

Total	\$	195	\$	508
--------------	-----------	------------	-----------	------------

Nordion Inc. Fiscal 2012 Annual Report

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

(Income) Expense ^(b)	Years ended October 31		
	2012	2011	2010
2006 Plan	\$ (57)	\$ (197)	\$ (28)
2007 Plan	-	-	-
2008 Plan	-	-	3,988
2009 Plan	-	-	6,101
Total	\$ (57)	\$ (197)	\$ 10,061

(a) The MTIP liability is included in the employee-related accruals in accrued liabilities in the consolidated statements of financial position (Note 10).

(b) The MTIP (income) expense for the year ended October 31, 2012 is \$(0.1) million (2011 — \$(0.2) million; 2010 - \$10.1 million), of which \$(0.1) million (2011 — \$(0.2); 2010 - \$nil) is included in selling, general and administration expenses. MTIP (income) expense for fiscal 2010 also included \$5.6 million in restructuring charges (Note 17) and \$4.5 million in “Loss from discontinued operations, net of income taxes”.

The 2006 MTIP is accompanied by dividend equivalents rights that will be payable in cash upon settlement of the plan. During the year ended October 31, 2012, the Company recorded 972 (2011 – 1,607; 2010 - nil) MTIP units per dividend equivalent.

22. Employee Benefits

Defined benefit pension plans

The Company sponsors defined benefit pension plans for certain employees in Canada and the U.S.. The Canadian plan is based on the highest three or six average consecutive years of wages and requires employee contributions. The U.S. plan is based on the participants' 60 highest consecutive months of compensation and their years of service. The pension plan in the U.S. is related to the Company's discontinued MDS Pharma Services operations, which Nordion retained subsequent to the sale of Early Stage. During the fourth quarter of fiscal 2012, the Company received approval from the Internal Revenue Service (IRS) in the U.S. for a proposed settlement of this pension plan. The Company expects the final settlement to occur during fiscal 2013.

All plans are funded and the Company uses an October 31st measurement date for its plans. The most recent actuarial valuation for the Nordion pension plan for funding purposes was as of January 1, 2012. Based on this actuarial valuation, the Company expects funding requirements of approximately \$14 million, including approximately \$3 million of current service cost contributions, in each of the next five years to fund the regulatory solvency deficit. The deficit has arisen due to falling real interest rates where the pension liabilities increased more than the increase in the value of pension assets. The actual funding requirements over the five-year period will be dependent on subsequent annual actuarial valuations. These amounts are estimates, which may change with actual investment performance, changes in interest rates, any pertinent changes in government regulations, and any voluntary contributions.

The components of net periodic pension cost (income) for these plans for fiscal 2012, 2011 and 2010 are as follows:

Years ended October 31	Domestic Plan			International Plan		
	2012	2011	2010	2012	2011	2010
Components of net periodic pension cost						
Service cost	\$ 2,804	\$ 2,719	\$ 1,980	\$ -	\$ -	\$ 97
Interest cost	12,263	11,994	12,045	571	610	689
Expected return on plan assets	(14,736)	(16,044)	(15,579)	(701)	(706)	(687)
Recognized actuarial loss	-	-	-	127	258	344
Net periodic pension cost (income)	\$ 331	\$ (1,331)	\$ (1,554)	\$ (3)	\$ 162	\$ 443

The following weighted average assumptions are used in the determination of the net periodic cost (income) and the projected benefit obligation:

Years ended October 31	Domestic Plan			International Plan		
	2012	2011	2010	2012	2011	2010
Projected benefit obligation						
Discount rate	4.25%	5.40%	5.40%	3.52%	4.50%	5.24%
Expected return on plan assets	5.75%	6.00%	6.50%	8.00%	8.00%	8.00%
Rate of compensation increase	3.25%	3.50%	3.50%	n/a	n/a	n/a
Benefit cost						
Discount rate	5.40%	5.40%	6.50%	4.50%	5.24%	5.75%
Expected return on plan assets	6.00%	6.50%	6.90%	8.00%	8.00%	8.00%
Rate of compensation increase	3.50%	3.50%	3.75%	n/a	n/a	4.50%

Nordion Inc. Fiscal 2012 Annual Report

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

Discount rate assumptions have been, and continue to be, based on the prevailing long-term, market interest rates at the measurement date.

The changes in the projected benefit obligation, fair value of plan assets, and the funded status of the plans are as follows:

As of October 31	Domestic Plan			International Plan		
	2012	2011		2012	2011	
Change in projected benefit obligation						
Projected benefit obligation, beginning of year	\$ 229,449	\$ 215,167	\$	12,929	\$ 11,720	\$
Service cost - pension	3,932	3,910		-	-	
Interest cost	12,263	11,994		571	610	
Benefits paid	(9,747)	(8,224)		(799)	(649)	
Actuarial loss	50,801	1,621		1,303	1,248	
Foreign currency exchange rate changes	(207)	4,981		-	-	
Projected benefit obligation, end of year	286,491	229,449		14,004	12,929	
Change in fair value of plan assets						
Fair value of plan assets, beginning of year	239,197	224,111		8,998	8,826	
Actual return (loss) on plan assets	19,567	10,252		(47)	703	
Benefits paid	(9,747)	(8,224)		(799)	(649)	
Employer contributions	3,252	6,681		163	118	
Employee contributions	1,128	1,191		-	-	
Foreign currency exchange rate changes	(472)	5,186		-	-	
Fair value of plan assets, end of year	252,925	239,197		8,315	8,998	
Funded status – (under)/over at end of year	\$ (33,566)	\$ 9,748	\$	(5,689)	\$ (3,931)	\$

The funded status for the Canadian and U.S. plans, measured as the difference between the fair value of plan assets and the projected benefit obligation, for the Canadian plan are included in other long-term liabilities (Note 13) in the consolidated statements of financial position.

A reconciliation of the funded status to the net plan (liabilities) assets recognized in the consolidated statements of financial position is as follows:

As of October 31	Domestic Plan			International Plan		
	2012	2011		2012	2011	
Projected benefit obligation	\$ 286,491	\$ 229,449	\$	14,004	\$ 12,929	\$
Fair value of plan assets	252,925	239,197		8,315	8,998	
Plan assets (less than) in excess of projected benefit obligation	(33,566)	9,748		(5,689)	(3,931)	
Unrecognized net actuarial loss	76,183	30,212		7,191	5,268	
Net amount recognized at year end	\$ 42,617	\$ 39,960	\$	1,502	\$ 1,337	\$
Long-term pension plan assets	\$ -	\$ 9,748	\$	-	\$ -	\$
Non-current liabilities	(33,566)	-		(5,689)	(3,931)	
Accumulative other comprehensive loss	76,183	30,212		7,191	5,268	
Net amount recognized at year end	\$ 42,617	\$ 39,960	\$	1,502	\$ 1,337	\$

The following table illustrates the amounts in accumulated other comprehensive (loss) income that has not yet been recognized as components of pension expense:

As of October 31		2012		2011
Net actuarial loss	\$	83,374	\$	35,480
Deferred income taxes		(20,449)		(8,847)
Accumulated other comprehensive loss - net of tax	\$	62,925	\$	26,633

Nordion Inc. Fiscal 2012 Annual Report

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

The weighted average asset allocation of the Company's pension plans is as follows:

Asset Category	Target	Domestic Plan		International Plan	
		2012	2011	2012	2011
Cash	0%	0.0%	0.1%	0.0%	0.0%
Fixed income	44%	41.6%	48.2%	100.0%	100.0%
Equities	56%	58.4%	51.7%	0.0%	0.0%
Total	100%	100.0%	100.0%	100.0%	100.0%

The Company maintains target allocation percentages among various asset classes based on investment policies established for the pension plans, which are designed to maximize the total rate of return (income and appreciation) after inflation, within the limits of prudent risk taking, while providing for adequate near-term liquidity for benefit payments. Such investment strategies have adopted an equity-based philosophy in order to achieve their long-term investment goals by investing in assets that often have uncertain returns, such as Canadian equities, foreign equities, and non-government bonds. However, it also attempts to reduce its overall level of risk by diversifying the asset classes and further diversifying within each individual asset class.

The Company's expected return on asset assumptions are derived from studies conducted by actuaries and investment advisors. The studies include a review of anticipated future long-term performance of individual asset classes and consideration of the appropriate asset allocation strategy given the anticipated requirements of the plans to determine the average rate of earnings expected on the funds invested to provide for the pension plans benefits. While the study gives appropriate consideration to recent fund performance and historical returns, the assumption is primarily a long-term, prospective rate.

The following table provides a basis of fair value measurement for plan assets held by the Company's pension plans that are measured at fair value on a recurring basis. See also the discussion of fair value hierarchy in Note 16.

As of October 31, 2012	Level 1		Level 2		Level 3		Total
Cash and cash equivalents	\$	25	\$	-	\$	-	25
Debt securities		-		156,024		-	156,024
Equity securities		-		105,191		-	105,191
Other		-		-		-	-
Total	\$	25	\$	261,215	\$	-	261,240

Expected future benefit payments are as follows:

Years ended October 31	Domestic Plan		International Plan ^(a)	
2013	\$	9,918	\$	499
2014		10,442		541
2015		11,193		559
2016		11,725		591
2017		12,291		695
2018 – 2022		69,807		3,993
	\$	125,376	\$	6,878

(a) Represents the U.S. plan related to the discontinued MDS Pharma Services operations and is currently expected to be settled during fiscal 2013.

Other benefit plans

Other benefit plans include a supplemental retirement arrangement, a retirement/termination allowance and post-retirement benefit plans, which include contributory health and dental care benefits and contributory life insurance coverage. All non-pension post-employment benefit plans are unfunded.

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

The components of net periodic cost for these plans are as follows:

Years ended October 31	2012	2011	2010
Components of net periodic cost			
Current service cost	\$ 186	\$ 191	\$ 276
Interest cost	696	768	790
Recognized actuarial (gain) loss	(63)	(229)	348
Recognized past service cost	(49)	(50)	(48)
Curtailment gain recognized	-	-	(486)
Net periodic cost	\$ 770	\$ 680	\$ 880

The weighted average assumptions used to determine the net periodic pension cost and projected benefit obligation for these plans are as follows:

Years ended October 31	2012	2011	2010
Projected benefit obligation			
Discount rate	4.11%	5.11%	5.13%
Rate of compensation increase	3.75%	3.91%	3.96%
Initial health care cost trend rate	9.02%	9.06%	9.10%
Ultimate health care cost trend rate	4.50%	4.50%	4.50%
Years until ultimate trend rate is reached	9	10	11
Benefit cost			
Discount rate	5.11%	5.13%	6.08%
Rate of compensation increase	3.91%	3.96%	4.05%

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in assumed health care cost trend rates would have had the following impact in fiscal 2012:

	1% Increase	1% Decrease
Change in net benefit cost	\$ 94	\$ (75)
Change in projected benefit obligation	\$ 1,641	\$ (1,323)

The changes in the projected benefit obligation and the funded status of the plans are as follows:

As of October 31	2012	2011
Change in projected benefit obligation		
Projected benefit obligation – beginning of year	\$ 14,328	\$ 15,251
Service cost	186	191
Interest cost	697	768
Benefits paid	(671)	(856)
Actuarial loss (gain)	1,795	(1,398)
Foreign currency exchange rate changes	(21)	372
Projected benefit obligation – end of year	\$ 16,314	\$ 14,328
Funded status – under at end of year	\$ (16,314)	\$ (14,328)

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

A reconciliation of the funded status to the net plan liabilities recognized in the consolidated statements of financial position is as follows:

As of October 31	2012	2011
Projected benefit obligation	\$ (16,314)	\$ (14,328)
Fair value of plan assets	-	-
Plan assets less than projected benefit obligation	(16,314)	(14,328)
Unrecognized actuarial gains	(237)	(2,097)
Unrecognized past service costs	(232)	(282)
Net amount recognized at year end	\$ (16,783)	\$ (16,707)
Non-current liabilities	\$ (16,314)	\$ (14,328)
Accumulative other comprehensive income	(469)	(2,379)
Net amount recognized at year end	\$ (16,783)	\$ (16,707)

The other benefit plan liabilities related to continuing operations are included within other long-term liabilities (Note 13).

As of October 31, 2012, the unrecognized actuarial gains and past service costs of \$0.5 million (October 31, 2011 — \$2.4 million), net of tax of \$0.1 million (October 31, 2011 — \$0.6 million) are included in accumulated other comprehensive income.

Based on the actuarial assumptions used to develop the Company's benefit obligations as of October 31, 2012, the following benefit payments are expected to be made to plan participants:

Years ended October 31

2013	\$ 650
2014	716
2015	782
2016	798
2017	837
2018 — 2022	5,134
Total	\$ 8,917

During fiscal 2013, the Company expects to contribute approximately \$0.7 million to the Company's other benefit plans.

During fiscal 2012, the Company contributed \$1.3 million to defined contribution plans on behalf of its employees (2011 — \$1.2 million; 2010 — \$3.5 million).

23. Segmented Information

Nordion operates as a global life sciences company with three business segments: Targeted Therapies, Sterilization Technologies and Medical Isotopes. These segments are organized predominantly around the products and services provided to customers identified for the businesses.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. There are no significant inter-segment transactions. Segmented earnings are computed by accumulating the segment's operating income, interest costs, other expenses and foreign exchange translations. The corporate segment results include the incremental cost of corporate overhead in excess of the amount allocated to the other operating segments, as well as certain other costs and income items that do not pertain to a business segment. Management does not track or allocate assets on a business segment basis. Accordingly, assets and additions to assets are not disclosed on a business segment basis in the following financial information. Related expenses, such as depreciation, are allocated to each segment and reported appropriately herein.

On September 12, 2012, the Company announced a strategic realignment that resulted in changes to the segments. The following segmented information results reflect the Company's new segment structure. The primary change to Company's segment reporting is that Contract Manufacturing is now reported in Medical Isotopes whereas previously it was reported in Targeted Therapies. Prior years have been restated to reflect this change.

Nordion Inc. Fiscal 2012 Annual Report

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

The information presented below is for continuing operations.

Year ended October 31, 2012

		Specialty Isotopes			
	Targeted Therapies	Sterilization Technologies	Medical Isotopes	Corporate and Other	Total
Revenues	\$ 48,451	\$ 95,434	\$ 100,955	\$ -	\$ 244,840
Direct cost of revenues	13,726	42,284	54,982	-	110,992
Selling, general and administration ^(a)	16,565	13,766	14,189	9,908	54,428
Other expense (income), net ^(b)	4,082	347	2,345	(1,202)	5,572
Segment earnings (loss)	\$ 14,078	\$ 39,037	\$ 29,439	\$ (8,706)	\$ 73,848
Depreciation and amortization	1,609	4,850	10,621	-	17,080
Restructuring recovery, net					1,781
AECL arbitration and legal costs					5,576
Litigation accruals (Note 25)					24,058
Loss on Celerion note receivable					2,411
Internal investigation costs (Note 24)					9,827
Change in fair value of embedded derivatives					12,020
Operating income from continuing operations					\$ 1,095

(a) excludes AECL arbitration and legal costs of \$5.6 million and internal investigation costs of \$9.8 million

(b) excludes estimated litigation accruals of \$24.1 million (Note 25) and loss on Celerion note receivable of \$2.4 million

Year ended October 31, 2011

		Specialty Isotopes			
	Targeted Therapies	Sterilization Technologies	Medical Isotopes	Corporate and Other	Total
Revenues	\$ 42,576	\$ 108,662	\$ 122,789	\$ -	\$ 274,027
Direct cost of revenues	12,590	47,308	66,178	-	126,076
Selling, general and administration ^(a)	14,067	15,007	16,055	7,806	52,935
Other expense, net ^(b)	3,267	207	2,214	4,552	10,240
Segment earnings (loss)	\$ 12,652	\$ 46,140	\$ 38,342	\$ (12,358)	\$ 84,776
Depreciation and amortization	1,480	6,719	14,138	38	22,375
Restructuring charges, net					1,592
AECL arbitration and legal costs					12,172
Gain on sale of investment					(1,691)
Change in fair value of embedded derivatives					(2,649)
Operating income from continuing operations					\$ 52,977

(a) excludes AECL arbitration and legal costs of \$12.2 million

(b) excludes gain on sale of investment of \$1.7 million

Year ended October 31, 2010

		Specialty Isotopes			
	Targeted Therapies	Sterilization Technologies	Medical Isotopes	Corporate and Other	Total
Revenues	\$ 29,040	\$ 103,556	\$ 89,372	\$ -	\$ 221,968
Direct cost of revenues	6,556	41,642	56,479	-	104,677
Selling, general and administration ^(a)	10,692	14,447	17,702	48,238	91,079

Other expense, net ^(b)		2,730		13		1,757		17,871		22,371
Segment earnings (loss)	\$	9,062	\$	47,454	\$	13,434	\$	(66,109)	\$	3,841
Depreciation and amortization		1,160		5,156		10,231		11,967		28,514
Restructuring charges, net										62,531
AECL arbitration and legal costs										9,207
Loss on sale of investments										1,054
Impairment of long-lived assets										1,632
Change in fair value of embedded derivatives										(13,050)
Operating loss from continuing operations									\$	(86,047)

(a) excludes AECL arbitration and legal costs of \$9.2 million

(b) excludes impairment of long-lived assets of \$1.6 million and loss on sale of investment of \$1.1 million

Nordion Inc. Fiscal 2012 Annual Report

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

Revenues by geographic location are summarized below:

Years ended October 31		Canada		US		Europe		Other		Total
2012	\$	10,147	\$	165,944	\$	23,960	\$	44,789	\$	244,840
2011	\$	6,360	\$	178,213	\$	26,565	\$	62,889	\$	274,027
2010	\$	6,775	\$	136,834	\$	20,831	\$	57,528	\$	221,968

All Property, plant and equipment for continuing operations and goodwill of the Company is located in Canada. All of the goodwill is carried in Canada and allocated to Sterilization Technologies, \$1.9 million, and Medical Isotopes, \$0.6 million.

Significant customers

For the year ended October 31, 2012, one major customer in Medical Isotopes segment accounted for \$51.8 million or 21% (2011 — \$60.8 million or 22%; 2010 — \$20.6 million or 9%) of the Company's revenues.

24. Commitments and Contingencies

Leases and other commitments

The Company is obligated under non-cancelable operating leases, primarily for its offices and equipment. These leases generally contain customary scheduled rent increases or escalation clauses and renewal options.

The Company is also obligated under outsourcing agreements related to certain aspects of its information technology and human resources support functions. Actual amounts paid under these outsourcing agreements could be higher or lower than the amounts shown below as a result of changes in volume and other variables. In addition, early termination of these outsourcing agreements by the Company could result in the payment of termination fees, which are not reflected in the table below.

As of October 31, 2012, the Company is obligated under non-cancelable operating leases, primarily for its premises and equipment leases and other long-term contractual commitments to make minimum annual payments of approximately:

Years ended October 31	Operating Leases	Other Contractual Commitments
2013	\$ 1,844	\$ 52,091
2014	1,101	44,139
2015	990	32,898
2016	989	49,974
2017	1,137	26,844
Thereafter	909	82,803
	\$ 6,970	\$ 288,749

Net rental expense for premises and equipment leases for the year ended October 31, 2012 was \$1.1 million (2011 — \$1.3 million; 2010 — \$16.6 million).

Contractual commitments

Included in other contractual commitments is approximately \$240 million associated with long-term supply arrangements primarily with domestic and international suppliers of isotopes. Other contractual commitments also include a \$2.5 million (2011 — \$2.3 million) relating to the outsourcing of the information technology infrastructure. The terms of these long-term supply or service arrangements range from 1 to 12 years. The amounts purchased under these contractual commitments for the year ended October 31, 2012 are \$37.4 million (2011 — \$45.9 million; 2010 — \$47.3 million).

Net sales of certain products of the Company are subject to royalties payable to third parties. Royalty expense recorded in direct cost of revenues for the year ended October 31, 2012 amounted to \$0.5 million (2011 — \$1.6 million; 2010 — \$3.6 million).

Captive insurance liability

The Company is self-insured for up to the first \$5 million of costs incurred relating to a single liability claim in a year and to \$10 million in aggregate claims arising during an annual policy period. The Company provides for unsettled reported losses and losses incurred but not reported based on an independent review of all claims made against the Company. Accruals for estimated losses related to captive insurance are \$4.6 million as of October 31, 2012 (October 31, 2011 — \$7.1 million) which are recorded in accrued liabilities (Note 10) and other long-term liabilities (Note 13).

Nordion Inc. Fiscal 2012 Annual Report

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

Retained liabilities related to Early Stage

Subsequent to the sale of Early Stage, Nordion has retained litigation claims and other costs associated with the U.S. FDA's review of the Company's bioanalytical operations (Note 10(a)) and certain other contingent liabilities in Montreal, Canada. Nordion has also retained certain liabilities related to pre-closing matters, a defined benefit pension plan for certain U.S. employees, and a lease obligation for an office location in Bothell, Washington. The cost of future lease payments offset by expected sublease revenue, where applicable, is estimated at approximately \$0.7 million which is included in accrued liabilities (Note 10).

Indemnities and guarantees

In connection with various divestitures that the Company underwent, Nordion has agreed to indemnify various buyers for actual future damage suffered by the buyers related to breaches, by Nordion, of representations and warranties contained in the purchase agreements. In addition, Nordion has retained certain existing and potential liabilities arising in connection with such operations related to periods prior to the closings. To mitigate Nordion's exposure to these potential liabilities, the Company maintains errors and omissions and other insurance. Nordion is not able to make a reasonable estimate of the maximum potential amount that the Company could be required to pay under these indemnities. The Company has not made any significant payments under these types of indemnity obligations in the past.

Internal investigation

Through Nordion's own internal review as part of its Canadian Corruption of Foreign Public Officials Act (CFPOA) compliance program, the Company has discovered potential compliance irregularities. As a result, the Company commenced an internal investigation of the possible compliance issues related to potential improper payments and other related financial irregularities in connection with the supply of materials and services to the Company, focusing on compliance with the CFPOA and the U.S. Foreign Corrupt Practices Act (FCPA). This investigation is being conducted by outside legal counsel and external forensic and accounting firms that are experienced in such compliance.

These external advisors are reporting regularly to a special Committee of the Board constituted to deal with this matter. The Company voluntarily contacted the relevant regulatory and enforcement authorities to disclose the existence of this investigation and certain details of this matter, and continues to provide reports to them as the investigation progresses. The Company is continuing with its investigation into this matter and its cooperation with regulatory and enforcement authorities.

As a result of the investigation to date, the Company has ceased to make payments to and terminated its contractual arrangements with the affected foreign supplier. These actions were reflected in, among other things, a reduction in the notional amount of commitments included in the calculation of embedded derivative expense during the third quarter of fiscal 2012.

The Company is currently unable to determine as to whether there will be any potential regulatory and/or enforcement action resulting from these matters or, if any such action is taken, whether it will have a material adverse effect on our business, financial position, profitability or liquidity. If regulatory or enforcement authorities determine to take action against the Company, Nordion may be, among other things, subject to fines and/or penalties which may be material.

Nordion is committed to the highest standards of integrity and diligence in its business dealings and to the ethical and legally compliant business conduct of its employees, representatives and suppliers. The Company reviews its compliance programs on a regular basis to assess and align them with emerging trends and business practices. Corrupt or fraudulent business conduct is in direct conflict with the Company's Global Business Practice Standards (GBPS) and corporate policies. The Company continues to investigate this matter and cooperate with regulatory and enforcement authorities.

In parallel with the Internal Investigation, Nordion has developed and implemented a number of new and enhanced policies and procedures related to compliance. This remediation process has included enhancements to Nordion's GBPS, policies related to anti-corruption, third-party due diligence, travel and expenses, sponsorships, and payment control processes. Nordion is continuing to develop and strengthen other policies and procedures, as well as monitoring protocols to detect exceptions to these new policies, and is delivering training to employees, high risk third parties and other stakeholders affected by the changes. The intent of these changes is to strengthen Nordion's overall compliance framework.

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

25. Litigation

MAPLE

AECL and the Government of Canada unilaterally announced in fiscal 2008 their intention to discontinue development work on the MAPLE Facilities. At the same time, AECL and the Government of Canada also publicly announced that they would continue to supply medical isotopes from the current NRU reactor, and would pursue a license extension of the NRU reactor operations past the expiry date, at the time, of October 31, 2011. On July 8, 2008, Nordion served AECL with a notice of arbitration proceedings seeking an order to compel AECL to fulfill its contractual obligations under an agreement entered into with AECL in February 2006 (the 2006 Agreement) to complete the MAPLE Facilities and, in the alternative and in addition to such order, seeking significant monetary damages. On September 10, 2012, Nordion announced that it had received the decision in its confidential arbitration with AECL and was unsuccessful in its claim for specific performance or monetary damages relating to AECL's cancelled construction of the MAPLE facilities. The majority of the tribunal ruled 2:1 that Nordion's claim against AECL in the arbitration was precluded under the terms of the 2006 Agreement. Thus, Nordion was not entitled to a remedy under the 2006 Agreement for the unilateral termination by AECL of the construction of the MAPLE facilities. In the decision, the arbitrators also dismissed AECL's counterclaim against Nordion for damages for breach of contract in the amount of \$250 million (C\$250 million) and other relief. The appeal period has expired and neither party appealed the decision. The arbitrators have yet to decide on the issue of costs, and requested that Nordion and AECL make submissions. As the decision of the tribunal favors AECL, Nordion may be responsible for a portion of AECL's costs, which could be material. AECL submitted total arbitration-related costs of approximately \$46 million. Nordion has received and is currently assessing the legal merits and financial implications of AECL's costs submissions.

In addition to the arbitration, in 2008 Nordion also filed a court claim against AECL and the Government of Canada. Nordion's claim filed against AECL sought (i) damages in the amount of \$1.6 billion (C\$1.6 billion) for negligence and breach of contract under the Isotope Production Facilities Agreement (IPFA) entered into with AECL in 1996; and (ii) interim, interlocutory and final orders directing AECL to continue to supply radioisotopes under the 2006 Agreement, pending any final judgment and completion of the MAPLE Facilities; and, against the Government of Canada, Nordion sought (i) damages in the amount of \$1.6 billion (C\$1.6 billion) for inducing breach of contract and interference with economic relations in respect to the 2006 Agreement; (ii) an order that Nordion may set off the damages owing to it by the Government of Canada as a result of the Government's conduct set out herein against any amounts owing by Nordion to the Government of Canada under the Facilities Development and Construction Funding Agreement (FDCFA), a loan agreement between the Government of Canada and Nordion for \$100 million (C\$100 million); and (iii) an interim and interlocutory order suspending any payments that may be owing to the Government of Canada under the FDCFA pending the determination of the issues in this litigation and an interim or interlocutory order requiring the return of all security instruments delivered in connection with the FDCFA. The arbitration decision leaves Nordion open to pursue its ongoing lawsuit against AECL in the Ontario courts in relation to the 1996 IPFA. In the analysis of the decision, although the arbitrators did not rule on the issue, the view of the majority was that a breach of contract by AECL did not occur under the 2006 Agreement. Nordion is pursuing its rights under the IPFA.

The parties have agreed on a preliminary schedule for proceeding in the IPFA claim and Nordion filed an amended statement of claim on January 18, 2013. Having regard to the majority opinion in the arbitration, the amended statement of claim under the IPFA no longer includes the Government of Canada and the damages claimed are substantially lower. Nordion and the Government of Canada have agreed to the discontinuance of the action against the Government of Canada without costs. The schedule provides for AECL to file motions if it sees fit and to file a defence. Documentary productions and discoveries are currently anticipated to begin during 2013. Based on the current schedule, the matter would not be expected to be set down for trial before mid-2014. The claim requests damages in the amount of \$243.5 million for negligence and breach of the IPFA, as well as pre- and post-judgment interest and costs. The damages claimed are for the recovery of Nordion's costs up to the end of the IPFA, net of certain amounts settled between Nordion and AECL at the time of entering into the Interim and Long-Term Supply Agreement (ILTSA).

Under the 2006 Agreement, commercially reasonable efforts are required to maintain isotope production from the NRU reactor until such time as Nordion has established a satisfactory, long-term alternative supply. Nordion has accordingly notified AECL that it intends to continue to require isotope supply from AECL while Nordion continues to explore alternatives to mitigate the lack of supply from AECL, for both back-up and the long-term supply of reactor-based medical isotopes.

Bioequivalence studies

During fiscal 2009, the Company was served with a Complaint related to repeat study and mitigation costs of \$10 million and lost profits of \$70 million. This action relates to certain bioequivalence studies carried out by the Company's former MDS Pharma Services business unit at the Montreal, Canada facility from January 1, 2000, to December 31, 2004. The Company maintains reserves in respect of repeat study costs as well as errors and omissions insurance. Nordion has assessed this claim and has accrued amounts related to the direct costs associated with the repeat study costs in the FDA provision (Note 10(a)). No specific provision has been recorded related to the claim for lost profit, other than insurance deductible liabilities included in accrued liabilities. The Company has filed an Answer and intends to vigorously defend this action. Discoveries are ongoing, and no trial date has been set. To date, attempts to mediate the claim have been unsuccessful.

During fiscal 2009, the Company was served with a Statement of Claim related to repeat study and mitigation costs of \$5 million (C\$5 million) and loss of profit of \$30 million (C\$30 million). This action relates to certain bioequivalence studies carried out by the Company's former MDS Pharma Services business unit at the Montreal, Canada facility from January 1, 2000, to December 31, 2004. The Company maintains reserves in respect of repeat study costs as well as errors and omissions insurance. Nordion has assessed this claim and has accrued amounts related to the direct costs associated with the repeat study costs in the FDA provision (Note 10(a)). No specific provision has been recorded related to the claim for lost profit, other than insurance deductible liabilities included in accrued liabilities. The Company has filed a Statement of Defence and intends to vigorously defend this action.

Nordion Inc. Fiscal 2012 Annual Report

Notes to Consolidated Financial Statements

[All amounts in thousands of U.S. dollars, except where noted]

BioAxone BioSciences

During the third quarter of fiscal 2012, the Company was served with a Complaint filed in Florida relating to our former Pharma Services business (the Complaint). The Complaint, by BioAxone BioSciences Inc., named Nordion (US) Inc. as well as another co-defendant, and alleges that MDS Pharma Services acted negligently in the preparation and qualification of a Bacterial Master Cell Bank relating to the development of a biologic drug, and claims that Plaintiff has incurred costs to take corrective actions to the cell bank and to the development of its drug as a result of associated delays in development, progress through clinical trials and the FDA approvals process, in an amount greater than \$90 million. Nordion has not made a specific provision related to this Complaint. The Company is currently assessing the merits of the Complaint and intends to vigorously defend this claim.

26. Asset Retirement Obligation (ARO)

The Company's ARO represents the present value of future remediation costs, which are recorded in other long-term liabilities (Note 13) and increased the carrying amounts of the related assets in property, plant and equipment, net in the consolidated statements of financial position. The capitalized future site remediation costs are depreciated and the ARO is accreted over the life of the related assets which is included in depreciation and amortization expense in "Operating income (loss) from continuing operations".

The fair value of the ARO is determined based on estimates. Considerable management judgment is required in estimating these obligations. The key assumptions include credit adjusted risk free interest rate, timing and the estimate of the remediation activities. Changes in these assumptions based on future information may result in adjustments to the estimated obligations over time. A reconciliation of the ARO for the years ended October 31, 2012 and 2011 is as follows:

As of October 31		2012		2011
Asset retirement obligation – beginning of year	\$	11,691	\$	10,598
Liability incurred		-		-
Liability settled		-		-
Incremental ARO		-		-
Accretion expense		906		843
Foreign exchange and other		(27)		250
Asset retirement obligation – end of year	\$	12,570	\$	11,691

The Company has pledged a \$15.4 million (October 31, 2011 — \$15.5 million) letter of credit in support of future site remediation costs.

27. Comparative Figures

Certain figures for the prior period have been reclassified to conform to the current period's consolidated financial statements presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

January 25, 2013

In this Management's Discussion and Analysis (MD&A), "we", "Nordion", and "the Company" refer to Nordion Inc. In this MD&A, we explain Nordion's results of operations and cash flows for the year ended October 31, 2012, and our financial position as of October 31, 2012. You should read this MD&A in conjunction with our audited consolidated financial statements and related note disclosures for the same period. Readers are also referred to Nordion's unaudited quarterly consolidated financial statements and quarterly MD&As for fiscal 2012, the Company's Annual Information Form for fiscal 2012 (AIF), the Company's 2012 Annual Report, and 2012 Form 40-F. These documents and additional information regarding Nordion are available on Nordion's website at www.nordion.com or at www.sedar.com and www.sec.gov.

Our MD&A is intended to enable readers to gain an understanding of Nordion's current results of operations, cash flows and financial position. To do so, we provide information and analysis comparing our results of operations, cash flows and financial position for the current fiscal year with those of the preceding fiscal year. We also provide analysis and commentary that we believe will help investors assess Nordion's future prospects. Accordingly, certain sections of this report contain forward-looking statements that are based on our current plans and expectations. These forward-looking statements are affected by risks and uncertainties that are discussed in our 2012 AIF and this document that could have a material impact on Nordion's future prospects. We caution our readers that actual events and results may vary materially from those anticipated in these forward-looking statements.

Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to, risks and uncertainties that are discussed in greater detail in the "Risk Factors" section in our 2012 AIF, and elsewhere in this MD&A.

We have prepared our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Amounts are in thousands of United States (U.S.) dollars, except per share amounts and where otherwise noted.

We have organized our MD&A into five sections:

1 Business Overview

- 2 Our business
- 4 2012 business and corporate developments
- 8 Strategy and 2013 financial outlook
- 11 Financial highlights
- 12 Consolidated financial results

2 Segmented Financial Review

- 15 Targeted Therapies
- 16 Sterilization Technologies
- 17 Medical Isotopes
- 18 Corporate and Other

3 Quarterly Financial Analysis

- 19 Sequential financial analysis
- 22 Fourth quarter analysis
- 24 Balance sheet insights

4 Consolidated Liquidity and Capital Resources

- 25 Cash flows
- 26 Liquidity
- 29 Litigation

5 Accounting and Control Matters

- 31 Recent accounting pronouncements
- 31 Critical accounting policies and estimates
- 37 Disclosure controls and procedures
- 37 Internal control over financial reporting

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

1) Business Overview

Our business

Nordion is a global health science company providing market-leading products and services used for the prevention, diagnosis and treatment of disease. Our products benefit the lives of millions of people in more than 60 countries around the world and are used daily by pharmaceutical and biotechnology companies, medical-device manufacturers, hospitals, clinics and research laboratories. We have approximately 500 highly skilled employees worldwide.

On September 12, 2012, Nordion announced an organizational realignment that resulted in changes to our segments. We have organized our operations into a Business Unit model with two distinct Business Units: Targeted Therapies and Specialty Isotopes, each of which are supported by centralized corporate functions. The Specialty Isotopes Business Unit includes two segments: Sterilization Technologies and Medical Isotopes.

The results reported in our 2012 financial statements and this MD&A reflect our new segment structure. We continue to report our operations as three business segments: **Targeted Therapies**, **Sterilization Technologies**, and **Medical Isotopes**, as well as certain corporate functions and activities reported as **Corporate and Other**. The primary change to our segment reporting is that Contract Manufacturing is now reported in Medical Isotopes but was previously reported in Targeted Therapies. Prior years have been restated to reflect this change.

Targeted Therapies

Our Targeted Therapies segment is focused on the targeted treatment of cancer. Our Targeted Therapies product, TheraSphere®, is used in the treatment of liver cancer by targeting the disease from within the body with a higher concentration of radiation directed to the tumor, thereby limiting both damage to surrounding healthy tissue and side effects for the patient. TheraSphere is used in the treatment of both inoperable primary and metastatic liver cancer, and has approvals and is reimbursed in certain key markets.

We are currently conducting three clinical Phase III trials (trials to determine the effectiveness of a product): i) STOP-HCC is a trial focused on obtaining full approval in the U.S. for TheraSphere as a treatment for primary hepatocellular carcinoma (HCC); ii) EPOCH is a trial intended to be used to obtain Pre-market Approval in the U.S. for treatment of metastatic colorectal cancer to the liver; and, iii) YES-P is an Europe-focused trial in a subset of primary liver cancer patients with portal vein thrombosis (PVT). We anticipate activation of sites in Europe for the YES-P trial in 2013.

Sterilization Technologies

Our Sterilization Technologies segment is focused on the prevention of disease through terminal (in final packaging) sterilization of medical products and devices, as well as food and consumer products. We produce and install Cobalt-60 (Co-60) radiation sources and design, construct, install, and maintain commercial gamma sterilization systems, referred to as production irradiators.

We are one of the world's leading suppliers of Co-60, an isotope that produces the gamma radiation that destroys harmful micro-organisms. Gamma sterilization technologies are used globally to sterilize approximately 40% of single use medical products including disposable medical devices and supplies such as surgeon's gloves, syringes, sutures, and catheters, as well as pharmaceuticals. Gamma sterilization is also used for the treatment of food and consumer products.

Medical Isotopes

Our Medical Isotopes segment primarily focuses on products used in the diagnosis and treatment of diseases, including cardiac and neurological conditions, and several types of cancer. According to the World Nuclear Association, over 10,000 hospitals worldwide use radioisotopes in medicine with about 90% of the procedures being for diagnosis.

We sell a breadth of isotopes, which our customers incorporate into products that are used in these medical procedures. Our primary product is Molybdenum-99 (Mo-99), which decays into Technetium-99 (Tc-99m), utilized in approximately 80% of nuclear medical procedures worldwide (source: World Nuclear Association).

Mo-99 is produced in a nuclear reactor along with other isotopes including Xe-133 (used in lung scans), I-131 (used to treat hyperthyroidism, thyroid cancer and non-Hodgkin's lymphoma), and I-125 (used to treat prostate cancer). We refer to isotopes produced in nuclear reactors as Reactor isotopes.

We manufacture other isotopes at our facility in Vancouver, Canada using equipment referred to as a cyclotron; these are reported as Cyclotron isotopes. We are also a contract manufacturer of Bexxar®, a radiotherapeutic, and until early 2011 manufactured CardioGen-82®, a cardiovascular positron emission tomography (PET) imaging agent.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

Corporate and Other

Nordion is a publicly traded company listed on the Toronto Stock Exchange (TSX: NDN) and on the New York Stock Exchange (NYSE: NDZ). The number of outstanding Nordion common shares at October 31, 2012 and January 25, 2013 was 61,909,101.

Certain of Nordion's shared corporate functions and activities are reported as Corporate and Other. Our corporate and public company functions were consolidated and streamlined at our Ottawa, Canada headquarters during 2010 and 2011.

For a detailed description of our Targeted Therapies, Sterilization Technologies, and Medical Isotopes businesses, see "Section 4, Description of the Business" in our 2012 AIF.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

2012 business and corporate developments

Engaging in Review of Strategic Alternatives

With a view to enhancing shareholder value and creating new opportunities the Company has initiated a review of strategic alternatives. Jefferies & Company has been engaged to advise and assist in this review. No decision has been made to enter into any specific strategic transaction or any other strategic alternative at this time, and there can be no assurance that Nordion will enter into a transaction in the future. The Company does not plan to disclose or comment on developments regarding the strategic review process until further disclosure is deemed appropriate. Nordion intends to continue with planned business activities throughout the strategic alternatives review process.

Targeted Therapies

TheraSphere Growth

TheraSphere revenue grew by 14% during fiscal 2012. The year-over-year sales growth was primarily due to adoption by new clinics.

TheraSphere revenue growth was lower than our initially anticipated annual growth of 30% in 2012 due to a decline in doses administered at several of our larger accounts. This decline was primarily due to reduced availability of, or changes in, certain key interventional radiologists within the multidisciplinary teams that support the administration of TheraSphere. Our top ten TheraSphere customers account for greater than 30% of doses administered. Therefore, fluctuations in these accounts impact the revenue performance of our product.

While we believe these fluctuations are a normal part of the growth of a high-value, niche product, we continue to attempt to mitigate the impact of customer concentration through greater training and education for interventional oncology (IO) teams, securing new accounts, geographical expansion, and providing comprehensive support to existing customers.

TheraSphere Phase III Trials

In the United States, TheraSphere is currently authorized by the U.S. Food and Drug Administration (FDA) for use under a Humanitarian Device Exemption (HDE) as a radiation treatment for primary liver cancer or HCC. We are conducting three (3) Phase III clinical trials (STOP-HCC; EPOCH; and YES-P) with a view to seeking Pre-market Approval for TheraSphere from the FDA.

Both the STOP-HCC and EPOCH trials have multiple clinical sites that are available for patient enrollment. We anticipate the level of activity associated with these trials to ramp up during fiscal 2013 as a greater number of clinical trial sites are initiated and more patients are screened for eligibility and enrolled in the trials. We have patient enrolment in the EPOCH and STOP-HCC trials and anticipate continuing to make progress in this regard. However, site initiation and patient enrollment, in particular in the STOP-HCC trial, has been more challenging than anticipated. TheraSphere has been used for a number of years in the U.S. and remains available under the HDE in the U.S. during the clinical trials. This may impact enrollment in the U.S. sites since patients have an opportunity to receive TheraSphere treatments in the U.S. outside of the STOP-HCC trial, whereas patients enrolled in the STOP-HCC trial face the risk of random selection to the control arm, thus depriving them of the opportunity to receive TheraSphere treatments. We continue to provide support for patient selection for this trial; however, the current pace of enrollment may result in the STOP-HCC trial requiring more time to complete than originally planned. We are also in the process of initiating sites outside of the U.S., including Canada, France and Germany.

Unless or until Pre-market Approval for TheraSphere is received from the FDA, regulations applicable to the HDE for TheraSphere include limitations on profits from sales and operations in the U.S. related to the product, such as demonstrating that the amount charged in the U.S. for TheraSphere does not exceed TheraSphere's research, development, fabrication and distribution costs, that U.S. incidence of the disease indication remain below a prescribed level (4,000 cases per year) and that there is not a similar FDA approved product for the indication available in the U.S. In addition, each customer must apply for approval from their hospital's Institutional Review Board before administering the treatment. Delays in the completion of the STOP-HCC trial to obtain full FDA approval for TheraSphere may increase the risk associated with TheraSphere remaining in compliance with the above factors. In the meantime, we plan to continue to increase global adoption of TheraSphere by expanding our presence, and sales of, TheraSphere in other geographies, particularly in Europe and Asia.

Sterilization Technologies

Co-60 Shipments

The volume of Co-60 we shipped in the second half of fiscal 2012 was more than twice the volume shipped in the first half of fiscal 2012. This was primarily due to the timing of shipments to our customers, which often varies significantly from quarter-to-quarter. Total year 2012 Co-60 volumes were down slightly compared with 2011.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

Extension of Co-60 Customer Contracts

During fiscal 2012, we signed multi-year extensions of existing contractual relationships to supply Co-60 to three of our major customers. We now have customers that account for approximately two-thirds of our 2012 Co-60 volumes that have entered into long-term contracts, which generally provide for increasing revenue over the course of the applicable contract terms.

Medical Isotopes

MAPLE Arbitration Decision

On September 10, 2012, we announced the decision in the confidential arbitration with Atomic Energy of Canada Limited (AECL). Nordion was unsuccessful in its claim for specific performance or monetary damages relating to AECL's cancelled construction of the MAPLE facilities. The majority of the tribunal ruled 2:1 that Nordion's claim against AECL in the arbitration was precluded under the terms of the 2006 Interim and Long-Term Supply Agreement (ILTSA) between Nordion and AECL. Thus, Nordion was not entitled to a remedy under the ILTSA for the unilateral termination by AECL of the construction of the MAPLE facilities.

The arbitrators also dismissed AECL's counterclaim against Nordion, which claimed damages for breach of contract in the amount of \$250 million and other relief.

As the decision of the tribunal favors AECL, Nordion may be responsible for a portion of AECL's costs, which could be material. Nordion has received and is currently assessing the legal merits and financial implications of AECL's costs submissions. AECL submitted total arbitration-related costs of approximately \$46 million. Nordion and AECL have agreed upon a schedule with the tribunal to determine the allocation of arbitration-related costs. The parties are expected to make written submissions with regard to costs, following which the tribunal is expected to schedule proceedings to hear both parties during the Company's Q2 2013. We expect to receive a decision thereafter.

Under the ILTSA, commercially reasonable efforts by AECL are required to maintain isotope production from the NRU reactor until such time as Nordion has established a satisfactory, long-term alternative supply. Nordion continues to explore supply alternatives to mitigate the lack of supply from AECL, for both back-up and long-term supply of reactor-based medical isotopes. This supply is important to the global healthcare system and Nordion's Medical Isotopes business.

The arbitration decision leaves Nordion open to pursue its ongoing lawsuit against AECL in the Ontario courts in relation to the 1996 Isotope Production Facilities Agreement (IPFA). In the analysis of the decision, although the arbitrators did not rule on the issue, the view of the majority was that a breach of contract by AECL did not occur under the ILTSA. Nordion is pursuing its rights under the IPFA.

The parties have agreed on a preliminary schedule for proceeding in the IPFA claim and Nordion filed an amended statement of claim on January 18, 2013. The claim requests damages in the amount of \$243.5 million for negligence and breach of the IPFA, as well as pre- and post-judgment interest and costs. AECL is expected to file a response and documentary productions and discoveries are anticipated to begin during 2013. Based on the current schedule, a trial would not be expected to begin before mid-2014. For further details on this claim, see the "Litigation" section of this MD&A.

Restructuring of Russian Mo-99 Supply Relationship

In October 2012, Nordion and the Open Joint Stock Company "Isotope" (Isotope) jointly agreed that the current Mo-99 supply agreement structure was no longer appropriate and terminated the Russian Mo-99 supply agreement that had been entered into in September 2010. We have been granted a special permission by Isotope, the authorized subsidiary of Russia's State Atomic Energy Corporation (Rosatom), to enter into a negotiation with the Research Institute of Atomic Reactors (RIAR), the direct source of Mo-99 within Rosatom, for supply of Mo-99.

Negotiations with RIAR are intended to focus on the supply of Mo-99 to Nordion for the processing, distribution and sale of Mo-99 outside of Russia. This supply of Mo-99 would be produced by RIAR's reactors in Dimitrovgrad, Russia. If an agreement is reached with RIAR, we expect that such an agreement could establish, following required regulatory approvals, a supplemental supply of Mo-99 which could potentially meet a portion of Nordion's long-term supply requirements. The Mo-99 volumes associated with supply from RIAR are anticipated to be significantly lower compared with the volumes included in the original agreement that Nordion had with Isotope and would be significantly lower than Nordion's currently anticipated requirements. The negotiations with RIAR have not begun and it is uncertain as to whether an agreement will be reached that provides us with sufficient quantities and economic returns to make their potential source of long term supply viable.

The 2010 framework agreement with Isotope, to explore and define areas of collaboration for the supply, marketing and sale of isotopes produced in Russia is expected to remain in effect.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

The termination of the Mo-99 supply agreement with Isotope caused a reduction in the notional amount of commitments included in the calculation of change in fair value of embedded derivatives, which increased the loss by \$4.1 million in Q4 2012.

National Research Universal (NRU) Supply Interruptions

On May 16, 2012, the NRU reactor at Chalk River, Ontario, returned to service from its planned maintenance shutdown, which lasted 31 days. The one month shutdown resulted in an interruption in our supply of medical isotopes during Q2 and Q3 2012. In the second half of fiscal 2012, however, we experienced lower demand from our customers during the period that the NRU reactor was operational. This was due to a number of reasons, including customers' requirements to diversify supply, a slower ramp up of demand after the NRU reactor resumed production and lower levels of demand from our largest customer during the second half of fiscal 2012. In the fourth quarter of 2012 we also recognized revenue based on the receipt of payment from a customer for shortfalls in order volumes below minimum contract commitments, which resulted in higher revenue in the fourth quarter despite the lower volumes.

Other than the planned maintenance shutdown described above, we experienced two unplanned interruptions in supply from NRU reactor in February and March 2012, which were primarily related to NRU reactor repair activities and negatively impacted our revenue by approximately \$2 million in Q2 2012. In Q3 2012, there was also one unplanned supply interruption from the NRU reactor, which impacted two days of shipments.

We expect the NRU reactor to shut down for approximately one month in or around April 2013 for planned maintenance; however, the specific date of the shutdown has not yet been announced by AECL.

Supply of Mo-99 and other Reactor Isotopes

Currently, the NRU reactor is Nordion's only source of Mo-99. As a result of the current policy positions of the Government of Canada on medical isotope supply, we do not expect to receive a supply of Mo-99 and other Reactor isotopes beyond 2016 from AECL's NRU reactor. Therefore, if we are unable to secure a new source of Mo-99 supply prior to 2016, we may no longer be able to sustain a Reactor isotopes business. Medical Isotopes accounted for approximately 40% of Nordion's total segment earnings in fiscal 2012.

With the unfavourable outcome of the arbitration with AECL, the MAPLE facilities are no longer a potential option for long-term supply and, therefore, other sources of supply are being assessed. While Nordion has historically been a global leader in the supply of medical isotopes and is currently the only major supplier with processing facilities in North America, which is the largest market for medical isotopes, we are facing several challenges in obtaining an economically viable long-term source of supply. New sources of supply that were being proposed in the U.S. and elsewhere in the world, including those in Russia, have been delayed and/or reduced in scope or cancelled. As a result, we do not currently anticipate securing a new source of supply within the next few years that could fully meet our current level of demand should the NRU reactor cease to produce isotopes. In addition, there continues to be pressure from governments, in particular the U.S. government, to eliminate the use of highly enriched uranium (HEU) in the production of Mo-99. Both the NRU reactor and the reactors at RIAR currently use HEU. Since the extended supply interruptions experienced by the industry in 2009 and 2010, supply capacity has generally exceeded demand introducing pricing pressures that make it more difficult to reach agreement on new supply arrangements that will generate sufficient profitability for Nordion. We continue to assess new and existing sources of supply of Mo-99 and to negotiate an agreement with RIAR to establish economic medical isotopes supply prior to when the NRU reactor is expected to cease production of medical isotopes.

Current Market Position and Extension of Lantheus Contract

Most of the Mo-99 we sold in 2012 was based on contractual arrangements that ranged in duration from one to three years, including with our largest customer, Lantheus. In 2012, we were able to extend contracts with several existing customers, including extending our contract with Lantheus for an additional two years until December 2015. In fiscal 2012, Lantheus accounted for 21% of Nordion's total revenue and 51% of the Company's Medical Isotopes revenue.

Corporate and Other

Internal Investigation

Through our own internal review as part of our compliance program, we discovered potential irregularities. As a result, we commenced an internal investigation of the possible compliance issues related to potential improper payments and other related financial irregularities in connection with the supply of materials and services to the Company, focusing on compliance with the Canadian Corruption of Foreign Public Officials Act (CFPOA) and the U.S. Foreign Corrupt Practices Act (FCPA). This investigation is being conducted by outside legal counsel and external forensic and accounting firms that are experienced in such compliance. These external advisors are reporting regularly to a special Committee of the Board constituted to deal with this matter.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

We voluntarily contacted applicable regulatory and enforcement authorities to disclose the existence of this investigation and certain details of this matter, and we continue to provide reports to them as the investigation progresses. We are continuing with our investigation into this matter and our cooperation with regulatory and enforcement authorities.

As a result of the investigation to date, we have ceased to make payments to, and terminated our contractual arrangements with, the affected foreign supplier. These actions were reflected in, among other things, a reduction in the notional amount of commitments included in the calculation of embedded derivative expense in Q3 2012. We currently do not expect that the cessation of payments or termination of this relationship will impact our revenue in 2013 or otherwise have a material impact on supplies necessary for our current business operations.

We are currently unable to determine as to whether there will be any potential regulatory and/or enforcement action resulting from these matters or, if any such action is taken, whether it will have a material adverse effect on our business, financial position, profitability or liquidity. If regulatory or enforcement authorities determine to take action against the Company, Nordion may be, among other things, subject to fines and/or penalties which may be material.

We are committed to the highest standards of integrity and diligence in our business dealings and to the ethical and legally compliant business conduct of our employees, representatives and suppliers. We review our compliance programs on a regular basis to assess and align them with emerging trends and business practices. Corrupt or fraudulent business conduct is in direct conflict with our Global Business Practice Standards (GBPS) and corporate policies. We continue to investigate this matter and cooperate with regulatory and enforcement authorities.

In parallel with the Internal Investigation, we have developed and implemented a number of new and enhanced policies and procedures related to compliance. This remediation process has included enhancements to our GBPS, policies related to anti-corruption, third-party due diligence, travel and expenses, sponsorships, and payment control processes. We are continuing to develop and strengthen other policies and procedures, as well as monitoring protocols to detect exceptions to these new policies, and are delivering training to employees, high risk third parties and other stakeholders affected by the changes. The intent of these changes is to strengthen our overall compliance framework.

Credit Facility

On January 25, 2013, we entered an \$80 million Amended and Restated senior secured credit facility agreement with the Toronto-Dominion Bank (TD) and a select group of other financial institutions. The credit facilities consist of a \$20 million revolving credit facility and a separate facility of up to \$60 million to be used for the issuance of letters of credit. The latter facility will be fully secured including a specific pledge of cash collateral. Cash pledged against the facility will be reported as restricted cash and will be unavailable for operations. The primary purpose of the \$20 million revolving credit facility is for general corporate purposes. For further details on this new credit facility, see the "Liquidity" section of this MD&A.

Litigation Matters

The company recorded additional accruals for litigation-related matters of approximately \$32 million in Q4 2012. Details of the Company's on-going litigation is described in more detail in the Litigation section of this MD&A.

Returns to Shareholders – Quarterly Dividend

In December 2011, March and June 2012, we declared quarterly dividends at \$0.10 per share, which were paid on January 3, April 5 and July 3, 2012 each in the amount of \$6.2 million to our shareholders of record on December 23, 2011, March 21 and June 18, 2012, respectively. In Q4 2012, the Board of Directors suspended the quarterly dividend. The decision to suspend the quarterly dividend was based on the uncertainty associated with several factors. These included the potential payment of a portion of AECL's arbitration costs, the internal investigation, pension funding obligations and Mo-99 revenue and supply.

Returns to Shareholders – Normal Course Issuer Bid (NCIB)

During the first quarter of fiscal 2012, we repurchased and cancelled 398,500 common shares for a total cost of \$3.5 million under the 2011 NCIB. The Company repurchased 5,258,632 shares cumulatively under the 2011 NCIB, which expired on January 25, 2012. On January 31, 2012, we announced our 2012 NCIB, which was authorized by the Toronto Stock Exchange (TSX) to purchase for cancellation up to 3,105,901 Common shares.

For reasons described above in relation to the Company's suspension of its dividend, on September 19, 2012, the Company cancelled the 2012 NCIB. Prior to cancellation of the NCIB, we repurchased 71,120 common shares for \$0.5 million under our 2012 NCIB during the year ended October 31, 2012.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

Strategy and 2013 financial outlook

Summary of strategic objectives

We are committed to delivering long-term value to our shareholders by executing our strategic plans with operational and financial discipline. The Company's management continues to focus on building the business and improving alignment within each of our business units.

Targeted Therapies

We are planning to continue to leverage our TheraSphere brand, market segment leadership, and operational excellence to create shareholder value by **establishing a leadership position in the emerging Interventional Oncology (IO) market**. We are **investing in TheraSphere growth** by conducting Phase III clinical trials which are intended to i) expand approved indications in the U.S., ii) demonstrate improved effectiveness over certain existing treatment options, which is expected to support clinical adoption and growth in Europe and Asia, and iii) expand European reimbursement. We also expect to continue to increase our investment in TheraSphere, including areas such as our European TheraSphere sales and marketing infrastructure and skills, building our medical affairs function, and entering key markets in Asia, both commercially and clinically. We also envisage selectively building an IO product portfolio over a number of years through in-licensing, acquisition, and product development.

Specialty Isotopes

Sterilization Technologies

Our strategy for Sterilization Technologies is to **maintain our market leading position and strong margins** in this relatively stable market (gamma sterilization – Co-60) which is characterized by significant barriers to entry. For Nordion, this business is characterized by high margins and strong cash flows.

We endeavour to maintain our segment leading market share and retain our strong segment margins in gamma sterilization through value-based pricing, selectively investing in growth opportunities, and the recognition of the Nordion brand as a global leader in the gamma sterilization market. We plan to selectively grow gamma sterilization sales over the long-term through innovation and the development of new product offerings (e.g., GammaFIT) that we anticipate will enable us to strengthen our relationships with current customers and facilitate our entry into new and emerging markets.

We expect that our strategy will result in continued market leadership of our existing business, with flat to low percentage revenue growth.

Medical Isotopes

In our Medical Isotopes segment, we are focused on optimizing the value of this business by working to **maintain our revenues** and **pursue a long-term reliable supply of reactor isotopes**. We previously established a strategic framework relationship with Isotope and have been given permission to enter negotiations with RIAR to develop a new global supply of Mo-99.

The volatility of Mo-99 supply in 2009 and 2010 has resulted in a number of current and potential Mo-99 customers diversifying their supply away from single sources. Although we look to opportunistically grow our customer base for Medical Isotopes as potential new customers continue to diversify their supply, the NRU maintenance shutdowns in each of the last two fiscal years, combined with delays and reduced back-up supply available to date, have made this difficult.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

2013 financial outlook

For fiscal 2013, we expect our top three products (TheraSphere, Co-60, and Mo-99) to contribute over 80% of revenues and segment gross margins. Overall, total 2013 revenue and gross margin is expected to decline. This gross margin decline combined with planned investments in TheraSphere to drive future growth and an increase in pension expense are expected to result in a significant decline in segment earnings. We also expect our total revenue for Q1 2013 to be significantly lower compared to Q4 2012 primarily due to the anticipated quarterly profile of Co-60 revenue and a change in contractual commitment with our customers impacting quarterly Medical Isotopes revenue as further discussed in Specialty Isotopes' 2013 financial outlook below.

Our 2013 financial outlook reflects our new segment structure and current exchange rates and is subject to the uncertainties described in this MD&A and the business and industry risks as outlined in our 2012 AIF.

Targeted Therapies

For 2013, we expect that TheraSphere revenue will continue to grow at a mid-teen percentage range. This follows 14% revenue growth in 2012. Targeted Therapies' segment gross margin percentage for 2013 is expected to be similar to 2012. The overall number of patients planned for our clinical trials do not represent a significant percentage of total annual TheraSphere doses and certain doses within the trials are eligible for reimbursement and will be reported as segment revenue.

We believe the continued growth of TheraSphere is attributable to positive perceptions regarding TheraSphere, including a simplified delivery system, relatively low side effects of treatment, and custom doses, and our investment in global sales and marketing. We expect to see continued growth in TheraSphere as a result of increasing confidence and clinical adoption in the current installed base of customers for this targeted treatment for nonresectable liver cancer, in addition to introducing TheraSphere at new hospitals and clinics.

Reimbursement and insurance coverage for TheraSphere can impact the growth of the product. TheraSphere is currently reimbursed in the U.S. and certain regions in Europe, and we are working to achieve reimbursement coverage in additional countries in Europe and Asia. In the last fiscal year, we saw positioning by a couple of U.S. insurance companies regarding coverage in certain situations while our clinical trials are underway but have not experienced a noticeable impact to date on the growth of TheraSphere.

In 2013, we expect to significantly increase our selling, marketing, and support efforts for TheraSphere through investing in medical affairs, sales and marketing, and initial investments in the Asian market including Hong Kong, Taiwan, Singapore, and South Korea. In order to realize the potential for TheraSphere growth on a global basis and to better serve existing customers, we believe a substantial investment in TheraSphere is warranted. As such, our Research and Development (R&D) spend is expected to increase in fiscal 2013 with the ramp-up of our clinical development program for TheraSphere. The overall cost of each trial is expected to be \$15 million to \$20 million over approximately five to six years. We expect to incur costs for our Phase III trials in fiscal 2013 in the range of \$6 million to \$8 million. As a result of these investments we expect Targeted Therapies will incur a segment loss in fiscal 2013.

Specialty Isotopes

Sterilization Technologies

We currently expect Sterilization Technologies revenue in fiscal 2013 to be approximately the same as in fiscal 2012. We expect Co-60 revenue to be similar to 2012 with a slight decrease in volume largely offset by higher price. Gross margins are expected to decline slightly due primarily to higher product cost partially offset by higher price. We currently do not have orders for production irradiators in 2013.

As in previous years, the timing of quarterly revenues for Sterilization Technologies will vary due to the timing of shipments of Co-60 and production irradiators to our customers. When our customers purchase and install Co-60, they need to shut down their production irradiator operations while the Co-60 is being loaded into the irradiator. Therefore, we coordinate this process closely with our customers to limit disruption to their operations.

Consistent with our revenue profile in 2012, we expect that Co-60 revenue in the second half of 2013 will be significantly higher than the first half. Therefore, we expect that Cobalt revenue for Q1 2013 will be similar to Q1 2012.

Medical Isotopes

Medical Isotope revenue is expected to decline approximately 20% in fiscal 2013 compared with fiscal 2012. As the revenue decline is primarily driven by Mo-99, a higher gross margin product, Medical Isotope gross margin is expected to decline. Based on contractual commitments, quarterly revenue for Medical Isotopes could fluctuate during the year. In addition to the recognition of revenue based on receipt of payment from a customer in Q4 2012 for shortfalls in Mo-99 order volumes below minimum contract commitments and changes to price and volume commitments, Q1 2013 revenue for Medical Isotopes is expected to be significantly lower than the revenue recorded in Q4 2012. Currently the primary reactor in Europe used to supply certain of our competitors is shutdown. We continue to receive additional orders as a result of this shutdown, however, its duration is unknown at this time. Additional orders resulting from this shutdown, along with potential supply interruptions we may experience, could among other things, cause our forecasted decline in Medical Isotopes to vary from our current forecast of a 20% decline in revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In Contract Manufacturing, which is now reported under the Medical Isotopes segment, we are dependent on our customers successfully bringing products to market and, maintaining and growing sales. We have not resumed manufacturing of CardioGen-82 since our customer, Bracco Diagnostics Inc. ("Bracco"), initiated a voluntary recall in 2011. Accordingly, our Contract Manufacturing activities in fiscal 2013 are expected to primarily relate to the Bexxar product. We do, however, expect to sell Strontium-82 (Sr-82) starting in the first half of fiscal 2013.

Internal investigation costs

Nordion has engaged an external legal firm, which has in turn engaged various other advisors, including an accounting firm to conduct an internal investigation of the possible compliance issues as discussed in the "2012 business and corporate developments" section of this MD&A. The work being conducted is intended to meet the requirements defined by a special Committee of the Company's Board of Directors and anticipated requirements of the various regulatory and enforcement authorities. The investigation is ongoing and we presently cannot estimate the duration or the cost of the overall investigation, or the work required to support regulatory and enforcement activities.

The cost of the investigation and implementing remediation plans was approximately \$10 million for fiscal 2012. This was higher than our estimate provided in Q3 2012 due to an increase in the activities associated with the internal portion of the investigation. The cost in 2013 could vary significantly based on, among other things, requests from regulatory and enforcement authorities and/or new findings. Our current estimate for investigation and remediation costs for fiscal 2013 is approximately \$10 million.

Corporate and Other

Our corporate selling, general and administrative (SG&A) was approximately \$10 million in fiscal 2012 and we expect that fiscal 2013 corporate SG&A will increase as we make additional investment in our compliance efforts to support our global operations.

In January 2012, we announced a 2012 NCIB authorized by the TSX to purchase for cancellation up to 3,105,901 shares. During the year ended October 31, 2012, we repurchased 71,120 common shares for \$0.5 million under our 2012 NCIB. In September 2012, the Company ceased repurchasing shares under the current NCIB, which was subsequently cancelled.

In September 2012, the Board of Directors for Nordion suspended the quarterly dividend. As discussed in "2012 business and corporate development" section of this MD&A, the decision to suspend the quarterly dividend was based on the uncertainty associated with several factors. These included the potential payment of a portion of AECL's arbitration costs, the internal investigation, pension funding obligations and Mo-99 revenue and supply.

SG&A for all segments

In fiscal 2013, we expect our SG&A expense to increase compared with fiscal 2012 due to several factors. Our 2013 pension expense is expected to increase by approximately \$7 million due to the impact of lower interest rates on the value of pension liabilities. This accounting expense does not directly change the amount of funding we are required to contribute to our pension plans.

We expect an increase in stock-based and incentive compensation expenses in fiscal 2013 compared to fiscal 2012, in which such compensations were relatively low reflecting the decline in the value of our common shares and performance not reaching targets. As previously discussed, we expect a substantial increase in Targeted Therapies SG&A to support future growth. We expect a decline in general and administrative cost to partially offset other increases in SG&A.

AECL arbitration legal costs

Our legal costs associated with MAPLE arbitration cost determination and our pursuit of the lawsuit against AECL are expected to be approximately \$2 million in fiscal 2013.

Pension wind-up

In Q1 2013 we are completing the wind-up of a pension plan associated with the MDS Pharma Services business we sold in 2010. As a result of the wind-up, we expect to record a loss of approximately \$7 million in Q1 2013.

Depreciation

Depreciation expense is expected to decline by approximately \$3.5 million in 2013 compare with 2012.

Nordion Inc. Fiscal 2012 Annual Report

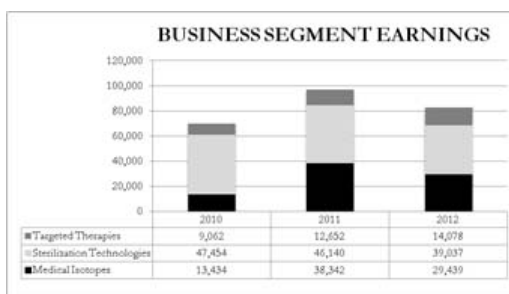
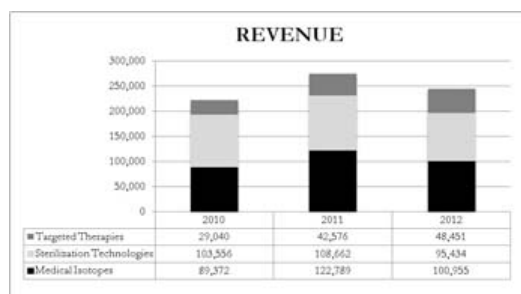
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial highlights

Years ended October 31

(thousands of U.S. dollars, except per share amounts)

	2012	2011	2010
Revenues			
Targeted Therapies			
TheraSphere	\$ 48,451	\$ 42,576	\$ 29,040
Sterilization Technologies			
Cobalt	92,402	96,982	92,799
Sterilization - Other	3,032	11,680	10,757
	95,434	108,662	103,556
Medical Isotopes			
Reactor	77,410	85,094	32,807
Cyclotron	15,478	18,439	24,787
Contract Manufacturing	8,067	19,256	31,778
	100,955	122,789	89,372
Consolidated segment revenues from continuing operations	\$ 244,840	\$ 274,027	\$ 221,968
Segment earnings (loss)			
Targeted Therapies	\$ 14,078	\$ 12,652	\$ 9,062
Sterilization Technologies	39,037	46,140	47,454
Medical Isotopes	29,439	38,342	13,434
Corporate and Other	(8,706)	(12,358)	(66,109)
Total segment earnings	\$ 73,848	\$ 84,776	\$ 3,841
Depreciation and amortization	17,080	22,375	28,514
Restructuring charges, net	1,781	1,592	62,531
AECL arbitration and legal costs	5,576	12,172	9,207
Litigation accruals	24,058	-	-
Loss on Celerion note receivable	2,411	-	-
Internal investigations costs	9,827	-	-
Change in fair value of embedded derivatives	12,020	(2,649)	(13,050)
(Gain) loss on sale of investments	-	(1,691)	1,054
Impairment of long-lived assets	-	-	1,632
Consolidated operating income (loss) from continuing operations	\$ 1,095	\$ 52,977	\$ (86,047)
Basic (loss) earnings per share from continuing operations	\$ (0.47)	\$ 0.67	\$ (0.94)
Cash and cash equivalents	\$ 109,360	\$ 74,067	\$ 122,802



Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial results analysis

In this section, we provide detailed information and analysis regarding our performance for the year ended October 31, 2012 compared with the same periods in fiscal 2011 and 2010.

Consolidated financial results

Years ended October 31 (thousands of U.S. dollars)	2012	% of revenues	2011	% of revenues	2010	% of revenues
Revenues	\$ 244,840	100%	\$ 274,027	100%	\$ 221,968	100%
Costs and expenses						
Direct cost of revenues	110,992	45%	126,076	46%	104,677	47%
Selling, general and administration	69,831	29%	65,107	24%	100,286	45%
Depreciation and amortization	17,080	7%	22,375	8%	28,514	13%
Restructuring charges, net	1,781	1%	1,592	1%	62,531	28%
Change in fair value of embedded derivatives	12,020	5%	(2,649)	(1%)	(13,050)	(6%)
Other expenses, net	32,041	13%	8,549	3%	25,057	11%
Operating income (loss) from continuing operations	\$ 1,095	-	\$ 52,977	19%	\$ (86,047)	(39%)
Interest expense	(4,406)	(2%)	(2,499)	(1%)	(5,522)	(2%)
Interest and dividend income	6,835	3%	10,274	4%	8,590	4%
Equity loss	-	-	(128)	-	(650)	-
Income tax expense	(32,393)	(13%)	(17,122)	(6%)	(187)	-
Loss from discontinued operations, net of income taxes	-	-	(26,655)	(10%)	(148,194)	(67%)
Net (loss) income	\$ (28,869)	(12%)	\$ 16,847	6%	\$ (232,010)	(105%)
Gross margin		55%		54%		53%
Capital expenditures from continuing operations	\$ 7,384		\$ 6,732		\$ 7,251	
Total assets	\$ 428,581		\$ 458,663		\$ 564,021	
Long term financial obligations	\$ 43,331		\$ 44,330		\$ 44,150	

Revenues

Revenues of \$244.8 million in fiscal 2012 decreased by \$29.2 million or 11% compared with fiscal 2011. Excluding the impact of foreign exchange, revenues for the fiscal year ended 2012 decreased approximately 13% compared with last year.

The decrease in revenue compared to the prior year was attributable to: i) no production irradiator shipments in the current year; ii) a decrease in sales volume and pricing of Reactor isotopes; iii) no CardioGen-82 sales since Q1 2011; iv) a decrease in sales volume of Cyclotron isotopes; and v) lower Co-60 revenue primarily due to lower volume. These decreases were partially offset by continued growth in TheraSphere sales.

See further detailed analysis on revenues in the "Targeted Therapies", "Sterilization Technologies" and "Medical Isotopes" sections of this MD&A.

Gross margin

Gross margin from continuing operations of 55% in fiscal 2012 increased by 1% and 2% compared to fiscal 2011 and 2010, respectively. Our overall gross margin was impacted by a heavier weighting of all of our major products with higher margins (TheraSphere, Co-60, and Mo-99) which reflect relatively significant year-over-year decreases in the majority of our lower margin products (production irradiator and Contract Manufacturing products).

See further detailed analysis on gross margin in the "Targeted Therapies", "Sterilization Technologies" and "Medical Isotopes", sections of this MD&A.

Costs and expenses

Selling, general and administration (SG&A)

SG&A expenses of \$69.8 million in fiscal 2012 increased by \$4.7 million compared with fiscal 2011. During fiscal 2012, we recorded \$9.8 million of external legal and professional fees related to our internal investigation, which was partially offset by lower AECL arbitration and legal costs of \$6.6 million associated with the MAPLE arbitration proceedings. In fiscal 2011, we also recorded a favorable insurance adjustment \$2.3 million.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

SG&A expenses of \$69.8 million in fiscal 2012 were \$30.5 million lower compared with fiscal 2010. The decrease was largely due to lower compensation cost resulting from workforce reductions, relatively lower consulting and professional costs subsequent to the completion of our strategic repositioning, and lower costs associated with transition services.

There was also a favourable foreign exchange impact from the weakening of the Canadian dollar relative to the U.S. dollar. The significant majority of our SG&A expenses are denominated in Canadian dollars.

Depreciation and amortization (D&A)

D&A expenses of \$17.1 million in fiscal 2012 decreased by \$5.3 million and \$11.4 million compared to fiscal 2011 and 2010, respectively, primarily because a significant portion of our computer systems became fully depreciated during Q2 2012 and accelerated amortization of leasehold improvements were recorded in 2010 related to the wind down of our former head office in Toronto, Canada.

Restructuring charges

The restructuring charge of \$1.8 million in fiscal 2012 includes \$2.6 million related to our organizational realignment in Q4 2012 as described in "Business Overview" section of this MD&A, which was partially offset by a \$0.7 million net restructuring recovery primarily due to the lease termination of approximately 70% of our former Toronto office space. In December 2011, a lease termination offer related to the fourth and fifth floors of our former Toronto office was signed and a C\$2.5 million early termination penalty was paid.

We expect the majority of the remaining restructuring provision to be utilized during fiscal 2013, except for future rental payments related to our former Toronto office space, which may extend into 2014.

Change in fair value of embedded derivatives

We have Russian supply contracts for Co-60 that are denominated in U.S. dollars. This creates embedded derivatives as our Canadian operation has Canadian dollars as its functional currency. At each period end, we mark-to-market any changes in the fair value of the embedded derivatives and record these increases and decreases as gains and losses within operating income. As discussed in "2012 business and corporate developments" section of this MD&A, Nordion and Isotope jointly terminated the Russian Mo-99 supply agreement that had been entered into in September 2010, which significantly lowered our embedded derivative exposure in Q4 2012.

In fiscal 2012, we recorded losses of \$12.0 million for the change in the fair value of the embedded derivatives compared to gains of \$2.6 million and \$13.1 million for fiscal 2011 and 2010, respectively. The changes in the fair value of the embedded derivatives were primarily driven by the changes in our estimated notional supply amount and the U.S. to Canadian dollar exchange rates during the contract periods. These gains and losses are for accounting purposes and do not represent cash transactions in the period of reporting.

Other expenses, net

Other expenses, net, of \$32.0 million for fiscal 2012 primarily included R&D costs of \$6.6 million and estimated accruals of approximately \$24 million for litigation-related matters as discussed in "2012 business and corporate developments" section of this MD&A. Other expense, net, also included a \$2.4 million loss on the Celerion note receivable recorded in Q1 2012.

Other expenses, net, of \$8.5 million for fiscal 2011 included \$5.6 million in R&D costs and \$4.3 million of foreign exchange losses, which were partially offset by a \$1.7 million gain on the sale of an available for sale investment.

Other expenses, net, of \$25.1 million for fiscal 2010 was primarily a result of an approximately \$27 million foreign currency revaluation of the \$450 million of proceeds from the sale of MDS Analytical Technologies that were held in a Canadian dollar functional currency entity in U.S. dollars to fund the substantial issuer bid completed on March 29, 2010. The loss for the year was partially offset by transition services income from the business sold in fiscal 2010.

Interest income (expense), net

Net interest income for fiscal 2012 was \$2.4 million compared to \$7.8 million and \$3.1 million for fiscal 2011 and 2010, respectively. The decrease in net interest income was primarily due to a decrease in accreted interest income related to our note receivable from Celerion Inc. reflecting a \$6.5 million partial repayment for a reduction of \$12.5 million of the principal amount that occurred during Q1 2012. This decrease was partially offset by an increase in interest expense relating to our credit facility entered in Q3 2011 as well as a \$0.9 million dividend received from LCC Legacy Holdings (LCC) (formerly Lumira Capital Corp.) during Q4 2012.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

Income tax expense

Tax expense for fiscal 2012 was \$32.4 million on the pre-tax income from continuing operations of \$3.5 million. With an estimated tax rate of 25.4%, we expected a tax expense of \$0.9 million for fiscal 2012. However, discrete adjustments at different tax rates related to the change in valuation allowance, non-deductible portion of capital losses, and other adjustments resulted in a significantly different effective tax rate for the fiscal year.

Valuation allowance on deferred tax assets

Deferred tax assets and liabilities reflect the tax consequences of temporary differences between the amount of assets and liabilities for financial and tax reporting purposes using enacted tax rates in effect for the year in which we expect the differences to reverse. A valuation allowance is recorded to reduce our deferred tax assets to the amount that is more likely than not to be realized (a likelihood of greater than 50 percent).

When determining the need for a valuation allowance, we consider future market growth, forecasted earnings, future taxable income, the mix of earnings in the jurisdictions in which we operate as well as prudent and feasible tax planning strategies. In the event that we determine that it is more likely than not that the Company will not be able to realize all or part of the net deferred tax assets in the future, we would establish or increase the valuation allowance and make a corresponding charge to earnings in the period in which a determination is made.

In Q4 2012, our analysis reflected several new factors including: i) with the recent loss in the Maples arbitration, the outlook for our Medical Isotopes business unit to generate long-term taxable income has been significantly reduced and ii) the Company has generated additional tax assets in 2012 that must be considered in the valuation allowance analysis.

Accordingly, we concluded that it was more likely than not that the Company would not realize all of its Canadian deferred tax assets, excluding capital losses for which we provided a full valuation allowance in prior years. As a result, we established an additional \$35.4 million valuation allowance related to our investment tax credits included in deferred tax assets as at October 31, 2012, and a charge to earnings in Q4 2012. These are non-cash charges that relate to the possibility that the Company may not be able to use all of these tax assets. This reduced our net deferred tax assets from \$92.4 million to \$57.0 million. Should our outlook for the Company's taxable income improve, or should we implement tax plans to partially or fully utilize the tax assets, then we would remove some or all of the valuation allowance.

Loss from discontinued operations, net of income taxes

We did not have discontinued operations reported for fiscal 2012.

For fiscal 2011, we recorded a loss from discontinued operations, net of income taxes, of \$26.7 million which primarily included an unfavorable outcome of the arbitration with Life Technologies Corporations in Q3 2011 (as discussed in "Liquidity" section of this MD&A), the sale of MDS Nordion S.A. completed in Q2 2011, and certain tax adjustments and settlements relating to our discontinued operations of MDS Pharma Services and MDS Analytical Technologies.

Loss from discontinued operations of \$148.2 million for fiscal 2010 were primarily driven by the substantial completion of our strategic repositioning including the sales of MDS Pharma Services Early Stage and MDS Analytical Technologies during fiscal 2010.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

2) Segmented Financial Review

Targeted Therapies

Years ended October 31 (thousands of U.S. dollars)	2012	% of revenues	2011	% of revenues	2010	% of revenues
Revenues						
TheraSphere	\$ 48,451	100%	\$ 42,576	100%	\$ 29,040	100%
Costs and expenses						
Direct cost of revenues	13,726	28%	12,590	30%	6,556	23%
Selling, general and administration	16,565	34%	14,067	33%	10,692	37%
Other expenses, net	4,082	8%	3,267	8%	2,730	9%
Segment earnings	\$ 14,078	29%	\$ 12,652	30%	\$ 9,062	31%

As discussed in "Business Overview" section of this MD&A, Nordion announced an organizational realignment that resulted in changes to our segments in Q4 2012. The primary change to our segment reporting is that Contract Manufacturing is now reported in Medical Isotopes but was previously reported in Targeted Therapies. Prior years have been restated to reflect this change.

Revenues

Revenues of \$48.5 million for fiscal 2012 increased by \$5.9 million or 14% and \$19.4 million or 67% compared to fiscal 2011 and 2010, respectively, due mainly to increases in TheraSphere volumes sold. As the majority of our Targeted Therapies revenues are denominated in U.S. dollars, the impact of foreign exchange on revenues was not significant.

Gross margin

Gross margin for our Targeted Therapies segment of 72% for fiscal 2012 was 2% higher than in fiscal 2011. The increase was primarily due to a positive impact of incremental TheraSphere revenue as it has a relatively fixed cost over certain volumes.

Gross margin for our Targeted Therapies segment of 72% for fiscal 2012 was 5% lower than in fiscal 2010. This decrease was primarily due to an increase in the portion of quality, regulatory and other production support costs which do not vary significantly with revenue and are shared with Contract Manufacturing which experienced a significant revenue decline over the period.

Selling, general and administration (SG&A)

SG&A expenses of \$16.6 million for fiscal 2012 increased by \$2.5 million compared to fiscal 2011. The increase was primarily driven by higher TheraSphere sales and marketing expenses as well as higher medical affairs costs. In addition there was an increase in general and administrative (G&A) support for the business which was partially offset by a decrease in annual incentive plan (AIP) accruals.

SG&A expenses of \$16.6 million for fiscal 2012 increased by \$5.9 million compared to fiscal 2010. Similar to the increase from fiscal 2011 to fiscal 2012, the increase was primarily driven by an increased investment in TheraSphere sales and marketing and higher G&A costs. Compared to fiscal 2010, there was an unfavourable foreign exchange impact as a result of the strengthening of the Canadian dollar relative to the U.S. dollar. A significant majority of our SG&A expenses are denominated in Canadian dollars.

Other expenses, net

Other expenses, net, primarily include R&D expenses. R&D expenses for fiscal 2012 were \$4.0 million compared to \$3.3 million and \$2.7 million in fiscal 2011 and 2010, respectively. This increase in R&D expenses is due to increased investment in TheraSphere clinical trials.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

Specialty Isotopes – Sterilization Technologies

Years ended October 31 (thousands of U.S. dollars)	2012	% of revenues	2011	% of revenues	2010	% of revenues
Revenues						
Cobalt	\$ 92,402	97%	\$ 96,982	89%	\$ 92,799	90%
Sterilization – Other	3,032	3%	11,680	11%	10,757	10%
	95,434	100%	108,662	100%	103,556	100%
Costs and expenses						
Direct cost of revenues	42,284	44%	47,308	44%	41,642	40%
Selling, general and administration	13,766	14%	15,007	14%	14,447	14%
Other expenses, net ^(a)	347	-	207	-	13	-%
Segment earnings	\$ 39,037	41%	\$ 46,140	42%	\$ 47,454	46%

(a) Excludes gain on investment of \$1.7 million for fiscal 2011, which are not included in the calculation of segment earnings.

Revenues

Revenues of \$95.4 million for fiscal 2012 decreased by \$13.2 million or 12% and \$8.1 million or 8% compared to fiscal 2011 and 2010, respectively. The majority of revenue for Sterilization Technologies is denominated in Canadian dollars and, therefore, fluctuations in foreign exchange impact revenue. Excluding the impact of foreign exchange, revenues for fiscal 2012 decreased by 11% compared to both fiscal 2011 and 2010.

For fiscal 2012, Co-60 revenues decreased by \$4.6 million or 5% compared to fiscal 2011 and remained relatively flat to fiscal 2010. The decrease from fiscal 2011 was primarily due to an overall decline in volume of Co-60 shipments resulting from an increase in the global supply of Co-60.

For fiscal 2012, revenues from Sterilization – Other decreased by \$8.6 million or 74% and decreased by \$7.7 million or 72%, compared to fiscal 2011 and 2010, respectively. The decrease was due primarily to there being no production irradiator shipments in fiscal 2012 compared to two production irradiator shipments in each of fiscal 2011 and 2010.

As in prior years, the quarterly profile of revenues for Sterilization Technologies varies significantly due to the timing of our Co-60 shipments to customers and the sales of production irradiators. When our customers purchase and install Co-60, they need to shut down their production irradiator operations while the Co-60 is being loaded into the irradiator. Therefore, we coordinate this process closely with our customers to minimize disruption to their operations. The timing of Co-60 discharges from power reactor sites in Canada also affected the variability in quarterly revenues for Sterilization Technologies.

Gross margin

Gross margin for our Sterilization Technologies segment was 56% for fiscal 2012 compared to 56% and 60% for fiscal 2011 and 2010, respectively. Gross margin for fiscal 2012 was flat compared to fiscal 2011 primarily due to lower Co-60 revenue covering its relatively fixed production support costs, which was largely offset by a positive gross margin impact of a significant decrease in production irradiator sales and installations during fiscal 2012 as they have a lower gross margin relative to Co-60.

The decrease in gross margin in fiscal 2012 compared to fiscal 2010 was primarily driven by an increase in Co-60 production support costs, which was partially offset by a positive gross margin impact of a significant decrease in production irradiator sales and installations during fiscal 2012 as described above. Gross margins were also impacted by the relative difference in mix of customers in each respective year.

Selling, general and administration (SG&A)

SG&A expenses for our Sterilization Technologies segment of \$13.8 million for fiscal 2012 were \$1.2 million and \$0.7 million lower than fiscal 2011 and 2010, respectively. The decrease is primarily due to lower sales and marketing activities in this segment and a decrease in annual incentive plan (AIP) accruals. The decrease from fiscal 2011 also includes a favorable foreign exchange impact due to the weakening of the Canadian dollar relative to the U.S. dollar. A significant majority of our SG&A expenses are denominated in Canadian dollars.

Other expenses, net

Other expenses, net are primarily foreign exchange revaluation gains and losses for fiscal 2012, 2011 and 2010.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

Specialty Isotopes – Medical Isotopes

Years ended October 31 (thousands of U.S. dollars)	2012	% of revenues	2011	% of revenues	2010	% of revenues
Revenues						
Reactor	\$ 77,410	77%	\$ 85,094	69%	\$ 32,807	37%
Cyclotron	15,478	15%	18,439	15%	24,787	28%
Contract Manufacturing	8,067	8%	19,256	16%	31,778	35%
	100,955	100%	122,789	100%	89,372	100%
Costs and expenses						
Direct cost of revenues	54,982	54%	66,178	54%	56,479	63%
Selling, general and administration ^(a)	14,189	14%	16,055	13%	17,702	20%
Other expenses, net ^(b)	2,345	2%	2,214	2%	1,757	2%
Segment earnings	\$ 29,439	29%	\$ 38,342	31%	\$ 13,434	15%

(a) Excludes AECL arbitration and legal costs \$5.6 million (2011 - \$12.2 million; 2010 - \$9.2 million) for fiscal 2012, which are not included in the calculation of segment earnings.

(b) Excludes impairment of long-lived assets of \$0.1 million for fiscal 2010, which are not included in the calculation of segment earnings.

As discussed in "Business Overview" section of this MD&A, Nordion announced an organizational realignment that resulted in changes to our segments in Q4 2012. The primary change to our segment reporting is that Contract Manufacturing is now reported in Medical Isotopes but was previously reported in Targeted Therapies. Prior years have been restated to reflect this change.

Revenues

Revenues of \$101.0 million for fiscal 2012 decreased by \$21.8 million or 18% compared to fiscal 2011 and increased by \$11.6 million or 13% compared to fiscal 2010. The majority of Medical Isotopes revenues are denominated in U.S. dollars and, therefore, foreign exchange had a nominal impact on revenues.

Reactor isotopes revenues decreased by 9% for fiscal 2012 compared to fiscal 2011 due mainly to decreases in sales volume of Mo-99 from our largest customer and price. There were also unplanned interruptions in supply from the NRU reactor which occurred in Q2 and Q3 2012 contributing approximately \$2 million to the decline in revenues as described in the "2012 business and corporate developments" section of this MD&A. In Q4 2012 we recognized approximately \$4 million of revenue based on payments for minimum volume commitments that were not achieved by a customer. Reactor isotopes revenues significantly increased compared to fiscal 2010 primarily due to the return to service of the NRU reactor, our sole current source of Mo-99 supply, which resumed its production of medical isotopes in August 2010.

Cyclotron isotopes revenues were lower by 16% and 38% for fiscal 2012, compared to fiscal 2011 and 2010, respectively. The decline in fiscal 2012 was a result of lower demand for our higher volume cyclotron isotope products including Iodine-123, Sr-82 and Thallium-201 (Tl-201). The decrease from 2010 was driven mainly by a decrease in demand for Tl-201, which was used as a substitute for Mo-99 due to shortages resulting from the NRU reactor shutdown in the majority of fiscal 2010.

Contract Manufacturing revenue decreased 58% and 75% compared to fiscal 2011 and 2010, respectively, due primarily to fewer third party products including the impact of the interruption in CardioGen-82 manufacturing, which we have not manufactured since Q1 2011. In fiscal 2011, we also had higher bulk sales of Sr-82, the isotope used in the production of CardioGen-82 generators, and a one-time recognition of \$3.3 million of deferred revenue related to a cancelled contract for facilities and equipment paid by a customer who filed under Chapter 11 of the U.S. Bankruptcy Code.

Gross margin

Gross margin of 46% for fiscal 2012 was flat compared to fiscal 2011 and increased by 9% compared to fiscal 2010. This increase in gross margin was primarily due to higher revenue from Mo-99, a relatively higher gross margin product, in fiscal 2012 and 2011 compared to fiscal 2010. In fiscal 2010, we had proportionally significant revenues from Cyclotron and Contract Manufacturing products, which had relatively lower gross margins. Also contributing to this increase was the weakening of the Canadian dollar relative to the U.S. dollar which positively impacted the overall gross margin, as a majority of our direct costs are denominated in Canadian dollars whereas the majority of our revenues are denominated in U.S. dollars.

Selling, general and administration (SG&A)

SG&A expenses for our Medical Isotopes segment of \$14.2 million for fiscal 2012 decreased by \$1.9 million and \$3.5 million compared to fiscal 2011 and 2010, respectively. This decrease was primarily due to a reduction in the level of G&A costs and sales and marketing expenses associated with supporting the segment, and the weakening of the Canadian dollar relative to the U.S. dollar as most of our SG&A expenses are denominated in Canadian dollars.

Other expenses, net

Other expenses, net are primarily R&D and foreign exchange revaluation gains and losses for fiscal 2012, 2011 and 2010. R&D expense was approximately \$2.2 million in fiscal 2012 which was similar to fiscal 2011 and slightly higher than fiscal 2010.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

Corporate and Other

Years ended October 31

(thousands of U.S. dollars)

	2012	2011	2010
Costs and expenses			
Selling, general and administration ^(a)	\$ 9,908	\$ 7,806	\$ 48,238
Other (income) expenses, net ^(b)	(1,202)	4,552	17,871
Segment loss	\$ (8,706)	\$ (12,358)	\$ (66,109)

(a) Excludes internal investigation costs of \$9.8 million in fiscal 2012 which are not included in the calculation of segment loss.

(b) Excludes estimated litigation accruals of \$24.1 million and the loss on Celerion note receivable of \$2.4 million in fiscal 2012; impairment of long-lived assets of \$1.5 million and loss on sale of investment of \$1.1 million in fiscal 2010, which are not included in the calculation of segment loss.

Selling, general and administration (SG&A)

We incurred Corporate SG&A expenses of \$9.9 million for fiscal 2012, which increased by \$2.1 million compared to fiscal 2011 primarily due to a \$2.3 million favorable insurance adjustment in fiscal 2011.

Corporate SG&A expenses decreased by \$38.3 million compared to fiscal 2010 primarily due to lower compensation cost from workforce reductions, lower consulting and professional costs subsequent to the completion of our strategic repositioning, and lower costs associated with transition services, which were substantially completed in fiscal 2010.

Other (income) expenses, net

In fiscal 2012, Other (income) expenses, net improved \$5.8 million compared to fiscal 2011. This is primarily a result of a \$0.8 million foreign exchange gain in fiscal 2012 compared to a \$4.0 million foreign exchange loss in fiscal 2011.

Other (income) expenses, net decreased by \$19.1 million for fiscal 2012 compared to fiscal 2010 primarily due to the revaluation of the \$450 million of proceeds from the sale of MDS Analytical Technologies that were held in a Canadian dollar functional currency entity in U.S. dollars to fund the substantial issuer bid completed on March 29, 2010. This was partially offset by TSA revenue recorded during fiscal 2010.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

3) Quarterly Financial Analysis

Sequential financial analysis

In this section, we provide a summary of selected financial information for each of the eight most recently completed quarters.

<i>(thousands of U.S. dollars, except per share amounts)</i>	Trailing four quarters	October 31 2012	July 31 2012	April 30 2012	January 31 2012
Revenues from continuing operations					
TheraSphere	\$ 48,451	\$ 12,023	\$ 13,024	\$ 12,392	\$ 11,012
Targeted Therapies	48,451	12,023	13,024	12,392	11,012
Cobalt	92,402	31,020	31,841	13,860	15,681
Sterilization-other	3,032	1,291	304	982	455
Sterilization Technologies	95,434	32,311	32,145	14,842	16,136
Reactor	77,410	24,793	14,496	17,179	20,942
Cyclotron	15,478	3,567	5,203	3,610	3,098
Contract Manufacturing	8,067	1,977	2,273	1,990	1,827
Medical Isotopes	100,955	30,337	21,972	22,779	25,867
	\$ 244,840	\$ 74,671	\$ 67,141	\$ 50,013	\$ 53,015
Segment earnings (loss)					
Targeted Therapies	14,078	2,809	4,336	3,820	3,113
Sterilization Technologies	39,037	16,676	14,403	3,504	4,454
Medical Isotopes	29,439	11,251	4,572	5,905	7,711
Corporate and Other	(8,706)	(1,273)	(2,703)	(2,815)	(1,915)
	\$ 73,848	\$ 29,463	\$ 20,608	\$ 10,414	\$ 13,363
(Loss) income from continuing operations	\$ (28,869)	\$ (43,505)	\$ 12,302	\$ 3,221	\$ (887)
Net (loss) income	\$ (28,869)	\$ (43,505)	\$ 12,302	\$ 3,221	\$ (887)
Basic and diluted (loss) earnings per share	\$ (0.47)	\$ (0.70)	\$ 0.20	\$ 0.05	\$ (0.01)

<i>(thousands of U.S. dollars, except per share amounts)</i>	Trailing four quarters	October 31 2011	July 31 2011	April 30 2011	January 31 2011
Revenues from continuing operations					
TheraSphere	\$ 42,576	\$ 10,884	\$ 11,529	\$ 11,190	\$ 8,973
Targeted Therapies	42,576	10,884	11,529	11,190	8,973
Cobalt	96,982	28,125	30,879	19,628	18,350
Sterilization-other	11,680	4,342	1,241	5,697	400
Sterilization Technologies	108,662	32,467	32,120	25,325	18,750
Reactor	85,094	21,916	15,695	21,862	25,621
Cyclotron	18,439	3,250	5,691	5,712	3,786
Contract Manufacturing	19,256	5,483	1,772	4,169	7,832
Medical Isotopes	122,789	30,649	23,158	31,743	37,239
	\$ 274,027	\$ 74,000	\$ 66,807	\$ 68,258	\$ 64,962
Segment earnings (loss)					
Targeted Therapies	12,652	2,196	4,142	3,057	3,257
Sterilization Technologies	46,140	14,480	15,311	9,685	6,664
Medical Isotopes	38,342	11,411	2,775	10,231	13,925
Corporate and Other	(12,358)	(327)	(3,040)	(7,797)	(1,194)
	\$ 84,776	\$ 27,760	\$ 19,188	\$ 15,176	\$ 22,652
Income from continuing operations	\$ 43,502	\$ 6,499	\$ 4,693	\$ 6,813	\$ 25,497
(Loss) income from discontinued operations, net of income taxes	(26,655)	402	(8,814)	(14,291)	(3,952)
Net income (loss)	\$ 16,847	\$ 6,901	\$ (4,121)	\$ (7,478)	\$ 21,545
Basic and diluted earnings (loss) per share					
- from continuing operations	\$ 0.67	\$ 0.10	\$ 0.07	\$ 0.11	\$ 0.38
- from discontinued operations	(0.41)	0.01	(0.13)	(0.22)	(0.06)
Basic and diluted earnings (loss) per share	\$ 0.26	\$ 0.11	\$ (0.06)	\$ (0.11)	\$ 0.32

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues from continuing operations

Targeted Therapies

Targeted Therapies revenue of \$12.0 million in Q4 2012 decreased by \$1.0 million or 8% compared to Q3 2012. This decrease was primarily due to a decrease in TheraSphere sales volume.

Sterilization Technologies

Sterilization Technologies revenues of \$32.3 million in Q4 2012 were relatively flat compared to Q3 2012. The volume of Co-60 shipped in the second half of fiscal 2012 was more than twice the volume shipped in the first half of fiscal 2012.

The quarterly profile of revenues for Sterilization Technologies vary significantly due to the timing of our Co-60 shipments to customers and the sales of production irradiators. When our customers purchase and install Co-60, they need to shut down their production irradiator operations while the Co-60 is being loaded into the irradiator. Therefore, we coordinate this process closely with our customers to minimize disruption to their operations. The timing of Co-60 discharges from power reactor sites in Canada can also affect the variability in quarterly revenues for Sterilization Technologies.

Medical Isotopes

Medical Isotopes revenues of \$30.3 million in Q4 2012 increased by \$8.4 million or 38% compared to Q3 2012. The increase was primarily due to a full quarter of Mo-99 revenue in Q4 2012 following the planned maintenance shutdown and unplanned supply interruption of the NRU reactor in Q3 2012. In Q4 2012, we also recognized revenue based on the receipt of payment from a customer for shortfalls in Mo-99 order volumes below minimum contract commitments.

In Q4 2012, Cyclotron isotopes revenue decreased by \$1.6 million or 31% compared to Q3 2012. This decrease is primarily attributable to a decrease in sales of Sr-82 bulk.

Contract Manufacturing revenue was relatively flat quarter over quarter.

Segment earnings (loss)

Targeted Therapies

Targeted Therapies segment earnings of \$2.8 million in Q4 2012 decreased by \$1.5 million or 35% compared to Q3 2012 primarily due to higher spending in TheraSphere sales and marketing and clinical trials, and lower TheraSphere sales volume.

Quarter-to-quarter Targeted Therapies segment earnings are impacted by the level of spending on TheraSphere clinical trials.

Sterilization Technologies

Sterilization Technologies segment earnings of \$16.7 million in Q4 2012 increased by \$2.3 million or 16% compared to Q3 2012. This is primarily due to relatively lower Co-60 costs and the difference in mix of customers in Q4 2012 compared to Q3 2012.

Quarter-to-quarter Sterilization Technologies segment earnings are impacted by the mix of Co-60, one of our higher gross margin products, with Sterilization – Other, which includes shipments of production irradiators. The irradiators, while important to future growth in Co-60 sales, are a relatively lower margin product than Co-60 sources.

Medical Isotopes

Medical Isotopes segment earnings of \$11.3 million in Q4 2012 increased by \$6.7 million or 146% compared to Q3 2012. This is mainly due to the same reasons described above for quarter-to-quarter Reactor isotopes revenue increases.

Generally, our Reactor isotopes products have higher gross margins than the Cyclotron isotopes products.

Corporate and Other

Corporate and Other segment loss of \$1.3 million in Q4 2012 improved by \$1.4 million compared to Q3 2012 due mainly to lower SG&A costs and a favourable foreign exchange impact due to the weakening of the Canadian dollar relative to the U.S. dollar. Most of our SG&A expenses are denominated in Canadian dollars.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

Items that impact the comparability of the operating (loss) income from continuing operations include:

- Results for the quarter ended October 31, 2012 included a \$3.6 million embedded derivative loss driven by changes in estimate for the notional supply amount and fluctuations in foreign exchange rate; a \$2.5 million restructuring charge primarily due to our strategic realignment.
- Results for the quarter ended January 31, 2012 included a \$6.3 million embedded derivative loss driven by changes in estimate for the notional supply amount and fluctuations in foreign exchange rate; a \$2.4 million loss on Celerion note receivable.
- Results for the quarter ended October 31, 2011 included a \$13 million embedded derivative loss driven by changes in estimate for the notional supply amount and fluctuations in foreign exchange rate; a \$1.0 million restructuring charges.
- Results for the quarter ended January 31, 2011 reflect an \$18.6 million embedded derivative gain driven by changes in estimate for the notional supply amount and fluctuations in foreign exchange rate.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fourth quarter analysis

Fourth quarter fiscal 2012 compared to the fourth quarter fiscal 2011

		Three months ended October 31			
(thousands of U.S. dollars)		2012	% of revenues	2011	% of revenues
Revenues from continuing operations	\$	74,671	100%	\$ 74,000	100%
Costs and expenses					
Direct cost of revenues		30,564	41%	32,043	43%
Selling, general and administration		21,843	29%	15,743	21%
Depreciation and amortization		3,233	4%	5,700	8%
Restructuring charges, net		2,480	3%	1,016	1%
Change in fair value of embedded derivatives		3,603	5%	12,970	18%
Other expenses, net		26,132	35%	920	1%
Operating (loss) income from continuing operations	\$	(13,184)	(18%)	\$ 5,608	8%
Interest expense		(917)	(1%)	(889)	(1%)
Interest income		2,225	3%	2,480	3%
Income tax expense		(31,629)	(42%)	(700)	(1%)
Income from discontinued operations, net of income taxes		-	-	402	1%
Net (loss) income	\$	(43,505)	(58%)	\$ 6,901	9%

		Three months ended October 31					
(thousands of U.S. dollars)		Targeted Therapies		Sterilization Technologies		Medical Isotopes	
		2012	2011	2012	2011	2012	2011
Revenues	\$	12,023	\$ 10,884	\$ 32,311	\$ 32,467	\$ 30,337	\$ 30,649
Direct cost of revenues		3,050	3,437	12,384	14,062	15,130	14,544
Selling, general and administration		4,840	3,970	3,131	4,039	3,485	4,316
Other expense (income), net		1,324	1,281	120	(114)	471	378
Segment earnings	\$	2,809	\$ 2,196	\$ 16,676	\$ 14,480	\$ 11,251	\$ 11,411

Revenues from continuing operations

Revenues from continuing operations of \$74.7 million in the fourth quarter of fiscal were relatively flat compared with the same period of fiscal 2011.

Selling, general and administration (SG&A)

SG&A expenses of \$21.8 million in Q4 2012 were \$6.1 million higher compared with the same period of fiscal 2011, primarily due to higher costs associated with the internal investigation of \$8.5 million, which was partially offset by lower AECL arbitration related legal costs of \$1.7 million.

Other expenses, net

Other expenses, net of \$26.1 million in Q4 2012 increased by \$25.2 million compared with same period of fiscal 2011 primarily due to the recording of an approximately \$24 million relating to litigation estimates as discussed in the "2012 business and corporate development" section of this MD&A.

Change in fair value of embedded derivatives

We recorded a loss of \$3.6 million for the change in fair value of embedded derivatives in Q4 2012 compared with a loss of \$13.0 million in the same period of fiscal 2011 primarily driven by changes in estimate for the notional supply amount and fluctuations in the U.S. to Canadian dollar exchange rate.

Segment earnings

Targeted Therapies

Segment earnings of \$2.8 million in Q4 2012 increased by \$0.6 million compared with the same period of fiscal 2011 due to an increase in sales volumes for TheraSphere reflecting a relatively fixed nature of TheraSphere costs over certain volumes. This increase was partially offset by increases in medical affairs and clinical trial spending.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sterilization Technologies

Segment earnings of \$16.7 million in Q4 2012 increased by \$2.2 million compared with same period of fiscal 2011 due to higher Co-60 volumes as well as the impact of significantly lower production irradiator sales and installations in Q4 2012 as they provide a lower gross margin relative to Co-60.

Medical Isotopes

Segment earnings of \$11.3 million in Q4 2012 were lower by \$0.2 million compared to the same period of fiscal 2011 primarily due to an overall decrease in Mo-99 volume and pricing which was largely offset by the \$4 million recognized revenue in Q4 2012 based on the receipt of payment from a customer for shortfalls in Mo-99 volume below minimum contract commitments.

Operating (loss) income from continuing operations

We had a loss from continuing operations of \$13.2 million for the three months ended Q4 2012 compared to an income of \$5.6 million for the same period in fiscal 2011. This change was primarily due to the recording of approximately \$24 million relating to litigation estimates as discussed in the "2012 business and corporate development" section of this MD&A, as well as \$8.5 million for our internal investigation costs, which were partially offset by a \$9.4 million decrease in the change in fair value of the embedded derivatives loss, a \$2.5 million decrease in depreciation and amortization, and a \$1.7 million decrease in AECL arbitration and legal costs.

Cash flow

Our operations and other operating working capital changes contributed a positive net cash inflow of \$32.2 million in Q4 2012.

The primary cash inflows in the fourth quarter of fiscal 2012, excluding those associated with our product revenues included:

- \$2.2 million of payments from AECL related to a note receivable; and
- \$2.0 million of net tax refunds.

With these cash inflows, and our cash on hand, we used cash in the following activities in Q4 2012:

- \$5.7 million for internal investigation costs;
- \$1.6 million for restructuring, retained leases, and litigation costs; and
- \$1.6 million of capital asset additions.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

Balance sheet insights

To assist understanding of our balance sheet accounts, we have briefly summarized a number of items below that are recorded in our balance sheet and described in more detail in our financial statement notes.

Embedded derivatives

Included in **Other current assets and Accrued liabilities** are embedded derivatives assets and liabilities of \$nil and \$0.8 million, respectively, as of October 31, 2012. These relate to certain long-term supply contracts that are denominated in currencies that are not the functional currency of either party to the agreements. These embedded derivatives can fluctuate significantly from period to period as they are based on notional amounts of approximately \$49 million at October 31, 2012, and are revalued at the end of each reporting period based on changes in currency exchange rates relative to the Canadian dollar.

Investment in Celerion, Inc. (Celerion) & note receivable from Celerion

Long-term investments include our 15% minority interest in Celerion, carried at \$1.4 million and a note receivable from Celerion, carried at \$14.2 million is included in **Other long-term assets**. The face value of the note, including the transition services agreement and interest payments, as of October 31, 2012 is \$16.8 million, with the carrying value reflecting discount rates of 28% and 8% for unsecured and secured cash flows, respectively. The portion of the note is unsecured and has a five year term bearing interest at 4% per annum which is accruing to the principal amount of the note. Our exposure to losses with respect to Celerion is limited to the carrying amount of this note receivable and our minority interest in Celerion.

Investment in LCC Legacy Holdings (LCC) (formerly Lumira Capital Corp.)

Included in **Long-term investments** is our investment in LCC, a privately held investment fund management company that has long-term investments in development-stage enterprises. We record this investment using the equity method of accounting and the carrying amount of this investment is \$nil as of October 31, 2012, resulting from cumulative dividends received and equity losses recorded in prior periods. We have no further exposure to losses with respect to LCC as our exposure is limited to the carrying amount of this investment.

Financial instrument pledged as security on long-term debt & Long-term debt

Included in **Notes receivable and Other long-term assets** is a financial instrument with a carrying value of \$43.0 million as of October 31, 2012. This financial instrument is classified as held to maturity and is not readily tradable. Included in **Long-term debt** is a non-interest-bearing Canadian government loan with a carrying value of \$43.0 million as of October 31, 2012. The cash inflow of the financial instrument exactly offsets the cash outflow of the long-term debt. We have pledged the financial instrument as security to offset the long-term debt, effectively resulting in net \$nil debt.

Deferred tax assets

We have recorded **current and non-current deferred tax assets** of \$57.0 million as of October 31, 2012. These assets relate to our Canadian operations and can be used to reduce future cash taxes in Canada.

Assets and liabilities related to captive insurance

As of October 31, 2012, our captive insurance liabilities include outstanding loss reserves of \$2.1 million which is included in **Accrued liabilities**. The incurred but not reported loss reserves of \$2.5 million is included in **Other long-term liabilities** as at October 31, 2012. Partially offsetting these liabilities is restricted cash of \$3.9 million included in **Other long-term assets**.

Liabilities retained from divested and discontinued operations

Included in **Accrued liabilities** is \$9.5 million related to an arbitration ruling in our dispute with Life Technologies Corporations (Life). We subsequently filed a Statement of Claim against Life and have requested the \$9.5 million settlement payment be suspended pending the outcome of this new claim.

Accrued liabilities also includes a provision of \$8.3 million to address certain uninsured U.S. Food and Drug Administration (FDA) claims related to the Company's discontinued bioanalytical operations in its former Montreal, Canada, facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

4) Consolidated Liquidity and Capital Resources

Cash flows

We have summarized our cash flows from operating, investing and financing activities, as reflected in our consolidated statements of cash flows, in the following table:

Years ended October 31				
(thousands of U.S. dollars)				
	2012		2011	2010
Cash provided by (used in) continuing operating activities	\$ 63,396	\$	37,109	\$ (59,926)
Cash (used in) provided by continuing investing activities	(5,443)		21,528	(12,846)
Cash used in continuing financing activities	(22,675)		(71,642)	(671,129)
Cash (used in) provided by discontinued operations	-		(38,197)	559,370
Effect of foreign exchange rate changes on cash and cash equivalents	15		2,467	9,130
Net increase (decrease) in cash and cash equivalents during the period	\$ 35,293	\$	(48,735)	\$ (175,401)

Summary of cash flow activities for the year ended October 31, 2012

The primary cash inflows in fiscal 2012, excluding those associated with our product revenues included:

- \$12.2 million of payments from AECL related to a notes receivable; and,
- \$6.5 million of non-recurring payment from Celerion related to a note receivable.

With these cash inflows and our cash on hand, we used cash in the following activities:

- \$18.1 million for restructuring, retained leases, and litigation costs;
- \$18.6 million in dividend payments;
- \$7.4 million capital expenditures;
- \$4.0 million to buyback our Common shares through an NCIB; and,
- \$5.7 million for internal investigation costs.

The remaining net cash inflow of \$70.4 million is primarily related to profitability from our operations and other changes in working capital.

Continuing operating activities

Cash provided by our operating activities for fiscal 2012 was \$63.4 million compared to \$37.1 million cash provided in fiscal 2011 and \$59.9 million cash used in fiscal 2010. We recorded a net loss of \$28.9 million for the year 2012, which includes a non-cash loss in the fair value of embedded derivative assets of \$12.0 million and a loss on Celerion note receivable of \$2.4 million. In 2012, our accounts receivable increased by \$7.9 million, our accounts payable and accrued liabilities increased \$26.3 million, and our inventories increased by \$3.4 million primarily driven by the timing of our sale and receipt of Co-60. In addition notes receivable decreased by \$12.2 million reflecting payments from AECL.

The cash outflow in 2011 was a result of our decrease in accounts receivable of \$1.2 million, our accounts payable and accrued liabilities decreased \$26.2 million due mainly to the payment of cost associated with the strategic repositioning, and our inventories increased by \$4.0 million primarily driven by the timing of our sale and receipt of Co-60 as well as shipments of production irradiators. In addition, deferred revenue decreased by \$11.3 million related to Contract Manufacturing and production irradiator projects completed in fiscal 2011.

The cash outflow in 2010 was impacted by a number of significant transactions related to our organizational realignment. Cash outflow of \$59.9 million primarily included \$103.6 million related to restructuring and deal costs, including severance, change of control payments and banker and advisory fees, \$12.5 million in income and sale tax payments resulting from prior year audits and \$6.5 million in pension plan contributions. These outflows were partially offset by \$12.8 million of payments from AECL related to a note receivable, \$14.0 million in income associated with transition service provided to the buyers of the businesses we sold, and \$3.0 million in dividends from Lumira.

Continuing investing activities

There was a decrease in cash of \$5.4 million used in investing activities for fiscal 2012 compared with cash provided of \$21.5 million in fiscal 2011 and cash used of \$12.8 million in fiscal 2010. During 2012, we had capital asset additions of \$7.4 million, partially offset by a decrease in restricted cash of \$1.9 million.

During fiscal 2011, we had a significant decrease in restricted cash of \$26.6 million including previously held as collateral to secure letters of credit which are now secured by our credit facility, and \$1.7 million cash sale proceeds for our available for sale investment. The increase in cash was partially offset by capital asset additions of \$6.7 million.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

During fiscal 2010, we purchased capital assets of \$7.3 million and our restricted cash increased by \$16.1 million mainly as a result of the cancellation of the previous credit facility we had in place, which were partially offset by \$10.6 million of cash received from the sale of our long-term investments.

Continuing financing activities

We used cash of \$22.7 million for financing activities for fiscal 2012 compared with \$71.6 million and \$671.1 million cash used in fiscal 2011 and 2010, respectively. During fiscal 2012, we paid \$18.6 million of cash dividends and repurchased and cancelled \$4.0 million of Common shares under the 2012 NCIB.

During fiscal 2011, we repurchased and cancelled our Common shares for \$52.4 million and paid \$19.2 million of cash dividends. In fiscal 2010, we completed a substantial issuer bid for a total cost of \$450.0 million and repaid a \$221.5 million of the outstanding principal for our senior unsecured notes and certain capital lease obligations.

Liquidity

(thousands of U.S. dollars)	October 31		October 31	
	2012		2011	Change
Cash and cash equivalents	\$	109,360	\$ 74,067	35,293
Current ratio ^(a)		2.0	2.7	(26%)

(a) Excludes current assets and current liabilities related to discontinued operations as at October 31, 2011.

Our cash and cash equivalents of \$109.4 million as of October 31, 2012 was \$35.3 million higher than the \$74.1 million we had as of October 31, 2011. As we discussed in the "Cash flows" section above, the increase was primarily due to \$70.4 million net cash inflow from our operations and other changes in working capital, \$6.5 million cash received on Celerion note receivable, and \$12.2 million cash received on the AECL note receivable. The increase in cash and cash equivalents was partially offset by \$18.6 million of cash dividends paid, an \$18.1 million for restructuring, retained leases, and litigation costs, and other cash outflow items discussed in the "Cash flows" section above.

Our current ratio of 2.0 as of October 31, 2012 decreased from 2.7 as of October 31, 2011. The increase in the current liabilities was primarily due to increases in provisions for internal investigation costs as well as litigation related costs which were partially offset by the increase in current assets primarily due to the increases in cash and cash equivalents.

As of October 31, 2012, our restricted cash of \$3.9 million related to funds for insurance liabilities.

Amended and Restated Credit facility

On January 25, 2013, we entered into a \$80.0 million Amended and Restated senior revolving one year committed credit facility with the Toronto-Dominion Bank (TD) and a select group of other financial institutions (the Lenders). Our Amended and Restated credit facility consists of a \$20 million revolving credit facility and a separate facility of up to \$60 million to be used for the issuance of letters of credits. Each material subsidiary of Nordion jointly and severally guaranteed the obligations of the borrower to the lenders. The credit facilities are secured by floating and fixed charges over the assets of the borrower and guarantors including, but not limited to, accounts receivable, inventory and real property with the latter facility to be fully secured with a specific pledge of cash collateral.

We entered into the Amended and Restated credit facilities agreement as a result of accruals associated with ongoing litigation matters and the treatment of certain non-cash items and their impact on certain terms of our previous credit facility. These accruals and non-cash items may have resulted in the Company not being in compliance with one of its financial covenants as at October 31, 2012, however this covenant was amended in the Amended and Restated credit facilities agreement.

Under this credit facility, we are able to borrow Canadian and U.S. dollars by way of Canadian dollar prime rate loans, U.S. dollar base rate loans, U.S. dollar Libor loans, the issuance of Canadian dollar banker's acceptances and letters of credit in Canadian and U.S. dollars. The credit facility is for a one-year term which may be extended on mutual agreement of the Lenders for successive subsequent periods. The credit facility is primarily for general corporate purposes. As of October 31, 2012, we have not used the credit facility for borrowing; however, we had \$30.6 million of letters of credit issued under this credit facility.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pension

For funding purposes, we are required by regulation to update our actuarial valuation of our main defined benefit pension plan as of January 1, 2013, and based on the continued decline in real interest rates in Canada, we expect our funding in 2013 to increase by \$1 million to \$2 million. Based on the actuarial valuation completed in Q3 2012 related to January 1, 2012, our annual funding requirements were approximately \$14 million, including approximately \$3 million of current service cost contributions in calendar year 2012, in order to reduce the projected regulatory solvency deficit and meet our normal funding requirements. We have funded the solvency deficit via letters of credit for \$13.1 million, including \$2.9 million funded in Q4 2012. The deficit has arisen due to falling real interest rates where the pension liabilities increased more than the increase in the value of pension assets. The actual funding requirements which are amortized over a five-year funding period will be dependent on subsequent annual actuarial valuations. These amounts are estimates, which may change with actual investment performance, changes in interest rates, any pertinent changes in government regulations, and any voluntary contributions. As a result of either changes to annual valuations or the three-year averaging used in the deficit calculation under applicable regulations, funding requirements may extend beyond the five year funding period.

In addition, we retained a defined benefit pension plan associated with MDS Pharma Services Early Stage. In Q4 2012, we received approval from the Internal Revenue Service in the U.S. for a proposed settlement of this pension plan. We expect the final settlement to occur during fiscal 2013. The current estimated under-funded status based on the actuarial valuation completed as of Q4 2012 was \$5.7 million.

Future liquidity risk and requirements

Liquidity risk is the risk that an entity will encounter difficulty in satisfying its financial obligations as they become due. We manage our liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. However, the timing and amounts of expenditures and inflows of cash are uncertain and obligations may arise that we are unable to forecast including, among other things, potential fines and penalties from regulators or enforcement authorities associated with our internal investigation.

We believe that cash on hand, cash flows generated from operations, and borrowing from our line of credit, if needed, will be sufficient to meet the anticipated requirements for current operations, capital expenditures, R&D expenditures including trials for TheraSphere, pension funding, internal investigation costs, litigation costs including the MAPLE lawsuit, contingent liabilities including payment of AECL legal costs, FDA settlements, the Life arbitration settlement, and restructuring costs.

Under our credit facility we have \$30.6 million of letters of credit and certain foreign exchange forward contracts written against the facility. In 2013 we expect a significant increase in our letters of credit as a result of an expected \$16 million increase in our site decommissioning letter of credit and the funding of pension liabilities. If we were to lose access to our credit facility and/or have increased cash requirements for operations or other liabilities, the company may be required to obtain additional capital.

Contractual obligations

Subsequent to the sale of Early Stage, we have retained litigation claims and other costs associated with the U.S. FDA's review of our discontinued bioanalytical operations in Montreal, Canada and certain other contingent liabilities. We have also retained certain liabilities related to pre-closing matters, a defined benefit pension plan for U.S. employees, and a lease obligation for an office location in Bothell, Washington. We have estimated the cost of future lease payments, net of expected sublease revenue, where applicable, to be approximately \$0.7 million. Under certain circumstances, we may be required to assume additional liabilities that could result in future cash payments.

(thousands of U.S. dollars)	2013	2014	2015	2016	2017	Thereafter
Long-term debt	\$ 4,190	\$ 4,156	\$ 34,985	\$ -	\$ -	\$ -
Interest on long-term debt	2,976	2,903	1,180	-	-	-
Operating leases	1,844	1,101	990	989	1,137	909
Purchase obligations	52,091	44,139	32,898	49,974	26,844	82,803
	\$ 61,101	\$ 52,299	\$ 70,053	\$ 50,963	\$ 27,981	\$ 83,712

Long-term debt consists of a \$43.0 million, non-interest bearing, government loan; and other commitments totaling \$0.3 million which represent capital lease obligations. We have a financial instrument fully pledged as security for the repayment of this long-term debt.

The amounts for operating leases primarily relate to the rental of offices, laboratory facilities and equipment to support global operations.

We have long-term supply arrangements totaling approximately \$240 million primarily related to the supply of Co-60 from certain domestic and international suppliers of isotopes. These agreements including certain take-or-pay contracts provide for minimum purchase quantities, and certain prices are based on market rates at the time of delivery. Amount of purchase obligations are based on management's best estimate in respect of these agreements. The terms of these long-term supply or service arrangements range from 1 to 12 years.

We have entered into contracts for other outsourced services; however, the obligations under these contracts are not significant and the contracts generally contain clauses allowing for cancellation without significant penalty.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

The expected timing of payment of the obligations discussed above is estimated based on current information. The timing of payments and actual amounts paid may be different depending on the time of receipt of goods or services, foreign exchange fluctuations, or, for some obligations, changes to agreed-upon amounts.

Indemnities and guarantees

In connection with our various divestitures, we agreed to indemnify buyers for actual future damage suffered by the buyers related to breaches, by us, of representations and warranties contained in the purchase agreements. In addition, we have retained certain existing and potential liabilities arising in connection with such operations related to periods prior to the closings. To mitigate our exposure to certain of these potential liabilities, we maintain errors and omissions insurance and other insurance. We are not able to make a reasonable estimate of the maximum potential amount that we could be required to pay under these indemnities. We have not made any significant payments under these types of indemnity obligations in the past.

Arbitration with Life Technologies Corporations

As part of the sale of MDS Analytical Technologies completed in Q1 2010, our joint venture partnership with Applied Biosystems, a division of Life Technologies Corporations (Life), was dissolved. A disagreement arose between the former partners (Nordion and Life) as to the appropriate treatment of certain inventory sold by the partnership to Applied Biosystems prior to the dissolution of the joint venture partnership. The disagreement was submitted to arbitration and the arbitrator in the hearing ruled in favour of Life. As a result, we recorded a settlement loss of approximately \$9.5 million in our results of discontinued operations in Q3 2011.

Subsequent to the arbitrator's ruling, on September 30, 2011, we filed a Statement of Claim against Life in the Ontario Superior Court of Justice seeking recovery of approximately C\$30 million and requesting the \$9.5 million settlement payment be stayed pending the outcome of this new claim. In December 2011, Life filed its statement of defense and we expect that Life will vigorously defend this action. A schedule for the hearing of motions has yet to be set, however initial hearings may occur during our fiscal 2013. Both parties filed motions in May 2012 related to the claim. We have not paid the \$9.5 million to date.

Capitalization

Our long-term debt of \$43.3 million as of October 31, 2012, is primarily a non-interest-bearing Canadian government loan maturing in 2015, which we have fully secured with a long-term financial instrument that we have included in Other long-term assets in our consolidated statements of financial position.

Our shareholders' equity as of October 31, 2012, was \$194.8 million compared with \$284.8 million as of October 31, 2011, primarily due to a net loss of \$28.9 million and the recognition of a pension liability adjustment of \$37.7 million for fiscal 2012. During fiscal 2012, we also declared and paid quarterly dividends for a total \$18.6 million. The decrease also reflects a total cost of \$4.0 million for our NCIB for fiscal 2012 including a charge of \$2.1 million to our accumulated deficit due to share buyback costs in excess of the \$1.9 million carrying value of the Common shares.

Under our NCIB initiated in fiscal 2011, we repurchased and cancelled 5,258,632 of our Common shares for an aggregate purchase price of \$55.9 million. On January 31, 2012, we announced a 2012 NCIB, which was authorized by the Toronto Stock Exchange (TSX) to purchase for cancellation up to 3,105,901 Common shares. As of October 31, 2012, we have repurchased and cancelled 71,120 of our Common shares under the 2012 NCIB. As discussed in "2012 business and corporate development" section of this MD&A, we suspended our dividend and cancelled our NCIB during Q4 2012.

Off-balance sheet arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities referred to as structured finance or special purpose entities, which are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity or capital expenditures or capital resources that are material to investors other than operating leases and derivative instruments.

Derivative instruments

As of October 31, 2012, we held approximately \$33 million notional amount of foreign exchange forward contracts designated as cash flow hedges. During fiscal 2012, we recorded \$0.6 million realized gain and \$0.6 million unrealized gain for our foreign exchange forward contracts designated as cash flow hedges. As of October 31, 2012, we held no derivatives designated as fair value or net investment hedges.

As of October 31, 2012, we identified a nominal amount for embedded derivative assets with a fair value of \$nil (October 31, 2011 - \$11.6 million) and embedded derivative liabilities with a fair value of \$0.8 million (October 31, 2011 - \$0.4 million), which have a total notional amount of approximately \$49 million (October 31, 2011 - approximately \$300 million). During fiscal 2012, we recorded a \$12.0 million loss for the change in the fair value of the embedded derivatives, compared to a \$2.6 million and \$13.1 million gain in fiscal 2011 and 2010, respectively.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

Litigation

For full descriptions of our material litigation, see "Section 9, Legal Proceedings" in our 2012 AIF.

MAPLE

AECL and the Government of Canada unilaterally announced in fiscal 2008 their intention to discontinue development work on the MAPLE Facilities. At the same time, AECL and the Government of Canada also publicly announced that they would continue to supply medical isotopes from the current NRU reactor, and would pursue a license extension of the NRU reactor operations past the expiry date, at the time, of October 31, 2011. On July 8, 2008, we served AECL with a notice of arbitration proceedings seeking an order to compel AECL to fulfill its contractual obligations under an agreement entered into with AECL in February 2006 (the 2006 Agreement) to complete the MAPLE Facilities and, in the alternative and in addition to such order, seeking significant monetary damages. On September 10, 2012, we announced that we had received the decision in its confidential arbitration with AECL and was unsuccessful in our claim for specific performance or monetary damages relating to AECL's cancelled construction of the MAPLE facilities. The majority of the tribunal ruled 2:1 that our claim against AECL in the arbitration was precluded under the terms of the 2006 Agreement. Thus, we were not entitled to a remedy under the 2006 Agreement for the unilateral termination by AECL of the construction of the MAPLE facilities. In the decision, the arbitrators also dismissed AECL's counterclaim against us for damages for breach of contract in the amount of \$250 million (C\$250 million) and other relief. The appeal period has expired and neither party appealed the decision. The arbitrators have yet to decide on the issue of costs, and requested that we and AECL make submissions. As the decision of the tribunal favors AECL, we may be responsible for a portion of AECL's costs, which could be material.

In addition to the arbitration, in 2008 we also filed a court claim against AECL and the Government of Canada. Our claim filed against AECL sought (i) damages in the amount of \$1.6 billion (C\$1.6 billion) for negligence and breach of contract under the Isotope Production Facilities Agreement (IPFA) entered into with AECL in 1996; and (ii) interim, interlocutory and final orders directing AECL to continue to supply radioisotopes under the 2006 Agreement, pending any final judgment and completion of the MAPLE Facilities; and, against the Government of Canada, we sought (i) damages in the amount of \$1.6 billion (C\$1.6 billion) for inducing breach of contract and interference with economic relations in respect to the 2006 Agreement; (ii) an order that we may set off the damages owing to us by the Government of Canada as a result of the Government's conduct set out herein against any amounts owing by us to the Government of Canada under the Facilities Development and Construction Funding Agreement (FDCFA), a loan agreement between us and the Government of Canada \$100 million (C\$100 million); and (iii) an interim and interlocutory order suspending any payments that may be owing to the Government of Canada under the FDCFA pending the determination of the issues in this litigation and an interim or interlocutory order requiring the return of all security instruments delivered in connection with the FDCFA. The arbitration decision leaves us open to pursue our ongoing lawsuit against AECL in the Ontario courts in relation to the 1996 IPFA. In the analysis of the decision, although the arbitrators did not rule on the issue, the view of the majority was that a breach of contract by AECL did not occur under the 2006 Agreement. Nordion is pursuing its rights under the IPFA.

The parties have agreed on a preliminary schedule for proceeding in the IPFA claim and Nordion filed an amended statement of claim on January 18, 2013. Having regard to the majority opinion in the arbitration, the amended statement of claim under the IPFA no longer includes the Government of Canada and the damages claimed are substantially lower. Nordion and the Government of Canada have agreed to the discontinuance of the action against the Government of Canada without costs. The schedule provides for AECL to file motions if it sees fit and to file a defence. Documentary productions and discoveries are currently anticipated to begin during 2013. Based on the current schedule, the matter would not be expected to be set down for trial before mid-2014. The claim requests damages in the amount of \$243.5 million for negligence and breach of the IPFA, as well as pre- and post-judgment interest and costs. The damages claimed are for the recovery of Nordion's costs up to the end of the IPFA, net of certain amounts settled between Nordion and AECL at the time of entering into the ILTSA.

Under the 2006 Agreement, commercially reasonable efforts are required to maintain isotope production from the NRU reactor until such time as we have established a satisfactory, long-term alternative supply. We have accordingly notified AECL that we intend to continue to require isotope supply from AECL while we continue to explore alternatives to mitigate the lack of supply from AECL, for both back-up and the long-term supply of reactor-based medical isotopes.

Bioequivalence studies

During fiscal 2009, we were served with a Complaint related to repeat study costs and mitigation costs of \$10 million and lost profits of \$70 million. This action relates to certain bioequivalence studies carried out by our former MDS Pharma Services business unit at our Montreal, Canada facility from January 1, 2000, to December 31, 2004. We maintain reserves in respect of repeat study costs as well as errors and omissions insurance. We have assessed this claim and have accrued amounts related to the direct costs associated with the repeat study costs in our FDA provision. We have not made a specific provision related to the claim for lost profit, other than insurance deductible liabilities. We have filed an Answer and intend to vigorously defend this action. Discoveries are ongoing, and no trial date has been set. To date, attempts to mediate the claim have been unsuccessful.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

During fiscal 2009, we were served with a Statement of Claim related to repeat study and mitigation costs of \$5 million (C\$5 million) and loss of profit of \$30 million (C\$30 million). This action relates to certain bioequivalence studies carried out by our former MDS Pharma Services business unit at our Montreal, Canada facility from January 1, 2000, to December 31, 2004. We maintain reserves in respect of repeat study costs as well as errors and omissions insurance. We have assessed this claim and have accrued amounts related to the direct costs associated with the repeat study costs in our FDA provision. We have not made a specific provision related to the claim for lost profit, other than insurance deductible liabilities. We have filed a Statement of Defence and intend to vigorously defend this action.

BioAxone BioSciences

During Q3 2012, we were served with a Complaint filed in Florida relating to our former Pharma Services business (the Complaint). The Complaint, by BioAxone BioSciences Inc., named Nordion (US) Inc. as well as another co-defendant, and alleges that MDS Pharma Services acted negligently in the preparation and qualification of a Bacterial Master Cell Bank relating to the development of a biologic drug. The Plaintiff claims that it has incurred costs to take corrective actions to the cell bank and to the development of its drug as a result of associated delays in development, progress through clinical trials and the FDA approvals process, in an amount greater than \$90 million. We have not made a specific provision related to this Complaint. We are currently assessing the merits of the Complaint and intend to vigorously defend this claim. In September 2012, we filed a motion to dismiss the claim in Ft. Lauderdale, Florida, and a decision is pending.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

5) Accounting and Control Matters

Recent accounting pronouncements

In December 2011, the Financial Accounting Standards Board (FASB) issued ASU No. 2011-11, "*Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*" which enhances current disclosures about financial instruments and derivative instruments that are either offset on the statement of financial position or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset on the statement of financial position. Entities are required to provide both net and gross information for these assets and liabilities in order to facilitate comparability between financial statements prepared on the basis of U.S. Generally Accepted Accounting Practices (GAAP) and financial statements prepared on the basis of International Financial Reporting Standards (IFRS). ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods and we plan to adopt ASU 2011-11 on November 1, 2013. ASU 2011-11 is not expected to have a significant impact on our consolidated financial statements.

In December 2011, the FASB issued ASU No. 2011-12, "*Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*" which indefinitely defers the requirement in ASU No. 2011-05 to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. During the deferral period, the existing requirements in U.S. GAAP for the presentation of reclassification adjustments must continue to be followed. ASU 2011-12 is effective for annual reporting periods beginning on or after December 15, 2011 and interim periods within those annual periods and we plan to adopt ASU 2011-12 on November 1, 2012. ASU 2011-12 is not expected to have a significant impact on our consolidated financial statements.

International Financial Reporting Standards

We have been monitoring the deliberations and progress being made by accounting standard setting bodies and securities regulators both in the U.S. and in Canada with respect to their plans regarding convergence to International Financial Reporting Standards (IFRS). We currently expect to adopt IFRS as our primary reporting standard when the U.S. Securities and Exchange Commission requires domestic registrants in the U.S. to transition to IFRS.

Critical accounting policies and estimates

Our discussion and analysis of the financial condition and results of operations is based on the consolidated financial statements, which have been prepared in accordance with U.S. GAAP applied on a consistent basis. Beginning with its fiscal 2007 year-end, we adopted the U.S. dollar as the Company's reporting currency and U.S. GAAP as its primary reporting standard for the presentation of its consolidated financial statements.

Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The Company's estimates are based on the facts and circumstances available at the time estimates are made, historical experience, risk of loss, general economic conditions and trends, and the Company's assessments of the probable future outcomes of these matters. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of changes, if any, are reflected in the consolidated statements of operations in the period in which they are determined.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, demand deposits, and investments with maturities of three months or less at the time the investment is made. The fair value of cash and cash equivalents approximates the carrying amounts shown in the consolidated statements of financial position.

Restricted cash

Restricted cash, which is included in other long-term assets, includes cash held for specific purposes which is not readily available to be used in the Company's operations related to insurance liabilities.

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts based on a variety of factors, including the length of time the receivables are past due, macroeconomic conditions, significant one-time events, historical experience and the financial condition of customers. The Company records a specific reserve for individual accounts when it becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. If circumstances related to a customer change, the Company would further adjust estimates of the recoverability of receivables.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

Inventories

Inventories of raw materials and supplies are recorded at the lower of cost or market value, determined on a first-in, first-out (FIFO) basis. Finished goods and work-in-process include the cost of material, labor and manufacturing overhead and are recorded on a FIFO basis at the lower of cost or market. The Company reduces the carrying value of inventories for those items that are potentially excess, obsolete or slow-moving based on changes in customer demand, technology developments or other economic factors.

Property, plant and equipment

Property, plant and equipment, including assets under capital leases, are carried in the accounts at cost less accumulated depreciation. Gains and losses arising on the disposal of individual assets are recognized in income in the period of disposal.

The costs associated with modifications to facilities owned by others to permit isotope production are deferred and recorded as facility modifications and amortized over the expected contractual production.

Costs, including financing charges and certain design, construction and installation costs, related to assets that are under construction and are in the process of being readied for their intended use are recorded as construction in-progress and are not subject to depreciation.

Depreciation, which is recorded from the date on which each asset is placed into service, is generally provided for on a straight-line basis over the estimated useful lives of the property, plant and equipment as follows:

Buildings (years)	25	—	40
Equipment (years)	3	—	20
Furniture and fixtures (years)	3	—	10
Computer systems (years)	3	—	7
Leaseholds improvements	Term of the lease plus renewal periods, when renewal is reasonably assured		

Asset retirement obligations

The Company records asset retirement obligation costs associated with the retirement of tangible long-lived assets. The Company reviews legal obligations associated with the retirement of these long-lived assets. If it is determined that a legal obligation exists and it is probable that this liability will ultimately be realized, the fair value of the liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the expected life of the asset. The present value of the asset retirement obligation is accreted with the passage of time to its expected settlement fair value.

Goodwill

Goodwill is not amortized but is tested for impairment, at least annually. The Company tests goodwill during the fourth quarter of each year for impairment, or more frequently if certain indicators are present or changes in circumstances suggest that impairment may exist. The Company first assesses qualitative factors to determine whether it is necessary to perform the two step quantitative goodwill impairment test. If it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, the Company utilizes the two-step quantitative approach. The first step requires a comparison of the carrying value of the reporting units to the fair value of these units. The Company estimates the fair value of its reporting units through internal analyses and valuation, utilizing an income approach based on the present value of future cash flows. If the carrying value of a reporting unit exceeds its fair value, the Company will perform the second step of the goodwill impairment test to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of a reporting unit's goodwill with its carrying value. The implied fair value of goodwill is determined in the same manner that the amount of goodwill recognized in a business combination is determined. The Company allocates the fair value of a reporting unit to all of the assets and liabilities of that unit, including intangible assets, as if the reporting unit had been acquired in a business combination. Any excess of the value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill.

Impairment of long-lived assets

The Company evaluates the carrying value of long-lived assets, including property, plant and equipment, for potential impairment when events and circumstances warrant a review. Factors that the Company considers important that could trigger an impairment review include, but are not limited to, significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for the Company's overall business, significant negative industry or economic trends, a significant adverse legal or regulatory development, a significant decline in the Company's stock price for a sustained period, and the Company's market capitalization relative to its net book value. In assessing long-lived assets for impairment, assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The carrying value of a long-lived asset is considered impaired when the anticipated net recoverable amount of the asset is less than its carrying value. In that event, a loss is recognized in an amount equal to the difference between the carrying value and fair value less costs of disposal by a charge to income. The anticipated net recoverable amount for a long-lived asset is an amount equal to the anticipated undiscounted cash flows net of directly attributable general and administration costs, carrying costs, and income taxes, plus the expected residual value, if any.

When required, the fair values of long-lived assets are estimated using accepted valuation methodologies, such as discounted future net cash flows, earnings multiples, or prices for similar assets, whichever is most appropriate under the circumstances.

Long-term investments

The Company accounts for long-term investments where it has the ability to exercise significant influence using the equity method of accounting. In situations where the Company does not exercise significant influence over a long-term investee that is not publicly listed, the investments are recorded at cost. Investments in public companies are carried at fair value. The Company periodically reviews these investments for impairment. In the event the carrying value of an investment exceeds its fair value and the decline in fair value is determined to be other than temporary, the Company writes down the value of the investment to its fair value.

Leases

Leases entered into by the Company in which substantially all of the benefits and risks of ownership are transferred to the Company are recorded as obligations under capital leases, and under the corresponding category of property, plant and equipment. Obligations under capital leases reflect the present value of future lease payments, discounted at an appropriate interest rate, and are reduced by rental payments net of imputed interest. Property, plant, and equipment under capital leases are depreciated, to the extent that these assets are in continuing operations, based on the useful life of the asset. All other leases in continuing operations are classified as operating leases and leasing costs, including any rent holidays, leasehold incentives, and rent concessions, are amortized on a straight-line basis over the lease term.

Revenue recognition

Revenues are recorded when title to goods passes or services are provided to customers, the price is fixed or determinable, and collection is reasonably assured. For the majority of product revenues, title passes to the buyer at the time of shipment and revenue is recorded at that time.

The Company recognizes revenue and related costs for arrangements with multiple deliverables as each element is delivered or completed based upon fair value as determined by vendor-specific objective evidence of selling price or third-party evidence of selling price. If neither vendor-specific objective evidence nor third-party evidence of a selling price is available for any undelivered element, revenue for all elements is calculated based on an estimated selling price method. When a portion of the customer's payment is not due until acceptance, the Company defers that portion of the revenue until acceptance has been obtained. Revenue for training is deferred until the service is completed. Revenue for extended service contracts is recognized ratably over the contract period. Provisions for discounts, warranties, rebates to customers, returns and other adjustments are provided for in the period the related sales are recorded.

Warranty costs

A provision for warranties is recognized when the underlying products or services are recorded as revenues. The provision is based on estimated future costs using historical labor and material costs to estimate costs that will be incurred in the warranty period.

Stock-based compensation

The fair value of stock options is recognized as compensation expense on a straight-line basis over the applicable stock option vesting period. The expense is included in selling, general, and administration expenses in the consolidated statements of operations and as additional paid-in capital grouped within shareholders' equity on the consolidated statements of financial position. The consideration received on the exercise of stock options is credited to share capital at the time of exercise along with the associated amount of additional paid-in capital.

Certain incentive compensation plans of the Company base the determination of compensation to be paid in the future on the price of the Company's publicly traded shares at the time of payment or time of the grant date. Expenses related to these plans are recorded as a liability and charged to income over the period in which the amounts are earned, based on an estimate of the current fair value of amounts that will be paid in the future.

Pension, post-retirement and other post-employment benefit plans

The Company offers a number of benefit plans that provide pension and other post-retirement benefits. The current service cost of benefit plans is charged to income. Cost is computed on an actuarial basis using the projected benefits method and based on management's best estimates of investment yields, salary escalation, and other factors.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company recognizes the funded status of its defined benefit plans on its consolidated statements of financial position; recognizes gains, losses, and prior service costs or credits that arise during the period that are not recognized as components of net periodic benefit (income) cost as a component of accumulated other comprehensive income, net of tax; measures its defined benefit plan assets and obligations as of the date of the Company's fiscal year-end consolidated statements of financial position; and discloses additional information in the notes to the consolidated financial statements about certain effects on net periodic benefit (income) cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition assets or obligations.

The expected costs of post-employment benefits, other than pensions, for active employees are accrued in the years in which employees provide service to the Company. Adjustments resulting from plan amendments, experience gains and losses, or changes in assumptions are amortized over the remaining average service term of active employees. Other post-employment benefits are recognized when the event triggering the obligation occurs.

Research and development

The Company conducts various research and development programs and incurs costs related to these activities, including employee compensation, materials, professional services, facilities costs, and equipment depreciation. Research and development programs costs, including those internally processed, are expensed in the periods in which they are incurred.

Clinical trial expenses

Other current assets and Other long-term assets include any clinical trial prepayments made to the clinical research organization (CRO). Research and development expenses include clinical trial expenses associated with CRO. The invoicing from CRO for services rendered can lag several months. We accrue the cost of services rendered in connection with CRO activities based on our estimate of site management, monitoring costs, and project management costs and record them in accrued liabilities. We maintain regular communication with our CRO to gauge the reasonableness of our estimates. Differences between actual clinical trial expenses and estimated clinical trial expenses recorded have not been material and are adjusted for in the period in which they become known.

Income taxes

Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. The Company provides a valuation allowance against its deferred tax assets when it believes that it is more likely than not that the asset will not be realized.

The Company determines whether it is more likely than not that a tax position will be sustained upon examination. The tax benefit of any tax position that meets the more-likely-than-not recognition threshold is calculated as the largest amount that is more than 50% likely of being realized upon resolution of the contingency. To the extent, a full benefit is not expected to be realized on the uncertain tax position; an income tax liability is established. Interest and penalties on income tax obligations are included in income tax expense.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions that the Company has operated in globally. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from current estimates of the income tax liabilities. If the Company's estimate of income tax liabilities proves to be less than the ultimate assessment, an additional charge to income tax expense would result. If payment of these amounts ultimately proves to be less than the recorded amounts, the reversal of the income tax liabilities may result in income tax benefits being recognized in the period when it is determined that the estimated income tax liability is no longer required. All of these potential income tax liabilities are included in income taxes payable or netted against income taxes recoverable on the consolidated statements of financial position.

Investment tax credits related to the acquisition of assets are deferred and amortized to income on the same basis as the related assets, while those related to current expenses are included in the determination of income for the year.

Earnings per share

Basic earnings per share is calculated by dividing net income by the weighted average number of Common shares outstanding during the year.

Diluted earnings per share is calculated using the treasury stock method, by dividing net income available to common shareholders by the sum of the weighted average number of Common shares outstanding and all additional Common shares that would have been outstanding shares arising from the exercise of potentially dilutive stock options during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Foreign currency translation

Although the Company reports its financial results in U.S. dollars, the functional currency of the Company's Canadian operations is Canadian dollars. The functional currencies of the Company's foreign subsidiaries are their local currencies. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currencies of operations at prevailing year-end exchange rates. Non-monetary assets and liabilities are translated into functional currencies at historical rates. Assets and liabilities of foreign operations with a functional currency other than U.S. dollars are translated into U.S. dollars at prevailing year-end exchange rates, while revenue and expenses of these foreign operations are translated into U.S. dollars at average monthly exchange rates. The Company's net investments in foreign subsidiaries are translated into U.S. dollars at historical exchange rates.

Exchange gains and losses on foreign currency transactions are recorded in other expenses, net. Upon the sale or upon complete or substantially complete liquidation of an investment in a foreign (non-Canadian functional currency) entity, the amount attributable to that entity and accumulated in the translation adjustment component of the equity is removed from the separate component of equity and reported as part of the gain or loss on sale or liquidation of the investment in the period during which the sale or liquidation occurs. Exchange gains or losses arising on translation of the Company's net equity investments in these foreign subsidiaries and those arising on translation of foreign currency long-term liabilities designated as hedges of these investments are recorded in other comprehensive income (OCI). Upon reduction of the Company's investment in the foreign (non-Canadian) subsidiary, due to a sale or complete or substantially complete liquidation, the amount from the reporting currency translation as well as the offsetting amount from the translation of foreign currency long-term liabilities included in accumulated other comprehensive income (AOCI) is recognized in income.

Derivative financial instruments

In the normal course of business, the Company uses derivative financial instruments to manage foreign currency exchange rate risks. Derivative transactions are governed by a uniform set of policies and procedures covering areas such as authorization, counterparty exposure and hedging practices. Positions are monitored based on changes in foreign currency exchange rates and their impact on the market value of derivatives. Credit risk on derivatives arises from the potential for counterparties to default on their contractual obligations to the Company. The Company limits its credit risk by dealing with counterparties that are considered to be of high credit quality. The Company does not enter into derivative transactions for trading or speculative purposes. The Company records derivatives at fair value either as other current assets or accrued liabilities on the consolidated statements of financial position. The Company determines the fair value of the derivative financial instruments using relevant market inputs when no quoted market prices exist for the instruments. The fair value of the derivative financial instruments is determined by comparing the rates when the derivatives are acquired to the market rates at period-end. The key inputs include interest rate yield curves, foreign exchange spot and forward rates. The Company classifies cash flows from its derivative programs as cash flows from operating activities in the consolidated statements of cash flows.

The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. In order for a derivative to qualify for hedge accounting, the derivative must be formally designated as a fair value, cash flow or net investment hedge by documenting the relationship between the derivative and the hedged item. The documentation includes a description of the hedging instrument, the hedged item, the risk being hedged, the Company's risk management objective and strategy for undertaking the hedge, the method for assessing the effectiveness of the hedge and the method for measuring hedge ineffectiveness. Additionally, the hedge relationship must be expected to be highly effective at offsetting changes in either the fair value or cash flows of the hedged item at both inception of the hedge and on an ongoing basis. The Company assesses the ongoing effectiveness of its hedges on a quarterly basis.

Cash flow hedges

The Company's hedging activities include a hedging program to hedge the economic exposure from anticipated U.S. dollar denominated sales. The Company hedges a portion of these forecasted foreign denominated sales with forward exchange contracts. These transactions are designated as cash flow hedges and are accounted for under the hedge accounting. The Company hedges anticipated U.S. dollar denominated sales that are expected to occur over its planning cycle, typically no more than 12 months into the future. The effective portion of the hedge gain or loss is initially reported as a component of accumulated other comprehensive income and subsequently reclassified into revenues when the hedged exposure affects earnings. Any ineffective portion of related gains or losses is recorded in the consolidated statements of operations immediately.

Other derivatives

Derivatives not designated as hedges are recorded at fair value on the consolidated statements of financial position, with any changes in the mark to market being recorded in the consolidated statements of operations. Interest rate swap contracts may be used as part of the Company's program to manage the fixed and floating interest rate mix of the Company's total debt portfolio and the overall cost of borrowing. The Company uses short-term foreign currency forward exchange contracts to hedge the revaluations of the foreign currency balances. The Company has also identified embedded derivatives in certain supply contracts.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Comprehensive income

The Company defines comprehensive income as net income plus the sum of the changes in unrealized gains (losses) on derivatives designated as cash flow hedges, unrealized gains (losses) on translation of debt designated as a hedge of the net investment in self-sustaining foreign subsidiaries, unrealized gains (losses) on pension liability adjustments, foreign currency translation gains (losses) on self-sustaining foreign subsidiaries and an unrealized gain (loss) on translation resulting from the application of U.S. dollar reporting and is presented in the consolidated statements of shareholders' equity and comprehensive income (loss), net of income taxes.

Uncertainties and estimates

In addition to "Critical accounting policies and estimates" described above, this section further discusses inherent uncertainties in our net income resulting from foreign exchange rate fluctuations as well as certain balance sheet items that involved critical estimates and judgments.

Fluctuation in net income from changes in foreign exchange rates

As a Canadian company that operates globally and holds a large percentage of its cash and has a large number of transactions in U.S. dollars, our net income may have significant fluctuations as result of foreign exchange movements primarily between the Canadian and U.S. dollar. The majority of our operations are located in Canada, however, the vast majority of our sales (96% in 2012) are to customers outside of Canada. We also have a number of supply agreements with companies outside of Canada. These supply agreements include the supply of Co-60 to 2024 from Isotope in Russia, which is denominated in U.S. dollars. In addition to being a common currency for international transactions, the majority of our sales are in U.S. dollars. Therefore, we believe that contracting in U.S. dollars for certain international contracts, including the agreement with Isotope, is preferred with respect to the economic impact on the cash flow of the Company as it better matches the currency of the cash outflows of the Company to our cash inflows (revenues) in U.S. dollars.

Despite using a U.S. dollar reporting currency, these U.S. dollar contracts may create significant fluctuations in our net income. Under U.S. accounting guidelines, an embedded derivative may be created when companies enter into transactions that are not denominated in the currencies of the parties to the transaction. For accounting purposes, the functional currency of our Canadian operations is the Canadian dollar and all our future purchase and sale commitments with non-U.S. based enterprises that are denominated in U.S. dollars usually result in an embedded derivative being present. These embedded derivatives are revalued at the end of each reporting period based on the change in foreign exchange rates, in our case, primarily the Canadian to U.S. dollar exchange rate. The most significant embedded derivatives in our business relate to the long-term supply agreement with our Russian supplier Isotope. The remaining purchase commitments associated with this agreement, over 12 years for Co-60 purchases, are revalued at the end of each quarterly period. Although the calculation is complex and involves a number of variables including current and forward Canadian to U.S. dollar exchange rates and discount rates, an indicative impact of a one cent movement in the Canadian to U.S. dollar exchange rate may result in a gain or loss of approximately \$0.5 million for accounting purposes. As a result, embedded derivative gains and losses are expected to be significant in our operating and net income in the future.

In addition, at the end of each quarter, we revalue all monetary assets and liabilities that are expected to be realized in cash that are in a currency other than the functional currency of the entity within Nordion in which they are recorded. This revaluation creates a foreign exchange gain or loss that is reflected in Other expenses, net, which is included in operating income and net income. We generally hold the majority of our cash in our Canadian functional currency entity in U.S. dollars, which is revalued at the end of each quarter.

The gain or loss from embedded derivatives and/or the revaluation of monetary assets and liabilities reflects the movement of foreign exchange rates within the period and, therefore, a gain or loss in one quarter will not imply that there will be a similar gain or loss in a subsequent quarter unless there is a similar movement of foreign exchange rates within the quarter.

Currently our Canadian dollar costs are significantly higher than our Canadian dollar revenue and therefore our operating income and net income are negatively impacted by the strengthening of the Canadian dollar relative to the U.S. dollar, and vice versa. While we may be able to increase our revenue in Canadian dollars, or hedge all or a portion of the Canadian to U.S. dollar difference between our costs and revenues for a period of time, changes in foreign exchange rates may still have an impact on our operating income and net income.

Critical estimates in deferred tax assets and certain long-term assets

As of October 31, 2012, we reported \$57.0 million of deferred tax assets, all of which relate to our Canadian operations and could be used to reduce future cash taxes in Canada. We made critical estimates and judgments, primarily related to our forecast of future income, that the Company will significantly benefit from existing tax losses, R&D tax credits, and other carryovers that can be applied to reduce cash taxes.

We are subject to taxation in our principal jurisdiction of Canada and in numerous other countries around the world. With few exceptions, we are no longer subject to examination by Canadian tax authorities for taxes filed for years prior to 2005. However, despite the fact that many of the activities related to our prior strategic repositioning during 2009 to 2011 are complete, most Canadian tax returns for 2005 and later still remain open to examination and potential adjustment by various tax authorities. As discussed in the Internal Control over Financial Reporting section of this MD&A, we have identified a material weakness in the accounting for income taxes principally related to historical transactions.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of October 31, 2012, we also reported at fair value \$1.4 million and \$14.2 million of investment and long-term note receivable in Celerion Inc. (Celerion), respectively, received as part of the sale proceeds of Early Stage. We made critical estimates and judgments in determining the fair value of these assets, the going concern assumption for Celerion, and associated credit risk.

While we believe these estimates and key judgments are reasonable, different assumptions regarding such factors as industry outlook, customer demand, competitor actions, and other unforeseen events may cause future results to differ from our current estimates.

Management's annual report on disclosure controls and procedures and internal control over financial reporting

An effective system of disclosure controls and procedures and internal control over financial reporting is highly dependent upon adequate policies and procedures, human resources and information technology. All control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of the controls or procedures. As a result, there is no certainty that our disclosure controls and procedures or internal control over financial reporting will prevent all errors or all fraud. In addition, changes in business conditions or changes in the nature of the Company's operations may render existing controls inadequate or affect the degree of compliance with policies and procedures. Accordingly, even disclosure controls and procedures and internal control over financial reporting determined to be effective can only provide reasonable assurance of achieving their control objectives.

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure. We, including the CEO and CFO, have evaluated the effectiveness of our disclosure controls and procedures as defined in the rules of the U.S. Securities and Exchange Commission and the Canadian Securities Administrators. Based on that evaluation, we, including the CEO and CFO, have concluded that, as a result of the material weakness described below in our report on internal control over financial reporting, disclosure controls and procedures were not effective as of October 31, 2012.

Internal control over financial reporting

Management of Nordion, under the supervision of the CEO and CFO, is responsible for the design and operation of internal control over financial reporting and evaluates the effectiveness of these controls on an annual basis using the framework and criteria established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on the evaluation performed as at October 31, 2012 and because of the material weakness described below, management concluded that internal control over financial reporting was not effective as of October 31, 2012. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

As of October 31, 2012, the Company did not maintain effective internal control over financial reporting in the accounting for income taxes principally related to historical transactions. Specifically, management has not yet completed a process of reviewing and evaluating the accounting and reporting of its income tax accounts based on the complex transactions principally arising from prior years, particularly considering the reduced size and scope of the Company which has resulted in a significantly reduced level of materiality. While this material weakness is not pervasive in scope, it resulted in non-material errors to the financial statements that were identified and corrected prior to release and, accordingly, there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Remediation of the material weakness from the prior year and related material changes in internal control over financial reporting

As at the end of fiscal 2010, Management had concluded that the technical complexity and volume of work associated with the strategic repositioning plan placed substantial demands on the Company's tax resources, which in turn diminished the operating effectiveness of our internal controls for both routine and non-routine income tax accounting and reporting.

During fiscal 2012, we have continued to monitor our accounting and reporting for our income tax accounts related to the complex transactions of prior years. We have identified those issues on which we need to focus our remediation efforts and are progressing on the resolution of these issues in accordance with our plan. We intend to continue our efforts to strengthen and enhance our disclosure controls and procedures and internal control over this identified area of deficiency until the material weakness is fully remediated.

Nordion Inc. Fiscal 2012 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management implemented a number of measures during fiscal 2011 and 2012 designed to remediate these identified control deficiencies including:

- augmenting technical accounting and tax resources with external support from professional accounting firms other than our independent registered public accounting firm;
- the hiring of additional tax specialists into our tax group;
- the development and implementation of a plan to review the historical tax positions and exposures for all legal entities in a complete and effective manner and in light of a lower reporting materiality;
- working with various taxation authorities to expedite their audits of our open tax years;
- the consideration of enhancements to the level of automation in our tax accounting and working paper preparation; and,
- further strengthening of the design of internal controls over complex and non-routine transactions.

The measures noted above have allowed us to make substantial progress on this matter but as at October 31, 2012, we do not yet consider the material weakness to have been remediated.

Caution regarding forward-looking statements

From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including under applicable Canadian securities laws and the "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995. This document contains forward-looking statements, including but not limited to, statements relating to our expectations with respect to: our business strategy and the competitive landscape; factors influencing our commercial success; the demand for and supply of our products and competing products; the supply of the inputs for our products; potential outcomes of current legal proceedings and our internal investigation; the potential for additional legal and regulatory proceedings; the regulatory status of our products, reimbursement approvals and the costs and results of clinical trials; our research and development initiatives; our estimates of future site remediation costs; our intentions with respect to our liquidity levels and access to capital; and more generally statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may", "will", "could", "should", "would", "outlook", "believe", "plan", "anticipate", "estimate", "project", "expect", "intend", "indicate", "forecast", "objective", "optimistic", "assume", "endeavour", and similar words and expressions are intended to identify forward-looking statements.

Forward-looking statements are necessarily based on estimates and assumptions made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate in the circumstances, but which are inherently subject to significant business, political, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to, the following factors, which are discussed in greater detail in the "Risk Factors" described in section 5 of the AIF; and our success in anticipating and managing these risks: availability of supply of reactor-based isotopes; business interruptions; the Company's primary Targeted Therapies product, TheraSphere, is sold under a Humanitarian Device Exemption in the U.S.; anti-corruption and fraud and abuse risk; effectiveness of internal controls; risks arising from doing business in various countries around the world; dependence on one customer for the majority of the Medical Isotopes segment revenue and earnings; risks related to the Company's credit facility agreement; shareholder activism; sources of supply; reimbursement risk; an unfavourable outcome of one of the Company's clinical trials for TheraSphere®; external forces may result in significant declines in pricing and/or sales volumes; the Company's primary operating locations handle and store hazardous and radioactive materials; the Company faces significant competition and may not be able to compete effectively; long-term supply commitments of Co-60; risks related to insurance coverage; the Company's business, financial condition, and results of operations are subject to significant fluctuation; current and future litigation and regulatory proceedings; risks relating to the Company's defined benefit pension plans; the Company is subject to complex and costly regulation; Restrictions on foreign ownership; outcome of the Company's arbitration with AECL and its lawsuit against AECL; Risks related to any strategic transaction; compliance with laws and regulations affecting public companies; the Company may be unable to effectively introduce and market new products and services, or may fail to keep pace with advances in technology; foreign currency exchange rates may adversely affect results; changes in trends in the pharmaceutical and biotechnology industries; regulations may reduce demand for the Company's products and services, and increase expenses; current economic instability; volatility of share price and dividend policy; dependence on information technology (IT) systems and communication systems; uncertain disposal and decommissioning costs; access to cash for ongoing operations or for strategic transactions; intellectual property protection; tax reassessment risk; dependence upon the services of key personnel; labour relations.

The foregoing list of factors that may affect future results is not exhaustive. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. We caution readers not to place undue reliance on our forward-looking statements, as a number of factors, including but not limited to the risk factors listed above and further described in section 5 of our 2012 AIF, could cause our actual results, performance or achievements to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements.

We do not assume any obligation to update or revise any forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf, except as required by applicable law.

AMENDED AND RESTATED CREDIT AGREEMENT

BETWEEN

NORDION INC.

as Borrower

AND

THE TORONTO-DOMINION BANK

as Administrative Agent

TD SECURITIES INC.

as Lead Arranger and Bookrunner

AND

THE FINANCIAL INSTITUTIONS

from time to time parties hereto,

as Lenders

MADE AS OF

January 25, 2013

McCARTHY TÉTRAULT LLP

TABLE OF CONTENTS

ARTICLE 1 - INTERPRETATION	1
1.01 Definitions	1
1.02 Headings	29
1.03 Accounting Practices	30
1.04 Permitted Encumbrances	30
1.05 Currency	30
1.06 Paramountcy	30
1.07 Non-Business Days	30
1.08 Interest Payments and Calculations	31
1.09 Determinations By the Borrower	31
1.10 Schedules	32
ARTICLE 2 - THE CREDIT FACILITIES	32
2.01 Credit Facilities	33
2.02 Swingline Facility	35
2.03 Purpose of Credit Facilities	35
2.04 Manner of Borrowing	35
2.05 Nature of the Credit Facilities	36
2.06 Drawdowns, Conversions and Rollovers	36
2.07 Agent's Obligations with Respect to Advances	37
2.08 Lenders' and Agent's Obligations with Respect to Advances	37
2.09 Irrevocability	37
2.10 Cancellation or Permanent Reduction of a Credit Facility	37
2.11 Termination of LIBOR Advances	37
2.12 Extension of Maturity Date	38
ARTICLE 3 - DISBURSEMENT CONDITIONS	39
3.01 Conditions Precedent to the Initial Advance on the Closing Date	39
3.02 Conditions Precedent to Effectiveness of this Agreement on the Second Closing Date	40
3.03 Conditions Precedent to Subsequent Advances	42
3.04 Waiver	42
ARTICLE 4 - EVIDENCE OF DRAWDOWNS	42
4.01 Account of Record	42
ARTICLE 5 - PAYMENTS OF INTEREST AND STANDBY FEES	43
5.01 Interest on Prime Rate Advances	43
5.02 Interest on US Base Rate Advances	43
5.03 Interest on LIBOR Advances	43
5.04 No Set-Off, Deduction etc.	44
5.05 Standby Fees – Revolving Facility	44
5.06 Agency Fees	44
5.07 Overdue Principal and Interest	44
5.08 Interest on Other Amounts	45

ARTICLE 6 - BANKERS' ACCEPTANCES AND LETTERS OF CREDIT	45
6.01 Bankers' Acceptances	45
6.02 Letters of Credit	48
6.03 Major Disruption	53
ARTICLE 7 - REPAYMENT	54
7.01 Mandatory Repayment of Principal – Credit Facilities	54
7.02 Voluntary Repayments and Reductions	54
7.03 Mandatory Repayments from Proceeds of Insurance and Expropriation Proceeds	55
7.04 Excess Over the Maximum Amounts	56
7.05 Payment of Breakage Costs etc.	56
ARTICLE 8 - PLACE AND APPLICATION OF PAYMENTS	56
8.01 Place of Payment of Principal, Interest and Fees	56
8.02 Netting of Payments	58
ARTICLE 9 - REPRESENTATIONS AND WARRANTIES	58
9.01 Representations and Warranties	58
9.02 Survival and Repetition of Representations and Warranties	66
ARTICLE 10 - COVENANTS	66
10.01 Positive Covenants	66
10.02 Financial Covenants	70
10.03 Reporting Requirements	71
10.04 Negative Covenants	72
10.05 Security and Documentation Matters	75
ARTICLE 11 - SECURITY	76
11.01 Form of Security	76
11.02 Insurance	77
11.03 After Acquired Property and Further Assurances	77
11.04 Application of Proceeds of Security	77
11.05 Security Charging Real Property	77
11.06 L/C Facility Priority Collateral	77
11.07 Discharge of Security	77
ARTICLE 12 - DEFAULT	78
12.01 Events of Default	78
12.02 Acceleration and Termination of Rights	81
12.03 Payment of Bankers' Acceptances and Letters of Credit	81
12.04 Remedies Cumulative and Waivers	82
12.05 Termination of Lenders' Obligations	82
12.06 Saving	82
12.07 Perform Obligations	83
12.08 Third Parties	83
12.09 Set-Off or Compensation	83

12.10	Realization of Security	83
12.11	Application of Payments	83
12.12	Lender Collateral Priorities	84
12.13	Consultant	84
ARTICLE 13 - THE AGENT AND THE LENDERS		85
13.01	Knowledge and Required Action	85
13.02	Request for Instructions	85
13.03	Actions by Lenders	86
13.04	Provisions for Benefit of Lenders Only	87
13.05	Payments by Agent	87
13.06	Acknowledgements, Representations and Covenants of Lenders	88
13.07	Rights of Agent	89
13.08	Non-Funding Lenders	90
13.09	Allocation	91
ARTICLE 14 - GENERAL		91
14.01	Exchange and Confidentiality of Information	91
14.02	Nature of Obligations under this Agreement	92
14.03	Addresses, Etc. for Notices	92
14.04	Governing Law and Submission to Jurisdiction	92
14.05	Judgement Currency	92
14.06	Benefit of the Agreement	93
14.07	Survival	93
14.08	Severability	93
14.09	Whole Agreement	93
14.10	Further Assurances	93
14.11	Time of the Essence	94
14.12	Delivery by Facsimile Transmission	94
14.13	Anti-Money Laundering Legislation	94
14.14	Fondé de Pouvoir	94
14.15	CBA Model Terms	95

TABLE OF SCHEDULES

Schedule AA	– Model Credit Agreement Provisions
Schedule A	– Lenders and Commitments
Schedule B	– Drawdown Notice
Schedule C	– Notice of Rollover
Schedule D	– Notice of Conversion
Schedule E	– Repayment Notice
Schedule F	– Compliance Certificate
Schedule G	– Guarantors on Second Closing Date
Schedule H	– Existing Letters of Credit
Schedule 9.01(6)	– Taxes

Schedule 9.01(9)	–	Litigation
Schedule 9.01(12)	–	Description of Real Property
Schedule 9.01(13)	–	Insurance Policies
Schedule 9.01(17)	–	Corporate Structure
Schedule 9.01(18)	–	Relevant Jurisdictions
Schedule 9.01(20)	–	Intellectual Property
Schedule 9.01(21)	–	Material Contracts
Schedule 9.01(33)	–	Non-Arm's Length Transactions

AMENDED AND RESTATED CREDIT AGREEMENT

THIS AGREEMENT is made as of January 25, 2013.

B E T W E E N:

NORDION INC., a corporation existing under the federal laws of Canada
(hereinafter referred to as the “**Borrower**”)

- and -

THE TORONTO-DOMINION BANK, in its capacity as Administrative Agent (the “**Agent**”)

- and -

Each financial institution from time to time party to this Agreement and shown as a Lender on the signature pages hereto (hereinafter in such capacities individually referred to as a “**Lender**” and collectively in such capacities referred to as the “**Lenders**”).

WHEREAS the Borrower, the Agent and the parties thereto entered into a credit agreement made as of June 3, 2011 (as amended on November 23, 2012, the “**Original Credit Agreement**”);

AND WHEREAS the parties hereto wish to amend and restate the Original Credit Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the covenants and agreements herein contained the parties hereto agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 Definitions

In this Agreement unless something in the subject matter or context is inconsistent therewith:

“**Account Receivable**” means any right of a Person to payment for services rendered or goods sold in the ordinary course of business classified as an account receivable in accordance with GAAP.

“**Acquisition**” shall mean, with respect to any Person, any purchase or other acquisition, regardless of how accomplished or effected (including any such purchase or other acquisition effected by way of amalgamation, merger, arrangement, business combination or other form of corporate reorganization or by way of purchase, lease or other acquisition arrangements), of (a) any other Person (including any purchase or acquisition of such number of the issued and outstanding securities of, or such portion of an Equity Interest in, such other Person that such other Person becomes a Subsidiary of the purchaser or of any of its Affiliates) or of all or substantially all of the Property of any other Person, or (b) any division, business, operation or undertaking of any other Person or of all or substantially all of the Property of any division, business, operation or undertaking of any other Person.

“**Administrative Questionnaire**” has the meaning set forth in Schedule AA.

“**Advance**” means a borrowing by the Borrower by way of a Prime Rate Advance, a US Base Rate Advance, a BA Equivalent Note, a LIBOR Advance, acceptance by a Lender of a draft or depository bill presented for acceptance as a Bankers’ Acceptance, the issuance of a Letter of Credit by a Lender, and any reference relating to the amount of Advances shall mean the sum of the principal amount of all outstanding Prime Rate Advances, US Base Rate Advances and LIBOR Advances, whether as a result of a Drawdown, Conversion, Rollover or deemed advance, plus the face amount of all outstanding Bankers’ Acceptances and BA Equivalent Notes plus the maximum amount payable under Letters of Credit.

“**AECL**” means Atomic Energy of Canada Limited.

“**AECL Disputes**” means (i) the arbitration proceeding commenced by the Borrower against AECL in respect of the interim and long-term supply agreement between AECL and the Borrower made as of February 21, 2006 (“ILTSA”), and (ii) the law suit commenced by the Borrower against AECL and the Government of Canada in respect of the ILTSA, the isotope production facilities agreement between AECL and a predecessor to the Borrower dated as of August 19, 1996 and related agreements and matters.

“**Affiliate**” has the meaning set forth in Schedule AA.

“**Agent**” means The Toronto-Dominion Bank in its capacity as administrative agent for the Lenders, including any successor agent pursuant to Section 7.7 of Schedule AA.

“**Agent’s Payment Branch**” means the branch of the Agent located at Royal Trust Tower, 77 King Street West, 18th Floor, Toronto, Ontario M5K 1A2, or such other office that the Agent may from time to time designate by notice to the Borrower and the Lenders.

“**Agreement**” means this amended and restated credit agreement, the schedules and all amendments made hereto in accordance with the provisions hereof as amended, revised, replaced, supplemented or restated from time to time.

“**Annual Business Plan**” means the annual business plan of the Borrower, prepared on a consolidated basis, with detailed financial projections and budgets on a quarter to quarter basis for the following Fiscal Year and a forecast for the two (2) Fiscal Years following that Fiscal Year, in each case consisting of a balance sheet, statement of income, retained earnings, statement of cash flows, proposed Capital Expenditures and a list of assumptions upon which such projections are based.

“**Applicable Law**” has the meaning set forth in Schedule AA.

“**Applicable Margin**” means with respect to any Advance the percentage rate per annum determined in accordance with clauses (a) and (b) below:

(a)

Applicable Margin for Prime Rate Loans and US Base Rate Loans	Applicable Margin for LIBOR Loans, Bankers' Acceptances, BA Equivalent Notes and Letters of Credit under Revolving Facility	Applicable Margin for Standby Fee	Applicable Margin for Letters of Credit under L/C Facility
3.00%	4.00%	1.00%	0.60%

(b) Upon the occurrence of, an Event of Default, the Agent on behalf of the Majority Lenders may provide notice to the Borrower identifying an increase in the Applicable Margin by an additional 2.00% per annum. Such increase shall be effective from the date such notice is provided to the Borrower and shall remain in effect until such Event of Default ceases to be operative or has been waived by the Majority Lenders.

“**Applicable Order**” means any applicable domestic or foreign order, judgment, award or decree made by any court or Governmental Authority.

“**Approved Fund**” has the meaning set forth in Schedule AA.

“**Arm's Length**” has the meaning specified in the definition of “**Non-Arm's Length**”.

“**Assignment and Assumption**” has the meaning set forth in Schedule AA.

“**Associate**” means an “associate” as defined in the *Business Corporations Act* (Ontario).

“**Auditor**” means the Borrower's auditor, being Ernst & Young and includes its successors and any replacement auditor of recognized national standing from time to time.

“**BA Discount Proceeds**” means, with respect to a particular Bankers' Acceptance or BA Equivalent Note, the following amount:

$$\frac{F}{1 + \frac{D \times T}{365}}$$

365

where

F means the face amount of such Bankers' Acceptance or BA Equivalent Note;

D means the applicable BA Discount Rate for such Bankers' Acceptance or BA Equivalent Note; and

T means the number of days to maturity of such Bankers' Acceptance or BA Equivalent Note,

with the amount as so determined being rounded up or down to the fifth decimal place and .000005 being rounded up.

"BA Discount Rate" means, (a) for any Bankers' Acceptance or BA Equivalent Note to be accepted by a BA Lender that is a Schedule I Lender on any Drawdown Date, Rollover Date or Conversion Date, as the case may be, CDOR on such Drawdown Date, Rollover Date or Conversion Date, as the case may be, for a period identical to the term to maturity of the relevant Bankers' Acceptance or BA Equivalent Note and (b) for any Bankers' Acceptance or BA Equivalent Note to be accepted by a BA Lender that is not a Schedule I Lender, CDOR plus 0.10% per annum.

"BA Equivalent Note" has the meaning set forth in Section 6.01(1).

"BA Lender" means any Revolving Lender which has not notified the Agent in writing that it is unwilling or unable to accept Drafts as provided for in Article 6.

"BA Stamping Fee" means the amount calculated by multiplying the face amount of a Bankers' Acceptance or a BA Equivalent Note by the BA Stamping Fee Rate and then multiplying the result by a fraction, the numerator of which is the number of days to elapse from and including the date of acceptance of such Bankers' Acceptance or purchase of such BA Equivalent Note by a Revolving Lender up to but excluding the maturity date of such Bankers' Acceptance or BA Equivalent Note and the denominator of which is 365 or 366, as the case may be in such year.

"BA Stamping Fee Rate" means, with respect to a Bankers' Acceptance or a BA Equivalent Note, the applicable percentage rate per annum indicated below the reference to "Applicable Margin for Bankers' Acceptances and BA Equivalent Notes" in the definition of "Applicable Margin" relevant to the period in respect of which a determination is being made.

"Bankers' Acceptance" or **"BA"** means a depository bill, as defined in the *Depository Bills and Notes Act* (Canada) in Canadian Dollars that is in the form of a Draft signed by or on behalf of the Borrower and accepted by a BA Lender as contemplated under Section 6.01 or, for Revolving Lenders not participating in clearing services as contemplated in that Act, a draft or other bill of exchange (including a bill of exchange within the meaning of the *Bills of Exchange Act* (Canada)) in Canadian Dollars that is signed on behalf of the Borrower and accepted by a Revolving Lender.

"Borrower" means Nordion Inc., a corporation existing pursuant to the federal laws of Canada, and its successors.

"Borrower's Counsel" means the firm of Stikeman Elliott LLP and/or such other firm or firms of legal counsel as the Borrower may from time to time designate.

“Breakage Costs” means all costs, losses and expenses incurred by any Lender by reason of the liquidation or deployment of deposits or other funds, the redeployment of funds, the breakage of LIBOR contracts or the loss of investment opportunity or for any other reason whatsoever resulting from the prepayment of any Advance, all as set out in a certificate delivered to the Borrower by any Lender entitled to receive such reimbursement.

“Business” means the business of providing market leading products and services for the prevention, diagnosis and treatment of disease focusing primarily on medical isotopes, targeted therapies and sterilization technologies.

“Business Day” shall mean any day other than a Saturday or a Sunday on which banks generally are open for business in Toronto, Ontario and when used in respect of LIBOR Advances, shall mean any day other than a Saturday or a Sunday on which banks are generally open for business in Toronto, Ontario, New York, New York and London, England and on which transactions can be carried on in the London interbank market and when used in respect of US Base Rate Advances, shall mean any day other than a Saturday or a Sunday on which banks generally are open for business in Toronto, Ontario and New York, New York.

“Canadian Dollars”, **“Cdn. Dollars”** and **“Cdn. \$”** mean the lawful money of Canada.

“Canadian Pension Plan” means any “pension plan” or “plan” that is subject to the funding requirements of the *Pension Benefits Act* (Ontario) or applicable pension benefits legislation in any other Canadian jurisdiction and is applicable to employees resident in Canada of an Obligor.

“Canadian Welfare Plan” means any medical, health, hospitalization, insurance or other employee benefit or welfare plan or arrangement applicable to employees resident in Canada of an Obligor that is not a Canadian Pension Plan.

“Capital Expenditures” means, for any period, any expenditure made by any Person for the purchase, lease, acquisition, license, erection, development, improvement, construction, repair or replacement of capital assets, and any expenditure required to be capitalized, including the creation of a Capital Lease, all as determined in accordance with GAAP, but net after any trade-in allowance given to existing equipment Disposed by that Person upon such expenditure being made. For greater certainty, an Acquisition shall not be treated as a Capital Expenditure.

“Capital Lease” means, with respect to any Person, any lease of (or other agreement conveying the right to use) any real or personal property by such Person that, in conformity with GAAP, is or should be accounted for as a capital lease on the balance sheet of that Person.

“Cash Equivalents” means:

- (a) marketable direct obligations issued by, or unconditionally guaranteed by, the governments of Canada or any province thereof or the United States or any agency or instrumentality of any of them, and backed by the full faith and credit of Canada or such province or the United States, as the case may be, in each case maturing within one year from the date of acquisition; and

- (b) term deposits, certificates of deposit or overnight bank deposits having maturities of six months or less from the date of acquisition issued by any Lender or by any bank listed in Schedule I, II or III of the *Bank Act* (Canada) or any other commercial bank organized under the laws of Canada or the United States or any state thereof having combined capital and surplus of not less than \$500,000,000 or the Equivalent Amount in any other currency.

“**CDOR**” means, for any day and relative to Bankers’ Acceptances or BA Equivalent Notes having any specified term and face amount, the average of the annual rates for Bankers’ Acceptances having such specified term and face amount (or a term and face amount as closely as possible comparable to such specified term and face amount) of the banks named in Schedule I of the *Bank Act* (Canada) that appears on the Reuters Screen CDOR page as of 10:00 a.m. on such day (or, if such day is not a Business Day, as of 10:00 a.m. (Toronto time) on the preceding Business Day), provided that if such rate does not appear on the Reuters Screen CDOR page at such time on such date, CDOR for such date will be the annual rate of interest (rounded upward to the nearest whole multiple of 1/100 of 1%) as of 10:00 a.m. (Toronto time) on such date at which the Agent is then offering to purchase bankers’ acceptances accepted by it having a comparable aggregate face amount and identical maturity date to the aggregate face amount and maturity date of such Bankers’ Acceptances or BA Equivalent Notes, as the case may be.

“**Change in Law**” has the meaning set forth in Schedule AA.

“**Change of Control**” means the occurrence of any transaction or event as a result of which any Person and its Affiliates shall purchase or acquire, directly or indirectly, legally or beneficially, (i) Equity Interests of the Borrower having ordinary voting power to elect a majority of the board of directors or persons performing similar functions, or (ii) an amount equal to or greater than 50.1% of the issued and outstanding Equity Interests of the Borrower.

“**CIBC**” means Canadian Imperial Bank of Commerce.

“**CIBC L/C**” means the letters of credit issued by CIBC, the details of which are identified on Schedule H.

“**Closing Date**” means June 6, 2011.

“**Collateralize**” and “**Collateralized**” in relation to a Letter of Credit means deposit with the Agent the deposit amount or “clean” standby letter of credit contemplated by Section 6.02(11).

“**Commitment**” means, in respect of each Lender from time to time, the maximum amount of Advances which the Lender has covenanted to make as set forth in Schedule A to this Agreement (which shall be amended and distributed to all parties by the Agent from time to time as other Persons become Lenders), which for greater certainty shall in each case be reduced by such Lender’s Proportionate Share of the amount of any permanent repayments, reductions or prepayments required or made hereunder.

“**Compliance Certificate**” means the certificate required pursuant to Section 10.03(3), substantially in the form annexed as Schedule D and signed by the Chief Financial Officer, Vice President – Finance, Treasurer or Controller of the Borrower.

“Contingent Obligation” means, as to any Person, any obligation, whether secured or unsecured, of such Person guaranteeing or indemnifying, or in effect guaranteeing or indemnifying, any indebtedness, leases, dividends, letters of credit or other monetary obligations (the **“primary obligations”**) of any other Person (the **“primary obligor”**) in any manner, whether directly or indirectly, including any obligation of such Person as an account party in respect of a letter of credit or letter of guarantee issued to assure payment by the primary obligor of any such primary obligation and any obligations of such Person, whether or not contingent, (a) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (b) to advance or supply funds for the purchase or payment of any such primary obligation or to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase Property, securities or services primarily for the purpose of assuring the obligee under any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (d) otherwise to assure or hold harmless the obligee under such primary obligation against loss in respect of such primary obligation; provided, however, that the term Contingent Obligation shall not include (i) endorsements of instruments for deposit or collection in the ordinary course of business and (ii) counter-indemnities in respect of commercial credits (documentary or trade letters of credit).

“Controlled Group” means all members of a controlled group of corporations or other business entities and all trades or businesses (whether or not incorporated) under common control, which together with the Borrower and any of its Subsidiaries, are treated as a single employer under Section 414 of the Code or Section 4001 of ERISA.

“Conversion” means a conversion of an Advance pursuant to Section 2.06(1).

“Conversion Date” means the date specified by the Borrower as being the date on which the Borrower has elected to convert one type of Advance into another type of Advance and which shall be a Business Day.

“Conversion Notice” means the notice of request for advance substantially in the form annexed hereto as Schedule D to be given to the Agent by the Borrower pursuant to Section 2.06.

“Credit Facilities” means, collectively, the Revolving Facility and the L/C Facility and **“Credit Facility”** means either of them.

“Crown Debt” means indebtedness owing by the Borrower to the federal government of Canada in the principal amount of Cdn.\$43,450,839 as at December 31, 2012.

“Debt” means, with respect to any Person, without duplication, the aggregate of the following amounts, at the date of determination: (a) all indebtedness of such Person for borrowed money; (b) all obligations of such Person for the deferred purchase price of Property or services which constitute indebtedness; (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments; (d) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person (whether or not the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such Property); (e) all obligations of such Person as lessee under leases that have been, in accordance with GAAP, recorded as Capital Leases; (f) all reimbursement obligations, contingent or otherwise, of such Person under acceptance, letter of credit and similar facilities; (g) all obligations of such Person to purchase, redeem, retire, defease or otherwise acquire for value any partnership or shareholder or other equity interests of such Person (for greater certainty, not including obligations with respect to unexercised options and rights of first refusal and where conditions precedent to the purchase, redemption, retirement, defeasance or other acquisition of such obligations have not occurred); (h) the Market Value of all Hedge Arrangements in respect of which the Market Value is negative from such Person’s perspective (that is, the Person is “out of the money”); (i) all Contingent Obligations of such Person in respect of Debt of another Person; and (j) any other obligation arising under arrangements or agreements that, in substance, provide financing to such Person. For greater certainty, the following shall not be treated as Debt: (i) trade debt incurred in the ordinary course of business, (ii) customer deposits and advance payments in the ordinary course of business, (iii) deferred revenues and (iv) counter-indemnities in respect of commercial credits (documentary or trade letters of credit)

“Default” has the meaning set forth in Schedule AA.

“Depreciation Expense” means, for any period with respect to the Borrower, depreciation, amortization, depletion and other like reductions to income of the Borrower for such period not involving any outlay of cash, determined, without duplication and on a consolidated basis, in accordance with GAAP.

“Disposition” means any sale, assignment, transfer, conveyance, lease or other disposition of any asset of any Obligor, in a single transaction or a series of related transactions and the word **“Dispose”** shall have a correlative meaning. For greater certainty, payments of cash and electronic funds transfers shall not be treated as Dispositions.

“Distribution” shall mean, with respect to any Person, any payment, directly or indirectly, by such Person: (a) of any dividends on any shares of its capital, other than dividends payable in shares; (b) on account of, or for the purpose of setting apart any property for a sinking or other analogous fund for, the purchase, redemption, retirement or other acquisition of any Equity Interests issued by it; (c) of any other distribution in respect of any Equity Interests issued by it; (d) of any principal of or interest or premium or fees on or related to indebtedness or liability of such Person whether ranking, at law or by contract, in right of payment subordinate to any liability of such Person under the Loan Documents or otherwise; or (e) of any management, consulting or similar fee or compensation or any bonus payment or comparable payment, or by way of gift or other gratuity, to any Affiliate of such Person or to any director, officer or member of the management of such Person or an Affiliate of such Person or to any Person not dealing at Arm’s Length with such first Person. For greater certainty, compensation (including bonuses) paid by an Obligor in the course of its business to directors, officers, employees and members of management of Obligors shall not constitute Distributions hereunder.

“Draft” has the meaning set forth in Section 6.01(1).

“Drawdown” means:

- (a) the advance of a Prime Rate Advance, a US Base Rate Advance or a LIBOR Advance;
- (b) the issue of Bankers’ Acceptances or BA Equivalent Notes; or
- (c) the issue of Letters of Credit.

“Drawdown Date” means the date on which a Drawdown is made by the Borrower pursuant to the provisions hereof and which shall be a Business Day.

“Drawdown Notice” means the notice of request for advance substantially in the form annexed hereto as Schedule B to be given to the Agent by the Borrower pursuant to Section 2.06.

“DX RX Accounts” means (i) account number [redacted] in the name of DX RX Indemnity Inc. maintained with CIBC Mellon Global Securities Services Company, 320 Bay Street, Toronto, (ii) US DOLLAR CALLACCOUNT [redacted] in the name of DX RX Indemnity Inc. maintained with First Caribbean International Wealth Management Bank (Offshore) Limited – Rendezvous, P.O. Box 503, Warrens, St. Michael, Barbados, (iii) CANADIAN DOLLAR ACCOUNT [redacted] in the name of DX RX Indemnity Inc. maintained with First Caribbean International Wealth Management Bank (Offshore) Limited – Rendezvous, P.O. Box 503, Warrens, St. Michael, Barbados, (iv) any replacement account of any of the accounts referred to in this definition and (v) each Obligor’s rights in and to any of the accounts referred to in this definition and all amounts from time to time credited thereto. **[Description: account numbers.]**

“EBITDA” means, for any period with respect to the Borrower, on a consolidated basis, the Net Income of the Borrower for such period

- (a) increased by the sum of (without duplication)
 - (i) Interest Expense for such period;
 - (ii) Income Tax Expense for such period;
 - (iii) Depreciation Expense for such period;
 - (iv) non-cash foreign exchange translation loss;

- (v) non-cash expenses resulting from the grant of stock options or capital stock to employees;
- (vi) unusual non-cash charges;
- (vii) losses realized upon the disposition of capital property;
- (viii) non-recurring restructuring expenses and losses from discontinued operations, net of income taxes, arising from the Disposal of Nordion Belgium;

- (ix) goodwill write-downs;
 - (x) change in fair market value of embedded derivative (loss) on supply or sale contracts based on changes in foreign exchange rates; and
 - (xi) [redacted] **[Description: portion of the definition of EBITDA.];**
- in each case to the extent that such amounts were deducted in the calculation of Net Income for such period; and
- (b) decreased by the sum of (without duplication)
 - (i) extraordinary, unusual or non-recurring items;
 - (ii) dividend and interest income earned or received during such period;
 - (iii) unusual non-cash gains;
 - (iv) gains realized upon the disposition of capital property;
 - (v) non-cash foreign exchange translation gains; and
 - (vi) change in fair market value of embedded derivative (gain),

in each case to the extent such amounts were included in the calculation of Net Income for such period.

“**Eligible Assignee**” has the meaning set forth in Schedule AA.

“**Encumbrance**” means, in respect of any Person, any mortgage, debenture, pledge, hypothec, lien, charge, assignment by way of security, hypothecation or security interest granted or permitted by such Person or arising by operation of law, in respect of any of such Person’s Property, or any consignment or Capital Lease of Property by such Person as consignee or lessee or any other security agreement, trust or arrangement having the effect of security for the payment of any debt, liability or obligation of that Person, and “**Encumbrances**”, “**Encumbrancer**”, “**Encumber**” and “**Encumbered**” shall have corresponding meanings.

“**Environmental Laws**” means any Applicable Law relating to the environment including those pertaining to

- (a) reporting, licensing, permitting, investigating, remediating and cleaning up in connection with any presence or Release, or the threat of the same, of Hazardous Materials, and
- (b) the manufacture, processing, distribution, use, treatment, storage, disposal, transport, handling and the like of Hazardous Materials, including those pertaining to occupational health and safety.

“Equity Interest” means (a) in the case of any corporation, all capital stock and any securities exchangeable for or convertible into capital stock, (b) in the case of an association or business entity, any and all shares, interests, participation rights or other equivalents of corporate stock (however designated) in or to such association or entity, (c) in the case of a partnership, limited liability company or unlimited liability company, partnership or membership interests (whether general or limited), as applicable, and (d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distribution of assets of, the issuing Person, and including, in all of the foregoing cases described in clauses (a), (b), (c) or (d), any warrants, rights or other options to purchase or otherwise acquire any of the interests described in any of the foregoing cases.

“Equivalent Amount” means with respect to any two currencies, the amount obtained in one such currency when an amount in the other currency is translated into the first currency using the Agent’s noon spot rate on the Business Day with respect to which such computation is required for the purpose of this Agreement.

“ERISA” means the Employee Retirement Income Security Act of 1974 of the United States, together with the regulations thereunder as the same may be amended from time to time. Reference to Sections of ERISA also refer to any successive Sections thereto.

“ERISA Plan” means an “employee welfare benefit plan” or “employee pension benefit plan” as such terms are defined in Sections 3(1) and 3(2) of ERISA (other than a multiemployer plan as defined in Section 4001(a)(3) of ERISA), in each case, which is subject to Title 1 of ERISA, that is sponsored or contributed to by an Obligor.

“Event of Default” means any of the events or circumstances described in Section 12.01.

“Excluded Taxes” has the meaning set forth in Schedule AA.

“Existing L/C’s” means the CIBC L/C.

“Federal Funds Effective Rate” means, for any day, an annual rate of interest, expressed on the basis of a year of 360 days, equal, for each day during such period, to the weighted average of the rates on overnight United States federal funds transactions with members of the Federal Reserve System arranged by United States federal funds brokers, as published for such day (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York or, for any day on which that rate is not published for that day by the Federal Reserve Bank of New York, the simple average of the quotations for that day for such transactions received by the Agent from three United States federal funds brokers of recognized standing selected by it.

“Financial Assistance” means, without duplication and with respect to any Person, all loans granted by that Person and guarantees or Contingent Obligations incurred by that Person for the purpose of or having the effect of providing financial assistance to another Person or Persons, including, without limitation, letters of guarantee, letters of credit, legally binding comfort letters or indemnities issued in connection therewith, endorsements of bills of exchange (other than for collection or deposit in the ordinary course of business), obligations to purchase assets regardless of the delivery or non-delivery thereof and obligations to make advances or otherwise provide financial assistance to any other entity and for greater certainty **“Financial Assistance”** shall include any guarantee of any third party lease obligations. For greater certainty, Financial Assistance will not include endorsement of bills for collection or deposit in the ordinary course of business. Whenever in this Agreement the amount of any Financial Assistance is required to be determined such amount shall (i) in the case of a loan, be the original principal amount of such loan less all repayments of principal in respect of such loan, (ii) in the case of a guarantee, be the maximum amount of financial exposure of the guarantor pursuant to such guarantee, and (iii) in the case of financial assistance other than a loan or guarantee, such maximum amount that the Person providing such financial assistance may be obliged to expend as a consequence of such commitment to provide financial assistance as determined by the Borrower acting reasonably.

“Fiscal Quarter” means each successive three-month period of the Borrower’s Fiscal Year ending on or about January 31, April 30, July 31 and October 31.

“Fiscal Year” means, in respect of the Borrower, the twelve month period ending on or about the last day of October in any year.

“Four Quarter Period” means as at the last day of any particular Fiscal Quarter of the Borrower, the period of four consecutive Fiscal Quarters which includes the Fiscal Quarter ending as of the date of such calculation (including the last day thereof) and the immediately preceding three Fiscal Quarters.

“Fund” has the meaning set forth in Schedule AA.

“GAAP” means those accounting principles which are recognized as being generally accepted and which are in effect from time to time in the United States.

“Governmental Authority” has the meaning set forth in Schedule AA.

“Guarantors” means, collectively, all Material Subsidiaries of the Borrower but excluding Restricted Subsidiaries that are not required to be Guarantors in accordance with the provisions of Section 10.04(17), from time to time and includes, without limitation, each of those Persons identified on Schedule G and their successors and assigns and **“Guarantor”** means any one of them.

“Hazardous Material” shall mean any substance, product, waste, pollutant, material, chemical, contaminant, dangerous goods, constituent or other material listed, regulated, or addressed under any Requirements of Environmental Law, including, without limitation, asbestos, petroleum product or by-product, polychlorinated biphenyls, radon and any “hazardous waste” as defined by the *Resource Conservation and Recovery Act*, as amended.

“Hedge Arrangement” means, for any period, for any Person, any arrangement or transaction between such Person and any other Person which is an interest rate swap transaction, basis swap, forward interest rate transaction, interest rate option, forward foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency interest rate swap transaction, currency option or any other similar transaction (including any option with respect to any of such transactions or arrangements) designed to protect or mitigate against risks in interest or currency exchange.

“**Hostile Take-Over Bid**” shall mean a Take-Over Bid by an Obligor or in which an Obligor is involved, in respect of which the board of directors (or persons performing similar functions) of the Person whose securities are subject to such Take-Over Bid has recommended rejection of such Take-Over Bid.

“**Income Tax Expense**” means, with respect to the Borrower, for any period, the aggregate, without duplication and on a consolidated basis, of all current Taxes on the income of the Borrower (including franchise taxes imposed in lieu of income taxes) for such period, determined on a consolidated basis in accordance with GAAP.

“**Indemnified Taxes**” has the meaning set forth in Schedule AA.

“**Insolvency Legislation**” means legislation in any applicable jurisdiction relating to reorganization, arrangement, compromise or re-adjustment of debt, dissolution or winding-up, or any similar legislation, and specifically includes for greater certainty the *Bankruptcy and Insolvency Act* (Canada), the *Companies’ Creditors Arrangement Act* (Canada), the *Winding-Up and Restructuring Act* (Canada) and the US Bankruptcy Code.

“**Intellectual Property**” means the intellectual property in patents, patent applications, trade-marks, trade-mark applications, trade names, service marks, copyrights, copyright registrations and trade secrets including, without limitation, customer lists and information and business opportunities, industrial designs, proprietary software, technology, recipes and formulae and other similar intellectual property rights.

“**Interbank Reference Rate**” means the interest rate expressed as a percentage per annum which is customarily used by the Agent when calculating interest due by it or owing to it arising from correction of errors and other adjustments between it and other Canadian chartered banks.

“**Interest Expense**” of the Borrower means, for any period, without duplication and on a consolidated basis, the aggregate amount of interest and other financing charges accrued and paid or payable by the Borrower, on account of such period with respect to Total Debt including interest, amortization of discount and financing fees, commissions, discounts, the interest or time value of money component of costs related to factoring or securitizing receivables or monetizing inventory and other fees and charges payable with respect to letters of credit, letters of guarantee and bankers’ acceptance financing, standby fees, the interest component of Capital Leases and plus or minus (as applicable) net payments (if any) pursuant to Hedge Arrangements involving interest, all as determined in accordance with GAAP.

“**Interest Payment Date**” means:

- (a) with respect to each Prime Rate Advance and US Base Rate Advance, the first Business Day of each calendar month;
and

- (b) with respect to each LIBOR Advance, the last Business Day of each applicable Interest Period and, if any Interest Period is longer than ninety (90) days, the last Business Day of each such ninety (90) day period during such Interest Period.

“Interest Period” means,

- (a) with respect to each Prime Rate Advance and US Base Rate Advance, the period commencing on the applicable Drawdown Date or Conversion Date, as the case may be, and terminating on the date selected by the Borrower hereunder for the Conversion of such Advance into another type of Advance or for the repayment of such Advance;
- (b) with respect to each Bankers’ Acceptance and BA Equivalent Note, the period selected by the Borrower hereunder and being 1, 2, 3 or 6 months duration, subject to availability, commencing on the Drawdown Date, Rollover Date or Conversion Date of such Advance;
- (c) with respect to each LIBOR Advance, the period selected by the Borrower and being from 1, 2, 3 or 6 months duration, subject to availability, commencing on the applicable Drawdown Date, Rollover Date or Conversion Date of such Advance, as the case may be; and
- (d) with respect to a Letter of Credit, the period commencing on the date of issuance of the Letter of Credit and terminating on the last day that the Letter of Credit is outstanding;

provided that (i) in any case the last day of each Interest Period shall be also the first day of the next Interest Period, (ii) the last day of each Interest Period shall be a Business Day and if the last day of an Interest Period selected by the Borrower is not a Business Day the Borrower shall be deemed to have selected an Interest Period the last day of which is the Business Day next following the last day of the Interest Period otherwise selected unless such next following Business Day falls in the next calendar month in which event the Borrower shall be deemed to have selected an Interest Period the last day of which is the Business Day next preceding the last day of the Interest Period otherwise selected, and (iii) no Interest Period shall expire subsequent to the Maturity Date.

“Investment” in any Person means any direct or indirect (a) acquisition of any Equity Interest in any other Person, or (b) any loan or advance made to any other Person. In determining the amount of any Investment involving a transfer of any Property other than any cash or electronic funds transfer, such Property shall be valued at its fair market value determined in accordance with GAAP at the time of such transfer. For greater certainty (i) an Acquisition shall not be treated as an Investment and (ii) commission, travel and similar advances to directors, officers and employees made in the ordinary course of business shall not be treated as an Investment. Whenever in this Agreement the amount of any Investment is required to be determined, such amount shall be the original principal or capital amount of such Investment less principal repayments or returns of capital in respect thereof.

“ISDA Master Agreement” means the 1992 ISDA Master Agreement (Multi-Currency - Cross Border) as published by the International Swaps and Derivatives Association, Inc., as amended, revised or replaced from time to time.

“Issuing Bank” means The Toronto-Dominion Bank.

“Judgement Conversion Date” has the meaning set forth in Section 14.05(1)(b).

“Judgement Currency” has the meaning set forth in Section 14.05(1).

“Labs” means Laboratoires Nordion Inc., a corporation existing pursuant to the federal laws of Canada.

“L/C Lenders” means the Persons designated in Schedule A annexed hereto providing the L/C Facility to the Borrower pursuant to this Agreement.

“L/C Facility” has the meaning set forth in Section 2.01(2).

“L/C Facility Priority Collateral” shall have the meaning ascribed to such term in Section 2.01(2).

“Lender-Related Distress Event” means, with respect to any Lender or any Person that directly or indirectly controls such Lender (each a **“Distressed Person”**), a voluntary or involuntary case with respect to such Distressed Person under any Insolvency Legislation or a custodian, conservator, receiver or similar official is appointed for such Distressed Person or any substantial part of such Distressed Person’s assets, or such Distressed Person is subject to a forced liquidation, merger, sale or other change of control supported in whole or in part by guaranties or other support (including, without limitation, the nationalization or assumption of ownership or operating control by the government of Canada, the United States or other Governmental Authority), or such Distressed Person makes a general assignment for the benefit of its creditors or is otherwise adjudicated as, or determined by any Governmental Authority having regulatory authority over such Distressed Person or its assets to be, insolvent, bankrupt, or deficient in meeting any capital adequacy or liquidity standard of any such governmental authority.

“Lenders” means the Persons designated in Schedule A annexed hereto providing the Credit Facilities to the Borrower pursuant to this Agreement and **“Lender”** means any one of the Lenders and includes each of their successors and permitted assigns.

“Lenders’ Counsel” means the firm of McCarthy Tétrault LLP and any and all local agent counsel retained by McCarthy Tétrault LLP for and on behalf of the Agent; provided that no more than one law firm in any single jurisdiction shall be retained as Lenders’ Counsel.

“Lending Office” means, with respect to a particular Lender, the branch or office specified in Schedule A from which such Lender makes Advances and to which the Agent disburses payments received for the benefit of such Lender.

“Letter of Credit Fee Rate” means, with respect to a Letter of Credit, the annual percentage per annum indicated below the reference to “Applicable Margin for Letters of Credit” in the pricing grid in the definition of “Applicable Margin” relevant to the period in respect of which determination is being made.

“Letters of Credit” means a letter of credit or letter of guarantee issued by the Issuing Bank at the request and for the account of the Borrower under this Agreement and **“Letter of Credit”** means any one thereof.

“LIBO Rate” means, for each Interest Period for each LIBOR Advance, the interest rate expressed as a percentage rate per annum calculated on the basis of a 360 day year, equal to:

- (a) the simple average of the rates for deposits in US Dollars in the London England inter-bank market for a period equal to such LIBOR Interest Period which appears on LIBOR Page “01” of the Reuters Monitor Money Rates Service (or such other page as the Agent, after consultation with the Lenders, shall nominate which replaces that page for the purpose of displaying offered rates of leading banks for London inter-bank deposits in US Dollars for a period equal to such LIBOR Interest Period) as of 11:00 a.m. London, England time on the second Business Day preceding the first day of such LIBOR Interest Period; or
- (b) if a rate is not determinable pursuant to clause (a) of this definition at the relevant time, as determined by the Agent, such rate, as determined by the Agent to be the average at which deposits in US Dollars are offered by the principal lending office in London, England of the Agent to leading banks in the London inter-bank market at approximately 11:00 a.m. London, England time on the second Business Day preceding the first day of such LIBOR Interest Period for a period comparable to the LIBOR Interest Period and in an amount comparable to the amount of the LIBOR Advance to be outstanding during such LIBOR Interest Period; or
- (c) if the rate is not determinable pursuant to clause (a) or (b) of this definition at the relevant time in respect of the relevant period, Section 2.11 shall apply.

“LIBO Rate Margin” means, for any period, the percentage rate per annum (expressed on the basis of a year of 360 days) applicable to that period as indicated below the reference to “Applicable Margin for LIBOR Loans” in the pricing grid in the definition of “Applicable Margin”.

“LIBOR Advance” means an Advance in United States Dollars made by the Lenders to the Borrower with respect to which the Borrower has specified that interest is to be calculated by reference to the LIBO Rate.

“LIBOR Interest Period” means an Interest Period applicable to any LIBOR Advance.

“Loan Documents” means (a) this Agreement, the Security, all guarantees delivered by any Obligor pursuant to the Original Credit Agreement and this Agreement; and each other agreement delivered to the Agent by an Obligor on the Closing Date and the Second Closing Date; (b) the fee letters referred to in Section 5.05; (c) Service Agreements and all other agreements to which an Obligor is party relating to VISA, MasterCard and other charge cards issued by a Lender; and (d) all present and future security and other agreements delivered by any Obligor to the Agent or the Lenders pursuant to, or in respect of the agreements referred to in clause (a); in each case as the same may from time to time be supplemented, amended or restated, and **“Loan Document”** shall mean any one of the Loan Documents.

“Majority Lenders” means Lenders holding at least 66 2/3% of the Commitments under the Credit Facilities and, should there be two or more Lenders, shall include at least two Lenders.

“Majority L/C Lenders” means L/C Lenders holding at least 66 2/3% of the Commitments under the L/C Credit Facility and should there be two or more L/C Lenders, shall include at least two L/C Lenders.

“Majority Revolving Lenders” means Revolving Lenders holding at least 66 2/3% of the Commitments under the Revolving Facility and should there be two or more Revolving Lenders, shall include at least two Revolving Lenders

“Market Value” means at any time with respect to all Hedging Arrangements entered into between the Borrower or any Subsidiary of it (the **“relevant Nordion Entity”**) and any counterparty to it means the amount which is or (as the case may be) would be payable to a counterparty (on a net basis) under the master agreement (to the extent that a master agreement has been entered into) governing all Hedging Arrangements between the relevant Nordion Entity and such counterparty (expressed as a positive number) or by such counterparty thereunder to the relevant Nordion Entity (expressed as a negative number), as the case may be, if those Hedging Arrangements have been or (as the case may be) were then to be early terminated in accordance with the provisions of such master agreement at such time.

“Material Adverse Effect” shall mean (a) a material adverse effect on the business, operations, properties, assets, or condition (financial or otherwise) of the Borrower on a consolidated basis, (b) an adverse effect on the legality, validity or enforceability of any of the Loan Documents which is reasonably likely to be material having regard to the Loan Documents considered as a whole, including the validity, enforceability, perfection or priority of any Encumbrance created under any of the Security which is reasonably likely to be material having regard to the Security considered as a whole, (c) a material adverse effect on the ability of an Obligor to pay or perform any of its debts, liabilities or obligations under any of the Loan Documents, which is reasonably likely to be material with respect to the Obligors considered as a whole, or (d) an adverse effect on the right, entitlement or ability of the Agent or the Lenders to enforce their rights or remedies under any of the Loan Documents which is reasonably likely to be material having regard to the Loan Documents taken as a whole. For greater certainty, neither any interim or final determination of the AECL Disputes shall be interpreted as having given rise or shall give rise to a Material Adverse Effect.

“Material Contracts” means, collectively, each written agreement (or multiple agreements with the same Person), arrangement or understanding entered into by an Obligor which if not complied with or expires, is reasonably likely to have a Material Adverse Effect. The fact that a contract may be a Material Contract for the purposes of this Agreement shall have no bearing on whether it constitutes a material contract for the purposes of applicable securities laws.

“Material Intellectual Property” means Intellectual Property material to the conduct of the Business of the Obligor considered as a whole.

“Material Licences” means, collectively, each licence, permit or approval issued by any Governmental Authority or any applicable stock exchange or securities commission to any Obligor the breach or default of which is reasonably likely to result in a Material Adverse Effect.

“Material Subsidiary” means any Subsidiary of the Borrower that (a) is not exclusively a holding company, and (b) (i) such Subsidiary (not including through another Subsidiary) owns assets (excluding Equity Interests in Subsidiaries or any other Obligor) with a value in excess of 5% of the value of the consolidated assets of the Borrower as such amounts are reflected in the consolidated balance sheet of the Borrower, (ii) such Subsidiary (not including through another Subsidiary) carries on business activities generating in excess of 5% of the consolidated revenues of the Borrower, (iii) such Subsidiary’s EBITDA (on an unconsolidated basis) constitutes more than 5% of the Borrower’s consolidated EBITDA, or (iv) such Subsidiary makes a material contribution to the ability of the Borrower to successfully carry on the Business and **“Material Subsidiaries”** means all of such Subsidiaries. A Material Subsidiary shall also include any Subsidiary that has been designated as such by the Borrower in order to comply with the provisions of Section 10.01(19) of this Agreement.

“Maturity Date” means, in connection with the Revolving Facility, the earlier of January 24, 2014 (as such date may be extended pursuant to Section 2.12) and the date on which the Revolving Facility is terminated pursuant to Section 12.02.

“Net Income” means, for any period, with respect to the Borrower, the consolidated net income (loss) of the Borrower, for such period, all as determined in accordance with GAAP.

“Non-Arm’s Length” and similar phrases have the meaning attributed thereto for the purposes of the *Income Tax Act* (Canada); and **“Arm’s Length”** shall have the opposite meaning.

“Non BA Lender” means any Lender which is not a BA Lender.

“Non-Funding Lender” means any Lender (a) that has failed to fund any payment or Advances required to be made by it hereunder or to purchase all participations required to be purchased by it hereunder and under the Loan Documents, or (b) that has given verbal or written notice to the Borrower, the Agent or any Lender or has otherwise publicly announced that it believes that it will be unable to fund advances under credit arrangements to which it is a party, or (c) with respect to which one or more Lender Related Distress Events has occurred, or (d) with respect to which the Agent has knowledge that such Lender has defaulted in fulfilling its obligations (whether as an agent, lender or letter of credit issuer) under one or more other syndicated credit facilities, or (e) with respect to which the Agent has concluded, acting reasonably, and has advised the Lenders in writing that it is of the view that, there is a reasonable chance that such Lender shall become a “Non-Funding Lender” pursuant to any of (a), (b) or (c) above and that such Lender has been deemed a “Non-Funding Lender.”

“Nordion Belgium” means MDS Nordion S.A. a company formed under the laws of Belgium.

“Nordion Singapore” means MDS Pharma Services (Singapore) Pte. Ltd., a company formed under the Companies Act, Singapore.

“Obligations” means, with respect to any Obligor, all of its present and future indebtedness, liabilities and obligations of any and every kind, nature or description whatsoever (whether direct or indirect, joint or several or joint and several, absolute or contingent, matured or unmatured, in any currency and whether as principal debtor, guarantor, surety or otherwise, including without limitation any interest that accrues thereon after or would accrue thereon but for the commencement of any case, proceeding or other action, whether voluntary or involuntary, relating to the bankruptcy, insolvency or reorganization whether or not allowed or allowable as a claim in any such case, proceeding or other action) to each of the Agent, the Lenders (and its Affiliates) and any of them under, in connection with, relating to or with respect to each of the Loan Documents and any and all Hedge Arrangements, and any unpaid balance thereof.

“Obligors” has the meaning set forth in Schedule AA.

“OFAC” means The Office of Foreign Assets Control of the US Department of the Treasury.

“Operating EBITDA” means EBITDA increased by the sum of (without duplication):

- (a) [redacted] **[Description: portion of the definition of Operating EBITDA.];**
- (b) [redacted] **[Description: portion of the definition of Operating EBITDA];**
- (c) wind-up expenses related to the Harris Laboratories, Inc. defined benefit plan in an amount not to exceed \$7,000,000; and
- (d) restructuring charges incurred by the Borrower or any Subsidiary in Fiscal Year 2013 in an amount not to exceed \$1,000,000.

“Organizational Documents” means, with respect to any Person, such Person’s articles or other charter or constitutional documents, by-laws, shareholder agreement, partnership agreement, joint venture agreement, limited liability company agreement or trust agreement, as applicable, and any and all other similar agreements, documents and instruments relative to such Person.

“Other Taxes” has the meaning set forth in Schedule AA.

“Participant” has the meaning set forth in Schedule AA.

“Permitted Acquisitions” means an Acquisition that complies with the following terms:

- (a) at the time of the Acquisition there exists no Default or Event of Default and there shall exist no Default or Event of Default after giving effect to the completion of the Acquisition;
- (b) in the event that the Acquisition consists of the purchase of Equity Interests, the acquiring Obligor shall acquire no less than a majority of the Equity Interests of the Person being acquired;

- (c) the business and assets acquired in such Acquisition shall be free and clear of all Encumbrances (other than Permitted Encumbrances) either before or concurrently with such Acquisition taking place;
- (d) the Acquisition shall be in material compliance with all Requirements of Law;
- (e) the Borrower shall have provided to the Agent historical financial information regarding the subject matter of the Acquisition for a three year period (which, does not have to be audited financial information if unavailable) (or such lesser period if three years of financial statements are unavailable) and shall also provide to the Agent a three year *pro forma* financial forecast on a stand alone and consolidated basis;
- (f) the Business to be acquired shall be in a business substantially similar to the Business;
- (g) the Borrower shall deliver to the Agent, concurrent with the completion of the Acquisition, a certificate identifying any changes to the disclosure information included in the representations contained in Section 9.01 of this Agreement as a result of the Acquisition;
- (h) the aggregate consideration for all Acquisitions in such Fiscal Year shall not exceed US\$20,000,000;
- (i) the Agent shall have received from the Borrower copies of all material third party due diligence reports obtained or prepared by or on behalf of the Borrower or any of its Affiliates (and, for certainty, if none are obtained or prepared, no reports will be required to be delivered) provided that the Agent shall have executed any confidentiality agreements required by the authors of such reports;
- (j) the Borrower shall have provided to the Agent an officer's certificate certifying as to:
 - (i) the Acquisition being a Permitted Acquisition;
 - (ii) details as to the consideration to be paid by the Borrower with respect to the Acquisition which shall include all components of the consideration paid;
 - (iii) the aggregate consideration paid by the Borrower or its Subsidiaries with respect to all Acquisitions completed during the most recently completed twelve month period;
 - (iv) *pro forma* financial covenant calculations demonstrating compliance with the financial covenants contained herein such compliance both prior to and subsequent to the Acquisition supported by such back-up financial details as the Lenders shall reasonably require; and

- (v) details as to the structure of the Acquisition, details of the type of business being acquired and such other information related thereto as may be specified in writing by the Agent;
 - (k) after giving effect to the Acquisition, the Borrower shall, on a *pro forma* basis, be in compliance with each of the financial covenants provided for in Section 10.02 of this Agreement;
 - (l) the Acquisition shall not constitute a Hostile Take-Over Bid;
 - (m) the Agent shall receive at least fifteen (15) days' prior written notice of such Acquisition, which notice shall include a reasonably detailed description of such proposed Acquisition;
 - (n) if (i) the business operations subject to such Acquisition are primarily located outside Canada and the United States of America, or (ii) the Person subject to such Acquisition would be a Restricted Subsidiary, the total consideration for such Acquisition, together with the aggregate consideration for all other Acquisitions previously made during the term of this Agreement identified in (i) and (ii) of this subsection (n) shall not, exceed US\$15,000,000 or the US Dollar Equivalent Amount;
 - (o) if the Acquisition takes place by way of an acquisition of Equity Interests and any Person acquired constitutes a Material Subsidiary, at or immediately following the closing of the Acquisition, the Agent shall, unless such Subsidiary is exempted from providing such documents in accordance with the provisions of Section 10.04(17) and subject to the consideration limitation provided for in the subsection (n), be provided with (i) a legal, valid, binding and enforceable guarantee by each such Person being acquired in which it or they, as the case may be, guarantees all of the Obligations of the Borrower, (ii) such Security (including third party consents) as the Agent views as necessary in order to create a first priority perfected Encumbrance (subject to Permitted Encumbrances) in all assets acquired and/or Equity Interests of each such Person, and (iii) such legal opinions as may be reasonably required by the Agent;
 - (p) on or prior to the date of the Acquisition, the Agent shall receive (i) copies of the acquisition agreement and (ii) such other related material agreements reasonably requested by the Agent; and
 - (q) if the proposed Acquisition involves the acquisition of Equity Interests represented by certificated securities not registered in the name of a clearing agency or securities intermediary, upon the consummation of the Acquisition the Agent shall receive certificates along with appropriate stock powers of attorney in respect of all such Equity Interests so acquired,
- provided that any Acquisition that has a total consideration of less than US\$10,000,000 (or the Equivalent Amount in another currency) that complies with the terms set out in clauses (a), (b), (c), (d), (f), (l), (n), (o) and (q) shall qualify as a Permitted Acquisition.

“Permitted Debt” means:

- (a) Debt under this Agreement;
- (b) Debt in respect of Purchase Money Security Interests, Sale Lease Backs and Capital Leases in an outstanding amount not to exceed US\$5,000,000 in the aggregate at any time;
- (c) Obligations under Qualifying Hedge Arrangements;
- (d) Debt owing by an Obligor to another Obligor;
- (e) the Crown Debt;
- (f) unsecured Debt of the Obligors in an aggregate amount not to exceed US\$10,000,000; and
- (g) Debt consented to in writing by the Lenders from time to time and subject to the terms imposed by the Lenders in connection with such consent.

“Permitted Disposition” means (a) the Disposition of inventory in the ordinary course of business, (b) the Disposition of used, worn-out, damaged or surplus equipment in the ordinary course of business, (c) trade-ins of equipment made in the ordinary course of business for equipment of equal or better value or use, (d) Disposition of Property compensated for by expropriation or insurance proceeds subject to the provisions of Section 7.03, (e) Disposition of Cash Equivalents for fair value for cash consideration, (f) Disposition of any of its assets to an Obligor, (g) Disposition of defaulted accounts in order to realize on them in a commercially reasonable manner and (h) and all other Dispositions to the extent that no Event of Default exists and the fair market value of the assets Disposed of pursuant to this clause (h) does not exceed during any Four Quarter Period US\$5,000,000.

“Permitted Distributions” means all cash amounts and dividends (whether in cash or otherwise) paid by any Obligor to (i) the Borrower, or (ii) a Guarantor, or (iii) to another Obligor in order to facilitate a distribution to a Guarantor or to the Borrower.

“Permitted Encumbrances” means, with respect to the Borrower or any Subsidiary of it, the following:

- (a) liens for Taxes not yet delinquent or for which instalments have been paid based on reasonable estimates pending final assessments, or if past due, the validity of which is being contested diligently and in good faith by appropriate proceedings by the Borrower or such Subsidiary for which reasonable reserves under GAAP are maintained;
- (b) statutory deemed trusts and liens securing claims for unpaid wages, vacation pay, worker’s compensation, unemployment insurance premiums, pension plan contributions or winding-up deficiencies, employee or non-resident withholding tax source deductions, realty taxes (including utility charges and business taxes which are collectable like realty taxes), unremitted goods and services taxes, provincial or harmonized sales taxes, customs duties or similar statutory obligations secured by an Encumbrance on any assets of the Borrower or any Subsidiary of it; provided such claims are not delinquent or if past due, the validity of which is being contested diligently and in good faith by appropriate proceedings by the Borrower or such Subsidiary for which reasonable reserves under GAAP are maintained;

- (c) undetermined or inchoate liens, rights of distress and charges incidental to current operations which relate to obligations not delinquent, or if past due, the validity of which is being contested diligently and in good faith by appropriate proceedings by the Borrower or any Subsidiary of it;
- (d) reservations, limitations, provisos and conditions expressed in any original grants from the Crown or other grants of real or immovable property, or interests therein;

zoning, land use and building restrictions, by-laws, regulations and ordinances of federal, provincial, state, municipal and other Governmental Authorities, licences, easements, servitudes, rights-of-way and rights in the nature of easements (including, without limiting the generality of the foregoing, licences, easements, servitudes, rights-of-way and rights in the nature of easements for railways, sidewalks, public ways, sewers, drains, gas, steam and water mains or electric light and power, or telephone and telegraph conduits, poles, wires and cables); provided that in the case of property material to the conduct of the Business of the Obligors considered as a whole, such matters do not materially impair the use of the affected land for the purpose for which it is used by the Borrower or any Obligor;
- (e)
- (f) title defects, encroachments or irregularities or other matters relating to title which are of a minor nature; provided that in the case of property material to the conduct of the Business of the Obligors considered as a whole, such matters do not in the aggregate materially impair the use of the affected property for the purpose for which it is used by the Borrower or any Obligor;
- (g) the right reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, licence, contract, franchise, grant or permit acquired by that Person or by any statutory provision to terminate any such lease, licence, contract, franchise, grant or permit, or to require annual or other payments as a condition to the continuance thereof;
- (h) the Encumbrance resulting from (i) the deposit of cash or securities in connection with contracts or tenders not to exceed \$5,000,000 (or the Equivalent Amount in Cdn. Dollars) in aggregate outstanding at any time (ii) expropriation proceedings;

- (i) Encumbrances securing workers compensation, employment insurance, surety or appeal bonds, costs of litigation when required by law, liens and claims incidental to current construction, mechanics', warehousemen's, carriers' and other similar liens in an amount, and public, statutory and other like obligations incurred in the ordinary course of business;
- (j) security given to a public utility or any municipality or Governmental Authority when required by such utility or authority in connection with the operations of that Person in the ordinary course of its business; provided that in the case of property material to the conduct of the Business of the Obligor considered as a whole, such security does not materially impair the use of the affected property for the purpose for which it is used by the Borrower or any Obligor;
- (k) the Encumbrance created by a judgment of a court of competent jurisdiction, as long as the judgment is being contested diligently and in good faith by appropriate proceedings by that Person and does not result in an Event of Default;
- (l) Encumbrances in favour of the Superintendent of Financial Institutions Canada over the DX RX Accounts;
- (m) Encumbrances in favour of INC Research Inc. over (i) the US Escrow Account and (ii) the Borrower's rights in and to the US Escrow Account and all amounts from time to time credited thereto (in the amount, as of the Closing Date, of \$5,300,000 plus interest);
- (n) the Security;
- (o) Purchase Money Security Interests, Sale Lease Backs and Capital Leases, provided that such Liens secure Permitted Debt as referenced in (b) of such definition;
- (p) Encumbrances in favour of Her Majesty the Queen, in right of Canada pursuant to the hypothecation and pledge agreement dated April 10, 1997 between Her Majesty the Queen in right of Canada and the Borrower;
- (q) Encumbrances arising from precautionary Uniform Commercial Code financing statement filings regarding operating leases entered into by the Borrower or any Subsidiaries of it in the ordinary course of business; and
- (r) such other Encumbrances as agreed to in writing by the Lenders from time to time in accordance with this Agreement.

"Permitted Investments" means:

- (a) Cash Equivalents;
- (b) Investments by the Borrower occurring prior to the Closing Date in Lumira Capital Corp. and Celerion Inc., LPBP Inc. and Evolved Digital Systems Inc.;

- (c) Investments by an Obligor in another Obligor;
- (d) Investments that constitute Permitted Acquisitions contemplated in subsection (n) of the definition of Permitted Acquisitions by an Obligor in a Restricted Subsidiary or Restricted Subsidiaries in an aggregate outstanding amount not to exceed US\$15,000,000 (or Equivalent Amount in other currency) at any time; and
- (e) Investments, other than those referred to in clauses (a), (b), (c) and (d), in an aggregate outstanding amount not exceeding US\$10,000,000 (or Equivalent Amount in other currency).

For greater certainty, any Investment that is made by way of a Permitted Acquisition shall be deemed to be a Permitted Investment.

“**Person**” has the meaning set forth in Schedule AA.

“**Prime Rate**” means a fluctuating rate of interest per annum, expressed on the basis of a year of 365 or 366 days, as applicable, which is equal at all times to the greater of (a) the base rate of interest (however designated) of the Agent for determining interest chargeable by it on Canadian Dollar commercial loans made in Canada; and (b) 1.0% above CDOR from time to time for one month Canadian Dollar bankers’ acceptances having a face amount comparable to the face amount in respect of which the applicable Prime Rate calculation is being made.

“**Prime Rate Advance**” means an Advance in Canadian Dollars made by the Lenders to the Borrower with respect to which the Borrower has specified that interest is to be calculated by reference to the Prime Rate.

“**Prime Rate Margin**” means, for any period, the percentage rate per annum applicable to that period as indicated below the reference to “Applicable Margin for Prime Rate Loans” in the pricing grid in the definition of “Applicable Margin”.

“**Production Machinery**” means all equipment of an Obligor provided to a manufacturer of an Obligor’s inventory in order to manufacture such inventory.

“**Property**” means, with respect to any Person, all or any portion of its undertaking, property and assets, both real and personal, including for greater certainty any share in the capital of a corporation or ownership interest in any other Person.

“**Proportionate Share**” means in respect of each Lender from time to time, (a) with respect to a Credit Facility, the percentage of such Credit Facility which a Lender has agreed to advance to the Borrower, determined by dividing the Lender’s Commitment in respect of such Credit Facility by the aggregate of all of the Lenders’ Commitments with respect to such Credit Facility and, with respect to an Advance, means the Proportionate Share of such Credit Facility under which such Advance is made in each case, under the Revolving Facility, net of the Commitment under the Swingline Facility and (b) with respect to the Obligations, *pro rata* in accordance with the aggregate unpaid amount of the Obligations owed to such Lender, which, in the case of all Qualifying Hedge Arrangements, shall mean all amounts due thereunder including, with respect to all Qualifying Hedge Arrangements (whether or not governed by an ISDA Master Agreement), as a result of a Termination Event (as such term is defined in the ISDA Master Agreement).

“Purchase Money Security Interest” means an Encumbrance created by an Obligor securing Debt incurred to finance the unpaid acquisition price of Property or assumed by an Obligor upon acquisition of Property; provided that (a) such Encumbrance is created concurrently with or within 90 days after the acquisition of such Property, (b) such Encumbrance does not at any time encumber any Property other than the Property acquired, (c) the principal amount of Debt secured thereby is not increased subsequent to such acquisition and (d) the principal amount of Debt secured by any such Encumbrance at no time exceeds 100% of the original purchase price of such personal Property at the time it was acquired, plus the aggregate purchase price for installation and subsequent upgrades, and for the purposes of this definition the term “acquisition” shall include the creation of a Capital Lease and the term “acquire” shall have a corresponding meaning.

“Qualifying Hedge Arrangements” means a Hedge Arrangement provided by a Lender which is entered into after the Closing Date and is permitted pursuant to Section 10.04(12).

“Related Parties” has the meaning set forth in Schedule AA.

“Relevant Jurisdiction” means, from time to time, with respect to a Person that is granting Security hereunder, any province or territory of Canada, any state of the United States or any other country or political subdivision thereof, in which such Person has its jurisdiction of formation, chief executive office or chief place of business or has Property valued in excess of \$2,500,000, other than inventory, Production Machinery and Property purchased (but not yet delivered), in transit or with repairers for repair and return, all in the ordinary course of business, and, for greater certainty, at the Second Closing Date includes the provinces and states set forth in Schedule 9.01(18) attached hereto.

“Repayment Notice” means the notice substantially in the form annexed hereto as Schedule E.

“Requirements of Environmental Law” means all requirements of the common law or of statutes, regulations, by-laws, ordinances, treaties, judgments and decrees, and rules, guidelines, orders, approvals, notices, permits, directives, and the like, of any federal, territorial, provincial, state, regional, municipal or local judicial, regulatory or administrative agency, board or Governmental Authority in Canada, the United States and any other jurisdiction in which any Obligor has operations or assets relating to environmental or occupational health and safety matters (as they relate to exposure to a Hazardous Material) and the assets and undertaking of any Obligor and the intended uses thereof, including but not limited to, all such requirements relating to: (a) the protection, preservation or remediation of the natural environment (the air, land, surface water or groundwater); (b) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation; (c) consumer, occupational or public safety and health (as they relate to exposure to a Hazardous Material); and (d) Hazardous Materials or conditions (matters that are prohibited, controlled or otherwise regulated in connection with the protection of the natural environment and occupational health and safety, such as contaminants, pollutants, toxic substances, dangerous goods, wastes, hazardous wastes, liquid industrial wastes, hazardous materials, petroleum and other materials such as urea formaldehyde and polyurethane foam insulation, asbestos or asbestos-containing materials, polychlorinated biphenyls (PCBs) or PCB contaminated fluids or equipment, lead based paint, explosives, radioactive substances, petroleum and associated products, above ground and underground storage tanks or surface impoundments).

“Requirements of Law” means, as to any Person, the Organizational Documents of such Person and any Applicable Law, or determination of a Governmental Authority, in each case applicable to or binding upon such Person or any of its business or Property or to which such Person or any of its business or Property is subject.

“Restricted Subsidiary” means a Subsidiary (i) incorporated under the laws of a jurisdiction other than Canada or any province thereof or any state of the United States of America and (ii) whose principal place of business and operations are located in a jurisdiction other than in Canada or the United States of America.

“Revolving Facility” has the meaning set forth in Section 2.01(1).

“Revolving Lenders” means the Persons designated in Schedule A annexed hereto providing the Revolving Facility to the Borrower pursuant to this Agreement.

“Rollover” means a rollover of a maturing Bankers’ Acceptance into a new Bankers’ Acceptance or BA Equivalent Note, as applicable, or the rollover of a maturing LIBOR Advance into a new LIBOR Advance.

“Rollover Date” means the date of commencement of a new Interest Period applicable to a Bankers’ Acceptance or BA Equivalent Note that is being rolled over or a LIBOR Advance that is being rolled over.

“Rollover Notice” means the notice of request for Advance substantially in the form annexed hereto as Schedule C to be given to the Agent by the Borrower in connection with the Rollover of a Bankers’ Acceptance, a BA Equivalent Note or a LIBOR Advance pursuant to Section 2.06.

“Sale Lease Backs” means an agreement or arrangement relative to personal Property described in Section 10.04(20).

“Sanctioned Entity” means (a) a country or a government of a country, (b) an agency of the government of a country, (c) an organization directly or indirectly controlled by a country or its government, (d) a Person resident in or determined to be resident in a country, in each case, that is subject to a country sanctions program administered and enforced by OFAC.

“Sanctioned Person” means a person named on the list of Specially Designated Nationals maintained by OFAC.

“Schedule I Lenders” means a bank which is chartered under the *Bank Act* (Canada) and named in Schedule I of the *Bank Act* (Canada).

“Second Closing Date” means January 25, 2013.

“Security” means all security (including guarantees) held from time to time by or on behalf of the Lenders or the Agent on behalf of the Lenders, securing or intended to secure directly or indirectly repayment of the Obligations and includes, without limitation, all security described in Article 11.

“Security Documents” means the agreements referred to in Article 11.

“Segregated Account” shall have the meaning ascribed to such term in Section 2.01(2).

“Service Agreements” means agreements made between an Obligor and a Lender in respect of cash management, payroll, credit card or other banking services.

“Subsidiary” means, at any time, as to any Person, any other Person, if at such time the first mentioned Person owns, directly or indirectly, securities or other ownership interests in such other Person, having ordinary voting power to elect a majority of the board of directors or persons performing similar functions for such other Person, and shall include any other Person in like relationship to a Subsidiary of such first mentioned Person.

“Swingline Facility” has the meaning set forth in Section 2.02(1).

“Swingline Lender” means TD.

“Swingline Loan” has the meaning set forth in Section 2.02(2).

“Take-Over Bid” shall mean either (a) an offer to acquire outstanding voting or equity securities of a class of a Person whose shares are publicly traded where the securities that are the subject of such offer constitute at least 20% of the outstanding securities of that class of securities on the date the offer is made, or (b) any other event which is a take-over bid within the meaning attributed to such term by any law, treaty, rule, regulation, or requirement of any stock exchange or securities commission, or determination of any arbitrator, court, stock exchange, securities commission or other Governmental Authority, in each case, applicable to or binding on any Obligor.

“Tangible Net Worth” means, at any particular time, the sum of (i) Total Equity at such time less (ii) the aggregate book value of (A) goodwill and (B) embedded derivative assets plus (iii) embedded derivative liabilities of the Borrower at such time, all as determined on a consolidated basis in accordance with GAAP.

“Taxes” has the meaning set forth in Schedule AA.

“TD” means The Toronto-Dominion Bank.

“Total Debt” means, with respect to the Borrower, without duplication and on a consolidated basis, all Debt of the Borrower excluding the Crown Debt.

“Total Equity” means at any time, the aggregate of (i) the dollar amount of the outstanding share capital of the Borrower, and (ii) the dollar amount (without duplication) of any surplus, whether contributed or capital and retained earnings, subject to any currency translation adjustment, all as set forth in the most recent annual audited or quarterly unaudited consolidated balance sheet of the Borrower.

“**United States Dollars**”, “**US Dollars**” and “**US \$**” means the lawful money of the United States of America.

“**Unmatured Contingent Claims**” means any contingent Obligation (which, for certainty, does not include an Obligation to repay an outstanding Advance or a scheduled payment, early termination amount or settlement amount under any Hedging Arrangements or amounts owing pursuant to Service Agreements) in respect of which neither the Agent nor any Lender has any outstanding unsatisfied claim for payment.

“**US Bankruptcy Code**” means Title 11 of the *United States Code*, 11 U.S.C. §§ 101 et seq.

“**US Base Rate**” means a fluctuating rate of interest per annum, expressed on the basis of a year of 365 days or 366 days, as applicable, which is equal at all times to the greater of (a) the base rate of interest (however designated) of the Agent for determining interest chargeable by it on United States Dollar commercial loans in Canada and (b) the sum of (i) the Federal Funds Effective Rate and (ii) 1.0% per annum.

“**US Base Rate Advance**” means an Advance in United States Dollars made by the Lenders to the Borrower with respect to which the Borrower has specified that interest is to be calculated by a reference to US Base Rate.

“**US Base Rate Margin**” means, for any period, the percentage rate per annum applicable to that period as indicated below the reference to “Applicable Margin for US Base Rate Loans” in the pricing grid in the definition of “Applicable Margin”.

“**US Escrow Account**” means (i) account number [redacted] in the name of INC RESEARCH INC/MDS INC ESCROW ACCOUNT maintained with U.S. Bank National Association, Corporate and Trust Escrow Services, One California Street, Suite 1000, San Francisco, California and (ii) any replacement account of such account. **[Description: account number.]**

“**US Pension Plan**” means a “pension plan”, as such term is defined in Section 3(2) of ERISA, which is subject to Title IV of ERISA (other than a multiemployer plan as defined in Section 4001(a)(3) of ERISA), and to which an Obligor, or any corporation, trade or business that is, along with any other Person, a member of a Controlled Group, may reasonably be expected to have liability, including any liability by reason of having been a substantial employer within the meaning of Section 4063 of ERISA at any time during the preceding five years, or by reason of being deemed to be a contributing sponsor under Section 4069 of ERISA.

1.02 Headings

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.03 Accounting Practices

All calculations for the purposes of determining compliance with the financial ratios and financial covenants contained in this Agreement shall be made in accordance with GAAP on a basis consistently applied for each Four Quarter Period. In the event of a change in GAAP or following the adoption of IFRS by the Borrower, the Borrower and the Agent (with the approval of the Lenders) shall negotiate in good faith to revise (if appropriate) such ratios and covenants to reflect GAAP as then in effect with the desired result that the criteria for evaluating the Borrower's or any of its Subsidiary's financial condition shall be the same after such change or such adoption of IFRS as if such change or adoption had not occurred, in which case all calculations thereafter made for the purpose of determining compliance with the financial ratios and financial covenants contained in this Agreement shall be made on a basis consistent with GAAP in existence as at the date of such revisions.

1.04 Permitted Encumbrances

The inclusion of a reference to Permitted Encumbrances in any Loan Document is not intended to subordinate and shall not subordinate, and shall not be interpreted as subordinating, any Encumbrance created by any of the Security to any Permitted Encumbrance.

1.05 Currency

Unless otherwise specified in this Agreement, all references to dollar amounts (without further description) will mean United States Dollars.

1.06 Paramountcy

In the event of a conflict in or between the provisions of this Agreement or any of the other Loan Documents then, notwithstanding anything contained in such Loan Document, the provisions of this Agreement will prevail and the provisions of other Loan Document will be deemed to be amended to the extent necessary to eliminate such conflict. In particular, if any act or omission of an Obligor is expressly permitted under this Agreement but is expressly prohibited under any Loan Document, such act or omission shall be permitted. If any act or omission is expressly prohibited under any Loan Document (other than this Agreement), but this Agreement does not expressly permit such act or omission, or if any act is expressly required to be performed under such Loan Document but this Agreement does not expressly relieve the applicable Obligor from such performance, such circumstance shall not constitute a conflict in or between the provisions of this Agreement and the provisions of such Loan Document.

1.07 Non-Business Days

Unless otherwise expressly provided in this Agreement, whenever any payment is stated to be due on a day other than a Business Day, the payment will be made on the immediately following Business Day. Notwithstanding the foregoing, if with respect to any payment of principal or interest on a LIBOR Advance the succeeding Business Day falls in the next calendar month, the due date for payment of such principal or interest shall be the next preceding Business Day. Unless otherwise expressly provided in this Agreement, whenever any action to be taken is stated or scheduled to be required to be taken on, or (except with respect to the calculation of interest or fees) any period of time is stated or scheduled to commence or terminate on, a day other than a Business Day, the action will be taken or the period of time will commence or terminate, as the case may be, on the immediately following Business Day.

1.08 Interest Payments and Calculations

(1) All interest payments to be made under this Agreement will be paid without allowance or deduction for deemed re-investment or otherwise, both before and after maturity and before and after default and/or judgment, if any, until payment of the amount on which such interest is accruing, and interest will accrue on overdue interest, if any.

(2) Unless otherwise stated, wherever in this Agreement reference is made to a rate of interest or rate of fees “per annum” or a similar expression is used, such interest or fees will be calculated on the basis of a calendar year of 365 days or 366 days, as the case may be, and using the nominal rate method of calculation, and will not be calculated using the effective rate method of calculation or on any other basis that gives effect to the principle of deemed re-investment of interest.

(3) For the purposes of the *Interest Act* (Canada) and disclosure under such act, whenever interest to be paid under this Agreement is to be calculated on the basis of a year of 365 or 366 days or any other period of time that is less than a calendar year, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent is the rate so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by either 365 or 366 or such other period of time, as the case may be.

(4) Notwithstanding anything herein to the contrary the Agent shall calculate all fees and interest, including without limitation standby fees and agency fees according to its regular practice. For greater certainty all such calculations shall be without duplication of any day such that neither interest nor fees shall be calculated in respect of the same day twice.

(5) Notwithstanding anything herein to the contrary, in no event shall any interest rate or rates referred to herein (together with other amounts payable hereunder which are construed by a court of competent jurisdiction to be interest or in the nature of interest) exceed the maximum interest rate permitted by Applicable Law. If such maximum interest rate would be exceeded by the terms hereof, the rates of interest payable hereunder shall be reduced to the extent necessary so that such rates (together with other amounts which are construed by a court of competent jurisdiction to be interest or in the nature of interest) equal the maximum interest rate permitted by Applicable Law, and any overpayment of interest received by the Agent or the Lenders theretofore shall be applied, forthwith after determination of such overpayment, to pay all then outstanding interest, and thereafter to pay outstanding principal, as if the same were a prepayment of principal and treated accordingly hereunder.

1.09 Determinations By the Borrower

All provisions contained herein requiring the Borrower to make a determination or assessment of any event or circumstance or other matter to the best of its knowledge shall be deemed to require the Borrower to make all inquiries and investigations as may be reasonable in the circumstances before making any such determination or assessment.

1.10

Schedules

The following are the Schedules annexed hereto and incorporated by reference and deemed to be part hereof:

Schedule AA	– Model Credit Agreement Provisions
Schedule A	– Lenders and Commitments
Schedule B	– Drawdown Notice
Schedule C	– Notice of Rollover
Schedule D	– Notice of Conversion
Schedule E	– Repayment Notice
Schedule F	– Compliance Certificate
Schedule G	– Guarantors on the Second Closing Date
Schedule H	– Existing Letters of Credit
Schedule 9.01(6)	– Taxes
Schedule 9.01(9)	– Litigation
Schedule 9.01(12)	– Description of Real Property
Schedule 9.01(13)	– Insurance Policies
Schedule 9.01(17)	– Corporate Structure
Schedule 9.01(18)	– Relevant Jurisdictions
Schedule 9.01(20)	– Intellectual Property
Schedule 9.01(21)	– Material Contracts
Schedule 9.01(33)	– Non-Arm's Length Transactions

ARTICLE 2 - THE CREDIT FACILITIES

2.01

Credit Facilities

(1) Subject to the terms and conditions of this Agreement, the Revolving Lenders establish (on a several and not joint or joint and several basis) in favour of the Borrower a revolving term credit facility (the “**Revolving Facility**”) in an amount (including Advances made in United States Dollars and the Equivalent Amount in United States Dollars of Advances made in Canadian Dollars) not to exceed US\$20,000,000.

The Revolving Facility shall include a swingline facility in an amount (including Advances made in United States Dollars and the Equivalent Amount in United States Dollars of Advances made in Canadian Dollars) not to exceed US\$2,500,000 to be made available by the Swingline Lender to the Borrower pursuant to the Swingline Facility. The aggregate of all outstanding Advances under the Revolving Facility shall at no time exceed the maximum permitted amount provided for herein.

(2) Subject to the terms and conditions of this Agreement, the L/C Lenders establish in favour of the Borrower a demand revolving credit facility (the “**L/C Facility**”) in an amount not to exceed US\$60,000,000. All Letters of Credit issued pursuant to the L/C Facility shall be secured by cash collateral (or term deposits of the Issuing Bank) (the “**L/C Facility Priority Collateral**”) in an amount equal to or greater than 100% of the aggregate face amount of all outstanding Letters of Credit (the “**Required Minimum Cash Collateral**”) deposited by the Borrower with the Agent for and on behalf of the L/C Lenders in a segregated account at a branch of the Agent in Toronto, Ontario (which account can be in the name of the Agent) (the “**Segregated Account**”). The Segregated Account shall pay interest on cash in such account based on the rate advised to the Borrower by the Agent. The Borrower may elect to have all or a portion of the L/C Facility Priority Collateral in a term deposit with TD subject to the terms and conditions applicable to such investment. No Letter of Credit shall be issued by the Issuing Bank pursuant to the L/C Facility should there not be the Required Minimum Cash Collateral. The L/C Facility Priority Collateral shall be maintained in the Segregated Account and shall be subject to all security delivered by the Borrower (to the extent that by its terms such security creates a security interest in such collateral). The Borrower shall not be entitled to remove any of the collateral from the Segregated Account unless there remains sufficient Required Minimum Cash Collateral. Should an Event of Default exist, no amounts may be withdrawn by the Borrower from the Segregated Account.

(3) The Borrower acknowledges that all outstanding Letters of Credit outstanding under the Original Credit Agreement (other than the Letter of Credit in the amount of Cdn.\$2,000,000 noting Royal Trust Corporation of Canada as beneficiary (the “**Revolver L/C**”)) (i) shall continue to be outstanding Letters of Credit under the L/C Facility, and (ii) the Revolver L/C shall continue to be an outstanding Letter of Credit under the Revolving Facility.

2.02 Swingline Facility

(1) Subject to the terms and conditions of this Agreement, the Swingline Lender establishes in favour of the Borrower a revolving credit facility which is part of the Revolving Facility in an amount (including Advances made in United States Dollars and the Equivalent Amount in United States Dollars of Advances made in Canadian Dollars) up to US\$2,500,000 on the terms set forth in this Section 2.02 (the “Swingline Facility”).

(2) At any time that the Borrower would be entitled to obtain Prime Rate Advances and US Base Rate Advances, as the case may be, under the Revolving Facility, the Borrower shall be entitled to draw cheques on its Cdn. Dollar chequing account and US Dollar chequing account, as the case may be, maintained from time to time with the Swingline Lender at the main branch of the Swingline Lender in Toronto, Ontario (or in such other accounts with the Swingline Lender at such other branch of the Swingline Lender as may be agreed upon by the Swingline Lender and the Borrower from time to time). The debit balance from time to time in any such Cdn. Dollar account shall be deemed to be a Prime Rate Advance outstanding to the Borrower from the Swingline Lender under the Swingline Facility. The debit balance from time to time in any such US Dollar account shall be deemed to be a US Base Rate Advance outstanding to the Borrower from the Swingline Lender under the Swingline Facility. If at any time the Borrower is a party to a cash concentration arrangement with the Swingline Lender, only the amount of any overdraft from time to time in the Cdn. Dollar or US Dollar concentration account, as the case may be, of the Borrower established pursuant to such arrangement (which for greater certainty may include one of the Cdn. Dollar or US Dollar accounts identified above) shall be deemed to be a Prime Rate Advance or US Base Rate Advance, as the case may be, outstanding to the Borrower from the Swingline Lender under the Swingline Facility and if there is a credit balance in either such account, no Prime Rate Advance or US Base Rate Advance, as the case may be, shall be treated as being outstanding from the Swingline Lender under the Swingline Facility. A Prime Rate Advance or a US Base Rate Advance from the Swingline Lender as contemplated by this subsection, prior to such time as such Advance is repaid as contemplated by Section 2.02(4) or purchased as contemplated by Section 2.02(5), is referred to as a “Swingline Loan”.

(3) The outstanding amount (including Advances made in Canadian Dollars and the Equivalent Amount in Canadian Dollars of Advances made in United States Dollars) of all Swingline Loans at any time shall not exceed the lesser of:

(a) US\$2,500,000; and

(b) the amount, if any, by which:

(i) the limit of the Revolving Facility as provided for in Section 2.01 as may be reduced from time to time at such time;

exceeds

(ii) the amount (including Advances made in Canadian Dollars and the Equivalent Amount in Canadian Dollars of Advances made in United States Dollars) of all Advances (other than Swingline Loans) outstanding at such time under the Revolving Facility.

(4) The Swingline Lender may (but shall not be obliged to) deliver a written notice to the Agent (which shall thereupon deliver a similar notice to each of the Revolving Lenders) and to the Borrower, or the Agent may itself (but shall not be obliged to) deliver a written notice to each of the Revolving Lenders and to the Borrower requiring repayment of the Swingline Loans from time to time. The Borrower shall be deemed to have given at such time a Drawdown Notice to the Agent requesting Prime Rate Advances and US Base Rate Advances, as applicable, under the Revolving Facility in an aggregate amount equal to the amount of such Swingline Loans irrespective of the provisions of Section 2.06(4). The Revolving Lenders shall thereupon (irrespective of whether any condition precedent to an Advance has been satisfied, whether the amount of such Advance to be made available under the Revolving Facility is less than, equal to or more than the minimum amount, if any, of an Advance required to be included in an Advance constituting such type of Advance under this Agreement, whether any Default or Event of Default has occurred or is continuing or whether any acceleration or enforcement action (including any termination of the Revolving Facility and the Commitments) has occurred or commenced under any of the Loan Documents or otherwise or whether the Maturity Date has occurred) make such Prime Rate Advance and US Base Rate Advance, as applicable, under the Revolving Facility and the Agent shall apply the proceeds thereof in repayment of such Swingline Loans. The Agent shall promptly notify the Borrower of any such Prime Rate Advances and US Base Rate Advances, and the Borrower agrees to accept each such Prime Rate Advance and US Base Rate Advance and hereby irrevocably authorizes and directs the Agent to apply the proceeds thereof in payment of the applicable Swingline Loan.

(5) Without limiting Section 2.02(4), on the Maturity Date, or if an Event of Default has occurred and is continuing, each of the Revolving Lenders agrees that it will purchase from the Swingline Lender, and the Swingline Lender agrees that it shall sell to such Revolving Lenders, for cash, at par, without representation or warranty from or recourse against the Swingline Lender (and irrespective of whether any condition precedent to an Advance has been satisfied, any Default or Event of Default has occurred or is continuing or whether any acceleration or enforcement action (including any termination of the Revolving Facility and the Commitments) has occurred or been commenced under any of the Loan Documents or otherwise or whether the Maturity Date has occurred), on a rateable basis, an undivided interest in all Swingline Loans then outstanding. The Agent, upon consultation with the applicable Revolving Lenders, shall have the power to settle any documentation required to evidence any such purchase and, if deemed advisable by the Agent, to execute any document as attorney for any Revolving Lender in order to complete any such purchase. The Borrower and the Revolving Lenders acknowledge that the foregoing arrangements are to be settled by the Revolving Lenders among themselves, and the Borrower expressly consents to the foregoing arrangements among such Revolving Lenders.

(6) So long as the Swingline Lender continues to be a Revolving Lender, each of the Revolving Lenders agrees to indemnify and save harmless the Swingline Lender on a rateable basis against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, payments or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Swingline Lender in any way related to or arising out of any Letter of Credit issued by the Swingline Lender (except for any such liabilities to the extent that they result from the gross negligence or wilful misconduct of the Swingline Lender).

(7) So long as any Revolving Lender is a Non-Funding Lender, the Swing Line Lender shall not be required to make any further Swingline Loans unless the Swingline Lender is satisfied that the related exposure will be 100% covered by the Commitments of the Revolving Lenders that are not Non-Funding Lenders and/or cash collateralized in a manner satisfactory to the Swingline Lender.

2.03 Purpose of Credit Facilities

(1) Advances under the Revolving Facility shall only be used by the Borrower for general corporate purposes including, without limitation, Acquisitions and Distributions permitted herein.

(2) Advances under the L/C Facility shall be used by the Borrower for the purpose of obtaining Letters of Credit.

2.04 Manner of Borrowing

(1) The Borrower may, subject to the terms hereof, make Drawdowns, Conversions and Rollovers, as applicable, under the Revolving Facility:

- (a) in Canadian Dollars, by way of Prime Rate Advances and Bankers' Acceptances (and BA Equivalent Notes);
- (b) in United States Dollars, by way of US Base Rate Advances and LIBOR Advances; and

- (c) Letters of Credit.

The Borrower shall have the option, subject to the terms and conditions hereof, to determine which types of Advances shall be drawn down and in which combinations or proportions.

(2) The Borrower may make Drawdowns under the Swingline Facility in Canadian Dollars, by way of Prime Rate Advances and United States Dollars, by way of US Base Rate Advances.

(3) Letters of Credit under the Revolving Facility may not exceed an aggregate face value of Cdn.\$2,000,000 or the Equivalent Amount in other currencies.

- (4) The Borrower may, subject to the terms hereof, make Drawdowns of Letters of Credit under the L/C Facility.

2.05 Nature of the Credit Facilities

Subject to the terms and conditions hereof, each Credit Facility is a revolving credit and, accordingly, the Borrower may increase or decrease Advances under each Credit Facility by making Drawdowns, repayments and further Drawdowns of the amount of Advances that have been repaid.

2.06 Drawdowns, Conversions and Rollovers

(1) Subject to the provisions of this Agreement, the Borrower may (i) make Drawdowns hereunder; (ii) convert the whole or any part of any type of Advance into any other type of Advance; or (iii) may rollover any Bankers' Acceptances or BA Equivalent Note or LIBOR Advance on the last day of the applicable Interest Period therefor, or extend Letters of Credit in accordance with their terms, by giving the Agent a Drawdown Notice, Conversion Notice or Rollover Notice, as the case may be.

(2) In the case of a Drawdown, conversion or rollover, the Borrower shall give the Agent a Drawdown Notice, Conversion Notice or Rollover Notice, as the case may be, three (3) Business Days (in the case of Letters of Credit and LIBOR Advances), two (2) Business Days (in the case of Bankers' Acceptances) and one (1) Business Day (in the case of all other Advances) prior to the proposed Drawdown Date, Conversion Date or Rollover Date, as the case may be.

(3) Each Drawdown Notice, Conversion Notice or Rollover Notice, as the case may be, shall be delivered by the Borrower on a Business Day on or prior to 10:00 a.m. (Toronto time) to the Agent.

(4) Each Drawdown, Conversion or Rollover under the Revolving Facility shall (i) in the case of Prime Rate Advances, be in a minimum principal amount of Cdn.\$1,000,000 and in whole multiples of Cdn.\$100,000; and (ii) in the case of Bankers' Acceptances, be in a minimum face amount of Cdn.\$1,000,000 and in whole multiples of Cdn.\$100,000 (provided that if there are greater than five Lenders the minimum face amount shall increase to \$3,000,000); and (iii) in the case of US Base Rate Advances, be in a minimum principal amount of US\$1,000,000 and in whole multiples of US\$100,000 (iv) and in the case of LIBOR Advances, be in a minimum principal amount of US\$1,000,000 and in whole multiples of US\$100,000.

(5) The provisions of Sections 2.06(1), (2), (3) and (4) do not apply to Swingline Loans.

(6) Any LIBOR Advance that the Borrower has not requested be subject to a Conversion or Rollover shall be deemed to be, on its maturity, a US Base Rate Advance.

2.07 Agent's Obligations with Respect to Advances

Upon receipt of a Drawdown Notice, Conversion Notice or Rollover Notice, as the case may be, the Agent shall forthwith notify the Lenders of the proposed Drawdown Date, Conversion Date or Rollover Date, as the case may be, of each Lender's Proportionate Share of such Advance and, if applicable, the account of the Agent to which each Lender's Proportionate Share is to be credited.

2.08 Lenders' and Agent's Obligations with Respect to Advances

Each Lender shall, prior to 11:00 a.m. (Toronto time) on the Drawdown Date, Conversion Date or Rollover Date, as the case may be, specified by the Borrower in a Drawdown Notice, Conversion Notice or Rollover Notice, as the case may be, credit the Agent's account specified in the Agent's notice given under Section 2.07 with such Lender's Proportionate Share of such Advance and by 11:00 a.m. (Toronto time) on the same date the Agent shall make available the full amount of the amounts so credited to the Borrower.

2.09 Irrevocability

A Drawdown Notice, Conversion Notice or Rollover Notice, as the case may be, given by the Borrower hereunder shall be irrevocable and shall oblige the Borrower to take the action contemplated on the date specified therein.

2.10 Cancellation or Permanent Reduction of a Credit Facility

The Borrower may, at any time, upon giving at least five (5) Business Days prior notice to the Agent, cancel in full or, from time to time, permanently reduce in whole or in part a Credit Facility; provided, however that any reduction under a Credit Facility shall be in a minimum amount of US\$1,000,000 and increments of US\$100,000. If a Credit Facility is so reduced, the Commitments of each of the Lenders shall be reduced *pro rata* in the same proportion that the amount of the reduction in such Credit Facility bears to the then current Commitments of the Lenders in effect immediately prior to such reduction.

2.11 Termination of LIBOR Advances

(1) If at any time a Lender determines, acting reasonably, (which determination shall be conclusive and binding on the Borrower) that:

- (a) the LIBO Rate does not adequately reflect the effective cost to the Lender of making or maintaining a LIBOR Advance;
or
- (b) it cannot readily obtain or retain funds in the London interbank market in order to fund or maintain any LIBOR Advance for a LIBOR Interest Period selected by the Borrower or cannot otherwise perform its obligations hereunder with respect to any LIBOR Advance for any such period;

then the Lender shall inform the Agent and upon at least two (2) Business Days written notice by the Agent to the Borrower, and

- (c) the right of the Borrower to request LIBOR Advances for such period from that Lender shall be and remain suspended until the Agent notifies the Borrower that any condition causing such determination no longer exists; and
- (d) if the Lender is prevented from maintaining a LIBOR Advance, the Borrower shall, at its option, either repay the LIBOR Advance to that Lender or convert the LIBOR Advance into other forms of Advance which are permitted by this Agreement, and the Borrower shall be responsible for any Breakage Costs, if the Lender is prevented from maintaining a LIBOR Advance.

(2) If at any time the Agent determines that the LIBO Rate is not determinable pursuant to clause (a) or (b) in the definition of "LIBO Rate", the Agent shall so notify the Borrower, and the right of the Borrower to request LIBOR Advances for such period shall be and remain suspended until the Agent notifies the Borrower that any condition causing such determination no longer exists.

2.12 Extension of Maturity Date

The Borrower may request an extension of the Maturity Date for an additional one year period by giving written notice to the Agent for delivery to each Revolving Lender not more than 90 days and not less than 60 days prior to each anniversary of the Second Closing Date. Within 30 days of receipt of an extension notice, each Revolving Lender shall notify the Borrower and the Agent of its election to extend or not to extend the then current Maturity Date as requested in such extension request, provided that if any Revolving Lender shall fail to so notify the Borrower and the Agent, such Revolving Lender shall be deemed to have given notice of its determination not to extend. The decision whether to extend shall be in the sole discretion of each Revolving Lender. If the Revolving Lenders holding at least 66-2/3% of the Commitments in respect of the Revolving Facility agree to such extension, the then current Maturity Date shall be extended for those Revolving Lenders agreeing to the extension for an additional one year computed from the expiry of the then current Maturity Date.

ARTICLE 3 - DISBURSEMENT CONDITIONS

3.01 Conditions Precedent to the Initial Advance on the Closing Date

The obligations of the Lenders to make the initial Advance on the Closing Date were subject to and conditional upon the following conditions precedent (each of which was either satisfied or waived):

- (a) this Agreement shall have been executed and delivered by all parties hereto;
- (b) the Agent shall have received timely notice as required under Section 2.06(2);
the Agent shall have received certified copies of the Organizational Documents of each Obligor, the resolutions authorizing the execution, delivery and performance of each Obligor's respective obligations under the Loan Documents and the transactions contemplated herein, and the incumbency of the officers of the Obligors;
- (c) copies of all shareholder agreements and partnership agreements, if any, applicable to each Obligor, certified by such Obligor to be true, shall have been delivered to the Agent and shall be satisfactory to the Lenders;
- (d) certificates of status or good standing, as applicable, for the jurisdiction of incorporation of each Obligor shall have been delivered to the Agent;
- (e) no event has occurred and is continuing which is reasonably likely to result in a material breach of or a default by an Obligor under any Material Contract or Material Licence;
- (f) each Material Contract to which an Obligor is a party is binding upon such Obligor and, to its knowledge, is a binding agreement of each other Person who is a party to the Material Contract;
- (g) evidence of, or arrangements satisfactory to the Agent shall have been made to ensure, repayment in full of all Debt that is not Permitted Debt owing by any Obligor to the existing lenders to such Obligor concurrent with the initial Drawdown under the Credit Facility (as defined in the Original Credit Agreement) shall have been delivered to the Agent;
- (h) releases, discharges and postponements with respect to all Encumbrances which are not Permitted Encumbrances, if any, concurrent with the initial Drawdown under the Credit Facility (as defined in the Original Credit Agreement) shall have been delivered to the Agent;
- (i) payment of all amounts and fees payable to the Lenders or the Agent;
- (j) duly executed copies of the Security shall have been delivered to the Agent (along with certificates, if any, representing all shares or other securities that certificated securities not registered in the name of a clearing agent or securities intermediary pledged, together with related stock powers duly executed in blank) and, other than for the registration of any debenture or hypothec on title against any real property in respect of any leasehold interest, such financing statements or other registrations of such Security, or notice thereof, shall have been filed, registered, entered or recorded in all offices of public record necessary or desirable in the opinion of the Agent to preserve or protect the charges and security interests created thereby;
- (k)

- (l) a currently dated letter of opinion of Fasken Martineau DuMoulin LLP along with the opinions of local counsel shall have been delivered to the Agent;
- (m) the Agent shall have received certificates of insurance showing, *inter alia*, the Agent as a loss payee as its interest may appear on all insurance policies that insure the assets to be secured by the Security;
- (n) the Agent shall have received financial statements for the Borrower for the period ending January 31, 2011 satisfactory to the Lenders;
- (o) a Compliance Certificate calculated as at April 30, 2011 confirming on a *pro forma* basis compliance with all financial covenants shall have been delivered to the Agent;
- (p) no Default or Event of Default has occurred and is continuing on the Drawdown Date or would result from making the Advance and a senior officer of the Borrower shall have certified the same to the Lenders;
- (q) all representations and warranties made by the Borrower are true and correct in all material respects;
- (r) no Material Adverse Effect (as defined in the Original Credit Agreement) has occurred since October 31, 2010; and
- (s) the Agent shall have received such additional evidence, documents or undertakings as the Lenders shall reasonably request to establish the consummation of the transactions contemplated hereby and be satisfied, acting reasonably, as to the taking of all proceedings in connection herewith in compliance with the conditions set forth in this Agreement; and

provided that all documents delivered pursuant to this Section 3.01 shall be in form and substance satisfactory to the Lenders acting reasonably.

3.02 Conditions Precedent to Effectiveness of this Agreement on the Second Closing Date

This Agreement shall become effective on the Second Closing Date upon the following conditions precedent being satisfied by the Borrower:

- (a) this Agreement shall have been executed and delivered by all parties hereto;
- (b) the Agent shall have received certified copies of the Organizational Documents of each Obligor, the resolutions authorizing the execution, delivery and performance of each Obligor's respective obligations under the relevant Loan Documents executed in connection with the Second Closing Date and the transactions contemplated herein, and the incumbency of the officers of the Obligors;
- (c) copies of all shareholder agreements and partnership agreements, if any, applicable to each Obligor, certified by such Obligor to be true, shall have been delivered to the Agent and shall be satisfactory to the Lenders;
- (d) certificates of status or good standing, as applicable, for the jurisdiction of incorporation of each Obligor shall have been delivered to the Agent;
- (e) no event has occurred and is continuing which is reasonably likely to result in a material breach of or a default by an Obligor under any Material Contract or Material Licence;
- (f) each Material Contract to which an Obligor is a party is binding upon such Obligor and, to its knowledge, is a binding agreement of each other Person who is a party to the Material Contract;
- (g) payment of all amounts and fees (including reasonable fees of Lenders' Counsel) payable to the Lenders or the Agent;
- (h) duly executed copies of the Security contemplated in Section 11.01(2) shall have been delivered to the Agent along with an acknowledgement and confirmation from each Guarantor;
- (i) a currently dated letter of opinion of Borrower's Counsel addressing the Borrower and the Guarantors shall have been delivered to the Agent;
- (j) the Agent shall have received certificates of insurance showing, *inter alia*, the Agent as a loss payee as its interest may appear on all insurance policies that insure the assets to be secured by the Security;
- (k) the Agent shall have received a Compliance Certificate dated January 25, 2013 and calculated using financial information of the Borrower as at October 31, 2012, which Compliance Certificate shall confirm on a *pro forma* basis compliance with the financial covenants under Sections 10.02(3) and (4);
- (l) no Default or Event of Default has occurred and is continuing and a senior officer of the Borrower shall have certified the same to the Lenders;
- (m) all representations and warranties made by the Borrower are true and correct in all material respects;

- (n) payment of all outstanding fees owing to the Lenders pursuant to the Original Credit Agreement;
- (o) no Material Adverse Effect has occurred since October 31, 2012; and
- (p) the Agent shall have received such additional evidence, documents or undertakings as the Lenders shall reasonably request to establish the consummation of the transactions contemplated hereby and be satisfied, acting reasonably, as to the taking of all proceedings in connection herewith in compliance with the conditions set forth in this Agreement; and

provided that all documents delivered pursuant to this Section 3.02 shall be in form and substance satisfactory to the Lenders acting reasonably.

3.03 Conditions Precedent to Subsequent Advances

The obligation of the Lenders to make any Advance after the Second Closing Date is subject to and conditional upon the following conditions precedent being satisfied by the Borrower:

- (a) the Agent shall have received timely notice as required under Section 2.06(2);
- (b) the representations and warranties pursuant to Section 9.01 are deemed to be repeated and continue to be true and correct as if made on and as of the Drawdown Date;
- (c) no Default or Event of Default has occurred and is continuing on the Drawdown Date or would result from making the Advance; and
- (d) there shall not exist or have occurred a Material Adverse Effect;

provided that the conditions set out in paragraphs (b), (c) and (d) shall not apply to a Conversion to a Prime Rate Advance or a US Base Rate Advance.

3.04 Waiver

The conditions set forth in Sections 3.02 and 3.03 are inserted for the sole benefit of the Lenders and may be waived by the Lenders in accordance with the terms of Section 13.03, in whole or in part (with or without terms or conditions), in respect of any Drawdown without prejudicing the right of the Lenders at any time to assert such conditions in respect of any subsequent Drawdown.

ARTICLE 4 - EVIDENCE OF DRAWDOWNS

4.01 Account of Record

The Agent shall open and maintain books of account evidencing all Advances and all other amounts owing by the Borrower to the Lenders hereunder. The Agent shall enter in the foregoing accounts details of all amounts from time to time owing, paid or repaid by the Borrower hereunder. The information entered in the foregoing accounts shall constitute *prima facie* evidence of the obligations of the Borrower to the Lenders hereunder with respect to all Advances and all other amounts owing by the Borrower to the Lenders hereunder. After a request by the Borrower, the Agent shall promptly advise the Borrower of such entries made in the Agent's books of account.

ARTICLE 5 - PAYMENTS OF INTEREST AND STANDBY FEES

5.01 Interest on Prime Rate Advances

The Borrower shall pay interest on each Prime Rate Advance during each Interest Period applicable thereto in Canadian Dollars at a rate per annum equal to the sum of (i) the Prime Rate in effect from time to time during such Interest Period plus (ii) the Prime Rate Margin. Each determination by the Agent of the Prime Rate and the Prime Rate Margin applicable from time to time shall, in the absence of manifest error, be *prima facie* evidence thereof. Subject to Section 5.07 and Section 5.08, such interest shall be payable in arrears on each Interest Payment Date for such Advance for the period from and including the Drawdown Date or the preceding Conversion Date or Interest Payment Date, as the case may be, for such Advance to and including the day preceding such Interest Payment Date and shall be calculated on the principal amount of the Prime Rate Advance outstanding during such period and on the basis of the actual number of days elapsed in a year of 365 days or 366 days, as the case may be. Changes in the Prime Rate shall cause an immediate adjustment of the interest rate applicable to such Advance without the necessity of any notice to the Borrower.

5.02 Interest on US Base Rate Advances

The Borrower shall pay interest on each US Base Rate Advance during each Interest Period applicable thereto in United States Dollars at a rate per annum equal to the sum of (i) the US Base Rate in effect from time to time during such Interest Period plus (ii) the US Base Rate Margin. Each determination by the Agent of the US Base Rate and the US Base Rate Margin applicable from time to time shall, in the absence of manifest error, be *prima facie* evidence thereof. Subject to Section 5.07 and Section 5.08, such interest shall be payable in arrears on each Interest Payment Date for such Advance for the period from and including the Drawdown Date or the preceding Conversion Date or Interest Payment Date, as the case may be, for such Advance to and including the day preceding such Interest Payment Date and shall be calculated on the principal amount of the US Base Rate Advance outstanding during such period and on the basis of the actual number of days elapsed divided by 365 or 366, as applicable. Changes in the US Base Rate shall cause an immediate adjustment of the interest rate applicable to such Advance without the necessity of any notice to the Borrower.

5.03 Interest on LIBOR Advances

The Borrower shall pay interest on each LIBOR Advance during each Interest Period applicable thereto in United States Dollars at a rate per annum equal to the sum of (i) the LIBO Rate in effect for such Interest Period plus (ii) the LIBO Rate Margin. Each determination by the Agent of the LIBO Rate and the LIBO Rate Margin applicable from time to time for an Interest Period shall, in the absence of manifest error, be *prima facie* evidence thereof. Subject to Section 5.07, such interest shall be payable in arrears on each Interest Payment Date for such Advance for the period from and including the Drawdown Date or the preceding Conversion Date, Rollover Date or Interest Payment Date, as the case may be, for such Advance to and including the day preceding such Interest Payment Date and shall be calculated on the principal amount of the LIBOR Advance outstanding during such period and on the basis of the actual number of days elapsed divided by 360.

5.04 No Set-Off, Deduction etc.

All payments (whether interest or otherwise) to be made by the Borrower or any other party pursuant to this Agreement are to be made in freely transferable, immediately available funds and without set-off or deduction of any kind whatsoever (whether for deemed re-investment or otherwise) except to the extent required by Applicable Law, and if any such set-off or deduction is so required and is made, the Borrower or any other party will, as a separate and independent obligation to each Lender, be obligated to immediately pay to each Lender all such additional amounts as may be required to fully indemnify and save harmless such Lender from such set-off or deduction and will result in the effective receipt by such Lender of all the amounts otherwise payable to it in accordance with the terms of this Agreement.

5.05 Standby Fees – Revolving Facility

The Borrower shall pay to the Agent for the account of the Revolving Lenders in accordance with their Proportionate Share a standby fee in US Dollars calculated at the rate per annum specified as the applicable “Standby Fee Rate” in the table contained in the definition of “Applicable Margin” on the amount by which the daily average of the aggregate of all Advances outstanding under the Revolving Facility during such Fiscal Quarter is less than the maximum amount available under the Revolving Facility. The standby fee shall be determined daily beginning on the date hereof and shall be calculated on the basis of a calendar year of 365 or 366 days, as the case may be, and shall be payable by the Borrower quarterly in arrears on the fifth Business Day of each Fiscal Quarter. The Agent will determine and notify the Borrower of the amount of any such Standby Fee no later than two Business Days before it is due.

5.06 Agency Fees

In consideration of the Agent acting as administrative agent under the Loan Documents, the Borrower shall pay the Agent in advance for each Fiscal Year an agency fee in an amount as provided for in any fee letter between the Borrower and TD, as any such letter may be amended, supplemented or replaced from time to time.

5.07 Overdue Principal and Interest

(1) If all or part of any Prime Rate Advance or US Base Rate Advance shall not be paid when due (whether at its stated maturity, by acceleration or otherwise), such overdue amount shall bear interest (as well after as before judgment), payable on demand, at a rate per annum equal to the rate of interest applicable under this Agreement from time to time to such type of Advance from the date of such non-payment until paid in full. If any LIBOR Advance shall not be paid when due (whether at its stated maturity, by acceleration or otherwise), such overdue amount shall bear interest (as well after as before judgment), payable on demand, at a rate per annum equal to the rate of interest applicable under this Agreement from time to time to US Base Rate Advances from the date of such non-payment until paid in full.

(2) If all or part of any interest in respect of any Prime Rate Advance or US Base Rate Advance shall not be paid when due (whether at its stated maturity, by acceleration or otherwise), such overdue interest shall, to the extent permitted by law, bear interest (as well after as before judgment), payable on demand, at a rate per annum equal to the rate of interest applicable under this Agreement from time to time to the type of Advance in respect of which such interest was not paid from the date of such non-payment until paid in full. If all or part of any interest in respect of any LIBOR Advance shall not be paid when due (whether at its stated maturity, by acceleration or otherwise), such overdue interest shall, to the extent permitted by law, bear interest (as well after as before judgment), payable on demand, at a rate per annum equal to the rate of interest applicable under this Agreement from time to time to US Base Rate Advances from the date of such non-payment until paid in full.

5.08 Interest on Other Amounts

If any amount owed by the Borrower to the Agent or any Lender under any of the Loan Documents is not paid when due and payable, and there is no other provision in any Loan Document specifying the interest payable on such overdue amount, such overdue amount shall bear interest (as well after as before judgment), payable (a) on demand at a rate per annum equal at all times to the Prime Rate plus 2% (in the case of any such amount payable in any currency other than US Dollars), or (b) on demand at a rate per annum equal at all times to the US Base Rate plus 2% (in the case of any such amount payable in US Dollars), in each such case from the date of non-payment until paid in full.

ARTICLE 6 - BANKERS' ACCEPTANCES AND LETTERS OF CREDIT

6.01 Bankers' Acceptances

(1) To facilitate the procedures contemplated in this Agreement, the Borrower irrevocably appoints each Revolving Lender from time to time as the attorney-in-fact of the Borrower to execute, endorse and deliver on behalf of it drafts (including book based forms and electronic paper) in the forms prescribed by such Revolving Lender (if such Revolving Lender is a BA Lender) for bankers' acceptances denominated in Cdn. Dollars (each such executed draft which has not yet been accepted by a Revolving Lender being referred to as a "Draft") or non interest-bearing promissory notes of it in favour of such Revolving Lender (if such Revolving Lender is a Non BA Lender) (each such promissory note being referred to as a "BA Equivalent Note"). Each Bankers' Acceptance and BA Equivalent Note executed and delivered by a Revolving Lender on behalf of the Borrower as provided for in this Section shall be as binding upon the Borrower as if it had been executed and delivered by a duly authorized officer of the Borrower.

(2) Notwithstanding Section 6.01(1), the Borrower will from time to time as required by the applicable Revolving Lender provide to the Revolving Lenders an appropriate number of Drafts drawn by the Borrower upon each BA Lender and either payable to a clearing service (if such BA Lender is a member thereof) or payable to the Borrower and endorsed in blank by the Borrower (if such BA Lender is not a member of such clearing service) and an appropriate number of BA Equivalent Notes in favour of each Non BA Lender. The dates, the maturity dates and the principal amounts of all Drafts and BA Equivalent Notes delivered by the Borrower shall be left blank, to be completed by the Revolving Lenders as required by this Agreement. All such Drafts or BA Equivalent Notes shall be held by each Revolving Lender subject to the same degree of care as if they were such Revolving Lender's own property kept at the place at which the Drafts or BA Equivalent Notes are ordinarily kept by such Revolving Lender. Each Revolving Lender, upon written request of the Borrower, will promptly advise the Borrower of the number and designation, if any, of the Drafts and BA Equivalent Notes then held by it. No Revolving Lender shall be liable for its failure to accept a Draft or purchase a BA Equivalent Note as required by this Agreement if the cause of such failure is, in whole or in part, due to the failure of the Borrower to provide on a timely basis appropriate Drafts or BA Equivalent Notes to the applicable Revolving Lender as may be requested by such Revolving Lender on a timely basis from time to time.

(3) The Agent, promptly following receipt of a Drawdown Notice, Conversion Notice or Rollover Notice requesting Bankers' Acceptances, shall (i) advise each BA Lender of the face amount and the term of the Draft to be accepted by it and (ii) advise each applicable Non BA Lender of the face amount and term of the BA Equivalent Note to be purchased by it. All Drafts to be accepted from time to time by each BA Lender that is a member of a clearing service shall be payable to such clearing service. The term of all Bankers' Acceptances and BA Equivalent Notes issued pursuant to any Drawdown Notice, Conversion Notice or Rollover Notice shall be identical. Each Bankers' Acceptance and BA Equivalent Note shall be dated the Drawdown Date on which it is issued and shall be for a term of 1, 2, 3 or 6 months, subject to availability, provided that in no event shall the term of a Bankers' Acceptance or a BA Equivalent Note extend beyond the Maturity Date. The face amount of the Draft (or the aggregate face amount of the Drafts) to be accepted at any time by each Revolving Lender which is a BA Lender, and the face amount of the BA Equivalent Notes to be purchased at any time by each Revolving Lender which is a Non BA Lender, shall be determined by the Agent based upon the amounts of their respective Commitments under the Revolving Facility. In determining a Revolving Lender's Proportionate Share of a request for Bankers' Acceptances, the Agent, in its sole discretion, shall be entitled to increase or decrease the face amount of any Draft, or BA Equivalent Note to the nearest Cdn.\$1,000.

(4) Each BA Lender shall complete and accept on the applicable Drawdown Date, Conversion Date or Rollover Date a Draft having a face amount (or Drafts having the face amounts) and term advised by the Agent pursuant to subsection 6.01(3). Each applicable BA Lender shall purchase on the applicable Drawdown Date, Conversion Date or Rollover Date the Bankers' Acceptance accepted by it, for an aggregate price equal to the BA Discount Proceeds of such Bankers' Acceptance. The Borrower shall ensure that there is delivered to each applicable BA Lender that is a member of a clearing service the completed Bankers' Acceptances, and such BA Lender is hereby authorized to release the Bankers' Acceptance accepted by it to such clearing house upon receipt of confirmation that such clearing house holds such Bankers' Acceptance for the account of such BA Lender.

(5) Each Non BA Lender, in lieu of accepting Drafts or purchasing Bankers' Acceptances on any Drawdown Date, Conversion Date or Rollover Date, will complete and purchase from the Borrower on such Drawdown Date, Conversion Date or Rollover Date a BA Equivalent Note in a face amount and for a term identical to the face amount and term of the Draft which such Non BA Lender would have been required to accept on such Drawdown Date, Conversion Date or Rollover Date if it were a BA Lender, for a price equal to the BA Discount Proceeds of such BA Equivalent Note. Each Non BA Lender shall be entitled without charge to exchange any BA Equivalent Note held by it for two or more BA Equivalent Notes of identical date and aggregate face amount, and the Borrower will execute and deliver to such Non BA Lender such replacement BA Equivalent Notes and such Non BA Lender shall return the original BA Equivalent Note to the Borrower for cancellation.

(6) The Borrower shall pay to each BA Lender in respect of each Draft tendered by the Borrower to and accepted by such BA Lender, and to each Non BA Lender in respect of each BA Equivalent Note tendered to and purchased by such Non BA Lender, as a condition of such acceptance or purchase, the BA Stamping Fee.

(7) Upon acceptance of each Draft or purchase of each BA Equivalent Note, the Borrower shall pay to the applicable Revolving Lender the related fee specified in Section 6.01(6), and to facilitate payment such Revolving Lender shall be entitled to deduct and retain for its own account the amount of such fee from the amount to be transferred by such Revolving Lender to the Agent for the account of the Borrower pursuant to this Agreement in respect of the sale of the related Bankers' Acceptance or of such BA Equivalent Note.

(8) If the Agent determines in good faith, which determination shall be final, conclusive and binding upon the Borrower, and so notifies the Borrower, that there does not exist at the applicable time a normal market in Canada for the purchase and sale of bankers' acceptances, any right of the Borrower to require the Revolving Lenders to purchase Bankers' Acceptances and BA Equivalent Notes under this Agreement shall be suspended until the Agent determines that such market does exist and gives notice thereof to the Borrower and any Drawdown Notice, Conversion Notice or Rollover Notice requesting Bankers' Acceptances shall be deemed to be a Drawdown Notice or Conversion Notice requesting a Prime Rate Advance in a similar aggregate principal amount.

(9) On the date of maturity of each Bankers' Acceptance or BA Equivalent Note, the Borrower shall pay to the Agent, for the account of the holder of such Bankers' Acceptance or BA Equivalent Note, in Canadian Dollars an amount equal to the face amount of such Bankers' Acceptance or BA Equivalent Note, as the case may be. The obligation of the Borrower to make such payment shall not be prejudiced by the fact that the holder of such Bankers' Acceptance is the Revolving Lender that accepted such Bankers' Acceptances. No days of grace shall be claimed by the Borrower for the payment at maturity of any Bankers' Acceptance or BA Equivalent Note. If the Borrower does not make such payment, from the proceeds of an Advance obtained under this Agreement or otherwise, the amount of such required payment shall be deemed to be a Prime Rate Advance to the Borrower from the Revolving Lender that accepted such Bankers' Acceptance or purchased such BA Equivalent Note. In the event that the Borrower does not provide to the Agent a Drawdown Notice in connection with the Rollover of any outstanding and maturing Bankers Acceptances or BA Equivalent Notes, the Borrower shall be deemed to have requested a Prime Rate Advance in the amount of such maturing Bankers Acceptances or BA Equivalent Notes.

(10) The signature of any duly authorized officer of the Borrower on a Draft or a BA Equivalent Note may be mechanically reproduced in facsimile, and all Drafts and BA Equivalent Notes bearing such facsimile signature shall be as binding upon the Borrower as if they had been manually signed by such officer, notwithstanding that such Person whose manual or facsimile signature appears on such Draft or BA Equivalent Note may no longer hold office at the date of such Draft or BA Equivalent Note or at the date of acceptance of such Draft by a BA Lender or at any time thereafter.

(11) A Non-BA Lender shall be entitled to make loans to the Borrower in the same manner as if a BA Equivalent Note was executed and delivered by such Revolving Lender on behalf of the Borrower (a “BA Equivalent Loan”) but without the requirement of executing and delivering documentation and such BA Equivalent Loans shall be treated in all other respects like a BA Equivalent Note executed and delivered pursuant to this Section 6.01.

6.02 Letters of Credit

(1) If the Borrower wishes to request an Advance by way of issuance of Letters of Credit, it shall, at the time it delivers the notice required pursuant to Section 2.06(2), execute and deliver the Issuing Bank’s usual documentation relating to the issuance and administration of Letters of Credit (including, without limitation, all reimbursement and indemnity agreements). In the event of any inconsistency between the terms of such documentation and this Agreement, the terms of this Agreement shall prevail.

(2) Each request for a Letter of Credit shall be made available by the Issuing Bank under the applicable Credit Facility.

(3) No Letter of Credit may be issued for a period in excess of one year, provided that any Letter of Credit containing an annual “renew or pay” provision shall be permitted under the Credit Facilities. Letters of Credit may be used by the Borrower for general commercial purposes.

(4) If, at any time, a demand for payment (the amount so demanded being herein referred to as a “relevant amount”) is made in accordance in all material respects with the terms and conditions of a Letter of Credit and notification thereof is given by the Issuing Bank to the Agent, then:

(a) the Agent shall:

- (i) promptly notify the Borrower and each of the other Lenders under the applicable Credit Facility of such demand; and
- (ii) make demand on each Lender under the applicable Credit Facility for an amount equal to its Proportionate Share of such relevant amount;

- (b) pay such relevant amount together with the balance of the amount demanded to the Person entitled thereto on the date upon which such relevant amount becomes payable under the Letter of Credit;
- (c) on the second Business Day following the date of the demand made by the Agent under paragraph (a) above, each Lender under the applicable Credit Facility shall pay to the Agent the amount demanded of it pursuant to paragraph (a)(ii) above; and
- (d) the Agent shall pay such relevant amount to the Issuing Bank.

(5) Where a demand for payment is made in accordance in all material respects with the terms and conditions of a Letter of Credit issued in Canadian Dollars or U.S. Dollars, the Borrower shall be deemed to have requested a Prime Rate Advance or US Base Rate Advance, respectively, of the amount demanded from the Issuing Bank. Where a demand for payment is made in accordance in all material respects with the terms and conditions of a Letter of Credit issued in any other currency, the Borrower shall be deemed to have requested a Prime Rate Advance in the Equivalent Amount of Canadian Dollars to the amount demanded from the Issuing Bank. In each case payment will be made by the Borrower of all charges and expenses payable to or incurred by the Issuing Bank and the applicable Lenders in connection with payment being made under such Letter of Credit.

(6) The Borrower hereby undertakes to indemnify and hold harmless the Agent, the Issuing Bank and each of the Lenders from time to time on demand by the Agent from and against all liabilities and costs (including, without limitation, any costs incurred in funding any amount which falls due from the Issuing Bank and any Lender under any Letter of Credit hereunder) to the extent that such liabilities or costs are not satisfied or compensated by the payment of interest on sums due pursuant to this Agreement in connection with any Letter of Credit except where such liabilities or costs result from the negligence or wilful misconduct of the person claiming indemnification.

(7) The Issuing Bank shall at all times be entitled, and is irrevocably authorized by the Borrower, to make any payment under the Letters of Credit for which a request or demand has been made in the required form without any further reference to the Borrower and any investigation or enquiry, need not concern themselves or itself with the propriety or validity of any claim made or purported to be made under the terms of such Letter of Credit (except as to compliance with the payment conditions of such Letters of Credit) and shall be entitled to assume that any Person expressed in such Letter of Credit as being entitled to make demand or receive payments thereunder is so entitled. Accordingly, so long as a request or demand has been made as aforementioned in accordance in all material respects with the payment terms of the Letter of Credit it shall not be a defence to any demand made of the Borrower hereunder, nor shall the Borrower or its obligations hereunder be impaired by the fact (if it be the case) that the Issuing Bank or the Lenders were or might have been justified in refusing payment, in whole or in part, of the amounts so claimed.

(8) A certificate of the Agent and/or the Swingline Lender as to the amounts paid by any Lender pursuant to this Section 6.02 or the amount paid out under any Letter of Credit shall, in the absence of manifest error, be *prima facie* evidence of the existence and amount of such payment in any legal action or proceeding arising out of or in connection herewith.

(9) For so long as any Letter of Credit is outstanding, the Borrower shall pay to the Agent for the benefit of the applicable Lenders a fee equal to the Letter of Credit Fee Rate on the amount of each Letter of Credit in the currency of such Letter of Credit (unless such Letter of Credit is in a currency other than Canadian Dollars or US Dollars in which case such fee shall be payable in the Equivalent Amount of US Dollars), such fee payable quarterly in arrears on the fifth Business Day of each Fiscal Quarter. In addition, concurrently with the payment of such fee to the Agent, the Borrower shall also pay to the Agent for the benefit of the Issuing Bank a fronting fee equal to 0.25% per annum on the face amount of each Letter of Credit issued pursuant to the Revolving Facility in the currency of such Letter of Credit, such fee payable quarterly in arrears on the fifth Business Day following the end of each Fiscal Quarter. Such fees shall each be calculated on the basis of a calendar year and the number of days the Letter of Credit will be outstanding during such period.

The Borrower shall also pay the standard fees and charges of the Issuing Bank in effect from time to time for issuing, renewing and amending Letters of Credit.

(10) The full face amount of each Letter of Credit issued by the Issuing Bank on behalf of the Borrower shall be deemed to be an Advance under the applicable Credit Facility which Advance shall be retired upon the first to occur of:

- (i) the return of the Letter of Credit to the Issuing Bank for cancellation;
- (ii) the expiration date of the Letter of Credit; or
- (iii) the deeming of the amount drawn on the Letter of Credit to be a Prime Rate Advance or a US Base Rate Advance, as applicable, under the applicable Credit Facility.

(11) If any Letter of Credit issued pursuant to the Revolving Facility is outstanding upon the occurrence of an Event of Default or on the Maturity Date, the Borrower shall if required by the Revolving Lenders forthwith deposit with the Agent an amount (the “deposit amount”) equal to the undrawn principal amount of the outstanding Letter of Credit, which deposit amount shall be held by the Agent for application against the indebtedness owing by the Borrower to the Issuing Bank in respect of any draw on the outstanding Letter of Credit under the Revolving Facility. In the event that the Issuing Bank is not called upon to make full payment on such outstanding Letter of Credit prior to its expiry date, the deposit amount, or any part thereof as has not been applied and paid out for such purpose, shall be returned to the Borrower together with interest earned on the deposit amount at the Agent’s prevailing rate for deposits of like currency, amount and tenor (the “**Returnable Amount**”); provided that if an Event of Default then exists, such Returnable Amount shall instead first be applied to pay any Obligations then due and owing at such time, and any remaining balance thereof, after any such application and payment, shall be promptly returned to the Borrower. In lieu of such deposit, the Borrower may procure the issuance of a “clean” standby credit in favour of the Agent in the amount of the deposit amount which must be in form and substance acceptable to the Agent acting reasonably and be issued by a bank acceptable to the Agent in its sole discretion.

(12) The obligations of the Borrower with respect to Letters of Credit shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including, without limitation, the following circumstances:

- (i) any lack of validity or enforceability of any Loan Document or the Letters of Credit;
- (ii) any amendment or waiver of or any consent to or actual departure from this Agreement;
- (iii) the existence of any claim, set-off, defence or other right which the Borrower may have at any time against any beneficiary or any transferee of a Letter of Credit (or any Persons for which any such beneficiary or any such transferee may be acting), the Issuing Bank or any other Person or entity, whether in connection with this Agreement, the transactions contemplated herein or in any other agreements or any unrelated transactions;
- (iv) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect except for non-compliance with the payment conditions of such Letter of Credit; or
- (v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing,

provided that, in each case above, payments by the Issuing Bank shall not have constituted gross negligence or wilful misconduct.

(13) The Borrower hereby indemnifies and agrees to hold the Issuing Bank harmless from all losses, damages, costs, demands, claims, reasonable expenses (including reasonable out-of-pocket expenses) and other consequences which the Issuing Bank may incur, sustain or suffer, other than as a result of its own gross negligence or wilful misconduct, as a result of issuing or amending a Letter of Credit, including reasonable legal and other expenses incurred by the Issuing Bank in any action to compel payment by the Issuing Bank under a Letter of Credit or to restrain the Issuing Bank from making payment under a Letter of Credit. Any amounts due under this indemnity shall form part of the Obligations.

(14) It is understood and agreed that the Issuing Bank shall not have any liability for, and that the Borrower assumes all responsibility for: (i) the genuineness of any signature; (ii) the form, validity, genuineness, falsification and legal effect of any draft, certification or other document required by a Letter of Credit or the authority of the Person signing the same; (iii) the failure of any instrument to bear any reference or adequate reference to a Letter of Credit or the failure of any Persons to note the amount of any instrument on the reverse of a Letter of Credit or to surrender a Letter of Credit (iv) the good faith or acts of any Person other than the Issuing Bank and its agents and employees; (v) the existence, form or sufficiency or breach or default under any agreement or instruments (other than this Agreement and any Letter of Credit) of any nature whatsoever; (vi) any delay in giving or failure to give any notice, demand or protest; and (vii) any error, omission, delay in or non-delivery of any notice or other communication, however sent. The determination as to whether the required documents are presented prior to the expiration of a Letter of Credit and whether such other documents are in proper and sufficient form for compliance with a Letter of Credit shall be made by the Issuing Bank in its sole discretion, acting reasonably, which determination shall be conclusive and binding upon the Borrower absent manifest error. It is agreed that the Issuing Bank may honour, as complying with the terms of a Letter of Credit and this Agreement, any documents otherwise in order and signed or issued by the beneficiary thereof. Any action, inaction or omission on the part of the Issuing Bank under or in connection with the Letters of Credit or any related instruments or documents, if in good faith and in conformity with such laws, regulations or commercial or banking customs as the Issuing Bank may reasonably deem to be applicable, shall be binding upon the Borrower, and shall not affect, impair or prevent the vesting of the Issuing Bank's rights or powers hereunder or the Borrower's obligation to make full reimbursement of amounts drawn under the Letters of Credit. Notwithstanding the provision of this Section 6.02(14), the Borrower shall not be responsible for and no Person shall be relieved of responsibility for any gross negligence or wilful misconduct of such Person.

(15) So long as any Lender is a Non-Funding Lender, the Issuing Bank shall not be required to make any further Letters of Credit unless the Issuing Bank is satisfied that the related exposure will be 100% covered by the Commitments of the applicable Lenders that are not Non-Funding Lenders and/or cash collateralized in a manner satisfactory to the Issuing Bank.

(16) The Borrower acknowledges that the Existing L/C's shall be deemed Advances under the L/C Facility. Schedule H sets forth the Existing L/C's. The Borrower shall pay to the Agent for the benefit of CIBC the standard fees and charges in effect from time to time for renewing and amending Letters of Credit. Commencing as of the Second Closing Date, the Borrower shall pay to the Agent for the benefit of the Lenders a fee equal to the Letter of Credit Fee Rate on the Existing L/C's in the same manner as is required to be paid for Letters of Credit issued by the Issuing Bank pursuant to the L/C Facility in accordance with Section 6.02(9). Other than any administrative fees payable to CIBC, the Existing L/C's shall be treated in the same manner *mutatis mutandis* (and CIBC shall receive the same benefits as if they were the "Issuing Bank") as any Letters of Credit issued by the Issuing Bank to the Borrower pursuant to Article 6. None of the Existing L/C's shall be renewed or extended by CIBC past their applicable expiration or maturity dates.

(17) Notwithstanding anything contained herein to the contrary, should demand be made pursuant to a Letter of Credit issued pursuant to the L/C Facility the Agent shall, should the Borrower not provide to it funds equal to the amount demanded by the second Business Day following demand, be entitled to withdraw funds from the Segregated Account in an amount sufficient to pay the amount demanded under the applicable Letter of Credit.

6.03 Major Disruption

If:

- (a) the Agent (acting reasonably) makes a determination, which determination shall be conclusive and binding upon the Borrower, and notifies the Borrower, that there no longer exists an active market for Bankers' Acceptances accepted by the Revolving Lenders;
- (b) the Majority Revolving Lenders advise the Agent who in turn advises the Borrower that for any reason a market for Bankers' Acceptances does not exist at any time or that the Revolving Lenders cannot for other reasons, after reasonable efforts, readily sell Bankers' Acceptances or perform their obligations under this Agreement with respect to Bankers' Acceptances;
- (c) the Agent is advised by Revolving Lenders holding at least 25% of the Commitments of all Revolving Lenders hereunder by written notice (each, a "**Lender BA Suspension Notice**") that such Revolving Lenders have determined (acting reasonably and in good faith) that the BA Discount Rate will not or does not accurately reflect the cost of funds of such Revolving Lenders or the discount rate which would be applicable to a sale of Bankers' Acceptances accepted by such Revolving Lenders in the market;

then:

- (i) the right of the Borrower to request Bankers' Acceptances or BA Equivalent Notes from any Revolving Lender shall be suspended until the Agent determines that the circumstances causing such suspension no longer exist, and so notifies the Borrower and the Revolving Lenders;
- (ii) any outstanding Drawdown Notice requesting an Advance by way of Bankers' Acceptances or BA Equivalent Notes shall be deemed to be a Drawdown Notice requesting an Advance by way of Prime Rate Advances in the amount specified in the original Drawdown Notice;
- (iii) any outstanding Conversion Notice requesting a conversion of an Advance by way of Bankers' Acceptances or BA Equivalent Notes shall be deemed to be a Conversion Notice requesting a conversion of such Advances into an Advance by way of Prime Rate Advances; and
- (iv) any outstanding Rollover Notice requesting a rollover of an Advance by way of Bankers' Acceptances or BA Equivalent Notes, shall be deemed to be a Conversion Notice requesting a conversion of such Advances into an Advance by way of Prime Rate Advances.

The Agent shall promptly notify the Borrower and the Revolving Lenders of any suspension of the Borrower's right to request Advances by way of Bankers' Acceptances or BA Equivalent Notes and of any termination of any such suspension. A Lender BA Suspension Notice shall be effective upon receipt of the same by the Agent if received prior to 2:00 p.m. (Toronto time) on a Business Day and if not, then on the next following Business Day, except in connection with an outstanding Drawdown Notice, Conversion Notice or Rollover Notice, in which case the applicable Lender BA Suspension Notice shall only be effective with respect to such outstanding Drawdown Notice, Conversion Notice or Rollover Notice if received by the Agent prior to 2:00 p.m. (Toronto time) 2 Business Days prior to the proposed date of Advance, date of conversion or date of rollover (as applicable) applicable to such outstanding Drawdown Notice, Conversion Notice or Rollover Notice, as applicable.

ARTICLE 7 - REPAYMENT

7.01 Mandatory Repayment of Principal – Credit Facilities

(1) Subject to the terms hereof, the Borrower shall repay all of its Obligations, other than Unmatured Contingent Claims, in connection with the Credit Facilities, including the outstanding principal amount of all Advances to it thereunder together with all accrued interest, fees and other amounts then unpaid by it with respect to such Advances, the Commitments under the Credit Facilities and the Credit Facilities (which, for greater certainty, shall include all amounts payable by the Borrower to the Agent under Section 6.01(9) with respect to any Bankers' Acceptances and BA Equivalent Notes outstanding on the Maturity Date and all amounts payable by the Borrower to the Agent under Section 6.02(11) with respect to Letters of Credit outstanding on the Maturity Date) in full on the Maturity Date and the Revolving Facility and the Commitments of the Revolving Lenders thereunder shall be automatically terminated on the Maturity Date.

(2) The L/C Facility is a demand facility and all amounts owing pursuant to the L/C Facility shall be due and payable by the Borrower on demand issued by the Agent for and on behalf of the L/C Lenders and the Borrower shall immediately thereafter not be entitled to obtain any further Letters of Credit under the L/C Facility. Should demand not have been made by the Agent prior to the Maturity Date, all Obligations owing by the Borrower to the L/C Lenders shall be due and payable on such date and the Borrower shall immediately thereafter not be entitled to obtain any further Letters of Credit under the L/C Facility. Any L/C Lender shall be entitled to provide notice to the Agent of its requirement that demand be made under the L/C Facility. Should any L/C Lender provide notice of demand to be made, the Agent shall demand payment by the Borrower of all amounts due and owing pursuant to the L/C Facility.

7.02 Voluntary Repayments and Reductions

Subject to the Agent receiving a Repayment Notice which shall be given not less than three (3) Business Days prior to the proposed repayment date and which shall be irrevocable, the Borrower may from time to time repay Advances outstanding under the Credit Facilities without premium, penalty or bonus provided that each such repayment shall be in a minimum aggregate amount of US\$1,000,000 and in whole multiples of US\$100,000. Notwithstanding the foregoing, (i) LIBOR Advances may not be repaid prior to the end of the applicable LIBOR Interest Period unless the Borrower pays to the Agent (for the account of each Lender) an amount equal to all Breakage Costs; and (ii) Bankers' Acceptances, BA Equivalent Notes and Letters of Credit may not be repaid prior to their respective maturity or expiry dates but may be Collateralized along with delivery of such documentation as may be required by the Agent as specified in Section 7.05. The requirement to give a Repayment Notice and the minimum repayment amounts referenced herein shall not apply to repayment of Advances (other than Letters of Credit) under the Swingline Facility. The determination of the amount of any Breakage Costs resulting from, arising out of, or imposed upon or incurred by any Revolving Lender as a result of the repayment of any LIBOR Advance prior to the end of the applicable LIBOR Interest Period, when evidenced by a certificate from that Revolving Lender giving a reasonably detailed calculation of the amount of such loss, cost or expense, shall be *prima facie* evidence (absent manifest error) of the same.

7.03

Mandatory Repayments from Proceeds of Insurance and Expropriation Proceeds

(1) If the Obligors receive proceeds of insurance in an amount up to US\$5,000,000 in any Fiscal Year, the Obligors may retain such proceeds.

(2) If the Obligors receive proceeds of insurance for loss or damage to any Property in an amount greater than US\$5,000,000 in the aggregate in any Fiscal Year but less than US\$10,000,000, the Obligors may, if no Event of Default exists, request that all such insurance proceeds be released to the Borrower and the Agent shall release such insurance proceeds; provided that an Obligor has replaced, repaired or rebuilt the Property to which such proceeds relate or enters into a *bona fide* Arm's Length contract to replace, repair or rebuild the asset to which such proceeds relate within one hundred eighty (180) days and such replacement, repair or rebuilding has been completed within such one hundred and eighty (180) days (or such longer period as specified by such contract or as agreed by the Majority Lenders, acting reasonably) following the entering of such contract. If, in the latter case, following the one hundred and eighty (180) day period no Obligor has entered into any such contract or following the one hundred and eighty (180) day period (or such longer period, if applicable), such assets have not been replaced, repaired or rebuilt, such proceeds will permanently reduce the Commitments under the Revolving Facility and the Commitments of each of the Revolving Lenders will be reduced by its Proportionate Share of such reduction. If as a result of such reduction the aggregate amount of advances outstanding under the Revolving Facility exceeds the aggregate Commitments of the Revolving Lenders thereunder, the Borrower will not later than two Business Days following such reduction repay advances in an aggregate amount equal to such excess.

(3) If the Obligors receive proceeds of insurance for loss or damage to any assets in an amount greater than US\$10,000,000 in the aggregate in any Fiscal Year, the amount in excess of US\$10,000,000 shall, at the determination of the Majority Lenders, either be retained by the Obligors or be paid to the Agent to be applied to permanently reduce the Commitments under the Revolving Facility and the Commitments of each of the Revolving Lenders will be reduced by its Proportionate Share of such reduction. If as a result of such reduction the aggregate amount of Advances outstanding under the Revolving Facility exceeds the aggregate Commitments of the Revolving Lenders thereunder, the Borrower will not later than two Business Days following such reduction repay advances in an aggregate amount equal to such excess.

(4) Expropriation proceeds received by any Obligor will be governed by the same provisions as apply to proceeds of insurance.

(5) Notwithstanding anything contained herein, an Obligor shall be entitled to retain all proceeds of business interruption insurance and shall not be required to apply such proceeds in accordance with the foregoing provisions; provided that no Obligor shall be entitled to any proceeds of insurance (including business interruption insurance) if there exists an Event of Default and forthwith upon the occurrence of an Event of Default all proceeds of insurance shall be remitted to the Agent for application in accordance with Section 12.11.

7.04 Excess Over the Maximum Amounts

(1) If the Agent determines that on any day the aggregate of (a) Advances in US Dollars then outstanding under a Credit Facility, and (b) the Equivalent Amount in US Dollars of Advances in Canadian Dollars then outstanding under such Credit Facility on such day, exceeds an amount equal to 102% of the Commitments in respect of such Credit Facility, the Agent shall notify the Borrower that such an event has occurred, and the Borrower shall within two Business Days of receipt of such notice repay Advances under such Credit Facility in an amount equal to such excess of the applicable Commitments.

(2) If the Agent determines that on the last day of any Fiscal Quarter the aggregate of (a) Advances in US Dollars then outstanding under a Credit Facility, and (b) the Equivalent Amount in US Dollars of Advances in Canadian Dollars then outstanding under such Credit Facility on such day, exceeds an amount equal to the Commitments in respect of such Credit Facility, the Agent shall notify the Borrower that such an event has occurred, and the Borrower shall within two Business Days of receipt of such notice repay Advances under such Credit Facility in an amount equal to such excess of the applicable Commitments.

7.05 Payment of Breakage Costs etc.

In connection with each voluntary or mandatory repayment hereunder (i) in connection with LIBOR Advances which are repaid prior to the end of the applicable LIBOR Interest Period (a) the Borrower shall pay to the Agent (for the account of each applicable Revolving Lender) all Breakage Costs, or (b) the Borrower shall deposit with the Agent cash in an amount equal to the amount due in respect to such LIBOR Advance at the end of the applicable LIBOR Interest Period; and (ii) in connection with Bankers' Acceptances, BA Equivalent Notes and Letters of Credit which are to be repaid prior to their respective maturity or expiry dates, the Borrower shall deposit cash with the Agent (for the benefit of the applicable Lenders) equal to the full face amount at maturity of such Bankers' Acceptance or BA Equivalent Note or Collateralize such Letters of Credit, as applicable, and shall concurrently deliver to the Agent such cash collateral agreement, supporting resolutions, certificates and opinions as the Agent shall reasonably require in form and substance satisfactory to the Majority Lenders or in the case of Letters of Credit under the L/C Facility, the L/C Lenders.

ARTICLE 8 - PLACE AND APPLICATION OF PAYMENTS

8.01 Place of Payment of Principal, Interest and Fees

(1) The Borrower undertakes at all times when any Advance is outstanding or any other amount is owed by it under any Loan Document to maintain at the Agent's Payment Branch an account in Cdn. Dollars and an account in US Dollars, which the Agent shall be entitled to debit with such amounts as are from time to time required to be paid by the Borrower under the Loan Documents, other than amounts due under the Swingline Facility, as and when such amounts are due and that each such account will contain sufficient funds or an available overdraft for such purpose. Without in any way limiting the rights of the Agent pursuant to the foregoing, unless otherwise specifically agreed between the Borrower and the Agent, the Borrower hereby directs the Agent to debit the aforesaid accounts with such amounts as are from time to time required to be paid by the Borrower pursuant to this Agreement.

(2) All payments by the Borrower under any Loan Document, unless otherwise expressly provided in such Loan Document, shall be made to the Agent at the Agent's Payment Branch, or at such other location as may be agreed upon by the Agent and the Borrower, for the account of the Lenders entitled to such payment, not later than 12:00 noon (Toronto time) for value on the date when due, and shall be made in immediately available funds without set-off or counterclaim.

(3) Unless the Agent shall have been notified by the Borrower not later than 12:00 noon (Toronto time) of the Business Day prior to the date on which any payment to be made by the Borrower under a Loan Document is due that the Borrower does not intend to remit such payment, the Agent shall be entitled to assume that the Borrower has remitted or will remit such payment when so due and the Agent may (but shall not be obliged to), in reliance upon such assumption, make available to each applicable Lender on such payment date such Lender's share of such assumed payment. If the Borrower does not in fact remit such payment to the Agent as required by such Loan Document, each applicable Lender shall immediately repay to the Agent on demand the amount so made available to such Lender, together with interest on such amount at the Interbank Reference Rate, in respect of each day from and including the date such amount was made available by the Agent to such Lender to the date such amount is repaid in immediately available funds to the Agent, and the Borrower shall immediately pay to the Agent on demand such amounts as are sufficient to compensate the Agent and the Lenders for all costs and expenses (including, without limitation, any interest paid to lenders of funds without duplication of interest otherwise paid hereunder) which the Agent may sustain in making any such amounts available to the Lenders or which any Lender may sustain in receiving any such amount from, and in repaying any such amount to, the Agent or in compensating the Agent as aforesaid. A certificate of the Agent as to any amounts payable by the Borrower pursuant to the preceding sentence and containing reasonable details of the calculation of such amounts shall be *prima facie* evidence of the amounts so payable.

(4) If any amount which has been received by the Agent not later than 12:00 noon (Toronto time) on any Business Day as provided above is not paid by the Agent to a Lender on such Business Day as required under this Agreement, the Agent shall immediately pay to such Lender on demand interest on such amount at the Interbank Reference Rate in respect of each day from and including the day such amount was required to be paid by the Agent to such Lender to the day such amount is so paid.

8.02 Netting of Payments

If, on any date, amounts would be due and payable under this Agreement in the same currency by the Borrower to the Lenders, or any one of them, and by the Lenders, or such Lender, to the Borrower, then, on such date, upon notice from the Agent or such Lender stating that netting is to apply to such payments, the obligations of each such party to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by the Borrower to the Lenders, or such Lender, exceeds the aggregate amount that would otherwise have been payable by the Lenders, or such Lender, to the Borrower or *vice versa*, such obligations shall be replaced by an obligation upon whichever of the Borrower or the Lenders, or such Lender, would have had to pay the larger aggregate amount to pay to the other the excess of the larger aggregate amount over the smaller aggregate amount. For greater certainty, prior to acceleration of repayment pursuant to Section 12.02, this Section 8.02 shall not permit any Lender to exercise a right of set-off, combination or similar right against any amount which the Borrower may have on deposit with such Lender in respect of any amount to which netting is to apply pursuant to this Section 8.02, but shall apply only to determine the net amount to be payable by the Lenders or one of them to the Borrower, or by the Borrower to the Lenders or one of them pursuant to the Loan Documents.

ARTICLE 9 - REPRESENTATIONS AND WARRANTIES

9.01 Representations and Warranties

The Borrower represents and warrants to the Agent and to each of the Lenders and acknowledges and confirms that the Agent and each of the Lenders is relying upon such representations and warranties:

(1) Existence and Qualification Each Obligor (a) has been duly incorporated, amalgamated, formed, merged or continued, as the case may be, and is validly subsisting and (if relevant) in good standing as a corporation, company or partnership, under the laws of its jurisdiction of incorporation, amalgamation, merger, formation or continuance, as the case may be (or in the case of Obligors which are not corporations, has been duly created or established as a partnership or other applicable entity and validly exists under and is governed by the laws of the jurisdiction in which it has been created or established), (b) is duly qualified to carry on its business in each jurisdiction in which it carries on business, except for non-qualification which has no Material Adverse Effect and (c) has all required Material Licences.

(2) Power and Authority Each Obligor has the corporate, company or partnership power, capacity and authority, as the case may be, (a) to enter into, and to exercise its rights and perform its obligations under, the Loan Documents to which it is a party and all other instruments and agreements delivered by it pursuant to any of the Loan Documents, and (b) to own its Property and carry on its business as currently conducted.

(3) Execution, Delivery, Performance and Enforceability of Documents The execution, delivery and performance of each of the Loan Documents to which any Obligor is a party, and every other instrument or agreement delivered by an Obligor pursuant to any Loan Document has been duly authorized by all corporate or limited liability company, as the case may be, actions required, and each of such documents has been duly executed and delivered by it. Each Loan Document to which any Obligor is a party constitutes the legal, valid and binding obligation of such Obligor, enforceable against such Obligor in accordance with its respective terms (except, in any case, as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by principles of equity).

(4) Loan Documents Comply with Requirements of Law, Organizational Documents and Contractual Obligations None of the execution or delivery of, the consummation of the transactions contemplated in, or the compliance with the terms, conditions and provisions of any of, the Loan Documents by any Obligor conflicts with or will conflict with, or results or will result in any breach of, or constitutes a default under or contravention of, any Requirement of Law in any material respect, any Obligor's Organizational Documents or any Material Contract or Material Licence, or results or will result in the creation or imposition of any Encumbrance upon any of its Property, except for Permitted Encumbrances.

(5) Consent Respecting Loan Documents Each Obligor has obtained, made or taken all consents, approvals, authorizations, declarations, registrations, filings, notices and other actions whatsoever required (except for registrations or filings which may be required in respect of the Security Documents) to enable it to execute and deliver each of the Loan Documents to which it is a party and to consummate the transactions contemplated in the Loan Documents and to consummate the transactions contemplated in such instruments and agreements except where the failure to do so is immaterial considering the nature of the Loan Documents.

(6) Taxes Each Obligor has duly and timely filed all Tax returns required to be filed by it and has paid or made adequate provision for the payment of all Taxes levied on its Property or income which are showing therein as due and payable, including interest and penalties, or has accrued such amounts in its financial statements for the payment of such Taxes, except for Taxes which are not material in amount or which are not delinquent or if delinquent are being contested, and (except as disclosed in Schedule 9.01(6) and, after the date of this Agreement, as is disclosed to the Agent in writing) there is no action suit, proceeding, investigation, audit or claim now pending which is reasonably likely to result in a Material Adverse Effect, or to its knowledge, threatened by any Governmental Authority regarding any Taxes, nor has it or any other Obligor agreed to waive or extend any statute of limitations with respect to the payment or collection of Taxes.

(7) Judgments, Etc. No Obligor is subject to any judgment, order, writ, injunction, decree or award, or to any restriction, rule or regulation (other than customary or ordinary course restrictions, rules and regulations consistent or similar with those imposed on other Persons engaged in similar businesses), which has not been stayed or of which enforcement has not been suspended which is reasonably likely to result in a Material Adverse Effect.

(8) Accounts Receivable Each Obligor's Accounts Receivable are genuine and *bona fide* and, except as disclosed or reflected in the Obligor's books and records or financial statements, are not subject to any material dispute, offset, defence or counterclaim.

(9) Absence of Litigation As of the Second Closing Date, there are no actions, suits or proceedings pending or judgments existing or, to the best of its knowledge, threatened against or affecting any Obligor which is reasonably likely to result in a Material Adverse Effect. All actions, suits or proceedings pending or judgments existing as of the Second Closing Date with a potential liability in excess of US\$2,500,000 are set forth in Schedule 9.01(9) attached hereto.

(10) Title to Assets Each Obligor has good title to its assets, free and clear of all Encumbrances, except for Permitted Encumbrances, and no Person has any agreement or right to acquire an interest in any material assets of any Obligor other than in the ordinary course of its business or in connection with a Permitted Disposition.

(11) Use of Real Property All real property owned or leased by each Obligor which is material to the conduct of the Business by the Obligors considered as a whole may be used in all material respects by such Obligor pursuant to Requirements of Law for the present use and operation of the business conducted, or intended to be conducted, on such real property by such Obligor. All leased real property which is material to the conduct of the Business of the Obligors considered as a whole where the lessor is Non-Arm's Length and is not an Obligor are on market terms and conditions and, in such case, is on terms which are commercially reasonable.

(12) Description of Real Property Schedule 9.01(12) contains a description as of the Second Closing Date of (a) all real property owned by each Obligor (including municipal addresses, legal description (to the extent available), the name of the Person that owns such property and a brief description of such property and its use), (b) all real property leased by each Obligor (including municipal addresses, legal description (to the extent available), the name of the Person that leases such property, the name of the landlord, the term under the applicable lease), and (c) all real property not owned or leased by an Obligor at which any of its inventory may from time to time be stored or located (including municipal addresses, legal description, the name of the Person which keeps inventory at such property and the name of the bailee or third party holding such inventory at such property).

(13) Insurance Each Obligor or the Borrower on behalf of itself and all other Obligors has maintained and maintains insurance which is in full force and effect that complies in all material respects with all of the requirements of this Agreement. Schedule 9.01(13) lists all existing insurance policies maintained by the Obligors as of the Second Closing Date.

(14) Labour Relations At the Second Closing Date: (i) no Obligor is aware that (A) it is engaged in any unfair labour practice or (B) there is any unfair labour practice complaint or complaint of employment discrimination pending against any Obligor or threatened against any Obligor before any Governmental Authority which, in such case, is reasonably likely to result in a Material Adverse Effect; (ii) no grievance or arbitration arising out of or under any collective bargaining agreement is pending against any Obligor or, to the best of its knowledge, threatened against any Obligor which, in such case, is reasonably likely to result in a Material Adverse Effect; and (iii) no strike, labour dispute, slowdown or stoppage is pending against any Obligor or, to its knowledge, threatened against any Obligor which, in any such case, is reasonably likely to result in a Material Adverse Effect. The Borrower shall advise the Agent in writing of it becoming aware of the occurrence of any of the foregoing events arising subsequent to the Closing Date.

(15) Compliance with Laws No Obligor is in default under any Requirements of Law or Applicable Order, except for defaults which are not reasonably likely to result in a Material Adverse Effect, including any enacted or adopted for the regulation, protection and conservation of the natural environment.

(16) No Default or Event of Default No Default or Event of Default has occurred which is continuing.

(17) Corporate Structure The corporate structure of the Borrower and its Subsidiaries (excluding inactive Subsidiaries that are to be wound up or dissolved and which are identified in Schedule 9.01(17)), as at the Second Closing Date, as set out in Schedule 9.01(17), which Schedule contains:

- (a) *Shareholdings of the Obligors.* On the Second Closing Date, all of the Subsidiaries of the Borrower are as provided for in Schedule 9.01(17) and, except as shown in such Schedule and apart from marketable securities issued by public entities in which an Obligor may have an interest of less than 10%, such Obligors do not own or hold any shares in the capital of, or any other ownership interest in, any other Person.
- (b) *Evidence of Ownership of Obligors.* On the Second Closing Date, the authorized capital of the Borrower and its Subsidiaries is as provided for in Schedule 9.01(17), of which the number of issued and outstanding shares or units and the beneficial owners thereof at such time is provided for in Schedule 9.01(17).
- (c) *Rights to Acquire Shares of Obligors.* On the Second Closing Date, no Person has an agreement or option or any other right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement or option, including convertible securities, warrants or convertible obligations of any nature, for the purchase, subscription, allotment or issuance of any unissued shares in the capital of any Obligor, except as provided for in Schedule 9.01(17).

(18) Relevant Jurisdictions Schedule 9.01(18) identifies in respect of the Borrower and each Guarantor as of the date hereof, the Relevant Jurisdictions including the full address (including postal code or zip code) of the Borrower and each Guarantor's jurisdiction of formation, chief executive office (as contemplated by the *Personal Property Security Act* (Ontario)) and all places of business and, if different, the address at which the books and records of such Obligor are located.

(19) Computer Software Each Obligor owns or has licensed for use or otherwise has the right to use all of the material software necessary to conduct the Business of the Obligors considered as a whole. All computer equipment owned or used by an Obligor and necessary for the conduct of the Business of the Obligors considered as a whole has been properly maintained and is in good working order for the purposes of on-going operation, subject to ordinary wear and tear for computer equipment of comparable age.

(20) Intellectual Property

- (a) Schedule 9.01(20) contains a complete and accurate listing of all registrations and, applications and licences relating to Material Intellectual Property and the registered owner thereof as of the Second Closing Date.
- (b) Except as disclosed on Schedule 9.01(20):
 - (i) the Obligors have the right to use all Material Intellectual Property;

- (ii) to the knowledge of the Obligors, the Material Intellectual Property and the conduct of the Business by the Obligors does not infringe upon or breach any material intellectual property rights of any other Person in a manner which is reasonably likely to result in a Material Adverse Effect;
- (iii) to the knowledge of the Obligors after due enquiry, there has been no unauthorized use or improper use by the Obligors (or any Person granted rights to Material Intellectual Property by the Obligors) of the trademarks held by the Obligors that constitute Material Intellectual Property which has affected or will affect the distinctiveness thereof or rights therein in a manner which is reasonably likely to result in a Material Adverse Effect;
- (iv) to the knowledge of the Borrower after due enquiry, no Person is infringing or breaching any material trademark that constitutes Material Intellectual Property held by an Obligor in a manner which is reasonably likely to result in a Material Adverse Effect; and
- (v) no Obligor has received any written notice challenging an Obligor, or threatening to challenge an Obligor, respecting the validity of, use of or ownership of any Material Intellectual Property, and to the knowledge of the Obligors, there are no facts upon which such a challenge could be made and succeed, in each case where such challenge, if successful, is reasonably likely to result in a Material Adverse Effect.

(21) **Material Contracts:**

- (a) As of the Second Closing Date, Schedule 9.01(21) accurately sets out all Material Contracts and Material Licences;
- (b) no event has occurred and is continuing which is reasonably likely to result in a material breach of or a default by an Obligor under any Material Contract or Material Licence; and
- (c) each Material Contract to which an Obligor is a party is binding upon such Obligor and, to its knowledge, is a binding agreement of each other Person who is a party to the Material Contract.

(22) **Financial Year End** Its financial year end is October 31.

(23) **Financial Information** All of the monthly, quarterly and annual financial statements which have been furnished to the Agent and the Lenders, or any of them, in connection with this Agreement are complete in all material respects and such financial statements fairly present the results of operations and financial position of the Borrower as of the dates referred to therein and have been prepared in accordance with GAAP (which, for greater certainty, shall not include typical year end adjustments as would be completed by the Borrower's auditors). All other financial information (including, without limitation, budgets and projections) provided to the Agent and the Lenders are complete in all material respects and based on reasonable assumptions and expectations. The Borrower does not have any liabilities (contingent or other) or other obligations of the type required to be disclosed in accordance with GAAP which are not fully disclosed on its most recent consolidated financial statements provided to the Lenders other than liabilities and obligations incurred in the ordinary course of its business and the Obligations.

(24) No Material Adverse Effect Since the date of the Borrower's most recent annual audited financial statements and the Borrower's most recent unaudited financial statements (which have been prepared in accordance with GAAP, subject to typical year end adjustments as would be completed by the Borrower's auditors) provided to the Lenders, there has been no condition (financial or otherwise), event or change in its business, liabilities, operations, results of operations or assets which constitutes or is reasonably likely to result in a Material Adverse Effect. All financial statements provided to the Agent will be prepared in accordance with GAAP (subject, in the case of unaudited financial statements, to typical year end adjustments, as would be completed by the Borrower's auditors).

(25) Environmental (a) No Obligor is subject to any civil or criminal proceeding or investigation relating to Requirements of Environmental Laws and no Obligor is aware of any threatened proceeding or investigation relating to Requirements of Environmental Laws which is reasonably likely to result in criminal sanctions or liability in excess of \$12,500,000. (b) Each Obligor has all permits, licences, registrations and other authorizations required by the Requirements of Environmental Laws for the operation of its business and the properties which it owns, leases or otherwise occupies and which are material with respect to the Obligors considered as a whole. (c) Each Obligor currently operates its business and its properties (whether owned, leased or otherwise occupied) which are material with respect to the Obligors considered as a whole in compliance in all material respects with all applicable Requirements of Environmental Laws. (d) No Hazardous Materials are or have been stored or disposed of by any Obligor or otherwise used by any Obligor in violation in any respect of any applicable Requirements of Environmental Laws (including, without limitation, any release of Hazardous Materials by any Obligor at, on or under any property now or previously owned or leased by the Borrower or any of its Subsidiaries) which is reasonably likely to result in liability or a cost of clean up in excess of \$12,500,000. (e) All underground storage tanks of which an Obligor is aware now or previously located on any real property owned or leased by it have been operated, maintained and decommissioned or closed, as applicable, in compliance in all material respects with applicable Requirements of Environmental Law, except where the failure to comply is reasonably likely to result in liability in excess of \$12,500,000. (f) Except for decommissioning costs referenced in the last sentence of this Section 9.01(25), no real property or groundwater in, on or under any property now or previously owned or leased by any Obligor is or has been during such Obligor's ownership or occupation of such property to its knowledge (or, to its knowledge, prior to its ownership or occupation) contaminated by any Hazardous Material, except for any contamination which is not reasonably likely to result in liability in excess of \$12,500,000, nor is any such property named in any list of hazardous waste or contaminated sites maintained under any Requirements of Environmental Law which is reasonably likely to result in liability in excess of \$12,500,000. The Lenders acknowledge and consent to (i) the existing estimated decommissioning costs associated with the property owned by the Borrower and located in Ottawa, Ontario (which is currently estimated at Cdn.\$32,000,000), with the understanding that such estimated amount may be revised from time to time but may not exceed Cdn.\$40,000,000, and (ii) the Borrower's providing security for such costs in the form exclusively of a Letter of Credit or Letters of Credit issued hereunder.

(26) CERCLA No portion of any Obligor's Property has been listed, designated or identified in the National Priorities List or the CERCLA Information System both as published by the United States Environmental Protection Agency, or any similar list of sites published by any federal, state or local authority proposed for requiring clean up or remedial or corrective action under any Requirements of Environmental Laws applicable in the United States of America which listing, designation or identification is reasonably likely to result in a Material Adverse Effect.

(27) Canadian Welfare and Pension Plans (a) Each Obligor has adopted all Canadian Welfare Plans required by Requirements of Law and each of such plans has been maintained and is in compliance with such laws in all material respects including, without limitation, all requirements relating to employee participation, funding, investment of funds, benefits and transactions with the Obligors and persons related to them except for any failure to maintain or non-compliance which is not reasonably likely to result in a Material Adverse Effect. (b) No Obligor has a material unfunded liability in excess of Cdn.\$5,000,000 with respect to any post-retirement benefit under a Canadian Welfare Plan. (c) With respect to Canadian Pension Plans: (i) no steps have been taken to terminate any Canadian Pension Plan (wholly or in part) which is reasonably likely to result in any Obligor being required to make additional contributions to any Canadian Pension Plan in excess of Cdn.\$5,000,000; (ii) no contribution failure has occurred and has continued for a period exceeding thirty (30) days beyond when such contribution was due with respect to any Canadian Pension Plan sufficient to give rise to a lien or charge under any applicable pension benefits laws of any other jurisdiction; and (iii) subject to the provisions of subsection (f) of this Section 9.01(27), no condition exists and no event or transaction has occurred with respect to any Canadian Pension Plan which is reasonably likely to result in any Obligor incurring any liability, fine or penalty in excess of Cdn.\$5,000,000. (d) Each Canadian Pension Plan which is material with respect to the Obligors considered as a whole is in compliance in all material respects with all applicable pension benefits and tax laws. (e) All contributions (including employee contributions made by authorized payroll deductions or other withholdings) required to be made to the appropriate funding agency in accordance with all Requirements of Law and the terms of each pension plan have been made in material compliance with all Requirements of Law and the terms of each Canadian Pension Plan. (f) All liabilities under each Canadian Pension Plan which is material with respect to the Obligors considered as a whole are funded, on a going concern and solvency basis, in material compliance with the terms of the respective Canadian Pension Plans, the requirements of applicable pension benefits laws and of applicable regulatory authorities and there is no accumulated funding deficit with respect to all Canadian Pension Plans which is, in aggregate, in excess of Cdn.\$70,000,000. (g) No event has occurred and no conditions exist with respect to any Canadian Pension Plan which is material with respect to the Obligors considered as a whole that has resulted or is reasonably likely to result in any Canadian Pension Plan having its registration revoked or refused by any administration of any relevant pension benefits regulatory authority or being required to pay any taxes or penalties under any applicable pension benefits or tax laws in excess of Cdn.\$5,000,000.

(28) ERISA Plans (a) Except as would not result in any liability to an Obligor in excess of US\$7,500,000, each ERISA Plan has been maintained and is in compliance with Requirements of Law including, without limitation, all requirements relating to employee participation, investment of funds, benefits and transactions with the Obligors and persons related to them. (b) With respect to ERISA Plans: (i) no condition exists and no event or transaction has occurred with respect to any ERISA Plan that is reasonably likely to result in any Obligor, to the best of its knowledge, incurring any liability, fine or penalty in excess of US\$5,000,000; and (ii) no Obligor has a contingent liability with respect to any post-retirement benefit under any such ERISA Plan that is a welfare plan in excess of US\$5,000,000, except as required by Section 4980B of the Code. (c) All contributions (including employee contributions made by authorized payroll deductions or other withholdings) required to be made have been made in material compliance with all Requirements of Law and the terms of each ERISA Plan. (d) Each of the ERISA Plans that is intended to be “qualified” within the meaning of Section 401(a) of the Code either (i) has received a favourable determination letter from the IRS or is comprised of a master or prototype plan that has received a favourable opinion letter from the IRS, or (ii) is or will be the subject of an application for a favourable determination letter, and no circumstances exist that has resulted or is reasonably likely to result in the revocation or denial of any such determination letter.

(29) Not an Investment Company No Obligor is an “investment company” or a company “controlled” by an “investment company” within the meaning of the United States Investment Company Act of 1940, as amended or a “holding company”, or a “subsidiary company” of a “holding company”, or an “affiliate” of a holding company, or of a “subsidiary company” of a “holding company”, within the meaning of the United States Public Utility Holding Company Act of 1935, as amended.

(30) No Margin Stock No Obligor is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock. None of the proceeds of any Advance shall be used to purchase or carry, or to reduce or retire or refinance any credit incurred to purchase or carry, any margin stock (within the meaning of Regulations U and X of the Board of Governors of the Federal Reserve System of the United States) or to extend credit to others for the purpose of purchasing or carrying any margin stock.

(31) Full Disclosure All information material to the Obligors considered as a whole provided or to be provided to the Agent or the Lenders by or on behalf of the Borrower in connection with the Credit Facilities is, to its knowledge, true and correct in all material respects and none of the documentation furnished to the Agent and the Lenders by or on behalf of it, to its knowledge, omits or will omit as of such time, a material fact necessary to make the statements contained therein relative to the Obligors considered as a whole not misleading in any material way, and all expressions of expectation, intention, belief and opinion contained therein were honestly made on reasonable grounds (and any other Person who furnished such material on behalf of it).

(32) Insolvency No Obligor (a) has committed any act of bankruptcy, (b) is insolvent, or has proposed, or given notice of its intention to propose, a compromise or arrangement to its creditors generally or (c) has a receiving order in bankruptcy issued against it, made a voluntary assignment in bankruptcy, taken any proceeding with respect to any compromise or arrangement, taken any proceeding to have itself declared bankrupt or wound-up or taken any proceeding to have a receiver appointed of any part of its assets.

(33) Non-Arm's Length Transactions All agreements, arrangements or transactions between any Obligor, on the one hand, and any Associate of, Affiliate of or other Person not dealing at Arm's Length with such Obligor, that is not an Obligor, on the other hand, in existence at the Second Closing Date are set forth on Schedule 9.01(33).

(34) Debt There exists no Debt that is not Permitted Debt.

(35) OFAC – It is not in violation of any of the country list based economic and trade sanctions administered and enforced by OFAC. No Obligor (i) is a Sanctioned Person or a Sanctioned Entity, (ii) has more than 10% of its assets located in Sanctioned Entities, or (iii) derives more than 10% of its revenues from investments in, or transactions with Sanctioned Persons or Sanctioned Entities.

9.02 Survival and Repetition of Representations and Warranties

The representations and warranties set out in Section 9.01 will be deemed to be repeated by the Borrower as of the date of each request for new Advance by the Borrower except to the extent that on or prior to such date (a) the Borrower has advised the Agent in writing of a variation in any such representation or warranty, and (b) if such variation in the opinion of the Lenders, acting reasonably, is material to the Property, liabilities, affairs, business, operations or condition (financial or otherwise) of the Obligors considered as a whole or is reasonably likely to result in a Material Adverse Effect, the Lenders have approved such variation.

ARTICLE 10 - COVENANTS

10.01 Positive Covenants

So long as any Obligations (other than Unmatured Contingent Claims) remain outstanding or the Commitments have not been cancelled, and except as otherwise permitted by the prior written consent of the Majority Lenders, the Borrower shall and, unless the context does not allow, shall cause each other Obligor to:

(1) Timely Payment Make due and timely payment of the Obligations required to be paid by it hereunder.

(2) Conduct of Business, Maintenance of Existence, Compliance with Laws Engage in business of the same general type as now conducted by it; carry on and conduct its business and operations in a proper, efficient and businesslike manner, in accordance with good business practice, except where the failure to do so is not reasonably likely to result in a Material Adverse Effect; in the case of the Borrower, each Guarantor and Material Subsidiary preserve, renew and keep in full force and effect its existence and take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business and to comply in all material respects with all Material Contracts, Material Licences and Requirements of Law except where the failure to do so is not reasonably likely to result in a Material Adverse Effect.

(3) Further Assurances Provide the Agent and the Lenders with such other documents, opinions, consents, acknowledgements and agreements as are reasonably necessary to implement this Agreement or the other Loan Documents from time to time.

(4) Access to Information With respect to the Borrower, each Guarantor and each Material Subsidiary, promptly provide the Agent with all information reasonably requested by the Agent for and on behalf of the Lenders from time to time concerning its financial condition and Property, and during normal business hours and from time to time upon reasonable notice, but not more frequently than annually unless a Default or an Event of Default has occurred and is continuing, permit representatives of the Agent and the Lenders to inspect any of its Property and to examine and take extracts from its financial books, accounts and records, including but not limited to accounts and records stored in computer data banks and computer software systems, and to discuss its financial affairs, its business or any part of its Property with its senior officers and (in the presence of such of its representatives as it may designate) its auditors. Should there exist a Default or an Event of Default, the Borrower will pay all reasonable expenses incurred by such representatives in order to visit the Borrower's premises or attend at its and each other Obligor's principal office, as applicable, for such purposes.

(5) Obligations and Taxes Pay or discharge or cause to be paid or discharged, before the same shall become delinquent (a) all Taxes imposed upon it or upon its income or profits or in respect of its business or Property and file all tax returns in respect thereof; (b) all lawful claims for labour, materials and supplies; (c) all required payments under any of its Debt, and (d) all other obligations; provided, however that it shall not be required to pay or discharge or to cause to be paid or discharged any such amount so long as the validity or amount thereof shall be contested in good faith by appropriate proceedings and its liabilities in respect thereof have been accrued in accordance with GAAP in its books and records.

(6) Use of Credit Facilities Use the proceeds of the Credit Facilities as contemplated by Section 2.03.

(7) Insurance Maintain or cause to be maintained with reputable insurers, coverage against risk of loss or damage to its Property (including public liability and damage to property of third parties), business interruption insurance, fire and extended peril insurance and boiler and machinery insurance of such types as is customary for and would be maintained by a corporation with an established reputation engaged in the same or similar business in similar locations and provide to the Agent, on an annual basis, evidence of such coverage. The Borrower shall, on an annual basis prior to the expiry or replacement of any insurance policy, notify the Agent of the renewal or replacement and at the Agent's request send copies of insurance certificates evidencing all renewed or replacement policies to the Agent. Without limiting the generality of the foregoing, the Borrower shall maintain in effect all insurance coverage reasonable and prudent for a business similar to its business conducted in similar locations. Subject to insurance on Property in connection with Property that is subject to a Purchase Money Security Interest or a Capital Lease, the Agent on behalf of the Lenders shall be indicated in all insurance policies, as applicable, as first loss payee and additional insured, and all policies shall contain such standard mortgage clauses as the Agent shall reasonably require for the Lenders' protection.

(8) Notice of Default or Event of Default Promptly and, in any event within three (3) Business Days of becoming aware thereof, notify the Agent of any Default or Event of Default that would apply to it or to any Obligor of which it becomes aware along with the action to be taken by the Obligors to remedy any such Default or Event of Default.

(9) Notice of Material Adverse Effect Promptly notify the Agent of any Material Adverse Effect of which it becomes aware.

(10) Notice of Litigation Promptly notify the Agent on becoming aware of the occurrence of any litigation, dispute, arbitration, proceeding or other circumstance the result of which is reasonably likely to result in (a) a judgment or award against it in excess of US\$2,500,000 or (b) a Material Adverse Effect, and from time to time provide the Agent with all reasonable information requested by the Agent concerning the status of any such proceeding.

(11) Other Notices Promptly, upon becoming aware thereof, give notice to the Agent on behalf of the Lenders of:

- (a) any notice of expropriation affecting any Obligor;
- (b) any notice of a proposal to wind up a Canadian Pension Plan;
- (c) any violation of any Requirements of Law which is reasonably likely to result in a Material Adverse Effect;
- (d) any change to any Requirements of Law which is reasonably likely to result in a Material Adverse Effect;
- (e) any default under any Debt of an Obligor in an amount in excess of US\$2,500,000;
- (f) any termination prior to maturity of or default under a Material Contract or any termination, lapse, rescission or default under a Material Licence;
- (g) any damage to or destruction of any Property of any Obligor having a replacement cost in excess of US\$2,500,000;
- (h) the acquisition of any real property by an Obligor;
- (i) the receipt of insurance proceeds by any Obligor in excess of US\$2,500,000;
- (j) other than notices or communications which are immaterial to the Business of the Obligors considered as a whole, receipt by the Borrower of any notice or communication from Health Canada or any other Governmental Authority which is reasonably likely to result in a Material Adverse Effect;
- (k) any Encumbrance registered against any Property of any Obligor, other than a Permitted Encumbrance.

In each Compliance Certificate delivered to the Agent, provide notice of:

- (i) any entering into of a Material Contract; and
- (ii) any material adverse change in, or material adverse amendment to, any Material Contract or termination, rescission or lapse without renewal or adequate replacement of a Material Licence.

(12) Environmental Compliance Operate its business in compliance with Requirements of Environmental Laws (except where the failure to do so is not reasonably likely to result in a Material Adverse Effect) and operate all Property owned, leased or otherwise used by it such that no obligation, including a clean-up or remedial obligation, will arise under any Requirements of Environmental Law which is reasonably likely to result in a Material Adverse Effect; provided, however, that if any such claim is made or any such obligation arises, the applicable Obligor shall promptly satisfy, address or contest such claim or obligation at its own cost and expense. It shall promptly notify the Agent upon: (a) learning of the existence of any Hazardous Material located on, above or below the surface of any land which it owns, leases, operates, occupies or controls (except those being stored, used or otherwise handled in material compliance with Requirements of Environmental Law), or contained in the soil or water constituting such land, in each case, which is reasonably likely to result in a liability in excess of US\$2,500,000; and (b) the occurrence of any reportable release, spill, leak, emission, discharge, leaching, dumping or disposal of Hazardous Materials that has occurred on or from such land, which is reasonably likely to result in liability under Requirements of Environmental Law in excess of US\$2,500,000.

(13) Maintenance of Property Keep all Property useful and necessary in the Business of the Obligors considered as a whole in good working order and condition, normal wear and tear excepted, and maintain all Material Intellectual Property necessary to carry on the Business of the Obligors considered as a whole.

(14) Landlord Consents Should the Agent require, use commercially reasonable efforts to obtain a consent agreement from each landlord of premises material to the Business of the Obligors considered as a whole that are leased at any time and from time to time by any Obligor (a) regarding the grant of an Encumbrance against the Obligor's interest in such lease pursuant to the Security, in form and content satisfactory to the Agent on behalf of the Lenders; and (b) to register notice of each lease of premises against title to the applicable property.

(15) Expenses Pay promptly, upon request, all reasonable out-of-pocket fees and disbursements (including sales tax, goods and services tax and harmonised sales and goods and services tax) incurred or paid by the Agent in connection with the preparation, negotiation, execution, delivery, maintenance, amendment, interpretation and enforcement (including any workouts in connection with or in lieu of any enforcement) of the Loan Documents and in connection with the consummation of the transactions contemplated by the Loan Documents and, including without limitation, all court costs and all reasonable fees and disbursements of lawyers, auditors, consultants and accountants.

(16) Employee Benefit and Welfare Plans Maintain all employee benefit and Canadian Welfare Plans relating to its business in material compliance with all Requirements of Law.

(17) Material Contracts and Material Licences At the request of the Agent from time to time, provide to the Lenders certified copies of all Material Contracts and Material Licences.

(18) Cash Management and Bank Accounts Excluding the US Escrow Account and the DX RX Accounts, maintain all cash management services of the Borrower and its Subsidiaries which are incorporated in Canada or a province thereof with a Lender and ensure that, subject to the provisions of Section 10.04(22), the dollar amount in any bank account maintained outside of Canada and the United States of America does not exceed, in the aggregate, the Equivalent Amount in US\$ of \$10,000,000.

(19) Guarantors Ensure that (i) the aggregate value of the assets of the Borrower and the Guarantors is equal to at least 90% of the value of the consolidated assets of the Borrower and (ii) the EBITDA attributable to the Borrower and the Guarantors is equal to at least 90% of the consolidated EBITDA of the Borrower and (iii) the revenues attributable to the Borrower and the Guarantors are equal to at least 90% of the consolidated revenues of the Borrower. From time to time after the Second Closing Date, cause each Subsidiary of the Borrower that qualifies as a "Material Subsidiary" to execute and deliver a guarantee and security documentation in form and substance satisfactory to the Agent along with legal opinions in form and substance satisfactory to the Agent.

10.02 Financial Covenants

So long as any Obligations (other than Unmatured Contingent Claims) remain outstanding or the Commitments have not been cancelled, except as otherwise permitted by the prior written consent of the Majority Lenders:

(1) Minimum EBITDA. The Borrower, on a consolidated basis, will ensure that it maintains a minimum EBITDA of the amounts set forth below for Fiscal Year 2013 (on a cumulative basis for such Fiscal Year) and a minimum EBITDA in such amount agreed to by the Lenders for each Fiscal Year thereafter:

January 31, 2013	\$ (13,753,000)
April 30, 2013	\$ (14,309,000)
July 31, 2013	\$ (542,000)
October 31, 2013	\$ 10,754,000

(2) Minimum Operating EBITDA. The Borrower, on a consolidated basis, will ensure that it maintains a minimum Operating EBITDA of the amounts set forth below for Fiscal Year 2013 (on a cumulative basis for such Fiscal Year) and a minimum Operating EBITDA in such amount agreed to by the Lenders for each Fiscal Year thereafter:

January 31, 2013	\$ 1,798,000
April 30, 2013	\$ 5,242,000
July 31, 2013	\$ 14,853,000
October 31, 2013	\$ 26,754,000

(3) Tangible Net Worth The Borrower, on a consolidated basis, will maintain Tangible Net Worth of no less than the sum of US\$155,000,000 plus 50% of positive Net Income commencing on January 31, 2013.

(4) Capital Expenditures The Borrower, on a consolidated basis, shall not make Capital Expenditures in any Fiscal Year in excess of US\$15,000,000.

10.03 Reporting Requirements

So long as any Obligations (other than Unmatured Contingent Claims) remain outstanding or the Commitments have not been cancelled, and except as otherwise permitted by the prior written consent of the Majority Lenders, the Borrower shall and, unless the context does not allow, shall cause each other Obligor to:

(1) Annual Reports As soon as available and in any event within 90 days after the end of each of the Borrower's Fiscal Years, cause to be prepared and delivered to the Agent, the annual audited consolidated financial statements of the Borrower including, in each case and without limitation, a balance sheet, statement of income and retained earnings and statement of cash flows for such Fiscal Year, which shall be prepared in accordance with GAAP, certified by an officer of the Borrower and accompanied by a report of the Auditor confirming that the financial statements present fairly, in all material respects, the consolidated financial position of the Borrower and changes in financial position for such Fiscal Year in conformity with GAAP.

(2) Quarterly Reports As soon as available and in any event within 60 days of the end of each Fiscal Quarter (other than the last Fiscal Quarter of each Fiscal Year), cause to be prepared and delivered to the Agent as at the end of such Fiscal Quarter unaudited financial statements of the Borrower prepared on a consolidated basis, including, in each case and without limitation, a balance sheet, statement of income and retained earnings, statement of cash flows for such Fiscal Quarter and Fiscal Year to date, which shall be prepared in accordance with GAAP (which, for greater certainty, shall not include typical year end adjustments as would be completed by the Borrower's Auditors), certified by an officer of the Borrower confirming that the financial statements present fairly, in all material respects, the consolidated financial position of the Borrower and changes in financial position for such Fiscal Quarter and Fiscal Year to date in conformity with GAAP (excluding typical year end adjustments as would be completed by the Borrower's Auditors).

(3) Compliance Certificate Concurrent with the delivery of the financial statements referred to in Section 10.03(1) and 10.03(2) above, provide the Agent with a Compliance Certificate.

(4) Annual Business Plan As soon as available and not less than 90 days after the end of each Fiscal Year, provide to the Agent the Annual Business Plan.

(5) Management Letters Upon receipt thereof, copies of all “management letters” submitted by the Auditor in connection with the Borrower’s audited financial statements which the Borrower is permitted to disclose to the Lenders in accordance with the terms of its engagement of its Auditors.

(6) Other Information Following the request of a Lender, furnish such other reports or information reasonably requested by a Lender from time to time.

(7) Sufficient Copies to Agent Ensure that in complying with this Section 10.03, the Agent is supplied with sufficient quantities of all materials for each of the Lenders and the Agent and wherever possible, that electronic copies are sent which the Agent is then authorized to send electronically to the Lenders. Notwithstanding the requirements of Section 10.03(1) and (2), the Borrower may advise the Agent that such deliverables are posted on its website and thus dispense with the requirement of delivery.

10.04 Negative Covenants

So long as any Obligations (other than Unmatured Contingent Claims) remain outstanding or the Commitments have not been cancelled, and except as otherwise permitted by the prior written consent of the Majority Lenders, the Borrower shall not and, unless the context does not allow, shall ensure that each Obligor shall not:

(1) Disposition of Property Except for Permitted Dispositions, Dispose of, in one transaction or a series of transactions, all or any part of its Property, whether now owned or hereafter acquired.

(2) No Consolidation, Amalgamation, etc. Consolidate, amalgamate or merge with any other Person, export a corporation incorporated in Canada or a province thereto into a jurisdiction outside of Canada, enter into any corporate reorganization or other transaction intended to effect or otherwise permit a change in its existing corporate or capital structure, liquidate, wind-up or dissolve itself, or permit any liquidation, winding-up or dissolution, unless the prior written approval therefor has been received by the Lenders and such documentation as is reasonably required by the Agent is delivered concurrently with such transaction. Notwithstanding the foregoing, (A) an Obligor may consolidate, amalgamate or merge with another Obligor or liquidate, wind-up or dissolve itself into another Obligor, and (B) an Obligor (other than the Borrower) may effect or otherwise permit a change in its existing corporate or capital structure provided such Obligor continues to be wholly owned, directly or indirectly, by the Borrower following such change and all Equity Interests of such Obligor remains pledged to the Agent.

(3) No Change of Name Change its name, adopt a French form of name or change its jurisdiction of incorporation or formation in each case without providing the Agent with fifteen (15) days’ prior written notice thereof.

(4) No Debt Create, incur, assume or permit any Debt to remain outstanding, other than Permitted Debt.

(5) No Investments Except for Permitted Investments, make, directly or indirectly, any Investment.

(6) No Financial Assistance Give any Financial Assistance to any Person, except for (i) Financial Assistance between the Borrower and Guarantors (which shall include any guarantee of a Guarantor's obligations to any third party), (ii) Financial Assistance to Lumira Capital Corp. and Celerion Inc. existing on the Closing Date, (iii) Financial Assistance to the Borrower provided by Nordion Singapore existing on the Closing Date, (iv) Financial Assistance between Obligor that are neither the Borrower nor a Guarantor (which shall include any guarantee of such an Obligor's obligations to any third party), (v) Financial Assistance provided by an Obligor, the Borrower or a Guarantor to the Borrower or a Guarantor (which shall include any guarantee of the Borrower's or a Guarantor's obligations to any third party) in an aggregate outstanding amount not exceeding US\$5,000,000 at any time, (vi) Financial Assistance provided by the Borrower or a Guarantor to an Obligor that is not the Borrower or a Guarantor (which shall include any guarantee of such Obligor's obligations to any third party) in an aggregate outstanding amount not exceeding US\$5,000,000 at any time and (vii) provided that there exists no Default or Event of Default at the time of the giving of such Financial Assistance, Financial Assistance in amount not to exceed the amount by which (a) US\$10,000,000 (or the Equivalent Amount in other currency) exceeds (b) the sum at that time of the total US Dollar amount (or the Equivalent Amount in other currency) of (A) all other Financial Assistance, other than Financial Assistance referred to in clauses (i) to (vi) inclusive, then outstanding plus (B) the outstanding amount of all Investments described in clause (d) of the definition of Permitted Investments.

(7) No Distributions Make any Distribution, except Permitted Distributions.

(8) No Encumbrances Create, incur, assume or permit to exist any Encumbrance upon any of its Property except Permitted Encumbrances.

(9) Acquisitions Make any Acquisitions, provided that at any time that no Default or Event of Default exists, the Borrower may make Permitted Acquisitions.

(10) No Change to Year End Make any change to its Fiscal Year without first obtaining the prior written consent of the Majority Lenders, such consent not to be unreasonably withheld.

(11) No Change to Business In the case of the Borrower and each Material Subsidiary, carry on any business other than the Business.

(12) Hedge Arrangements Enter into or permit to be outstanding at any time Hedge Arrangement unless such Hedge Arrangement is designed to protect the Borrower against fluctuations in currency exchange rates, interest rates or commodity prices and such Hedge Arrangement has been entered into by the Borrower *bona fide* and in good faith in the ordinary course of its business for the purpose of carrying on the same and not for speculative purposes.

(13) Location of Assets in Other Jurisdictions In the case of the Borrower and each Material Subsidiary and except for Production Machinery valued at up to US\$4,000,000, inventory being processed by manufacturers or located at nuclear power plants outside of Canada, Property purchased (but not yet delivered) and any Property in transit, all in the ordinary course of business, acquire any Property outside of the jurisdictions identified in Schedule 9.01(18) or (a) move any such Property from one jurisdiction to another jurisdiction where the movement of such Property would cause the Encumbrance of the Security over such Property to cease to be perfected under Requirements of Law, or (b) other than Property of a Restricted Subsidiary that is not required to provide Security over its Property in accordance with Section 10.04(17), suffer or permit in any other manner any of its Property to not be subject to the Encumbrance of the Security or to be or become located in a jurisdiction as a result of which the Encumbrance of Security over such Property is not perfected, unless (i) the applicable Obligor has first given thirty (30) days prior written notice thereof to the Agent, and (ii) the applicable Obligor has first executed and delivered to the Agent all Security and all financing or registration statements in form and substance satisfactory to the Agent which the Agent or its counsel, acting reasonably, from time to time deem necessary or advisable to ensure that the Security at all times constitutes a perfected first priority Encumbrance (subject only to Permitted Encumbrances) over such Property notwithstanding the movement or location of such Property as aforesaid together with such supporting certificates, resolutions, opinions and other documents as the Agent may reasonably require in connection with such security and registrations.

(14) No Share Issuance Other than the Borrower and Subsidiaries of the Borrower that are not Guarantors, issue any Equity Interests unless the Person to whom such Equity Interests are issued is an Obligor and then only if the additional Equity Interests so issued are concurrently and validly pledged to the Agent under the Security (along with stock powers of attorney as required by the Agent) and all resolutions (corporate, shareholder or otherwise) reasonably required by the Agent are delivered to the Agent.

(15) Amendments to Organizational Documents Amend any of its Organizational Documents in a manner that would be prejudicial to the interests of any of the Lenders under the Loan Documents.

(16) Amendments to other Documents Amend, vary or alter in any materially adverse way any Material Contract or Material Licence.

(17) No New Subsidiaries Create or acquire any Subsidiary after the date of this Agreement unless: (i) (a) such Subsidiary exists pursuant to the laws of Canada or any Province of Canada; (b) all of the issued and outstanding capital of such Subsidiary is owned by an Obligor; (c) such new Subsidiary provides a legal, valid and enforceable guarantee in favour of the Agent for and on behalf of the Lenders and security in form and substance satisfactory to the Lenders; (d) all of the issued and outstanding shares of such new Subsidiary are pledged to the Agent and (e) all resolutions (corporate, shareholder or otherwise) required by the Agent, are delivered to the Agent, and in each case appropriate legal opinions are delivered by Borrower's Counsel to the Lenders, acting reasonably, or (ii) such creation or acquisition is permitted pursuant to Section 10.04(9). Notwithstanding the foregoing, if any Subsidiary created or acquired does not qualify as a Material Subsidiary or if it does qualify as a Material Subsidiary and the Agent determines, acting reasonably, that the cost associated with obtaining such documentation is not justified relative to the value of such documentation, the foregoing documentation shall not be required to be delivered and the creation or acquisition of such Subsidiary shall be permitted.

(18) Hostile Take-Over Bid Make or complete a Hostile Take-Over Bid.

(19) Non-Arm's Length Transactions Except as contemplated by Sections 10.04 (7) and (14), effect any transactions with any Person (other than an Obligor) not dealing at Arm's Length with the transacting Obligor unless such transaction is on market terms and consistent with transactions with Persons at Arm's Length and unless such transaction has been first approved by the Majority Lenders in writing.

(20) Sale and Leaseback Enter into any arrangement with any Person providing for the leasing by any Obligor, as lessee, of Property which has been or is to be sold or transferred by such Obligor to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such Property or the lease obligation of any Obligor, other than for any such arrangement relative to personal Property to the extent permitted by paragraph (b) of the definition of Permitted Debt.

(21) Indebtedness Owing to the Borrower Forgive any part of the indebtedness owing by a Subsidiary that is not a Material Subsidiary of the Borrower to the Borrower or any Material Subsidiary.

(22) US Bank Accounts Excluding the US Escrow Account, use commercially reasonable efforts to obtain a deposit account control agreement (a "**Control Agreement**") in form and substance satisfactory to the Agent in connection with any bank account maintained by the Borrower or any Guarantor in the United States. Should any bank account (excluding the US Escrow Account) maintained by any Obligor in the United States not be subject to a Control Agreement, the applicable Obligor shall ensure that any such account does not maintain a deposit balances in excess of US\$5,000,000 and the Borrower shall ensure that the aggregate amount in all bank accounts maintained by Obligors in the United States of America that are not subject to a Control Agreement (excluding the U.S. Escrow Account) does not exceed US\$10,000,000.

(23) Auditor Change its Auditor without first providing the Agent with 30 days prior written notice and so long as any replacement is a nationally recognized accounting firm.

10.05 Security and Documentation Matters

The Borrower shall and shall cause each Obligor to do, execute and deliver all such things, documents, security, agreements and assurances as may from time to time be reasonably requested by the Agent to ensure that the Agent holds at all times valid, enforceable, perfected first priority Encumbrances (subject only to Permitted Encumbrances) from the Obligors meeting the requirements of Article 11.

ARTICLE 11 - SECURITY

11.01 Form of Security

(1) On the Closing Date, as continuing collateral security for the payment and satisfaction of all Obligations of the Borrower to the Agent and the Lenders, the Borrower delivered or caused to be delivered to the Agent for itself and on behalf of the Lenders the following Security:

- (a) a general security agreement from the Borrower and each Material Subsidiary in favour of the Agent constituting a first-priority Encumbrance (subject only to Permitted Encumbrances) on all of the present and future Property of such Obligor;
- (b) a guarantee from each Material Subsidiary guaranteeing the due payment and performance to the Agent and the Lenders of all present and future Obligations of the Borrower to the Agent and the Lenders or any one or more of them under the Loan Documents;
- (c) a guarantee from Labs guaranteeing the due payment and performance to the Agent and the Lenders of all present and future Obligations of the Borrower to the Agent and the Lenders or any one or more of them under the Loan Documents;
- (d) a securities pledge agreement from each Obligor that owns Equity Interests in a Material Subsidiary in favour of the Agent constituting a first-priority Encumbrance (subject to Permitted Encumbrances) on all Equity Interests in each Obligor that it owns;
- (e) a securities pledge agreement from the Borrower in favour of the Agent constituting a first-priority Encumbrance (subject to Permitted Encumbrances) on all Equity Interests that it owns;
- (f) assignment by the Borrower in favour of the Agent of all Export Development Canada insurance maintained by the Borrower in connection with its Accounts Receivable; and
- (g) a US\$150,000,000 fixed and floating charge debenture from the Borrower and each Material Subsidiary required by the Agent in favour of the Agent charging all personal property and all of the freehold and (to the extent permitted by each applicable lease) leasehold interests in its lands and premises, the said mortgages and encumbrances to be subject to no prior Encumbrances other than Permitted Encumbrances.

(2) On the Second Closing Date, as continuing collateral security for the payment and satisfaction of all Obligations of the Borrower to the L/C Lenders pursuant to the L/C Facility, the Borrower shall deliver to the Agent for itself and on behalf of the L/C Lenders a cash collateral pledge agreement from the Borrower in favour of the Agent constituting a first priority Encumbrance (subject only to Permitted Encumbrances) on all cash and Cash Equivalents deposited from time to time by the Borrower as security for the L/C Facility.

11.02 Insurance

Each Obligor or the appropriate Obligor if blanket insurance policies are held, will cause the Agent to be shown as a loss payee and additional insured with respect to all insurance on the Property of each Obligor.

11.03 After Acquired Property and Further Assurances

The Borrower and each Material Subsidiary shall from time to time and, at the reasonable request of the Agent, execute and deliver all such further deeds or other instruments of conveyance, assignment, transfer, mortgage, pledge or charge in connection with any of its Property, whether now existing or acquired by any such Obligor after the date hereof and intended to be subject to the security interests created hereby including any insurance thereon.

11.04 Application of Proceeds of Security

Each of the Lenders acknowledges that the Agent holds the Security to secure the Obligations and upon the occurrence of an acceleration of Obligations under Section 12.02, shall distribute the proceeds of realisation in accordance with Section 12.11.

11.05 Security Charging Real Property

Notwithstanding anything to the contrary contained in any Loan Document, to the extent that the charges and security interests created by the Security charge real property or any interest therein such charges and security interests shall secure interest after the occurrence of an Event of Default at the same rates as those in effect prior to such occurrence.

11.06 L/C Facility Priority Collateral

So long as any amounts are outstanding pursuant to the L/C Facility, the Borrower shall not be entitled to remove funds from the Segregated Account unless the Borrower is in compliance with the provisions of Section 2.01(2).

11.07 Discharge of Security

(1) Partial Discharges. Upon request from time to time by the Borrower, the Agent shall, at the expense of the Borrower, execute and deliver such releases and discharges of Security as the Borrower shall reasonably request in order to discharge the Security over specific items of Collateral disposed of by an Obligor in accordance with the provisions of the Loan Documents provided that the Agent shall not be obliged to execute and deliver any such releases and discharges pursuant to this Section 11.07 at any time a Default or an Event of Default has occurred and is continuing.

(2) Full Discharge. After all Obligations have been paid in full (or in the case of Letters of Credit, fully Collateralized), other than Unmatured Contingent Claims, the Agent shall, at the request and expense of the Borrower, execute and deliver such releases and discharges of the Security and authorizations to discharge registrations thereof as the Borrower shall reasonably request. In connection with the foregoing, the Agent shall also execute and deliver (at the expense of the Borrower) to the Obligors all such other documents and instruments as the Borrower shall request and which are required as a matter of law to release or reconvey (without representation or warranty of title) to each Obligor entitled thereto any and all remaining Property that was subject to the Security.

ARTICLE 12 - DEFAULT

12.01 Events of Default

The occurrence of any one or more of the following events (each such event being herein referred to as an “**Event of Default**”) shall constitute a default under this Agreement:

- (a) if the Borrower fails to pay any amount of principal of any Advance when due; or
- (b) if the Borrower fails to pay any interest, fees or other Obligations under the Loan Documents when due and payable and such non-payment continues for a period of three (3) Business Days; or
- (c) if the Borrower fails to observe or perform any of the financial covenants in Section 10.02; or
- (d) there shall have occurred a Material Adverse Effect; or
- (e) if the Borrower fails to observe or perform any of the covenants contained in Section 10.04, other than Sections 10.04(4), 10.04(8), 10.04(13) and 10.04(22); or
- (f) if any Obligor neglects to observe or perform any covenant or obligation contained in this Agreement or any other Loan Document (other than a covenant or condition whose breach or default in performance is specifically dealt with elsewhere in this Section 12.01) and the Borrower shall fail to remedy such breach or default within thirty (30) days of the Borrower being aware thereof or following receipt of notice of such breach or default from the Agent, whichever is earlier; or
- (g) if any representation or warranty made by any Obligor in this Agreement, any Loan Document or in any certificate or other document at any time delivered hereunder to the Agent or the Lenders shall prove to have been incorrect on and as of the date thereof and the Borrower shall have failed to remedy the incorrect subject matter within the thirty (30) days of the Borrower being aware thereof or following receipt of notice of such incorrect representation or warranty from the Agent, whichever is earlier; or
- (h) if any Obligor ceases or threatens to cease to carry on business generally or admits its inability or fails to pay its debts generally; or

- if any Obligor (i) fails to make any payment when such payment is due and payable to any Person in relation to any indebtedness for borrowed money or other indebtedness or liabilities arising in respect of any other Debt which in the aggregate principal amount then outstanding is in excess of US\$2,500,000 and such payment is not made within any applicable cure or grace period; or (ii) defaults in the observance or performance of any other agreement or condition in relation to any such indebtedness to any Person which in the aggregate principal amount then outstanding is in excess of US\$2,500,000 or contained in any instrument or agreement evidencing, securing or relating thereto and such default is not waived or cured within any applicable cure or grace period; or (iii) any other event shall occur or condition exist, the effect of which default or other condition is to cause, or to permit the holder of such Debt to cause, such Debt to become due prior to its stated maturity date; or
- (i)
- (j) if the Borrower or any Material Subsidiary denies its obligations under any Loan Document or claims any of the Loan Documents to be invalid or withdrawn in whole or in part; or
- any of the Loan Documents or any material provision of any of them becomes unenforceable, unlawful or is changed by virtue of legislation or by a court, statutory board or commission, if any Obligor does not, within five (5) Business Days of receipt of notice from the Agent of such Loan Document or material provision becoming unenforceable, unlawful or being changed and being provided by the Agent with any required new agreement or amendment for execution, replace such Loan Document with a new agreement that is in form and substance satisfactory to the Majority Lenders acting reasonably or amend such Loan Document to the satisfaction of the Majority Lenders acting reasonably; or
- (k)
- (l) if a decree or order of a court of competent jurisdiction is entered adjudging an Obligor a bankrupt or insolvent or approving a petition seeking the winding-up of an Obligor under the *Companies' Creditors Arrangement Act* (Canada), the *Bankruptcy and Insolvency Act* (Canada), the US Bankruptcy Code or the *Winding-Up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous laws or issuing sequestration or process of execution against any substantial part of the assets of the Borrower or any Material Subsidiary or ordering the winding up or liquidation of its affairs; or
- (m) if the Borrower or any Material Subsidiary becomes insolvent, makes any assignment in bankruptcy or makes any other similar assignment for the benefit of creditors, makes any proposal under the *Bankruptcy and Insolvency Act* (Canada) or any comparable law, seeks relief under the *Companies' Creditors Arrangement Act* (Canada), the *Winding-Up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous law, is adjudged bankrupt, files a petition or proposal to take advantage of any act of insolvency, consents to or acquiesces in the appointment of a trustee, receiver, receiver and manager, interim receiver, custodian, sequestrator or other Person with similar powers of itself or of all or any substantial portion of its assets, or files a petition or otherwise commences any proceeding seeking any reorganization, arrangement, composition or readjustment under any applicable bankruptcy, insolvency, moratorium, reorganization or other similar law affecting creditors' rights or consents to, or acquiesces in, the filing of such a petition; or

- if any proceeding or filing shall be instituted or made against the Borrower or any Material Subsidiary seeking to have an order for relief entered against such Obligor adjudicating it bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition under any law relating to bankruptcy, insolvency, reorganization or relief of debtors (including, without limitation, the *Bankruptcy and Insolvency Act (Canada)*, the *Companies Creditors Arrangement Act (Canada)* and the *Winding-Up and Restructuring Act (Canada)*), or seeking appointment of a receiver, trustee, custodian or other similar official for such Obligor or for any substantial part of its properties or assets unless the same is being contested actively and diligently in good faith by appropriate and timely proceedings and is dismissed, vacated or permanently stayed within thirty (30) days of institution; or
- (n)
- (o) if an Encumbrancer takes possession by appointment of a receiver, receiver and manager, or otherwise of any material portion of the Property of the Borrower or any Material Subsidiary; or
- if a final judgment, execution, writ of seizure and sale, sequestration or decree for the payment of money due shall have been obtained or entered against the Borrower, a Guarantor or a Material Subsidiary in an amount in excess of US\$5,000,000 (individually or in the aggregate for all such Persons) and such judgment, execution, writ of seizure and sale, sequestration or decree shall not have been and remain vacated, satisfied, discharged or stayed pending appeal within the applicable appeal period; or
- (p)
- (q) if any of the Security shall cease to be a valid and perfected first priority security interest subject only to Permitted Encumbrances and the Borrower shall have failed to take such action as the Agent shall require to remedy same within five (5) Business Days following receipt of notice from the Agent to do so; or
- (r) if any of the following events shall occur with respect to any Canadian Pension Plan or US Pension Plan:
- (i) the institution of any steps by the Borrower, a Guarantor or a Material Subsidiary or any member of its Controlled Group or any applicable regulatory authority to terminate a Canadian Pension Plan or US Pension Plan (wholly or in part) if, as a result of such termination, any such Obligor may be required to make an additional contribution to such Canadian Pension Plan or US Pension Plan, or to incur an additional liability or obligation to such Canadian Pension Plan or US Pension Plan, equal to or in excess of US\$12,000,000 or the equivalent thereof in another currency; or

- (ii) a contribution failure occurs with respect to any US Pension Plan maintained by the Borrower, a Guarantor or a Material Subsidiary or any member of its Controlled Group sufficient to give rise to a lien or charge under Section 302(f) of ERISA or under any applicable pension benefits legislation in any other jurisdiction; or
- (s) if a Change of Control shall occur; or
- (t) if any report of the Auditor with respect to the Borrower's audited financial statement contains any qualification which is unacceptable to the Lenders acting reasonably. The Lenders acknowledge that the October 2010 audited financial statements which contain a qualification are acceptable.

12.02 Acceleration and Termination of Rights

If any Event of Default shall occur and be continuing, all Obligations (other Unmatured Contingent Claims) owing by the Borrower to the Revolving Lenders under the Loan Documents shall, at the option of the Agent upon receipt of instructions from the Majority Revolving Lenders, become immediately due and payable at the rate or rates determined as herein provided, to the date of actual payment thereof, all without notice, presentment, protest, demand, notice of dishonour or any other demand or notice whatsoever, all of which are hereby expressly waived by each Obligor; provided, if any Event of Default described in Section 12.01(l) through (n) with respect to the Borrower shall occur, all Commitments (if not theretofore terminated) shall automatically terminate and the outstanding principal amount of all Advances and all other Obligations shall automatically be and become immediately due and payable. In such event either the Lenders or the Agent on their behalf may, in their discretion, exercise any right or recourse and/or proceed by any action, suit, remedy or proceeding against any Obligor authorized or permitted by law for the recovery of all the Obligations of the Borrower to the Lenders and proceed to exercise any and all rights hereunder and under the Security and no such remedy for the enforcement of the rights of the Lenders shall be exclusive of or dependent on any other remedy but any one or more of such remedies may from time to time be exercised independently or in combination.

12.03 Payment of Bankers' Acceptances and Letters of Credit

If the Borrower does not pay to the Agent for the account of the Revolving Lenders the principal amount of any unmatured Bankers' Acceptance or BA Equivalent Note or the face amount of any unexpired Letter of Credit under the Revolving Facility required to be paid pursuant to Section 12.02, the Agent on behalf of the Revolving Lenders shall have the option at any time without notice to the Borrower to give notice to the Revolving Lenders to make an Advance to the Borrower equal to the principal amount of all unmatured Bankers' Acceptances or BA Equivalent Notes and the face amount of all unexpired Letters of Credit under the Revolving Facility. The proceeds of such Advance shall be held by the Agent in a non-interest bearing cash collateral account for the benefit of the Borrower and shall be applied in payment of such Bankers' Acceptances or BA Equivalent Notes as they mature and such Letters of Credit if payment is required thereunder or otherwise as the Agent may require. Any such Advance made in respect of any Letter of Credit which expires without full payment required thereunder being paid shall automatically (without any action being required) be repaid from such cash collateral to the extent of such non-required payment. The Borrower shall execute and deliver as security for such Advance all such security as the Revolving Lenders may deem necessary or advisable including, without limitation, an assignment of credit balance in respect of such cash collateral account.

12.04 Remedies Cumulative and Waivers

For greater certainty, it is expressly understood and agreed that the respective rights and remedies of the Lenders and the Agent hereunder or under any other Loan Document or instrument executed pursuant to this Agreement are cumulative and are in addition to and not in substitution for any rights or remedies provided by law or by equity; and any single or partial exercise by the Lenders or by the Agent of any right or remedy for a default or breach of any term, covenant, condition or agreement contained in this Agreement or other document or instrument executed pursuant to this Agreement shall not be deemed to be a waiver of or to alter, affect or prejudice any other right or remedy or other rights or remedies to which any one or more of the Lenders and the Agent may be lawfully entitled for such default or breach. Any waiver by the Lenders or the Agent of the strict observance, performance or compliance with any term, covenant, condition or other matter contained herein and any indulgence granted, either expressly or by course of conduct, by the Lenders or the Agent shall be effective only in the specific instance and for the purpose for which it was given and shall be deemed not to be a waiver of any rights and remedies of the Lenders or the Agent under this Agreement or any other Loan Document or instrument executed pursuant to this Agreement as a result of any other default or breach hereunder or thereunder.

12.05 Termination of Lenders' Obligations

The occurrence of an Event of Default shall relieve the Lenders of all obligations to provide any further Advances hereunder whether by rollover, conversion or otherwise, by way of Bankers' Acceptances (and BA Equivalent Notes), LIBOR Advances or Letters of Credit; provided that the foregoing shall not prevent the Lenders from disbursing money hereunder in reduction of then outstanding Bankers' Acceptances and Letters of Credit. For greater certainty any such Advances shall be at the sole discretion of the Lenders. The Agent may reallocate all Advances pro rata among the Lenders in such manner as the Agent determines is equitable.

12.06 Saving

The Lenders shall not be under any obligation to the Borrower or any other Person to realize any collateral or enforce the Security or any part thereof or to allow any of the collateral to be sold, dealt with or otherwise disposed of. The Lenders shall not be responsible or liable to the Obligors or any other Person for any loss or damage upon the realization or enforcement of, the failure to realize or enforce the collateral or any part thereof or the failure to allow any of the collateral to be sold, dealt with or otherwise disposed of or for any act or omission on their respective parts or on the part of any director, officer, agent, servant or adviser in connection with any of the foregoing, except that a Lender may be responsible or liable for any loss or damage arising from the wilful misconduct or negligence of that Lender or any of its directors, officers, agents or advisors.

12.07 **Perform Obligations**

If an Event of Default has occurred and is continuing and if the Borrower has failed to perform any of its covenants or agreements in the Loan Documents, the Majority Lenders, may, but shall be under no obligation to, instruct the Agent on behalf of the Lenders to perform any such covenants or agreements in any manner deemed fit by the Majority Lenders without thereby waiving any rights to enforce the Loan Documents. The expenses (including any legal costs) paid by the Agent and the Lenders in respect of the foregoing shall be an Obligation of the Borrower and shall be secured by the Security Documents to which the Borrower is bound.

12.08 **Third Parties**

No Person dealing with the Lenders or any agent of the Lenders shall be required to inquire whether the Security has become enforceable, or whether the powers which the Lenders or the Agent are purporting to exercise have been exercisable, or whether any Obligations remain outstanding upon the security thereof, or as to the necessity or expediency of the stipulations and conditions subject to which any sale shall be made, or otherwise as to the propriety or regularity of any sale or other disposition or any other dealing with the collateral charged by such Security or any part thereof.

12.09 **Set-Off or Compensation**

In addition to and not in limitation of any rights now or hereafter granted under applicable law, if repayment is accelerated pursuant to Section 12.02, the Lenders, or any of them, may at any time and from time to time without notice to the Borrower or any other Person, any notice being expressly waived by the Borrower, set-off and compensate and apply any and all deposits, general or special, time or demand, provisional or final, matured or unmatured, and any other indebtedness at any time owing by the Lenders, or any of them, to or for the credit of or the account of the Borrower, against and on account of the Obligations notwithstanding that any of them are contingent or unmatured.

12.10 **Realization of Security**

Each of the Lenders acknowledges that the Agent holds the Security to secure the Obligations that are stated to be secured in each such Security Document and upon the event of the occurrence and continuance of an Event of Default, the Agent shall act on the written instructions of the Majority Lenders as provided in this Agreement and shall distribute the net sale proceeds of realization of the Security to the Lenders in accordance with their Proportionate Share of the Obligations and in accordance with Section 12.11.

12.11 **Application of Payments**

Notwithstanding any other provision of this Agreement but subject to the provisions of Section 12.12, the proceeds of realization of the Security or insurance received by the Agent at a time an Event of Default has occurred and is continuing shall upon receipt be applied and distributed in the following order:

- (a) first, in payment of all costs and expenses incurred by the Agent in connection with such realization, including legal, accounting and receivers' fees and disbursements;
- (b) second, in payment of all costs and expenses incurred by the Lenders in connection with such realization, including legal, accounting and receivers' fees and disbursements;
- (c) third, against the Obligations to each Lender (but with respect to Hedge Arrangements, limited to Qualifying Hedge Arrangements) in accordance with its Proportionate Share;
- (d) fourth, against all other Obligations owing to the Lenders pursuant to Hedge Arrangements that were not paid in clause (c) above to each Lender based on the amount owing to such Lender divided by the aggregate amount owing to all Lenders; and
- (e) fifth, if all Obligations of the Borrower listed above have been paid and satisfied in full, any surplus proceeds of realization shall be paid to the Obligor entitled thereto unless otherwise required in accordance with Requirements of Law.

12.12 Lender Collateral Priorities

(1) The Borrower, the Agent and the Lenders agree that, notwithstanding anything contained herein to the contrary and notwithstanding anything contained in the Loan Documents to the contrary, the priorities of the Lenders to the Property of the Borrower and the Guarantors shall be as follows and distributions in accordance with Section 12.11 will be made recognizing the priorities contained herein:

- (a) First, priority to the L/C Facility Priority Collateral to the L/C Lenders;
- (b) Second, priority to any remaining L/C Facility Priority Collateral to the Revolving Lenders; and
- (c) Third, priority to all Property (other than the L/C Facility Priority Collateral) to the Lenders on a *pari passu* basis.

(2) Notwithstanding anything contained in this Agreement to the contrary, any L/C Lender shall be entitled to instruct the Agent to demand repayment of all Obligations owing pursuant to the L/C Facility (regardless as to the status of the Revolving Facility) and shall be entitled to exercise all rights and remedies available to them pursuant to the Security delivered on the Second Closing Date independent of the Revolving Lenders and the Revolving Facility.

12.13 Consultant

The Borrower agrees that, at any time after the occurrence of and during the continuance of an Event of Default and upon written request delivered by the Agent, it shall appoint a financial consultant (hereinafter referred to as the "Consultant") for the purposes of reviewing the operations of the Obligor from time to time thereafter. The terms of the Consultant's scope of duties, including appropriate covenants regarding confidentiality, shall be settled by the Borrower with the consent of the Agent and the Lenders, provided that such terms may be settled by the Agent and the Lenders if agreement with the Borrower is not reached within five (5) days of the date of the Agent's request on behalf of the Lenders. The Borrower consents, and shall cause each Obligor to consent, at all times to a free exchange of information or the particulars of any such information exchanged at any time.

ARTICLE 13 - THE AGENT AND THE LENDERS

13.01 Knowledge and Required Action

The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default (other than the non-payment of any principal, interest or other amount to the extent the same is required to be paid to the Agent for the account of the Lenders) unless the Agent has received notice from a Lender or the Borrower specifying such Default or Event of Default and stating that such notice is given pursuant to this Section. In the event that the Agent receives such a notice, it shall give prompt notice thereof to the Lenders, and shall also give prompt notice to the Lenders of each non-payment of any amount required to be paid to the Agent for the account of the Lenders. The Agent shall, subject to Section 13.02, take such action with respect to such Default or Event of Default as shall be directed by the Lenders in accordance with this Article 13; provided that, unless and until the Agent shall have received such direction the Agent may, but shall not be obliged to, take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interest of the Lenders; and provided further that the Agent in any case shall not be required to take any such action which it determines to be contrary to the Loan Documents or to any Requirements of Law.

13.02 Request for Instructions

The Agent may at any time request instructions from the Lenders with respect to any actions or approvals which, by the terms of any of the Loan Documents, the Agent is permitted or required to take or to grant, and the Agent shall be absolutely entitled to refrain from taking any such action or to withhold any such approval and shall not be under any liability whatsoever as a result thereof until it shall have received such instructions from the Lenders. No Lender shall have any right of action whatsoever against the Agent as a result of the Agent acting or refraining from acting under the Loan Documents in accordance with instructions from the Lenders. The Agent shall in all cases be fully justified in failing or refusing to take or continue any action under the Loan Documents unless it shall have received further assurances to its satisfaction from the Lenders of their indemnification obligations under Section 7.5 of Schedule AA against any and all liability and expense which may be incurred by it by reason of taking or continuing to take such action, and unless it shall be secured in respect thereof as it may deem appropriate.

13.03 Actions by Lenders

(1) Any consent, approval (including without limitation any approval of or authorization for any amendment to any of the Loan Documents), instruction or other expression of the Lenders under any of the Loan Documents may be obtained by an instrument in writing signed in one or more counterparts by the Majority Lenders, or where required by Section 13.03(3) all of the Lenders (which instrument in writing, for greater certainty, may be delivered by facsimile or e-mail of a pdf copy of such writing).

(2) Any consent, approval (including without limitation any approval of or authorization for any amendment to any of the Loan Documents), instruction or other expression of the Lenders hereunder may also be included in a resolution that is submitted to a meeting or adjourned meeting of the Lenders duly called and held for the purpose of considering the same as hereinafter provided and shall be deemed to have been obtained if such resolution is passed by the affirmative vote of not less than 100% (or 66 2/3% in the event that there are greater than two Lenders) of the votes given on a poll of the Lenders with respect to such resolution. A meeting of Lenders may be called by the Agent and shall be called by the Agent upon the request of any two Lenders subject to such Lenders providing details of the matters to be discussed at such meeting. Every such meeting shall be held in the City of Toronto or at such other reasonable place as the Agent may approve. At least seven days notice of the time and place of any such meeting shall be given to the Lenders and shall include or be accompanied by a draft of the resolutions to be submitted to such meeting, but the notice may state that such draft is subject to amendment at the meeting or any adjournment thereof. The Lenders who are present in person or by proxy at the time and place specified in the notice shall constitute a quorum. A person nominated in writing by the Agent shall be chairman of the meeting. Lenders representing no less than 60% of the outstanding Advances must be present at a meeting or adjourned meeting. Upon every poll taken at any such meeting every Lender who is present in person or represented by a proxy duly appointed in writing (who need not be a Lender) shall be entitled to one vote in respect of each US\$1 of its Commitment. In respect of all matters concerning the convening, holding and adjourning of Lenders' meetings, the form, execution and deposit of instruments appointing proxies and all other relevant matters, the Agent may from time to time make such reasonable regulations not inconsistent with this subsection 13.03(2) as it shall deem expedient and any regulations so made by the Agent shall be binding upon the Borrower, the Agent and the Lenders.

(3) Notwithstanding subsection 13.03(1), without the consent of all the Lenders the Agent may not take the following actions:

- amend, modify, discharge, terminate or waive any of the terms of this Agreement if such amendment, modification, discharge, termination or waiver would increase the amount of a Credit Facility, reduce the fees payable, reduce interest rates or other amounts payable with respect to a Credit Facility, extend any date fixed for payment of principal, interest or other amounts payable relating to a Credit Facility, extend the repayment dates of a Credit Facility, change the definition of Majority Lenders or Applicable Margin;
- (a)
- (b) amend Section 3.02;

- (c) amend, modify, discharge, terminate or waive any of the Security if the effect is to release a material part of the Property subject thereto otherwise than pursuant to the terms hereof or thereof; or
- (d) amend this Section 13.03(3).

(4) An instrument in writing from the Majority Lenders (any such instrument in writing being an “Approval Instrument”) shall (subject to the terms of Section 13.03(3)) be binding upon all of the Lenders, and the Agent (subject to the provisions for its indemnity contained in this Agreement) shall be bound to give effect thereto accordingly. For greater certainty, to the extent so authorized in the Approval Instrument, the Agent shall be entitled (but not obligated) to execute and deliver on behalf of the Agent and all of the Lenders, without the requirement for the execution by any other Lender or Lenders, any consents, waivers, documents or instruments (including without limitation any amendment to any of the Loan Documents) necessary or advisable in the opinion of the Agent to give effect to the matters approved by the Majority Lenders or all of the Lenders, as the case may be, in any Approval Instrument.

(5) Notwithstanding the provisions of this Section 13.03 of this Agreement, no amendments or modifications may be made to this Agreement that has a material impact on the L/C Lenders unless the Majority L/C Lenders have provided their consent. No amendments or modifications may be made to this Agreement that has a material impact on the Revolving Lenders unless the Majority Revolving Lenders have provided their consent.

13.04 Provisions for Benefit of Lenders Only

The provisions of this Article 13, other than this Section 13.04 and the rights of the Borrower to receive notice as specified in this Article 13 relating to the rights and obligations of the Lenders and the Agent *inter se* shall be operative as between the Lenders and the Agent only, and the Obligors shall not have any rights under or be entitled to rely for any purposes upon such provisions, provided that the Borrower shall be entitled to rely upon any consent, approval, instruction or other expression of the Lenders referred to in Section 13.03 as binding upon all Lenders, and notice from the Agent thereof shall be conclusive as between the Borrower and the Lenders.

13.05 Payments by Agent

- (1) For greater certainty, the following provisions shall apply to any and all payments made by the Agent to the Lenders hereunder:
 - (a) the Agent shall be under no obligation to make any payment (whether in respect of principal, interest, fees or otherwise) to any Lender until an amount in respect of such payment has been received by the Agent from the Borrower;
 - (b) if the Agent receives less than the full amount of any payment of principal, interest, fees or other amount owing by the Borrower under this Agreement, then subject to Section 8.02 the Agent shall have no obligation to remit to each Lender any amount other than such Lender’s Proportionate Share of that amount which is the amount actually received by the Agent;

- (c) if any Lender advances more or less than its Proportionate Share of the Revolving Facility, such Lender's entitlement to such payment shall be increased or reduced, as the case may be, in proportion to the amount actually advanced by such Lender;
- (d) the Agent acting reasonably and in good faith shall, after consultation with the Lenders in the case of any dispute, determine in all cases the amount of all payments to which each Lender is entitled and such determination shall, in the absence of manifest error, be binding and conclusive;
- (e) upon request, the Agent shall deliver a statement detailing any of the payments to the Lenders referred to herein; and
- (f) all payments by the Agent to a Lender hereunder shall be made to such Lender at its address set forth in the signature pages on this Agreement or on the applicable Assignment and Assumption unless notice to the contrary is received by the Agent from such Lender.

(2) Unless the Agent has actual knowledge that the Borrower has not made or will not make a payment to the Agent for value on the date in respect of which the Borrower has notified the Agent that the payment will be made and except to the extent that the Agent has received notice under Section 8.02, the Agent shall be entitled to assume that such payment has been or will be received from the Borrower when due and the Agent may (but shall not be obliged to), in reliance upon such assumption, pay the Lenders corresponding amounts. If the payment by the Borrower is in fact not received by the Agent on the required date and the Agent has made available corresponding amounts to the Lenders, the Borrower shall, without limiting its other obligations under this Agreement, indemnify the Agent against any and all liabilities, obligations, losses (other than loss of profit), damages, penalties, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on or incurred by the Agent as a result. A certificate of the Agent with respect to any amount owing by the Borrower under this Section shall be *prima facie* evidence of the amount owing in the absence of manifest error.

13.06 Acknowledgements, Representations and Covenants of Lenders

- (1) Each Lender represents and warrants that it has the legal capacity to enter into this Agreement.
- (2) Each of the Lenders acknowledges and confirms that in the event that the Agent does not receive payment in accordance with this Agreement, it shall not be the obligation of the Agent to maintain the Credit Facilities in good standing nor shall any Lender have recourse to the Agent in respect of any amounts owing to such Lender under this Agreement.
- (3) Each Lender acknowledges and agrees that its obligation to advance its Proportionate Share of Advances in accordance with the terms of this Agreement is independent and in no way related to the obligation of any other Lender hereunder.

(4) Each Lender hereby acknowledges receipt of a copy of this Agreement and acknowledges that it is satisfied with the form and content of this Agreement.

(5) Except to the extent recovered by the Agent from the Borrower, promptly following demand therefor, each Lender shall pay to the Agent an amount equal to such Lender's Proportionate Share of any and all reasonable costs, expenses, claims, losses and liabilities incurred by the Agent in connection with this Agreement except for those incurred by reason of the Agent's negligence or wilful misconduct.

(6) Each Lender shall respond promptly to each request by the Agent for the consent of such Lender required hereunder.

(7) Each Lender that assigns all or a portion of its rights and obligations under this Agreement shall pay to the Agent a processing and recordation fee of US\$3,500 with respect to each such assignment in accordance with Section 10(b)(vi) of Schedule AA.

13.07 Rights of Agent

(1) In administering the Credit Facilities, the Agent may retain, at the expense of the Lenders if such expenses are not recoverable from the Borrower, such solicitors, counsel, auditors and other experts and agents as the Agent may select, in its sole discretion, acting reasonably and in good faith after consultation with the Lenders.

(2) The Agent shall be entitled to rely on any communication, instrument or document believed by it to be genuine and correct and to have been signed by the proper individual or individuals, and shall be entitled to rely and shall be protected in relying as to legal matters upon opinions of independent legal advisors selected by it. The Agent may also assume that any representation made by the Borrower is true and that no Default or Event of Default has occurred unless the officers or employees of the Lender acting as Agent, active in their capacity as officers or employees responsible for the Borrower's account, have actual knowledge to the contrary or have received notice to the contrary from any other party to this Agreement.

(3) Except in its own right as a Lender, the Agent shall not be required to advance its own funds for any purpose, and in particular, shall not be required to pay with its own funds insurance premiums, taxes or public utility charges or the cost of repairs or maintenance with respect to the assets which are the subject matter of the Security, nor shall it be required to pay with its own funds the fees of solicitors, counsel, auditors, experts or agents engaged by it as permitted hereby.

(4) The Agent may round an individual Lender's Proportionate Share of any Advance to the nearest \$1,000 in Canadian Dollars or United States Dollars, as the case may be.

(5) The Agent shall be entitled to scan and provide by email to the Lenders all financial information it receives from the Borrower pursuant to Section 10.03.

Non-Funding Lenders

(1) Each Non-Funding Lender shall be required to provide to the Agent (a) cash or Cash Equivalents in an amount equal to 105% of such Non-Funding Lender's Proportionate Share of the face amount of outstanding Letters of Credit, and (b) cash or Cash Equivalents in an amount, as shall be determined from time to time by the Agent in its discretion, equal to all other obligations of such Non-Funding Lender to the Agent that are owing or may become owing pursuant to this Agreement, including, without limitation, such Non-Funding Lender's obligation to pay its Proportionate Share of any indemnification or expense reimbursement amounts not paid by the Borrower. Such cash or Cash Equivalents shall be held by Agent in one or more cash collateral accounts which accounts shall be in the name of the Agent and shall not be required to be interest bearing. The Agent shall be entitled to apply the foregoing cash and Cash Equivalents in accordance with Section 12.11. Notwithstanding anything in this Agreement to the contrary, so long as there is a Non-Funding Lender it shall be within the sole and joint determination of the Agent and the Issuing Bank as to whether it is agreeable to issue any new Letters of Credit or extend or renew any expiring Letters of Credit.

(2) Neither the Agent nor any of its Affiliates nor any of their respective officers, directors, employees, agents or representatives shall be liable to any Lender (including, without limitation, a Non-Funding Lender) for any action taken or omitted to be taken by it in connection with amounts payable by the Borrower to a Non-Funding Lender and received and deposited by the Agent in a cash collateral account and applied in accordance with the provisions of this Agreement save and except for the gross negligence or wilful misconduct of the Agent as determined by a final non-appealable judgement of a court of competent jurisdiction.

(3) The Agent shall be entitled to set off any Non-Funding Lender's Proportionate Share of all payments received from the Borrower against such Non-Funding Lender's obligations to fund payments and Advances required to be made by it and to purchase participations required to be purchased by it in each case under this Agreement and the other Loan Documents. The Agent shall be entitled to withhold and deposit in one or more non-interest bearing cash collateral accounts in the name of the Agent all amounts (whether principal, interest, fees or otherwise) received by Agent and due to a Non-Funding Lender pursuant to this Agreement which amounts shall be used by Agent (a) first, to reimburse (i) the Agent for any amounts owing to it by the Non-Funding Lender pursuant to any Loan Document, and then to reimburse (ii) the Issuing Bank for any amounts paid by it that has not been fully reimbursed due to such Non-Funding Lender not funding its Proportionate Share of the applicable Advance, (b) second, to repay any Advances made by a Lender in order to fund a shortfall created by a Non-Funding Lender which repayment shall be in the form of an assignment by each such Lender of such Advance to the Non-Funding Lender, (c) third, (i) first, to cash collateralize all other obligations of such Non-Funding Lender to the Agent owing pursuant to this Agreement in such amount as shall be determined from time to time by the Agent in its discretion including, without limitation, such Non-Funding Lender's obligation to pay its Proportionate Share of any indemnification or expense reimbursement amounts not paid by the Borrower and (ii), second, to maintain cash collateral for a Non-Funding Lender's Proportionate Share of reimbursement obligations for Letters of Credit, and (d) fourth, at the Agent's discretion, to fund from time to time the Non-Funding Lender's Proportionate Share of Advances under the applicable Credit Facility.

(4) For certainty, a Non-Funding Lender shall have no voting or consent rights with respect to matters under this Agreement or other Loan Documents. Accordingly, the Commitments and the aggregate unpaid principal amount of the Advances owing to any Non-Funding Lender shall be disregarded in determining Majority Lenders and all Lenders or all affected Lenders. Notwithstanding the foregoing, should a Non-Funding Lender (a) fund all outstanding Advances that it previously failed to fund and pay all other amounts owing to Agent, and (b) confirm in writing to the Agent that there is no reasonable likelihood that it will subsequently again become a Non-Funding Lender, then such Lender shall thereafter be entitled to vote and shall have consent rights in the same manner and fashion as if it were not a Non-Funding Lender.

13.09 Allocation

Following the occurrence of an Event of Default, the Agent shall allocate outstanding Advances among the Revolving Lenders so that the total Advances under the Revolving Facility is in the same proportion as the Commitment of each Lender bears to the total Commitments of all of the Revolving Lenders under the Revolving Facility. In order to implement the foregoing if required, any Lender from which excess Advances are outstanding (the “**Surplus Lender**”) shall sell to any Lender from which deficit Advances are outstanding (the “**Deficit Lender**”) and the Deficit Lender shall purchase from the Surplus Lender, for cash, at par, without representation or warranty from or recourse to the Surplus Lender, an interest in such Advances outstanding from the Surplus Lender as results in the ratio of Advances outstanding from both Lenders under their Commitments being equal to the ratio of their Commitments. The intention of this Section is that when any and all purchases and sales required hereby have been completed, the outstanding Advances under the Commitments will be outstanding rateably from the Lenders in the proportion that their respective Commitments bear to the total Commitments. If necessary to implement the foregoing, the Lenders shall take participations in outstanding Letters of Credit. The Borrower expressly consents to the foregoing arrangements among the Lenders.

ARTICLE 14 - GENERAL

14.01 Exchange and Confidentiality of Information

(1) The Borrower authorizes and consents to the reproduction, disclosure and use by the Agent and Lenders of information about the Borrower (including, without limitation, the Borrower’s name and any identifying logos) and the transactions herein contemplated to enable the Agent and/or the Lenders to publish promotional “tombstones” and other forms of notices of the transactions contemplated herein in any manner and in any media (including, without limitation, brochures) although such disclosure shall not reference the purchase price and the use of such information shall be subject to the prior approval of the Borrower acting reasonably. The Borrower acknowledges and agrees that the Agent or any Lender shall be entitled to determine, in its discretion, whether to use such information, that no compensation will be payable by the Agent or any Lender resulting therefrom, and that the Agent and the Lender shall have no liability whatsoever to the Borrower or any of its employees, officers, directors, affiliates or shareholders in obtaining and using such information in accordance with the terms hereof.

14.02 Nature of Obligations under this Agreement

(1) The obligations of each Lender and of the Agent under this Agreement are several and not joint and several. The failure of any Lender to carry out its obligations hereunder shall not relieve the other Lenders, the Agent or the Borrower of any of their respective obligations hereunder.

(2) Neither the Agent nor any Lender shall be responsible for the obligations of any other Lender hereunder.

14.03 Addresses, Etc. for Notices

The addresses and telecopier numbers for the purposes of notices and other communications to the Borrower and the Agent are set out on the signatures pages of this Agreement.

14.04 Governing Law and Submission to Jurisdiction

Ontario is the Province for the purpose of Sections 11(a) and (b) of Schedule AA.

14.05 Judgement Currency

(1) If for the purpose of obtaining or enforcing judgment against the Borrower or any Obligor in any court in any jurisdiction, it becomes necessary to convert into any other currency (such other currency being hereinafter in this Section 14.05 referred to as the "Judgement Currency") an amount due in Canadian Dollars or United States Dollars under this Agreement, the conversion shall be made at the rate of exchange prevailing on the Business Day immediately preceding:

- (a) the date of actual payment of the amount due, in the case of any proceeding in the courts of the Province of Ontario or in the courts of any other jurisdiction that will give effect to such conversion being made on such date; or
- (b) the date on which the judgment is given, in the case of any proceeding in the courts of any other jurisdiction (the date as of which such conversion is made pursuant to this Section 14.05(1)(b) being hereinafter in this Section 14.05 referred to as the "**Judgement Conversion Date**").

(2) If, in the case of any proceeding in the court of any jurisdiction referred to in Section 14.05(1)(b), there is a change in the rate of exchange prevailing between the Judgement Conversion Date and the date of actual payment of the amount due, the Borrower shall pay such additional amount (if any, but in any event not a lesser amount) as may be necessary to ensure that the amount paid in the Judgement Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of Canadian Dollars or United States Dollars, as the case may be, which could have been purchased with the amount of Judgement Currency stipulated in the judgment or judicial order at the rate of exchange prevailing on the Judgement Conversion Date. Any amount of Canadian Dollars or United States Dollars determined at the rate of exchange prescribed by the preceding sentence received by the Agent or any Lender in excess of the amount due by the Borrower hereunder shall be refunded to the Borrower by the Agent or such Lender, as the case may be.

(3) Any amount due from the Borrower under the provisions of Section 14.05(2) shall be due as a separate debt and shall not be affected by judgment being obtained for any other amounts due under or in respect of this Agreement.

(4) The term “rate of exchange” in this Section 14.05 means the noon rate of exchange based on Canadian interbank transactions in Canadian Dollars or United States Dollars, as the case may be, in the Judgement Currency published or quoted by the Bank of Canada for the day in question, or if such rate is not so published or quoted by the Bank of Canada, such term shall mean the Equivalent Amount of the Judgement Currency.

14.06 Benefit of the Agreement

This Agreement shall enure to the benefit of and be binding upon the Borrower, the Lenders, the Agent and their respective permitted successors and permitted assigns.

14.07 Survival

The provisions of Section 9 of Schedule AA shall survive the repayment of all Advances, whether on account of principal, interest or fees, and the termination of this Agreement, unless a specific release of such provisions by the Agent, on behalf of the Lenders, is delivered to the Borrower.

14.08 Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

14.09 Whole Agreement

This Agreement amends and restates the Original Credit Agreement and together with all other Loan Documents constitute the entire agreement between the parties to this Agreement with respect to the Credit Facilities and the other matters contemplated in this Agreement as of the date of this Agreement, and supersedes the Original Credit Agreement, as amended, and all other negotiations and discussions, whether oral or written, with respect to the Credit Facilities. Nothing in this Agreement shall constitute a release or novation of any indebtedness outstanding under the Original Credit Agreement, as amended, and all Advances outstanding under the Original Credit Agreement shall continue as Advances outstanding under this Agreement.

14.10 Further Assurances

The Borrower, each Lender and the Agent shall promptly cure any default by it in the execution and delivery of this Agreement, the Loan Documents or of any of the agreements provided for hereunder to which it is a party. The Borrower, at its expense, shall promptly execute and deliver to the Agent, upon any reasonable request by the Agent, all such other and further documents, agreements, opinions, certificates and instruments in compliance with or accomplishment of the covenants and agreements of the Borrower hereunder or more fully to state the obligations of the Borrower as set forth herein or to make any recording, file any notice or obtain any consent, all as may be reasonably necessary or appropriate in connection therewith.

14.11 Time of the Essence

Time shall be of the essence of this Agreement.

14.12 Delivery by Facsimile Transmission

This Agreement may be executed and delivered by facsimile transmission and each of the parties hereto may rely on such facsimile signature as though such facsimile signature were an original signature.

14.13 Anti-Money Laundering Legislation

(1) The Borrower acknowledges that, pursuant to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and other applicable anti-money laundering, anti-terrorist financing, government sanction and “know your client” laws (collectively, including any guidelines or orders thereunder, “AML Legislation”), the Lenders and the Agent may be required to obtain, verify and record information regarding the Borrower, the Guarantors, their directors, authorized signing officers, direct or indirect shareholders or other Persons in control of the Borrower and the Guarantors, and the transactions contemplated hereby. The Borrower shall promptly provide all such information, including supporting documentation and other evidence, as may be reasonably requested by any Lender or the Agent, or any prospective assignee or participant of a Lender or the Agent, in order to comply with any applicable AML Legislation, whether now or hereafter in existence.

Each of the Lenders agrees that the Agent has no obligation to ascertain the identity of the Borrower or the Guarantors or any authorized signatories of the Borrower or a Guarantor on behalf of any Lender, or to confirm the completeness or accuracy of any information it obtains from the Borrower or any Guarantor or any such authorized signatory in doing so.

14.14 Fondé de Pouvoir

Without limiting the generality of any provisions of this Agreement, each Lender appoints and designates the Agent (or any successor thereto) as the person holding the power of attorney (“fondé de pouvoir”) within the meaning of Article 2692 of the *Civil Code of Québec* for the purposes of the hypothecary security under the deed of hypothec granted by each Obligor and its successors and assigns under the laws of the Province of Québec and, in such capacity, the Agent shall hold the hypothec granted under the laws of the Province of Québec as such fondé de pouvoir in the exercise of the rights conferred thereunder. The execution by the Agent, as such fondé de pouvoir, prior to the date hereof of any deed creating or evidencing any such hypothec is hereby ratified and confirmed. Notwithstanding the provisions of Section 32 of the *Act respecting the special powers of legal persons* (Québec), the Agent may acquire and be the holder of any of the bonds (or similar instruments) secured by such hypothec. Each assignee Lender that becomes party to this Agreement, by becoming a party to this Agreement, shall be deemed to have ratified and confirmed the appointment of the Agent as fondé de pouvoir.

14.15 CBA Model Terms

The CBA Model Provisions (except for the footnotes contained therein) form part of this Agreement and are incorporated herein by reference, subject to the following variations:

- (a) Each term set out below which is used as a defined term in the CBA Model Provisions shall be deemed to have been replaced as set out below; and for greater certainty the said replacement term shall have the meaning ascribed thereto in Section 1.01 of this Agreement:
- “Administrative Agent” shall be replaced by “Agent”;
 - “Applicable Law” shall be amended by adding to the end thereof “; but if any of the foregoing shall not have the force of law, it shall only constitute Applicable Law to the extent compliance therewith is generally regarded as mandatory by the Persons to whom it applies or is addressed”;
 - “bankers’ acceptances” shall be replaced by “Bankers’ Acceptances”;
 - “Base Rate Loans” shall be replaced by “US Base Rate Loans”;
 - “LIBO Rate Loan” shall be replaced by “LIBOR Loan”;
 - “Loans” shall be replaced by “Advances”; and
 - “Provisions” shall be replaced by “CBA Model Provisions”.
- (b) Section 3.1(d) shall be amended by deleting “nine” and replacing it by “six” in each place it appears.
- (c) Section 3.2(c) shall be amended by deleting “10” and replacing it by “20” and adding to the following sentence to the end thereof “Notwithstanding the foregoing, the Borrower shall not be obliged to indemnify the Administrative Agent or any Lender to the extent any Indemnified Taxes or Other Taxes become payable as a result of the gross negligence or wilful misconduct of the Administrative Agent or such Lender.”
- (d) Section 9(b) shall not apply to claims made by a Lender in connection with disputes solely between any of the Administrative Agent and the Lenders.
- (e) Section 9(d) shall be amended by adding to the end thereof “, unless such damages result from the gross negligence or wilful misconduct of such Indemnatee”.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

BORROWER:

Address:

447 March Road
Ottawa, Ontario
K2K 1X8

Attention: Murray Kulchyski,
Treasurer

NORDION INC.

By: (signed) Peter Dans
Peter Dans
Chief Financial Officer

By: (signed) Steve West
Steve West
CEO

AGENT:

Address:

The Toronto-Dominion Bank, as Agent
Royal Trust Tower
77 King Street West, 18th Floor
Toronto, Ontario
M5K 1A2

Attention: Vice President, Loan
Syndications

Facsimile: (416) 982-5535

THE TORONTO-DOMINION BANK, as Agent

By: (signed) Wayne M. Shiplo

Wayne M. Shiplo
Vice President
Loan Syndication

By: _____

LENDERS:

Address:

The Toronto-Dominion Bank
Toronto Dominion Bank Tower
66 Wellington Street West
Toronto, Ontario
M5K 1A2

Attention: Tim Thomas

Facsimile:(416) 308-4481

THE TORONTO-DOMINION BANK, as a Lender

By: (signed) Tim Thomas

Tim Thomas
Managing Director

By: (signed) Sanup Gupta

Sanup Gupta
Vice President & Director

Address:

CANADIAN IMPERIAL BANK OF COMMERCE,
as a Lender

Canadian Imperial Bank of Commerce
161 Bay Street, 8th Floor
Toronto, Ontario
M5J 2S8

Attention: Ben Fallico

Facsimile: (416) 956-3810

By: (signed) Ben Fallico

Ben Fallico
Executive Director

By: (signed) Steve Nishimura

Steve Nishimura
Managing Director

Address:

ROYAL BANK OF CANADA, as a Lender

Royal Bank of Canada
Corporate Banking
Royal Bank Plaza, P.O. Box 50
4th Floor, South Tower
Toronto, Ontario
M5J 2W7
Attention: Chris Cowan

Facsimile: (416) 842-5320

By: (signed) Chris Cowan

Chris Cowan
Authorized Signatory

By: _____

Address:

EXPORT DEVELOPMENT CANADA, as a Lender

Export Development Canada
151 O'Connor
Ottawa, Ontario
K1A 1K3

By: (signed) Trevor Mulligan
Trevor Mulligan
Asset Manager

Attention: Margaret Michalski

By: (signed) Sheila Banning
Sheila Banning
Asset Manager

Facsimile: (613) 598-2504

in the case of any Lender or the Agent, with a copy to:

McCarthy Tétrault LLP
Suite 5300
Toronto Dominion Bank Tower
Toronto, Ontario
M5K 1E6

Attention: Joel Scoler

Facsimile (416) 868-0673

SCHEDULE AA – MODEL CREDIT AGREEMENT PROVISIONS

[SEE ATTACHED]

MODEL CREDIT AGREEMENT PROVISIONS

1. Definitions

“**Administrative Questionnaire**” means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“**Affiliate**” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“**Agreement**” means the credit agreement of which these Provisions form part.

“**Applicable Law**” means (a) any domestic or foreign statute, law (including common and civil law), treaty, code, ordinance, rule, regulation, restriction or by-law (zoning or otherwise); (b) any judgment, order, writ, injunction, decision, ruling, decree or award; (c) any regulatory policy, practice, guideline or directive; or (d) any franchise, licence, qualification, authorization, consent, exemption, waiver, right, permit or other approval of any Governmental Authority, binding on or affecting the Person referred to in the context in which the term is used or binding on or affecting the property of such Person, in each case whether or not having the force of law.

“**Approved Fund**” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“**Assignment and Assumption**” means an assignment and assumption entered into by a Lender and an Eligible Assignee and accepted by the Administrative Agent, in substantially the form of Exhibit A or any other form approved by the Administrative Agent.

“**Basel III**” means (i) the agreements on capital requirements, a leverage ratio and liquidity standards contained in “Basel III: A global regulatory framework for more resilient banks and banking systems”, “Basel III: International framework for liquidity risk measurement standards and monitoring” and “Guidance for national authorities operating the countercyclical capital buffer” published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated; and (ii) any further guidance or standards published by the Basel Committee on Banking Supervision relating to “Basel III”.

“**Change in Law**” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any Applicable Law, (b) any change in any Applicable Law or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any Applicable Law by any Governmental Authority.

“**Control**” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “**Controlling**” and “**Controlled**” have corresponding meanings.

“**Default**” means any event or condition that constitutes an Event of Default or that would constitute an Event of Default except for satisfaction of any condition subsequent required to make the event or condition an Event of Default, including giving of any notice, passage of time, or both.

“**Eligible Assignee**” means any Person (other than a natural person, any Obligor or any Affiliate of an Obligor), in respect of which any consent that is required by Section 10(b) has been obtained.

“**Excluded Taxes**” means, with respect to the Administrative Agent, any Lender, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of an Obligor hereunder, (a) taxes imposed on or measured by its net income, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, and (b) any branch profits taxes or any similar tax imposed by any jurisdiction in which the Lender is located.

“Fund” means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

“Governmental Authority” means the government of Canada or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, including any supra-national bodies such as the European Union or the European Central Bank and including a Minister of the Crown, Superintendent of Financial Institutions or other comparable authority or agency.

“Indemnified Taxes” means Taxes other than Excluded Taxes.

“Issuing Bank” means the Person named elsewhere in this Agreement as the issuer of Letters of Credit on the basis that it is “fronting” for other Lenders and not on the basis that it is the attorney of other Lenders to sign Letters of Credit on their behalf, or any successor issuer of Letters of Credit. For greater certainty, where the context requires, references to “Lenders” in these Provisions includes the Issuing Bank.

“Loan” means any extension of credit by a Lender under this Agreement, including by way of bankers’ acceptance or LIBO Rate Loan, except for any Letter of Credit or participation in a Letter of Credit.

“Obligors” means, collectively, the Borrower and each of its Subsidiaries.

“Other Taxes” means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

“Participant” has the meaning assigned to such term in Section 10(d).

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Provisions” means these model credit agreement provisions.

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the directors, officers, employees, agents and advisors of such Person and of such Person’s Affiliates.

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

2. Terms Generally

(1) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein (including this Agreement) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented, restated or otherwise modified (subject to any restrictions on such amendments, supplements, restatements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person’s successors and permitted assigns, (c) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) unless otherwise expressly stated, all references in these Provisions to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, these Provisions, but all such references elsewhere in this Agreement shall be construed to refer to this Agreement apart from these Provisions, (e) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time and (f) the words “asset” and “property” shall be construed

to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(2) If there is any conflict or inconsistency between these Provisions and the other terms of this Agreement the other terms of this Agreement shall govern to the extent necessary to resolve the conflict or inconsistency.

3. Yield Protection

3.1 Increased Costs

- (a) Increased Costs Generally. If any Change in Law shall:
- (i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender;
 - (ii) subject any Lender to any Tax of any kind whatsoever with respect to this Agreement, any Letter of Credit any participation in a Letter of Credit or any Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof, except for Indemnified Taxes or Other Taxes covered by Section 3.2 and the imposition, or any change in the rate, of any Excluded Tax payable by such Lender, or
 - (iii) impose on any Lender or any applicable interbank market any other condition, cost or expense affecting this Agreement or Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Loan (or of maintaining its obligation to make any such Loan), or to increase the cost to such Lender or the Issuing Bank of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender or the Issuing Bank hereunder (whether of principal, interest or any other amount), then upon request of such Lender, the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

Notwithstanding anything contained in this Agreement, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, regulations, guidelines, requirements and directives thereunder, issued in connection therewith or in implementation thereof and (ii) all requests, rules, regulations, guidelines or directives whether concerning capital adequacy or liquidity promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall, in each case, be deemed a "Change in Law" regardless of the date enacted, adopted, applied or issued.

(b) Capital and Liquidity Requirements. If any Lender determines that any Change in Law affecting such Lender or any lending office of such Lender or such Lender's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or the Letters of Credit issued or participated in by such Lender, to a level below that which such Lender or its holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of its holding company with respect to, as applicable, capital adequacy or liquidity requirements), then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or its holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section, including reasonable detail of the basis of calculation of the amount or amounts, and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation, except that the Borrower shall not be required to compensate a Lender pursuant to this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefore, unless the Change in Law giving rise to such increased costs or reductions is retroactive, in which case the nine-month period referred to above shall be extended to include the period of retroactive effect thereof.

3.2 Taxes

(a) Payments Subject to Taxes. If any Obligor, the Administrative Agent, or any Lender is required by Applicable Law to deduct or pay any Indemnified Taxes (including any Other Taxes) in respect of any payment by or on account of any obligation of an Obligor hereunder or under any other Loan Document, then (i) the sum payable shall be increased by that Obligor when payable as necessary so that after making or allowing for all required deductions and payments (including deductions and payments applicable to additional sums payable under this Section) the Administrative Agent or Lender, as the case may be, receives an amount equal to the sum it would have received had no such deductions or payments been required, (ii) the Obligor shall make any such deductions required to be made by it under Applicable Law and (iii) the Obligor shall timely pay the full amount required to be deducted to the relevant Governmental Authority in accordance with Applicable Law.

(b) Payment of Other Taxes by the Borrower. Without limiting the provisions of paragraph (a) above, the Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.

(c) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent and each Lender, within 10 days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent or such Lender and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by an Obligor to a Governmental Authority, the Obligor shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Treatment of Certain Refunds and Tax Reductions. If the Administrative Agent or a Lender determines, in its sole discretion that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which an Obligor has paid additional amounts pursuant to this Section or that, because of the payment of such Taxes or Other Taxes, it has benefited from a reduction in Excluded Taxes otherwise payable by it, it shall pay to the Borrower or other Obligors, as applicable, an amount equal to such refund or reduction (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower or Obligor under this Section with respect to the Taxes or Other Taxes giving rise to such refund or reduction), net of all out-of-pocket expenses of the Administrative Agent or such Lender, as the case may be, and without interest (other than any net after-Tax interest paid by the relevant Governmental Authority with respect to such refund). The Borrower or Obligor as applicable, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower or Obligor (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender if the Administrative Agent or such Lender is required to repay such refund or reduction to such Governmental Authority. This paragraph shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person, to arrange its affairs in any particular manner or to claim any available refund or reduction.

3.3 **Mitigation Obligations: Replacement of Lenders**

(a) **Designation of a Different Lending Office.** If any Lender requests compensation under Section 3.1, or requires the Borrower to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.2, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.1 or 3.2, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) **Replacement of Lenders.** If any Lender requests compensation under Section 3.1, if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.2, if any Lender's obligations are suspended pursuant to Section 3.4 or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon 10 days' notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

- (i) the Borrower pays the Administrative Agent the assignment fee specified in Section 10(b)(vi);
- (ii) the assigning Lender receives payment of an amount equal to the outstanding principal of its Loans and participations in disbursements under Letters of Credit, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any breakage costs and amounts required to be paid under this Agreement as a result of prepayment to a Lender) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);
- (iii) in the case of any such assignment resulting from a claim for compensation under Section 3.1 or payments required to be made pursuant to Section 3.2, such assignment will result in a reduction in such compensation or payments thereafter; and
- (iv) such assignment does not conflict with Applicable Law.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

3.4 Illegality

If any Lender determines that any Applicable Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make or maintain any Loan (or to maintain its obligation to make any Loan), or to participate in, issue or maintain any Letter of Credit (or to maintain its obligation to participate in or to issue any Letter of Credit), or to determine or charge interest rates based upon any particular rate, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender with respect to the activity that is unlawful shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if conversion would avoid the activity that is unlawful, convert any Loans, or take any necessary steps with respect to any Letter of Credit in order to avoid the activity that is unlawful. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted. Each Lender agrees to designate a different Lending Office if such designation will avoid the need for such notice and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender.

3.5 Inability to Determine Rates Etc.

If the Majority Lenders determine that for any reason adequate and reasonable means do not exist for determining the LIBO Rate for any requested Interest Period with respect to a proposed LIBO Rate Loan, or that the LIBO Rate for any requested Interest Period with respect to a proposed LIBO Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, the obligation of the Lenders to make or maintain LIBO Rate Loans shall be suspended until the Administrative Agent (upon the instruction of the Majority Lenders) revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a borrowing, conversion or continuation of LIBO Rate Loans or, failing that, will be deemed to have converted such request into a request for a borrowing of Base Rate Loans in the amount specified therein.

4. Right of Setoff

If an Event of Default has occurred and is continuing, each of the Lenders and each of their respective Affiliates is hereby authorized at any time and from time to time to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender or any such Affiliate to or for the credit or the account of any Obligor against any and all of the obligations of the Borrower now or hereafter existing under this Agreement or any other Loan Document to such Lender, irrespective of whether or not such Lender has made any demand under this Agreement or any other Loan Document and although such obligations of the Obligor may be contingent or unmatured or are owed to a branch or office of such Lender different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each of the Lenders and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff, consolidation of accounts and bankers' lien) that the Lenders or their respective Affiliates may have. Each Lender agrees to promptly notify the Borrower and the Administrative Agent after any such setoff and application, but the failure to give such notice shall not affect the validity of such setoff and application. If any Affiliate of a Lender exercises any rights under this Section 4, it shall share the benefit received in accordance with Section 5 as if the benefit had been received by the Lender of which it is an Affiliate.

5. Sharing of Payments by Lenders

If any Lender, by exercising any right of setoff or counterclaim or otherwise, obtains any payment or other reduction that might result in such Lender receiving payment or other reduction of a proportion of the aggregate amount of its Loans and accrued interest thereon or other obligations hereunder greater than its pro rata share thereof as provided herein, then the Lender receiving such payment or other reduction shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders rateably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them, provided that

(i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest,

(ii) the provisions of this Section shall not be construed to apply to (x) any payment made by any Obligor pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participation in disbursements under Letters of Credit to any assignee or participant, other than to any Obligor or any Affiliate of an Obligor (as to which the provisions of this Section shall apply); and

(iii) the provisions of this Section shall not be construed to apply to (w) any payment made while no Event of Default has occurred and is continuing in respect of obligations of the Borrower to such Lender that do not arise under or in connection with the Loan Documents, (x) any payment made in respect of an obligation that is secured by a Permitted Lien or that is otherwise entitled to priority over the Borrower's obligations under or in connection with the Loan Documents, (y) any reduction arising from an amount owing to an Obligor upon the termination of derivatives entered into between the Obligor and such Lender, or (z) any payment to which such Lender is entitled as a result of any form of credit protection obtained by such Lender.

The Obligors consent to the foregoing and agree, to the extent they may effectively do so under Applicable Law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against each Obligor rights of setoff and counterclaim and similar rights of Lenders with respect to such participation as fully as if such Lender were a direct creditor of each Obligor in the amount of such participation.

6. Administrative Agent's Clawback

(a) Funding by Lenders: Presumption by Administrative Agent. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any advance of funds that such Lender will not make available to the Administrative Agent such Lender's share of such advance, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with the provisions of this Agreement concerning funding by Lenders and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event if a Lender has not in fact made its share of the applicable advance available to the Administrative Agent, then the applicable Lender shall pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at a rate determined by the Administrative Agent in accordance with prevailing banking industry practice on Interbank compensation. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such advance. If the Lender does not do so forthwith, the Borrower shall pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon at the Interest rate applicable to the advance in question. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that has failed to make such payment to the Administrative Agent.

(b) Payments by Borrower: Presumptions by Administrative Agent. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of any Lender hereunder that the Borrower will not make such payment the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute the amount due to the Lenders. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at a rate determined by the Administrative Agent in accordance with prevailing banking industry practice on Interbank compensation.

7. Agency

7.1 Appointment and Authority. Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Person identified elsewhere in this Agreement as the Administrative Agent to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent, the Lenders and the Issuing Bank, and no Obligor shall have rights as a third party beneficiary of any of such provisions.

7.2 Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with any Obligor or any Affiliate thereof as if such Person were not the Administrative Agent and without any duty to account to the Lenders.

7.3 Exculpatory Provisions

(1) The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Majority Lenders (or such other number or percentage of the Lenders as shall be expressly provided for in the Loan Documents), but the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or Applicable Law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the person serving as the Administrative Agent or any of its Affiliates in any capacity.

(2) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Majority Lenders (or such other number or percentage of the Lenders as is necessary, or as the Administrative Agent believes in good faith is necessary, under the provisions of the Loan Documents) or (ii) in the absence of its own gross negligence or wilful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing the Default is given to the Administrative Agent by the Borrower or a Lender.

(3) Except as otherwise expressly specified in this Agreement the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition specified in this Agreement, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

7.4 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance of a Letter of Credit that by its terms must be fulfilled to the satisfaction of a Lender or the Issuing Bank, the Administrative Agent may presume that such condition is satisfactory to such Lender or the Issuing Bank unless the Administrative Agent shall have received notice to the contrary from such Lender or the Issuing Bank prior to the making of such Loan or the issuance of such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

7.5 Indemnification of Administrative Agent. Each Lender agrees to indemnify the Administrative Agent and hold it harmless (to the extent not reimbursed by the Borrower), rateably according to its Proportionate Share (and not jointly or jointly and severally) from and against any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel, which may be incurred by or asserted against the Administrative Agent in any way relating to or arising out of the Loan Documents or the transactions therein contemplated. However, no Lender shall be liable for any portion of such losses, claims, damages, liabilities and related expenses resulting from the Administrative Agent's gross negligence or wilful misconduct.

7.6 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent from among the Lenders (including the Person serving as Administrative Agent) and their respective Affiliates. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The provisions of this Article and other provisions of this Agreement for the benefit of the Administrative Agent shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

7.7 Replacement of Administrative Agent

(1) The Administrative Agent may at any time give notice of its resignation to the Lenders, the Issuing Bank and the Borrower. Upon receipt of any such notice of resignation, the Majority Lenders shall have the right in consultation with the Borrower, to appoint a successor, which shall be a Lender having a Commitment to a revolving credit if one or more is established in this Agreement and having an office in Toronto, Ontario or Montréal, Québec, or an Affiliate of any such Lender with an office in Toronto or Montréal. The Administrative Agent may also be removed at any time by the Majority Lenders upon 30 days' notice to the Administrative Agent and the Borrower as long as the Majority Lenders, in consultation with the Borrower, appoint and obtain the acceptance of a successor within such 30 days, which shall be a Lender having a Commitment to a revolving credit if one or more is established in this Agreement and having an office in Toronto or Montréal, or an Affiliate of any such Lender with an office in Toronto or Montréal.

(2) If no such successor shall have been so appointed by the Majority Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders, appoint a successor Administrative Agent meeting the qualifications specified in Section 7.7(1), provided that if the Administrative Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (2) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time as the Majority Lenders appoint a successor Administrative Agent as provided for above in the preceding paragraph.

(3) Upon a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the former Administrative Agent, and the former Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided in the preceding paragraph). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the termination of the service of the former Administrative Agent, the provisions of this Section 7 and of Section 9 shall continue in effect for the benefit of such former Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the former Administrative Agent was acting as Administrative Agent.

7.8 Non-Reliance on Administrative Agent and Other Lenders. Each Lender and the Issuing Bank acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and the Issuing Bank also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

7.9 Collective Action of the Lenders. Each of the Lenders hereby acknowledges that to the extent permitted by Applicable Law, any collateral security and the remedies provided under the Loan Documents to the Lenders are for the benefit of the Lenders collectively and acting together and not severally and further acknowledges that its rights hereunder and under any collateral security are to be exercised not severally, but by the Administrative Agent upon the decision of the Majority Lenders (or such other number or percentage of the Lenders as shall be expressly provided for in the Loan Documents). Accordingly, notwithstanding any of the provisions contained herein or in any collateral security, each of the Lenders hereby covenants and agrees that it shall not be entitled to take any action hereunder or thereunder including, without limitation, any declaration of default hereunder or thereunder but that any such action shall be taken only by the Administrative Agent with the prior written agreement of the Majority Lenders (or such other number or percentage of the Lenders as shall be expressly provided for in the Loan Documents). Each of the Lenders hereby further covenants and agrees that upon any such written agreement being given, it shall co-operate fully with the Administrative Agent to the extent requested by the Administrative Agent. Notwithstanding the foregoing, in the absence of instructions from the Lenders and where in the sole opinion of the Administrative Agent, acting reasonably and in good faith, the exigencies of the situation warrant such action, the Administrative Agent may without notice to or consent of the Lenders take such action on behalf of the Lenders as it deems appropriate or desirable in the interest of the Lenders.

7.10 No Other Duties, etc. Anything herein to the contrary notwithstanding, none of the Bookrunners, Arrangers or holders of similar titles, if any, specified in this Agreement shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent or a Lender hereunder.

8. Notices: Effectiveness; Electronic Communication

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as-provided in paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier to the addresses or telecopier numbers specified elsewhere in this Agreement or, if to a Lender, to it at its address or telecopier number specified in the Register or, if to an Obligor other than the Borrower, in care of the Borrower.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given on a business day between 9:00 a.m. and 5:00 p.m. local time where the recipient is located, shall be deemed to have been given at 9:00 a.m. on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in paragraph (b) below shall be effective as provided in said paragraph (b).

(b) Electronic Communications. Notices and other communications to the Lenders and the Issuing Bank hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender of Loans to be made or Letters of Credit to be issued if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an email address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) Change of Address, Etc. Any party hereto may change its address or telecopier number for notices and other communications hereunder by notice to the other parties hereto.

9. Expenses; Indemnity; Damage Waiver

(a) Costs and Expenses. The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all reasonable out-of-pocket expenses incurred by the Administrative Agent, any Lender or the Issuing Bank, including the reasonable fees, charges and disbursements of counsel, in connection with the enforcement or protection of its rights in connection with this Agreement and the other Loan Documents, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), each Lender and the Issuing Bank and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee" against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any third party or by any Obligor arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance or non-performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation or non-consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the Issuing Bank to honour a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or Release of Hazardous Materials on or from any property owned or operated by any Obligor, or any Environmental Liability related in any way to any Obligor, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by an Obligor and regardless of whether any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower or any other Obligor against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Obligor has obtained a final and nonappealable judgment in its favour on such claim as determined by a court of competent jurisdiction, nor shall it be available in respect of matters specifically addressed in Sections 3.1, 3.2 and 9(a).

(c) Reimbursement by Lenders. To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under paragraph (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof), the Issuing Bank or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), the Issuing Bank or such Related Party, as the case may be, such Lender's Proportionate Share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) or the Issuing Bank in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent) or the Issuing Bank in connection with such capacity. The obligations of the Lenders under this paragraph (c) are subject to the other provisions of this Agreement concerning several liability of the Lenders.

(d) Waiver of Consequential Damages. To the fullest extent permitted by Applicable Law, the Obligors shall not assert, and hereby waive, any claim against any Indemnitee, on any theory of liability, for indirect, consequential, punitive, aggravated or exemplary damages (as opposed to direct damages) arising out of, in connection with, or as a result of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby (or any breach thereof), the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(e) Payments. All amounts due under this Section shall be payable promptly after demand therefor. A certificate of the Administrative Agent or a Lender setting forth the amount or amounts owing to the Administrative Agent, Lender or a sub-agent or Related Party, as the case may be, as specified in this Section, including reasonable detail of the basis of calculation of the amount or amounts, and delivered to the Borrower shall be conclusive absent manifest error.

10. Successors and Assigns

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Obligor may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations, hereunder except (i) to an Eligible Assignee in accordance with the provisions of paragraph (b) of this Section, (ii) by way of participation in accordance with the provisions of paragraph (d) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignment by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that:

(i) except if an Event of Default has occurred and is continuing or in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment being assigned (which for this purpose includes Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loan of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than \$5,000,000, unless each of the Administrative Agent and, so long as no Default has occurred and is continuing, the Borrower otherwise consent to a lower amount (each such consent not to be unreasonably withheld or delayed);

- (ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan or the Commitment assigned; except that this clause (ii) shall not prohibit any Lender from assigning all or a portion of its rights and obligations among separate credits on a non-*pro rata* basis;
- (iii) any assignment of a Commitment relating to a credit under which Letters of Credit may be issued must be approved by any Issuing Bank (such approval not to be unreasonably withheld or delayed), unless the Person that is the proposed assignee is itself already a Lender with a Commitment under that credit;
- (iv) any assignment must be approved by the Administrative Agent (such approval not to be unreasonably withheld or delayed) unless:
 - (x) in the case of an assignment of a Commitment relating to a revolving credit, the proposed assignee is itself already a Lender with the same type of Commitment,
 - (y) no Event of Default has occurred and is continuing, and the assignment is of a Commitment relating to a non-revolving credit that is fully advanced, or
 - (z) the proposed assignee is a bank whose senior, unsecured, non-credit enhanced, long term debt is rated at least A3, A- or A low by at least two of Moody's Investor Services Inc., Standard & Poor's, a division of The McGraw-Hill Companies, Inc. and Dominion Bond Rating Service Limited, respectively;
- (v) any assignment must be approved by the Borrower (such approval not to be unreasonably withheld or delayed) unless (the proposed assignee is itself already a Lender with the same type of Commitment or a Default has occurred and is continuing; and
- (vi) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption; together with a processing and recordation fee in an amount specified elsewhere in this Agreement and the Eligible Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement and the other Loan Documents, including any collateral security, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3 and 9, and shall continue to be liable for any breach of this Agreement by such Lender, with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (d) of this Section. Any payment by an assignee to an assigning Lender in connection with an assignment or transfer shall not be or be deemed to be a repayment by the Borrower or a new Loan to the Borrower.

(c) Register. The Administrative Agent shall maintain at one of its offices in Toronto, Ontario or Montréal, Québec a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, absent manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person, an Obligor or any Affiliate of an Obligor) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any payment by a Participant in connection with a sale of a participation shall not be or be deemed to be a repayment by the Borrower or a new Loan to the Borrower.

Subject to paragraph (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Section 3 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 4 as though it were a Lender, provided such Participant agrees to be subject to Section 5 as though it were a Lender.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Section 3.1 and 3.2 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrowers prior written consent.

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under the Agreement to secure obligations of such Lender, but no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

11. Governing Law; Jurisdiction; Etc.

(a) Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the Province specified elsewhere in this Agreement and the laws of Canada applicable in that Province.

(b) Submission to Jurisdiction. Each Obligor irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the courts of the Province specified elsewhere in this Agreement, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or in any other Loan Document shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against any Obligor or its properties in the courts of any jurisdiction.

(c) Waiver of Venue. Each Obligor irrevocably and unconditionally waives, to the fullest extent permitted by Applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by Applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

12. WAIVER OF JURY TRIAL

EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

13. Counterparts; Integration; Effectiveness; Electronic Execution

(a) Counterparts; Integration; Effectiveness: This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in the conditions precedent Section(s) of this Agreement, this Agreement shall become effective when it has been executed by the Administrative Agent and when the Administrative Agent has received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or by sending a scanned copy by electronic mail shall be effective as delivery of a manually executed counterpart of this Agreement.

(b) Electronic Execution of Assignments. The words “execution”, “signed”, “signature”, and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any Applicable Law, including Parts 2 and 3 of the *Personal Information Protection and Electronic Documents Act* (Canada), the *Electronic Commerce Act, 2000* (Ontario) and other similar federal or provincial laws based on the *Uniform Electronic Commerce Act* of the Uniform Law Conference of Canada or its *Uniform Electronic Evidence Act*, as the case may be.

14. Treatment of Certain Information; Confidentiality

(1) Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to it, its Affiliates and its Affiliates’ respective partners, directors, officers, employees, agents advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority), (c) to the extent required by Applicable Laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors to any swap, derivative, credit-linked note or similar transaction relating to the Borrower and its obligations), (g) with the consent of the Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this section or (y) becomes available to the Administrative Agent or any Lender on a non-confidential basis from a source other than an Obligor.

(2) For purposes of this Section, “Information” means all information received in connection with this Agreement from any Obligor relating to any Obligor or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a non-confidential basis prior to such receipt. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. In addition, the Administrative Agent may disclose to any agency or organization that assigns standard identification numbers to loan facilities such basic information describing the facilities provided hereunder as is necessary to assign unique identifiers (and, if requested, supply a copy of this Agreement), if being understood that the Person to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to make available to the public only such Information as such person normally makes available in the course of its business of assigning identification numbers.

(3) In addition, and notwithstanding anything herein to the contrary, the Administrative Agent may provide the information described on Exhibit B concerning the Borrower and the credit facilities established herein to Loan Pricing Corporation and/or other recognized trade publishers of information for general circulation in the loan market.

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the “Assignment and Assumption”) is dated as of the Effective Date set forth below and is entered into by and between [insert name of Assignor] (the “Assignor”) and [insert name of Assignee] (the “Assignee”). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the “Credit Agreement”), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor’s rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including without limitation any letters of credit, guarantees, and swingline loans included in such facilities) and (ii) to the extent permitted to be assigned under Applicable Law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered, pursuant thereto or the loan-transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as, the “Assigned Interest”). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____
2. Assignee: _____
[and is an Affiliate/Approved Fund of [identify Lender]]
3. Borrower(s): _____
4. Administrative Agent: _____, as the administrative agent under the Credit Agreement
5. Credit Agreement: [The [amount] Credit Agreement dated as of _____ among [name of Borrower(s)], the Lenders parties thereto, [name of Administrative Agent], as Administrative Agent, and the other agents parties thereto]
6. Assigned Interest:

Facility Assigned	Aggregate Amount of Commitment / Loans for all Lenders	Amount of Commitment / Loans Assigned ³	Percentage Assigned of Commitment / Loans	CUSIP Number
	\$	\$	%	
	\$	\$	%	
	\$	\$	%	

7. [Trade Date: _____]

Effective Date: _____, 20____ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

<p><u>ASSIGNOR</u> [NAME OF ASSIGNOR]</p> <p>By: _____ Title: _____</p>
<p><u>ASSIGNEE</u> [NAME OF ASSIGNEE]</p> <p>By: _____ Title: _____</p>

<p>[Consented to and] Accepted: [NAME OF ADMINISTRATIVE AGENT], as Administrative Agent</p> <p>By: _____ Title: _____</p>
<p>[Consented to:] [NAME OF RELEVANT PARTY]</p> <p>By: _____ Title: _____</p>

[]

STANDARD TERMS AND CONDITIONS FOR

ASSIGNMENT AND ASSUMPTION

Representations and Warranties

14.2 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

14.3 Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, and (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section ____ thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

15. Payments

From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to, on or after the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

16. General Provisions

This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and permitted assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy or by sending a scanned copy by electronic mail shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law governing the Credit Agreement.

LOAN MARKET DATA TEMPLATE

Recommended Data Fields – At Close

The items highlighted in bold are those that Loan Pricing Corporation (LPC) or other similarly recognized bank loan information services deem essential. The remaining items are those that LPC has seen become more prominent over time as transparency has increased in the U.S. Loan Market.

Company Level		Deal Specific		Facility Specific
Issuer Name		Currency/Amount		Currency/Amount
Location		Date		Type
SIC (Cdn)		Purpose		Purpose
Identification Number(s)		Sponsor		Tenor
Revenue		Financial Covenants		Term Out Option
				Expiration Date
		Target Company		Facility Signing Date
*Measurement of Risk		Assignment Language		Pricing
S&P Sr. Debt		Law Firms		Base Rate(s)/Spread(s) / BA/LIBOR
S&P Issuer		MAC Clause		Initial Pricing Level
Moody's Sr. Debt		Springing lien		Pricing Grid (tied to, levels)
Moody's Issuer		Cash Dominion		Grid Effective Date
Fitch Sr. Debt		Mandatory Prepays		Fees
Fitch Issuer		Restret'd Payments (Neg Covs)		Participation Fee (tiered also)
S&P Implied				
(internal assessment)		Other Restrictions		Commitment Fee
DBRS				
Other Ratings				Annual fee
*Industry Classification				Utilization Fee
Moody's Industry				LC Fee(s)
S&P Industry				BA Fee
Parent				Prepayment Fee
Financial Ratios				Other Fees to Market
				Security
				Secured/Unsecured
				Collateral and Seniority of Claim
				Collateral Value
				Guarantors
				Lenders Names/Titles
				Lender Commitment (\$)
				Committed/Uncommitted
				Distribution method
				Amortization Schedule
				Borrowing Base/Advance Rates
				New Money Amount
				Country of Syndication

				Facility Rating (Loss given default)
				S&P Bank Loan
				Moody's Bank Loan
				Fitch Bank Loan
				DBRS
				Other Ratings

*These items would be considered useful to capture from an analytical perspective.

SCHEDULE A - LENDERS AND COMMITMENTS

Lender	Revolving Facility	L/C Facility	Commitment
The Toronto-Dominion Bank	US\$7,500,000	US\$22,500,000	US\$30,000,000
Canadian Imperial Bank of Commerce	US\$5,000,000	US\$15,000,000	US\$20,000,000
Royal Bank of Canada	US\$5,000,000	US\$15,000,000	US\$20,000,000
Export Development Canada	US\$2,500,000	US\$7,500,000	US\$10,000,000
Total Commitment	US\$20,000,000	US\$60,000,000	US\$80,000,000

Each lender listed above other than Export Development Canada is a BA Lender.

Address for each Lender:

The Toronto-Dominion Bank
Toronto Dominion Bank Tower
66 Wellington Street West
Toronto, Ontario
M5K 1A2

Attention: Tim Thomas
Fax: (416) 982-5535

Canadian Imperial Bank of Commerce
161 Bay Street, 8th Floor
Toronto, Ontario
M5J 2S8

Attention: Ben Fallico
Fax: (416) 956-3810

-and-

Royal Bank of Canada
Corporate Banking
Royal Bank Plaza, P.O. Box 50
4th Floor, South Tower
Toronto, Ontario
M5J 2W7

Attention: Chris Cowan
Fax: (416) 974-8119

Export Development Canada
151 O'Connor Street
Ottawa, ON
K1A 1K3

Attention: Paulina Janiec
Fax: (613) 598-2514

SCHEDULE B – DRAWDOWN NOTICE

To: The Toronto-Dominion Bank, as Agent
Royal Trust Tower
77 King Street West, 18th Floor
Toronto, Ontario
M5K 1A2

Attention: Vice President, Loan Syndications
Facsimile: (416) 982-5535

This Drawdown Notice is delivered pursuant to the amended and restated credit agreement dated January 25, 2013 among Nordion Inc. (the “**Borrower**”), The Toronto-Dominion Bank, as Administrative Agent and the financial institutions parties thereto (as amended, restated or supplemented from time to time, the “**Credit Agreement**”). All terms used herein as defined terms and not otherwise defined shall have the respective meanings ascribed thereto in the Credit Agreement.

1. The Borrower hereby requests an Advance as follows:
 - (a) date of Advance:
 - (b) Credit Facility:
 - (c) amount:
 - (d) availment option:
 - (e) if Banker’s Acceptance, BA Equivalent Note or LIBOR Advance, indicate desired term:
 - (f) if Letter of Credit, provide particulars:
 - (g) payment instructions (if any):
2. The Borrower hereby certifies that as at the date of the Advance requested hereby:
 - (a) the representations and warranties contained in Section 9.01 of the Credit Agreement are true and correct;
 - (b) all terms and conditions precedent to an Advance contained in Section 3.03 of the Credit Agreement have been satisfied;
 - (c) no event has occurred and is continuing which constitutes a Default or an Event of Default; nor shall the making of the requested Advance result in the occurrence of any such event; and
 - (d) no Material Adverse Effect exists or has occurred.

Dated this _____ day of _____, _____.

NORDION INC.

By: _____

Name: _____

Title: _____

SCHEDULE C – NOTICE OF ROLLOVER

To: The Toronto-Dominion Bank, as Agent
Royal Trust Tower
77 King Street West, 18th Floor
Toronto, Ontario
M5K 1A2

Attention: Vice President, Loan Syndications
Facsimile: (416) 982-5535

This Notice of Rollover is delivered pursuant to the amended and restated credit agreement dated January 25, 2013 among Nordion Inc. (the “**Borrower**”), The Toronto-Dominion Bank, as Administrative Agent and the financial institutions parties thereto (as amended, restated or supplemented from time to time, the “**Credit Agreement**”). All terms used herein as defined terms and not otherwise defined shall have the respective meanings ascribed thereto in the Credit Agreement.

1. The Borrower hereby requests a Rollover as follows:
 - (a) amount of maturing Advance:
 - (b) date of maturing Advance:
 - (c) availment option of maturing Advance:
 - (d) if Rollover of Banker’s Acceptance, BA Equivalent Note or LIBOR Advance, indicate desired term:
2. The Borrower hereby certifies that as at the date of the Rollover requested hereby:
 - (a) the representations and warranties contained in Section 9.01 of the Credit Agreement are true and correct;
 - (b) all terms and conditions precedent to an Advance contained in Section 3.03 of the Credit Agreement have been satisfied;
 - (c) no event has occurred and is continuing which constitutes a Default or an Event of Default; nor shall the making of the requested Advance result in the occurrence of any such event; and
 - (d) no Material Adverse Effect exists or has occurred.

Dated this _____ day of _____, _____.

NORDION INC.

By: _____

Name: _____

Title: _____

SCHEDULE D – NOTICE OF CONVERSION

To: The Toronto-Dominion Bank, as Agent
Royal Trust Tower
77 King Street West, 18th Floor
Toronto, Ontario
M5K 1A2

Attention: Vice President, Loan Syndications
Facsimile: (416) 982-5535

This Notice of Conversion is delivered pursuant to the amended and restated credit agreement dated January 25, 2013 among Nordion Inc. (the “**Borrower**”), The Toronto-Dominion Bank, as Administrative Agent and the financial institutions parties thereto (as amended, restated or supplemented from time to time, the “**Credit Agreement**”). All terms used herein as defined terms and not otherwise defined shall have the respective meanings ascribed thereto in the Credit Agreement.

1. The Borrower hereby requests a Conversion as follows:
 - (a) amount of maturing Advance:
 - (b) date of maturing Advance:
 - (c) availment option of maturing Advance:
 - (d) availment option of Advance requested:
 - (e) if Conversion into Banker’s Acceptance, BA Equivalent Note or LIBOR Advance, indicate desired term:
2. The Borrower hereby certifies that as at the date of the Conversion requested hereby:
 - (a) the representations and warranties contained in Section 9.01 of the Credit Agreement are true and correct;
 - (b) all terms and conditions precedent to an Advance contained in Section 3.03 of the Credit Agreement have been satisfied;
 - (c) no event has occurred and is continuing which constitutes a Default or an Event of Default; nor shall the making of the requested Advance result in the occurrence of any such event; and
 - (d) no Material Adverse Effect exists or has occurred.

Dated this _____ day of _____, _____.

NORDION INC.

By: _____

Name: _____

Title: _____

SCHEDULE E - REPAYMENT NOTICE

To: The Toronto-Dominion Bank, as Agent
Royal Trust Tower
77 King Street West, 18th Floor
Toronto, Ontario
M5K 1A2

Attention: Vice President, Loan Syndications
Facsimile: (416) 982-5535

This Repayment Notice is delivered pursuant to the amended and restated credit agreement dated January 25, 2013 among Nordion Inc. (the “**Borrower**”), The Toronto-Dominion Bank, as Administrative Agent and the financial institutions parties thereto (as amended, restated or supplemented from time to time, the “**Credit Agreement**”). All terms used herein as defined terms and not otherwise defined shall have the respective meanings ascribed thereto in the Credit Agreement.

1. The Borrower hereby advises that a Repayment will be made by it as follows:

- (a) Credit Facility:
- (b) availment option of Advance to be repaid:
- (c) date of Repayment:
- (d) amount of Repayment:

Dated this _____ day of _____, _____.

NORDION INC.

By: _____

Name: _____

Title: _____

SCHEDULE F – COMPLIANCE CERTIFICATE

To: The Toronto-Dominion Bank, as Agent
Royal Trust Tower
77 King Street West, 18th Floor
Toronto, Ontario
M5K 1A2

Attention: Vice President, Loan Syndications
Facsimile: (416) 982-5535

This Compliance Certificate is delivered pursuant to the amended and restated credit agreement dated January 25, 2013 among Nordion Inc. (the “**Borrower**”), The Toronto-Dominion Bank, as Administrative Agent and the financial institutions parties thereto (as amended, restated or supplemented from time to time, the “**Credit Agreement**”). All terms used herein as defined terms and not otherwise defined shall have the respective meanings ascribed thereto in the Credit Agreement.

The following are the financial ratios in respect of the Borrower, on a consolidated basis, as at the end of the most recently ended **[Fiscal Quarter]** **[Fiscal Year]**, calculated in accordance with the provisions of the Credit Agreement:

- (a) Minimum EBITDA: _____
(note: must not be less than the amount set forth in Section 10.02(1) of the Credit Agreement)
- (b) Minimum Operating EBITDA: _____
(note: must not be less than the amount set forth in Section 10.02(2) of the Credit Agreement)
- (c) Tangible Net Worth: _____
(note: must not be less than the sum of US\$155,000,000 plus 50% of positive Net Income commencing January 31, 2013)
- (d) Capital Expenditures: _____
(note: must not exceed US\$15,000,000 in any Fiscal Year)

The undersigned hereby certifies on behalf of the Borrower and without personal liability as follows:

- (e) the foregoing information and all information supporting calculations attached hereto as Exhibit I were true, correct and complete as at the end of the said **[Fiscal Quarter]** **[Fiscal Year]**;
 - (f) the representations and warranties contained in Section 9.01 of the Credit Agreement are true and correct;
 - (g) no event has occurred and is continuing which constitutes a Default or an Event of Default; and
 - (h) attached as Exhibit II is a true, correct and complete list of all outstanding Hedge Arrangements.
-

Dated this _____ day of _____, _____.

NORDION INC.

By: _____

Name: _____

Title: _____

EXHIBIT I TO COMPLIANCE CERTIFICATE

Supporting Calculations

[See Attached]

EXHIBIT II TO COMPLIANCE CERTIFICATE

List of Outstanding Hedge Arrangements

[See Attached]

SCHEDULE G – GUARANTORS ON SECOND CLOSING DATE

Nordion (Canada) Inc.
Laboratoires Nordion Inc.

SCHEDULE H

EXISTING LETTERS OF CREDIT

As at Jan. 25, 2013

Applicant	Alias	Currency		Issuing Bank	Issue Date	Maturity Date	Beneficiary
		CAD	USD				
Sciex	SBGT720843 [redacted]			CIBC	November 19, 2009	January 10, 2014	[redacted]
MDS Inc	SBGT740781 [redacted]			CIBC	September 19, 2007	August 1, 2013	[redacted]
MDS Nordion, a division of MDS	SBGT737104 [redacted]			CIBC	May 18, 2006	May 18, 2013	[redacted]
Nordion (Canada) Inc	G198862	[redacted]*		TD	July 22, 2011	December 31, 2013	[redacted]
Nordion Inc	G199065	[redacted]		TD	October 12, 2011	December 31, 2013	[redacted]

[Description: beneficiaries and amounts.]

SCHEDULE 9.01(6)

[redacted]

[Description: list of tax audits]

SCHEDULE 9.01 (7)

JUDGMENTS

As part of the sale of MDS Analytical Technologies completed in Q1 2010, our joint venture partnership with Applied Biosystems, a division of Life Technologies Corporation (“**Life**”), was dissolved. A disagreement arose between the former partners (Nordion Inc. and Life) as to the appropriate treatment of certain inventory sold by the partnership to Applied Biosystems prior to the dissolution of the joint venture partnership. The arbitrator in the hearing ruled in favour of Life and as a result, we recorded a settlement loss of approximately \$9.5 million in our results of discontinued operations in Q3 2011. We have not paid the \$9.5 million.

Subsequent to the arbitrator’s ruling we filed a Statement of Claim against Life in the Ontario Superior Court of Justice seeking recovery of approximately C\$30 million and requesting the \$9.5 million settlement payment be stayed pending the outcome of this new claim. In December 2011, Life filed its statement of defense and we expect that Life will vigorously defend this action. Nordion Inc. has agreed with Life on a schedule to proceed with this matter.

SCHEDULE 9.01 (9)

LITIGATION

Date of Claim: January 8/07
Plaintiff: Apotex
Defendant: MDS Pharma Services (US) Inc.
Claim: Apotex claim arising from alleged Montreal bioanalytical errors and regulatory action in the amount of C\$30 Million in loss and profit and C\$5 Million for direct damages

Date of Claim: October 2/08 and February 27/09
Plaintiff: Dr. Reddy
Defendant: MDS Pharma
Claim: Apotex claim arising from alleged Montreal bioanalytical errors and regulatory action in the amount of USD70 Million in loss and profit and USD10 Million for direct damages.

Date of Claim: Arbitration commencement May 2011
Plaintiff: Applied Biosystems (Canada) Limited and AB LLC
Defendant: Nordion Inc.
Claim: C\$10 Million claim re: dispute related to valuation of joint venture arising out of the MDS Analytical Technologies sale.

Date of Claim: 2012
Plaintiff: BioAxone BioSciences
Defendant: Nordion (US) Inc.
Claim: During Q3 2012, we were served with a complaint filed in Florida relating to our former Pharma Services business. The complaint, by BioAxone BioSciences Inc., named Nordion (US) Inc. (the “**Company**”) as well as another co-defendant, and alleges that MDS Pharma Services acted negligently in the preparation and qualification of a Bacterial Master Cell Bank relating to the development of a biologic drug. The Plaintiff claims that it has incurred costs to take corrective actions to the cell bank and to the development of its drug as a result of associated delays in development, progress through clinical trials and the FDA approvals process, in an amount greater than \$90 million. We have not made a specific provision related to this complaint. We are currently assessing the merits of the complaint and intend to vigorously defend this claim. In September 2012, the Company filed a motion to dismiss the claim in Ft. Lauderdale, Florida and a decision is pending. In addition, we have notified our insurance provider of this complaint.

Judgment: As part of the sale of MDS Analytical Technologies completed in Q1 2010, our joint venture partnership with Applied Biosystems, a division of Life Technologies Corporation (“**Life**”), was dissolved. A disagreement arose between the former partners (Nordion Inc. and Life) as to the appropriate treatment of certain inventory sold by the partnership to Applied Biosystems prior to the dissolution of the joint venture partnership. The arbitrator in the hearing ruled in favour of Life and as a result, we recorded a settlement loss of approximately \$9.5 million in our results of discontinued operations in Q3 2011. We have not paid the \$9.5 million.

Subsequent to the arbitrator’s ruling we filed a Statement of Claim against Life in the Ontario Superior Court of Justice seeking recovery of approximately C\$30 million and requesting the \$9.5 million settlement payment be stayed pending the outcome of this new claim. In December 2011, Life filed its statement of defense and we expect that Life will vigorously defend this action. Nordion Inc. has agreed with Life on a schedule to proceed with this matter.

Judgment: AECL vs Nordion (Canada) Inc.

Nordion Inc. announced on September 10, 2012 the decision in a confidential arbitration with AECL in which Nordion (Canada) Inc. (“**Nordion**”) claimed for specific performance or monetary damages relating to AECL's cancelled construction of certain nuclear isotope production facilities known as MAPLES. The majority of the arbitration tribunal ruled 2:1 that Nordion's claim against AECL was precluded under the terms of the 2006 Interim and Long-Term Supply Agreement (ILTSA) between Nordion and AECL. The arbitrators dismissed AECL's counterclaim against Nordion, which claimed damages for breach of contract in the amount of \$250 million and other relief. In the tribunal's decision, the arbitrators left open for subsequent determination the issue of costs, and requested that Nordion and AECL make submissions. Since the decision of the tribunal favors AECL, Nordion may be responsible for a portion of AECL's costs, which could be material.

The arbitrators have yet to decide on the issue of costs. Nordion and AECL have agreed upon a schedule with the tribunal to determine the allocation of arbitration-related costs. The parties are expected to make submissions with regard to costs, following which the tribunal is expected to schedule proceedings to hear both parties’ arguments during the second fiscal quarter of 2013. Nordion expects a decision to be rendered thereafter. In December 2012, AECL submitted total arbitration-related costs of approximately \$46 million. Nordion expects to file a response to AECL’s submission with the tribunal in early 2013. ¶

SCHEDULE 9.01 (10)

[redacted]

[Description: title to assets exception(s).]

SCHEDULE 9.01 (12)

REAL ESTATE

Address	City/Province	Country	Location Type	Landlord	Tenant/ Owner	Owned Area Sq.Ft.	Leased Area Sq.Ft.	Area m2	Term Start Date	Expiry Date	
4004 Wesbrook Mall University of BC	Vancouver/ British Columbia	Canada	Leased	UBC	Nordion (Canada) Inc.		50,856		01-Nov-2001	31-Oct-2031	M
4004 Wesbrook Mall University of BC Chemistry Annex-Expansion	Vancouver/ British Columbia	Canada	Leased	Triumf	Nordion (Canada) Inc.		3,970		02-Jan-2003	1-Jan-2028	M
447 March Road-Kanata Operations Building (incl. Cobalt Ops)	Kanata/ Ontario	Canada	Owned	N/A	Nordion (Canada) Inc.	47,600					M
447 March Road-Roy Errington	Kanata/ Ontario	Canada	Owned	N/A	Nordion (Canada) Inc.	271,700					H
447 March Road-Heating Plant	Kanata/ Ontario	Canada	Owned	N/A	Nordion (Canada) Inc.	18,000					O
40 Rushkin St. Ottawa U Heart Institute	Ottawa/ Ontario	Canada	Leased	OHI	Nordion (Canada) Inc.n		1,760		01-Oct-07	30-Oct-2014	R
9F, 22 Yee Wo Street	Causeway Bay	Hong Kong	Leased	Vehicle Inspection Centre Ltd	Nordion (Canada) Inc.		1,387		01-Aug-11	31-Jul-2013	O
535 Cartier Blvd. W.	Laval/ Quebec	Canada	Leased	INRS	Nordion (Canada) Inc.		13,701	1,273	15-Feb-04	14-Feb-2017	M
535 Cartier Blvd. W.	Laval/ Quebec	Canada	Leased	INRS	Nordion (Canada) Inc.			17	01-Aug-12	31-Jul-2013	O

Rue Fond Cattelain #2	Mont Saint Guibert	Belgium	Leased	Invest Service Center SPRL	Nordion (Canada) Inc.			63	22-Oct-12	22-Oct-14	Bu Co (C
46a, avenue J.F. Kennedy	Luxembourg	Luxembourg	Leased	ATEAC	Nordion S.à.r.l.			12	4-Apr-12	3-Apr-13	Bu Co (C

Nordion Inc. MDS Legacy Real Estate Portfolio

MDS Banner/ Division	Address	City	Country	Location Type	Landlord	Tenant	Leased Area Sq.Ft.	Term Start Date	Expiry Date	Use
I. CORPORATE										
Corporate	2810 Matheson Blvd. E. Suite 300	Mississauga, ON	Canada	Leased	Whiterock 2810 Matheson Boulevard Mississauga Inc	Nordion Inc.	16,283	7/1/2009	6/30/2019	vacant
PHARMA										
Pharma Services- ES	22011 - 30th Drive SE Highlands Corp. Centre-Bldg B "Bothell East"	Bothell, WA	U.S.	Leased	Multi- Employer Property Trust	Eurofins Panlabs	57,830	11/1/ 2002	5/31/2013	Sublet (from Nordion (US) Inc.)

Schedule 9.01 (12) (c) Location of Inventory- Offsite - as of January 25, 2013

Nordion (Canada) Inc.:

Ontario Power Generation
889 Brock Road
Pickering, On

Bruce Power L.P.
177 Tie Road
Municipality of Kincardine, RR #2
Tiverton, On

Hydro- Quebec
Centrale nucleaire Gentilly – 2
4900, boul. Becancour
Becancour, Quebec

Contracts Expert, International
Business Department
Leningrad Nuclear Power Plant
Sosnovy Bor, Leningrad Region
188540 Russia

NTP Radioisotopes (Pty Ltd)
Building 1700
Pelindaba
Church Street West Ext
Pretoria, South Africa

University of Missouri Research Reactor Center
1513 Research Park Drive
Columbia, MO 65211-3400

Almac Industrial Products
420 Industrial Pky South
Aurora, Ontario
L4G 3V7

Westburne Ruddy Electronics
1867 Merivale Road,
Nepean, Ontario, K2G 1E3

Pryor Metals Limited
2683 Fenton Road
Ottawa, Ontario
Canada K1T 3T8

Mo-Sci Health Care, LLC
4040 HyPoint
North Rolla, MO
65401

Cameco Fuel Manufacturing Inc
Building #2,
Center St,
Northam Industrial Park,
Cobourg, Ontario, K9A 4R5

Royal Moving and Storage
2370 Walkley Rd East
Ottawa, Ontario
K1G 4H9

Flexus Electronics
95 Hines Road
Ottawa, Ontario
K2K 2M5

Best Theratronics
413 March Road
Ottawa, Ontario
K2K 0E4 Canada

SCHEDULE 9.01 (13)**INSURANCE**

2012 November 01 - 2013 October 31

COVERAGE	POLICY NUMBER	INSURER	LIMITS \$ C	DEDUCTIBLE /SIR	PURPOSE
Property	[redacted]	FM Global (A+)	[redacted]	100,000 generally but may vary w.r.t. flood, earthquake and wind	All risks of physical loss or damage (Occurrence form)
Commercial General Liability	[redacted]	Zurich (A)	[redacted]	Nil (Captive Insurer, fronted by Zurich, represents first 5,000,000)	Liability (Claims made form)
Umbrella Excess Liability	[redacted]	QBE (Lloyd's) (A)	[redacted]	10,000	Liability (Claims made)
1 st Excess Liability	[redacted]	Newline (Lloyd's) (A)	[redacted]	Nil	Liability (Claims made)
2 nd " "	[redacted]	Elliot Special Risk (A)	[redacted]	Nil	Liability (Claims made)
3 rd " "	[redacted]	QBE (Lloyd's) (A)	[redacted]	Nil	Liability (Claims made)
4 th " "	[redacted]	Axis (A)	[redacted]	Nil	Liability Claims made)

Part of 4 th Excess	[redacted]	Chartis (A)	[redacted]	Nil	Liability (Claims made)
Part of 4 th Excess	[redacted]	Chubb (A++)	[redacted]	Nil	Liability (Claims made)
Part of 4 th Excess	[redacted]	Allianz (A+)	[redacted]	Nil	Liability (Claims made)
TOTAL LIABILITY PROGRAM			[redacted]		
Auto	[redacted]	Liberty Mutual (A)	[redacted]	LCV -2,500 all perils HCV – 5,000 all perils	Automobiles owned / leased (Occurrence form)
Marine Cargo	[redacted]	Intact Insurance	[redacted]	Cargo legal liability – 10,000 All other losses - 1,000	Property coverage for goods in transit (Occurrence form)
US Workers' Compensation	[redacted]	Liberty Mutual (A)	[redacted]	As per applicable law	US employee workers' compensation in event of work related injury or illness (Occurrence form)
Non-owned Aircraft Liability	[redacted]	Lloyd's	[redacted]	Nil	Charter coverage for product movement (Occurrence form)

Directors and Officers Note: Policy period for D&O is 2012 April 9 – 2013 April 9	[redacted]	ACE INA (A+)	[redacted]	US \$500K for indemnifiable claims; nil for non-indemnifiable claims; and \$1M for securities claims	D & O liability (Claims made form)
	[redacted]	Navigators (Lloyds) (A)	[redacted]	Per underlying limits	“
	[redacted]	Zurich (A)	[redacted]	“	“
	[redacted]	Berkley Professional Liability (A+)	[redacted]	“	“
	[redacted]	Beazley (Lloyd's) (A)	[redacted]	“	“
Total D & O			[redacted]		
Clinical Trial Liability	[redacted]	CNA	[redacted]		Clinical trial
Clinical Trial Excess Liability	[redacted]	Chubb	[redacted]		Clinical trial
Nuclear Energy Liability	[redacted]	NIAC	[redacted]		Property damage

[Description: insurance policy numbers and limits.]

SCHEDULE 9.01 (17)

CORPORATE STRUCTURE

(17) (a) (b) Share Ownership

Nordion Inc. – Authorized capital is an unlimited number of common shares. As at January 25, 2013, 61,980,021 common shares are issued and outstanding.

Excluding wholly owned, inactive subsidiaries noted below which are to be dissolved or awaiting tax clearance certificates to be dissolved and which, in the aggregate, have assets of less than USD 500,000, the shareholdings are as follows:

Nordion (Canada) Inc. – Sole shareholder is Laboratoires Nordion Inc. which holds 101 common shares. The authorized capital is an unlimited number of common shares, an unlimited number of Class “A” special shares, an unlimited number of Class “B” special shares and an unlimited number of Class “C” special shares.

Nordion US Holding LLC – Sole shareholder is Nordion (Canada) Inc. which holds 1,000 common shares (100% of the issued and outstanding shares). The authorized capital is 1,000 common shares with a par value of \$1.00 per share.

Nordion US Inc. – Sole shareholder is Nordion US Holdings LLC which holds 300 shares (100% of the issued and outstanding shares). The authorized capital is 5,000 common shares with no par value.

DxRx Indemnity - Sole shareholder is Nordion Inc. which holds 3,000,000 shares (100% of the issued and outstanding shares). The authorized capital is an unlimited number of common shares.

Laboratoires Nordion Inc. – Sole shareholder is Nordion Inc. which holds 266,418 common shares. The authorized capital is an unlimited number of common shares.

Nordion (Netherlands) B.V. – Sole shareholder is Lakeshore Health Centre Inc. The authorized share capital is 90,000 shares with a nominal value of EUR 1 each, issued capital EUR 25,001, paid up capital EUR 25,001.

Nordion S.à.r.l. – Sole shareholder is Nordion (Canada) Inc. which holds 1 share. The authorized capital is EUR 50,000 consisting of 50,000 shares at EUR 1 each.

Inactive Subsidiaries include the following:

MDS Life Sciences (Singapore) Pte- - Sole shareholder is Nordion Inc. which holds 19,000,100 common shares. The authorized capital 20,000,000 ordinary shares of S\$0.10 each.

MDS Deutschland Holdings GmbH

MDS Personnel Services GmbH

Lakeshore Health Centre Inc.

Ownership in Private Companies

LCC Legacy Holdings (LCC) (formerly Lumira Capital Corp.) – approximately 49 % ownership interest by Nordion Inc.

Celerion Inc – approximately 15 % ownership interest by Nordion (US) Inc.

Spinnaker Development Limited - approximately 21.9 % ownership interest by Nordion Inc.

(17) (c) Nordion Stock Option Plan

SCHEDULE 9.01 (18)**RELEVANT JURISDICTION**

ENTITY	ADDRESS OF CHIEF EXECUTIVE OFFICE	INCORPORATION	PLACES OF BUSINESS AND LOCATIONS OF BOOKS AND RECORDS
Nordion Inc.	447 March Road, Ottawa, ON K2K 1X8	Federal	447 March Road, Ottawa, ON K2K 1X8
Nordion (Canada) Inc.	447 March Road, Ottawa, ON K2K 1X8	Federal	447 March Road, Ottawa, ON K2K 1X8 4004 Westbrook Mall, Vancouver, BC 40 Ruskin Street, Ottawa ON K1Y 4W7 535 Cartier Blvd. W. Laval, Quebec H7V 3S8
Laboratoires Nordion Inc.	447 March Road, Ottawa, ON K2K 1X8	Federal	447 March Road, Ottawa, ON K2K 1X8

SCHEDULE 9.01 (20)**TRADEMARK LIST**

Our ref.	Country	Title	Owners	Application no.	Application date	Registration No.	Registration Date
06602433-01	Canada	NORDION	Nordion (Canada) Inc.	610,521	30-Jun-1988	379,079	01-Feb-1991
06671144US	U.S.A.	NORDION	Nordion (Canada) Inc.	73/756123	05-Oct-1988	1,836,477	17-May-1994
1529-207	European Community	NORDION	Nordion (Canada) Inc.	9811464	15-Mar- 2011	9811464	05-Oct- 2011

SCHEDULE 9.01 (21)

MATERIAL CONTRACTS

Material Contracts

1. Interim and Long-term Supply Agreement between Atomic Energy Canada Limited and Nordion (Canada) Inc.
2. Purchase and Supply contract between Lantheus Medical Imaging and Nordion (Canada) Inc expiring on December 1, 2015.

Material Licences

1. License agreement between Theragenics Corporation and Nordion International Inc. (now known as Nordion (Canada) Inc.) dated March 23, 1995.
 2. Nuclear Substances and Radiation Devices License issued by the Canadian Nuclear Safety Commission for the period November 1, 2010 to October 31, 2015.
 3. Class II Nuclear Facilities and Prescribed Equipment License issued by the Canadian Nuclear Safety Commission for the period December 6, 2010 to October 31, 2015.
-

SCHEDULE 9.01(31)
FULL DISCLOSURE

In August 2012, Nordion Inc. (“**Nordion**”) disclosed that it was conducting an internal inquiry and investigation of a foreign supplier and related parties focusing on compliance with the Canadian Corruption of Foreign Public Officials Act (CFPOA) and the U.S. Foreign Corrupt Practices Act (FCPA) (the “Internal Investigation”).

Through Nordion's own internal review as part of its CFPOA compliance program, Nordion discovered potential compliance irregularities. As a result, Nordion commenced an internal investigation of the possible compliance issues. These issues related to potential improper payments and other related financial irregularities in connection with the supply of materials and services to Nordion. The investigation is being conducted by outside legal counsel and external forensic and accounting firms who are experts in such compliance. These external advisors report regularly to a special Committee of the Board of Directors constituted to deal with this matter.

Nordion voluntarily contacted the regulatory and enforcement authorities, including the Canadian and U.S. Department of Justice, the Royal Canadian Mounted Police, and the U.S. Securities and Exchange Commission, to provide details of the matter and to advise that an internal investigation was underway. Nordion's external advisors have met with these authorities and will continue to provide information to them as the investigation progresses. Nordion continues to investigate this matter and cooperate with Canadian and U.S. law enforcement authorities and regulators.

As a result of the investigation to date, Nordion (Canada) Inc. has ceased to make payments to, and has terminated its contractual arrangements with the affected foreign supplier. These actions were reflected in, among other things, a reduction in the notional amount of commitments included in the calculation of the embedded derivative expense in the third quarter of fiscal 2012. Nordion does not expect that the cessation of payments or termination of this relationship will impact its revenue in 2012 or 2013 or otherwise have a material impact on supplies necessary for our current business operations.

Nordion is currently unable to comment as to whether there will be any potential regulatory and/or enforcement action from either Canadian or US. law enforcement authorities or regulators resulting from these matters or, if any such action is taken, whether it will have a material adverse effect on Nordion's business, financial position, profitability or liquidity. If law or enforcement authorities or regulators determine to take action against Nordion, Nordion may be, among other things, subject to fines and/or penalties which may be material.

SCHEDULE 9.01 (33)

[redacted]

[Description: non-arms length transaction(s).]

CONSENT OF ERNST & YOUNG, LLP

Consent of Independent Auditors

We consent to the reference to our firm under the caption "Experts" and to the use in this Annual Report on Form 40-F of our reports dated January 25, 2013 with respect to the consolidated statements of financial position of Nordion Inc. (the "Company") as at October 31, 2012 and 2011 and the consolidated statements of operations, shareholders' equity and comprehensive income (loss) and cash flows for each of the years in the three year period ended October 31, 2012 and the effectiveness of internal control over financial reporting of the Company as at October 31, 2012, which appear in the Company's 2012 Annual Report to Shareholders.

We also consent to the incorporation by reference of our reports dated January 25, 2013 in the following Registration Statements of the Company:

1. Registration Statement (Form S-8 No. 333-12058),
2. Registration Statement (Form S-8 No. 333-12548),
3. Registration Statement (Form S-8 No. 333-13538), and
4. Registration Statement (Form S-8 No. 333-170783).

/s/ Ernst & Young LLP

Ottawa, Canada
January 25, 2013

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven M. West, certify that:

1. I have reviewed this annual report on Form 40-F (the "Report") of Nordion Inc. (the "Registrant");
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our

- a) supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;

Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed

- b) under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report our conclusions

- c) about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and

Disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the period

- d) covered by this Report that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting

- a) which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: January 25, 2013

/s/ STEVEN M. WEST

Name: Steven M. West

Title: Chief Executive Officer

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, G. Peter Dans, certify that:

1. I have reviewed this annual report on Form 40-F (the "Report") of Nordion Inc. (the "Registrant");
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

- Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our
- a) supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;

- Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed
- b) under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report our conclusions
- c) about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and

- Disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the period
- d) covered by this Report that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

- All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting
- a) which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

- Any fraud, whether or not material, that involves management or other employees who have a significant role in the
- b) Registrant's internal control over financial reporting.

Date: January 25, 2013

/s/ PETER DANS

Name: G. Peter Dans

Title: Chief Financial Officer

**CERTIFICATION OF CEO AND CFO
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of Nordion Inc. (the "Registrant") filed under cover of Form 40-F for the year ended October 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Steven M. West as Chief Executive Officer of the Registrant and G. Peter Dans as Chief Financial Officer of the Registrant, each hereby certifies, pursuant to 18 U.S.C. s.1350, as adopted pursuant to s. 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ STEVEN M. WEST

Name: Steven M. West
Title: Chief Executive Officer
Date: January 25, 2013

/s/ PETER DANS

Name: G. Peter Dans
Title: Chief Financial Officer
Date: January 25, 2013

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Registrant for purposes of §18 of the Securities Exchange Act of 1934, as amended.

LIVING OUR CORE VALUES, EVERY DAY.

Nordion Global Business Practice Standards



Core Purpose:

At Nordion our goal is to make a distinctive contribution to the health and well-being of people around the world.

A Message from Steve West:



Our Global Business Practice Standards help us conduct business with the highest level of integrity, meet legislated requirements and protect Nordion's reputation in a rapidly changing global environment.

We are all trustees of the investments made by our shareholders. We owe it to them to conduct business in accordance with these Practice Standards. The Practice Standards are a guide to assist everyone at Nordion in making the right business decisions. They set out universal principles that govern the way we carry on business, provide clarity about expectations at Nordion, and identify other Nordion resources and policies that you can use to support decision making.

Nordion's business is global in scope and thus, it is essential that everyone at Nordion be alert to the possibility that some of the entities or individuals we deal with may engage in corrupt behavior. To protect Nordion and its reputation, all employees must be committed to and follow the policies and procedures that comprise Nordion's anti-corruption compliance program. Failure to comply with this program exposes Nordion (and possibly, individual employees) to significant penalties imposed by current anti-corruption legislation in several jurisdictions including Canada, the US and the UK.

All Nordion personnel and service providers are expected to read and acknowledge their commitment to our Practice Standards. I encourage everyone to review the Practice Standards on a regular basis and to bring any questions or concerns forward in any of the ways set out in the Standards. The Practice Standards are easily accessible on the company Intranet.

Thanks for your commitment to our Global Business Practice Standards, and for vigilantly protecting Nordion's reputation each and every day.

Steve West



President & Chief Executive Officer, Nordion Inc.



GLOBAL BUSINESS PRACTICE STANDARDS TABLE OF CONTENTS

OUR CORE VALUES	5
OUR GLOBAL BUSINESS PRACTICE STANDARDS	6
What Can You Do If You Have a Business Practices Question or Concern?	8
Feel Comfortable Raising Questions or Concerns – There Will Be No Retribution	9
Our Practice Standards	10
ANTI-CORRUPTION COMPLIANCE	11
CONFLICTS OF INTEREST	12
Gifts and Improper Payments	13
Family Members	13
Ownership of Other Businesses	14
Outside Employment	15
Service on Boards	15
Nordion Business Opportunities	15
CONFIDENTIAL INFORMATION	16
Third Party Confidential Information	18
Nordion Privacy Policy (Corporate Policy)	18
USE OF COMPANY ASSETS	21
INVENTIONS AND INTELLECTUAL PROPERTY	22
PERSONAL CONDUCT	23
Respect and Dignity in the Workplace	23
Equity in the Workplace	24
No Discrimination	24
No Harassment	24
Safe Workplace	24
ENVIRONMENT, HEALTH & SAFETY	25
SALES AND MARKETING PRACTICES	26
FAIR COMPETITION	28
COMPETITIVE INFORMATION	30
ACCURACY OF RECORDS	31
COMPLIANCE WITH LAWS	33
DISCLOSURE OF INFORMATION TO MEDIA & INVESTORS	34
TRADING IN COMPANY SHARES AND DERIVATIVE SECURITIES	35
What Are the Limitations on Trading and Tipping?	35
What are the Prohibitions related to Trading Derivative Securities of Nordion?	35
What is “Material Non-Public Information”	36
Be Thoughtful When You Are Trading Nordion Shares	37
Additional Requirements for “Insiders”	37
POLITICAL AND GOVERNMENT ACTIVITIES	38
Political Activities	38
Government Relations and Lobbying	38
FAILURE TO ADHERE TO PRACTICE STANDARDS	40
PLEDGE OF THE NORDION BOARD OF DIRECTORS	41
PLEDGE OF THE NORDION EXECUTIVE MANAGEMENT TEAM	42
NORDION PERSONAL PLEDGE (EMPLOYEE)	43
NORDION PERSONAL PLEDGE (BOARD DIRECTOR)	44
NORDION PERSONAL PLEDGE (EXECUTIVE MANAGEMENT TEAM)	45
NORDION PERSONAL PLEDGE (SERVICE PROVIDERS)	46

Our Core Values

These are fundamental values that guide the way we operate:

Commitment to Excellence

Striving to reach our full potential as a company and as individuals.

Doing the right things the right way.

Mutual Trust

Having confidence enough to rely on others and to be open to new people and different ideas.

Genuine Concern and Respect for People

Showing genuine concern for others. Treating people as individuals, with understanding and appreciation.

Integrity

Being reliable and accountable in word and behaviour.

Our Global Business Practice Standards

These are the practices we use every day to apply our Core Values to the businesses we operate in:

Standards of Excellence

At Nordion, we continually strive for excellence in everything we do.

Standards of Trust

1. Anti-Corruption Compliance
2. Conflicts of Interest
3. Confidential Information
4. Use of Company Assets
5. Inventions and Intellectual Property

Standards of Respect for People

1. Personal Conduct
2. Environment, Health and Safety
3. Sales and Marketing Practices
4. Fair Competition
5. Competitive Information

Standards of Integrity

1. Accuracy of Records
2. Compliance with Laws
3. Disclosure of Information to Media or Investors
4. Trading in Company Shares and Derivatives
5. Political and Government Activities



OUR GLOBAL BUSINESS PRACTICE STANDARDS

Since the inception of Nordion Inc. (formerly MDS Inc.) in 1969, the company has dedicated itself to hiring competent and caring people. You are at Nordion because we believe that you are that kind of person.

Nordion demonstrates commitment to you by striving to provide you with a participative working climate. This environment fosters teamwork, innovation and encourages exceptional performance while, at the same time, allowing you as an individual to maintain your integrity, concern and respect for other people and a commitment to your personal life.

In return for this commitment, Nordion asks that while you are at work, you meet the expectations that are provided in our Global Business Practice Standards. This is because Nordion's reputation is sustained, enhanced or diminished by the personal actions and decisions that each of us makes every day.

These Global Business Practice Standards are not an attempt to change the behaviour of Nordion people. We know that we have good people who live our Core Values every day. Instead, these Global Business Practice Standards are a tool to assist you in your decision-making, particularly when you may have doubt as to company policy or expectation, or meeting legal or regulatory requirements. These Practice Standards define Nordion's minimum expectations of its people and those with whom we do business in a variety of areas. Additional policies and procedures provide further expectations and detail for employees and apply in addition to the expectations of these Practice Standards.

Although primarily directed and written to address the directors, officers and employees of Nordion, these Practice Standards are also intended to be adhered to and applied by our service providers including our suppliers, consultants, agents, distributors and partners. The principles and standards in these Practice Standards encompass all such relationships and should be read and applied in accordance with their purpose and intent by all service providers. In addition, as part of these Practice Standards, all contracts between Nordion and its service providers will include anti-corruption provisions with which our service providers are required to comply.

It is expected that you will read these Global Business Practice Standards carefully, understand them and incorporate them into your practices and actions every day.

Adherence to the principles and standards contained in these Global Business Practice Standards will serve to strengthen our business relationships and maintain the strong foundation of trust and integrity, upon which Nordion has been and will continue to be built. Failure to adhere to the principles and the standards can have serious consequences to both employees and the service providers of Nordion (See Failure to Adhere to Practice Standards).

And remember - the best thing that you can do when you are unclear about a particular business practice, legal or regulatory requirement or potential ethical or other issue is to **ask for help**. Faced with such a question, it is always better to seek guidance early through one of the many resources available to you.



OUR GLOBAL BUSINESS PRACTICE STANDARDS

What Can You Do If You Have a Business Practices Question or Concern?

Business practices, legal and ethical issues may often be difficult or complex subjects. It is not always natural or easy to ask for clarification on these subjects or even more, to report a suspected violation. Please do not be reluctant to ask questions, seek clarity or raise an issue, because the potential impact and risk to customers, employees and the company of not doing so are too great to ignore. No one wins when we fail to speak up, because the reputation – and ongoing success – of our company depends on the decisions that each of us makes every day. Remember, sound and ethical business practices are not an obligation of a few but of each and every one of us.

For Additional Guidance: If you have a question about business practices or a concern about a suspected violation, there are a number of different resources you can go to for advice. The following diagram outlines various options. Please feel free to go to the resource that you are most comfortable with.

Service providers that have questions about the application of these Global Business Practice Standards should consult with their authorized Nordion contract representative or any of the other resources above.

Your question or concern will be handled confidentially and you can remain anonymous if this is appropriate or permitted by law. Multi-lingual operators are available.

If you are located outside of North America, please find your AT&T Access Number at www.att.com/traveler or by accessing the GBPS Section in @nordion.

OUR GLOBAL BUSINESS PRACTICE STANDARDS

Feel Comfortable Raising Questions or Concerns – There Will Be No Retribution

Nordion wants every employee to feel comfortable raising business practice, ethical or legal concerns internally. Nordion commits to listen to and respond to all questions and concerns raised. Nordion strictly prohibits reprisals or retaliation against anyone who raises a business practice, ethical or legal concern involving other individuals.

Also, do not be afraid that your question or concern may not be valid. When it comes to business practices, ethical or legal issues, there is no such thing as an insignificant question or concern. Use the options identified on the previous page to ask a question, get clarification, report a suspected violation, or voice a concern. It is important that any question, potential problem or concern be reviewed as soon as possible to prevent major issues from developing.

Also, when faced with a potential business practice issue, think about your situation. It is important to each of us that we feel good about the decisions we make and that such decisions are taken in accordance with the standards and practices contained herein.

SEEK GUIDANCE EARLY: It is better to ask about the situation before doing something about it. There are many routes for guidance and input such as your Supervisor or Manager, HR Representative or one of the other resources listed on page 8.

The Integrity Alertline is one of the ways to report a concern or get information or advice anonymously, if appropriate and permitted by law, when a matter might not be adequately resolved. The Integrity Alertline is operated by specially trained representatives independent of the company. These Alertline representatives will listen to your concerns, ask questions and review the information provided. They will then forward the matter to the Nordion Legal Department who will take appropriate action including reviewing the question or concern and responding to your question or reporting back to you on your concern through the Integrity Alertline Service Provider. The caller can arrange to receive information about the company's response to the call through the Integrity Alertline Service Provider. Refer to the Integrity Alertline communication for more detailed information on the service and how to access it.

Question: *I am asked to do something I am uncomfortable with, what should I do?*

Answer: *First, do not get involved in anything that makes you uncomfortable. Second, use the contact choices identified on the previous page to discuss the issue and come to a resolution.*

Question: *If I do raise a business practice issue will I get in trouble?*

Answer: *You will not be reprimanded or disciplined for raising an issue. Quite the contrary, as a Nordion employee you have an obligation to question situations in which you are uncomfortable.*

OUR GLOBAL BUSINESS PRACTICE STANDARDS

The key principles found in these Global Business Practice Standards are listed below:

Our Practice Standards

We will not engage in bribery or corrupt activities of any kind and we will respect and comply with all applicable anti-corruption laws and regulations.

We will avoid conflicts of interest, or the appearance of conflicts of interest, between our personal interests and our responsibility to Nordion.

We will maintain the confidentiality, privacy and security of information entrusted to us in strict accordance with legal and ethical obligations.

We will use company assets for the legitimate purposes of Nordion's businesses.

We will constantly seek to create innovations in our business and notify Nordion when we may have developed something new.

We will show genuine concern and respect for other people and treat one another with understanding and appreciation.

We will operate our businesses in a safe and healthy manner, we will respect the environment and we will use our natural resources responsibly.

We will conduct sales and marketing activities in accordance with Nordion Core Values, Nordion policies and the law.

We will uphold the ideals of free and competitive enterprise.

We will not collect information on our competitors through inappropriate means.

We will reflect our businesses accurately in our records.

We will meet or exceed all applicable laws and regulations in the countries in which we operate.

We will protect Nordion's reputation by allowing Nordion's designated spokespeople to deal with inquiries from the media or investors.

We will not trade Nordion securities or securities of other companies when in possession of "material" non-public information. We will not trade in Nordion derivatives at any time.

We will not seek to influence any political process or governmental process in an inappropriate manner.

ANTI-CORRUPTION COMPLIANCE

Standard: *In our dealings with others, including governments, government entities, state-owned enterprises, government officials or any other third parties, we will not engage in bribery or corrupt activities of any kind and we will respect and comply with all applicable anti-corruption laws and regulations.*

As a global business, Nordion frequently engages third parties to act in a representative capacity on its behalf. Nordion strives to select third parties that will conduct business on Nordion's behalf in a way that respects and honours Nordion's values. By conducting appropriate due diligence activities prior to engaging a third party, Nordion is in a better position to make informed choices about the third parties it will engage.

Because anti-corruption laws provide that Nordion may be held responsible for the actions of any Third Party in the event there is a violation of anti-corruption laws or regulations, it is especially important that Nordion exercise care in the selection of its third parties.

Sanctions for anti-corruption and anti-bribery violations, or even a mere indictment for a potential violation, are severe and potentially devastating to Nordion and to the individuals involved. The penalties may include significant fines and/or imprisonment (for individuals) for a term not exceeding five years. Individual officers and employees of companies may be prosecuted even if the company for which they work is not.

In addition to conducting third party due diligence, there are a number of other areas where Nordion must take steps to minimize the possibility of bribery or corruption occurring. These are:

- Gifts (especially in relation to Government Officials)
- Hosting (especially in relation to Government Officials)
- Travel, Accommodations, Meals (especially in relation to Government Officials)
- Charitable Contributions
- Donations
- Government Interactions
- Sponsorships
- Licenses, Permits, Registrations

<p>Additional Guidance: Refer to specific Nordion policies and related materials for further information on Nordion's Anti-Corruption Program.</p>

TRUST

CONFLICTS OF INTEREST

Standard: *We will avoid conflicts of interest, or the appearance of conflicts of interest, between our personal interests and our responsibility to Nordion.*

While Nordion encourages its employees to have active and fruitful lives outside of the office, each of us should avoid entering into any arrangement that may impair, or appear to impair, our ability to make objective and fair decisions when meeting our responsibility to Nordion. A conflict of interest arises when our personal interests or activities influence (or appear to influence) our ability to act in the best interests of Nordion. Conflicts of interest may also exist if the demands of any outside activity hinder or distract us from the performance of our jobs or cause us to use Nordion resources other than for Nordion purposes. Some examples of situations that may give rise to a conflict of interest include:

- Soliciting gifts or charitable donations from customers or suppliers
- Accepting improper payments
- Doing business with family members who have a significant financial or other interest in another company in one of Nordion's industries
- Having a personal interest in a contract with Nordion, or a company conducting business with Nordion
- Managing your own business while a full time Nordion employee
- Serving as a director of another business without prior approval from Nordion
- Taking a Nordion business opportunity for yourself
- Performing as a consultant to a competitor or supplier

For each of us, it is our responsibility to remain free of conflicts of interest in the performance of our duties at Nordion. To do so, we must disclose all actual or potential conflicts of interest and obtain approval from management before pursuing any activity which might be or be perceived to be in conflict with our obligations to Nordion resources or businesses. As well, it is also important when working on outside interests and activities, during time committed to Nordion, to limit such outside interests and activities to the minimum.

Because of the importance of Nordion's reputation in the marketplace, Nordion requires each of us to take special care to avoid any situation where a conflicts of interest or potential conflicts of interest may arise or may appear to arise.

TRUST

CONFLICTS OF INTEREST

Gifts and Improper Payments

A conflict of interest may arise if you accept gifts, loans, services or any form of compensation from suppliers, customers, competitors or others seeking to do business with Nordion. Social amenities customarily associated with legitimate business relationships are permissible, though special rules apply if those customers are government officials as explained in Sales and Marketing Practices. These include the usual forms of entertainment, such as lunches or dinners, as well as occasional gifts of modest value. While it is difficult to define “customary” or “modest” by stating a specific dollar amount, common sense should dictate what would be considered extravagant or excessive. If a disinterested third party would be likely to believe that the gift affected your judgment, then it is too much. All of Nordion business dealings must be on arms-length terms and free from any favourable treatment resulting from the personal interests of our employees.

Here are some indicators of a gift that is allowed:

- Its value is modest, meaning small, low, or insignificant
- It is not in cash or anything similar to cash (i.e. gift card)
- It is open and transparent, not hidden or secret
- It is for a valid business purpose
- It is not requested
- It is infrequent and could be reciprocated
- It does not violate any law, regulation, or policy
- It imposes no sense of obligation on the giver or recipient

Family Members

A conflict of interest may arise if family members have positions of influence in a supplier, customer or competitor to Nordion or have a “significant financial interest” in a supplier, customer, business partner or competitor of Nordion (see below). In such circumstances, and before doing business with such organization, disclose the situation to management and discuss it with them. The approval, if granted, should be documented.

Family members include your:

- | | |
|------------|----------------|
| • Spouse | • Siblings |
| • Parents | • In-laws |
| • Children | • Life partner |

Or any of their parents, children, siblings or partners.

TRUST



CONFLICTS OF INTEREST

Ownership of Other Businesses

Our personal investments can cause a conflict of interest. You should not have a “significant financial interest” in any business that does business with Nordion, is seeking to do business with Nordion or who is a competitor of Nordion without disclosing that fact to Nordion before any contract is negotiated or entered into. A “significant financial interest” includes; 1. An employee or an employee’s family member owns more than 1% of the outstanding shares in a business; 2. The investment in that particular business represents more the 5% of your total assets (or the assets of your family member); or 3. you receive a substantial portion of your total compensation from that particular business.

TRUST



CONFLICTS OF INTEREST

Outside Employment

Any outside activity should be totally separate from Nordion work and your full commitment to your responsibilities at Nordion. This includes a second job or self-employment. We should not use Nordion time and/or resources and/or other employees' services for outside activities unless management specifically authorizes it. When considering outside opportunities, please remember your obligations under the Inventions and Intellectual Properties Business Practices Standard.

Service on Boards

Serving as a director of another company, a member of a board of a non-profit organization or a standing member of a government agency may create a conflict of interest.

In general, Nordion encourages employees to become involved as the directors of other organizations. However, before accepting an appointment to a board or a committee of any organization whose interests may conflict with Nordion, you should discuss it with your Manager or Functional Executive Vice President and a member of the Nordion Legal Department.

In general, outside directorships will be permitted by Nordion provided that:

- The directorship does not conflict with Nordion or the individual's day-to-day commitments to Nordion; or
- The directorship is approved in writing by the Functional Executive Vice President or the CEO.

Nordion Business Opportunities

You must never take a Nordion business opportunity for yourself.

A Nordion opportunity is any opportunity you come across in your job, whether or not Nordion decides to proceed with it or not. An example of a Nordion opportunity is if you are working on a product or service agreement or possibility with a customer or vendor and you think you could provide the service better or cheaper than Nordion. In this situation, you cannot arrange a business deal with the customer or vendor to provide the product or service because you gained knowledge of the opportunity during your employment at Nordion.

Additional Guidance: If you have any questions or doubt as to whether any particular situation gives rise to a conflict of interest, consult the Legal Department for a review and decision on the situation. Should you wish to appeal the decision made, the matter will be referred to the CEO. The CEO's decision will be final.

TRUST

CONFIDENTIAL INFORMATION

Standard: *We will maintain the confidentiality, privacy and security of information entrusted to us in strict accordance with legal and ethical obligations.*

Confidential information is both sensitive and a valuable asset. It includes facts, data, personal information and knowledge that have not been disclosed to the public in all forms (i.e., electronic, paper, oral, etc.). Many different types of information have value because they are maintained in confidence. Such information includes un-patented technology, trade secret, know-how, copyright and clinical trial test results, as well as non-technical data such as financial, marketing and strategic information.

Confidential information that has commercial value to competitors or others who have an interest in doing business with Nordion is sometimes referred to as “proprietary information” or a “trade secret”.

Confidential information that contains information identifying a specific individual is referred to as “personal information”. Personal information is subject to special rules of collection, use and disclosure under our Privacy Policy and the privacy laws in those jurisdictions where Nordion carries on business.

Examples of confidential information, personal information, proprietary information and trade secrets include but are not limited to (all referred to as “confidential information”):

Nordion

- Financial information including budgets, costs and profit margins
- Human resource information including personnel files and salary information
- Strategic plans
- Planned business acquisitions or divestitures
- Marketing or Sales strategies
- Contracts and Agreements
- Research and Development data
- Quality and Regulatory data or plans
- Production schedules
- Customer data

If you have access to confidential information - protect it. Be cautious about discussing Nordion business when you may be overheard. Be careful when discussing confidential information on wireless technologies (i.e. cell phones, cordless phones or BlackBerry devices) and when sending confidential information over the Internet because it may be intercepted. Make sure not to leave confidential information in meeting rooms, at photocopy machines or printers or out on your desk when unattended. Keep your laptop computer, cell phone or BlackBerry device in a safe place and use a password to limit access to the information stored on it. Social media sites such as Facebook™ and LinkedIn™⁽¹⁾ are growing in popularity and use. Care needs to be exercised in protecting Nordion’s confidential information when interacting via social media (Nordion’s

¹ Trademarks are the property of their respective owners.



CONFIDENTIAL INFORMATION

confidential information includes information which belongs to Nordion and information relating to Nordion customers, competitors, suppliers, partners, and other third parties). Remember that anything that is placed on social media may be accessible online for others to view and could adversely affect our business and business relationships.

Nordion employees or service providers should not share Nordion confidential information using social networking tools (i.e. Facebook, MySpace, Twitter). When the Global Business Practice Standards are not adhered to, social networking tools, can pose a security risk to the organization. Consult Nordion's Social Media Blogging Policy for more information on how to use these tools responsibly.

<p>Additional Guidance: Refer to specific Nordion policies for further information on appropriate and inappropriate use and content of social media.</p>

TRUST



CONFIDENTIAL INFORMATION

Confidential information needed for your job should be used only for that purpose. This information should be shared only with other employees who need it to do their jobs.

Confidential information must not be given to or discussed with persons or companies outside Nordion. If you have a need to share information with others outside of Nordion, a confidentiality agreement must be signed and/or prior approval from a member of the Legal Department is required.

The types of people that we should not share confidential information without approval include:

- Competitors
- Customers
- Contractors
- Clinical Trial Participants
- General Public
- Analysts
- Investors
- Media
- Suppliers
- Consultants
- Audiences where Nordion employees are making a presentation
- Family Members
- Friends

Unintended or other types of disclosure of confidential information should be immediately reviewed with your Supervisor/Manager and/or a member of the Legal Department to determine if further action is appropriate.

Confidential information should not be discussed or shared in any way even after you leave the company. This is a violation of the employee confidentiality agreement.

Third Party Confidential Information

We are also often in receipt or possession of the Confidential Information of other parties. Often this information is protected by, and its use governed by confidentiality agreements with those parties. **You must treat this information in the same way you treat Nordion Confidential Information.**

The Legal Department has developed processes to assist you in maintaining our confidentiality obligations and you should consult a member of the Legal Department before signing a confidentiality agreement with another organization.

Nordion Privacy Policy (Corporate Policy)

The **Nordion Privacy Policy** establishes Nordion's universal standards on how we will protect the personal information of individuals including employees, clinical trial participants, customers and third parties who share such information with the company. It also acknowledges that businesses different geographic areas may have additional requirements that apply to certain types of services or personal information.

TRUST

CONFIDENTIAL INFORMATION

In general, any collection of personal information of individuals will not be done without first providing notification of the purposes of collecting, using and disclosing it and when required, obtaining consent from the individual for these purposes. Any additional uses or disclosures of personal information should not be undertaken without obtaining additional consent.

TRUST

CONFIDENTIAL INFORMATION

If you have any questions concerning the collection, use or disclosure of personal information or what constitutes personal information please consult the Privacy Officer as identified in the **Nordion Privacy Policy**, which can be accessed through the company Intranet.

Question: *I want to be a participant in a clinical trial but am worried about how my personal information will be handled. How do I know it will be safe?*

Answer: *Every potential participant must read and sign an informed consent that details the purpose for collecting information about you, what specific information is necessary, who will have access to it and how it will be handled. This is done in order to comply with privacy and other legislative requirements.*

Question: *I am a Nordion employee. I received a confidential document through the Nordion e-mail system that was not intended for me. What should I do?*

Answer: *Bring it to the attention of your Manager or Supervisor. Then contact the individual who sent it for direction on how to deal with it. Then delete the e-mail. Out-bound Nordion e-mail includes a confidentiality clause that reminds the recipient of the privileged and/or confidential nature of the e-mail and the statement also provides handling instructions.*

Additional Guidance: Refer to specific Nordion SOPs that provide further information or consequences of inappropriate collection, use and disclosure of confidential information.

You can also contact the Legal Department if you have a question about confidential information and/or documents.

TRUST

USE OF COMPANY ASSETS

Standard: *We will use company assets for the legitimate purposes of Nordion's businesses.*

Nordion provides us with a place to work and with the tools to do our jobs. In return, we are expected to respect and protect Nordion company assets, including:

- Facilities
- Office supplies
- Equipment
- Software
- Confidential information
- Communications systems (i.e. computer, phone, Blackberry, voicemail, e-mail, Internet and company Intranet)

All of these assets are to be used primarily for company business and not for personal use. We are permitted to use Nordion assets for occasional personal use as long as our use:

- Does not affect job performance or disrupt others
- Is truly occasional in nature
- Does not result in any additional costs to Nordion
- Does not access or transmit material containing derogatory, racial, gender or religious comments, sexual content, offensive language, material which would negatively reflect upon Nordion, likely to offend co-workers or the contents are prohibited by law or regulation.
- Is not used to carry on any form of business activity outside of the course of our duties with Nordion - without Nordion approval.

Copying software, tapes, articles and books (without an appropriate license) may violate copyright laws and represents a potential financial and legal liability for Nordion. Please consult a member of the Legal Department if you have any questions related to copying any such materials.

When using Nordion company assets, Nordion reserves the right to access or monitor all its facilities, facilities systems, documents and records, information technology and communication systems. For example, the Company may monitor employee access to buildings, email communications or documents on your Company computer.

Question: *I know that Nordion encourages our involvement in the community. I work with physically challenged adults and our charitable group produces a quarterly newsletter. Can I type the newsletter during my lunch breaks and when my workday is over?*

Answer: *Using your PC on your own time for volunteer purposes is an acceptable use of company assets as long as you follow Nordion policies and practices and it does not affect Nordion's expectation of you and your job duties. Use of the photocopy machine for bulk copies would not be acceptable without prior approval.*

TRUST

INVENTIONS AND INTELLECTUAL PROPERTY

Standard: *We will constantly seek to create innovations in our business and notify Nordion when we may have developed something new.*

Among Nordion's most valuable assets is its intellectual property – including patents, trade secrets, trademarks, copyrights and other proprietary information. It is Nordion's policy to establish, protect, maintain and defend its rights in all commercially significant intellectual property and to use those rights in responsible ways. As a result, all employees must take steps to safeguard these assets.

Similarly, Nordion respects the intellectual property rights of others. Unauthorized use of the intellectual property rights of others may expose Nordion to civil lawsuits and damages.

Ideas, inventions, discoveries and improvements conceived, created or reduced to practice in the course of your employment with Nordion are the property of Nordion. If you believe that you have created something new, you have an obligation to notify Nordion so that the idea, invention, discovery, improvement or information can be assessed and, if appropriate, protected like any other proprietary information of Nordion. Intellectual property that you may be working on includes such things as ideas, inventions, computer programs and documents, which relate to Nordion's businesses, anticipated businesses or research and development.

Question: *I have used my work knowledge and acquired understanding of clinical trials to develop a software program to improve the efficiency of the recruitment process. I did it on my own time. Do I need to tell Nordion about what I have developed?*

Answer: *Yes, regardless of when the software program was developed, you used your acquired work knowledge and understanding of clinical trial processes from your job with Nordion. Therefore, you need to tell Nordion about the software program and allow Nordion to protect or use it if Nordion wishes.*

Additional Guidance: If you believe you have created or developed something new and innovative, please notify your Manager or Supervisor and/or the Legal Department.

TRUST

PERSONAL CONDUCT

Standard: *We will show genuine concern and respect for other people and treat one another with understanding and appreciation.*

Since the inception of Nordion (formerly MDS Inc.) in 1969, Nordion has endorsed a philosophy of fairness and integrity in how we treat employees, customers, suppliers, regulators, shareholders and others who interact with Nordion. Nordion believes that our business success is directly related to our philosophy of striving to make sure that all those who interact with Nordion are treated in an ethical, fair and respectful manner and by meeting the highest standards of professional conduct. Our management practices have always been based on the principle of recognizing people for their contributions. We have an ongoing goal to provide a work environment, which is free from discrimination and where all employees are provided with the opportunity to realize their fullest potential. The most successful Nordion employees achieve excellent business results by living our Core Values.

Nordion believes that equality of opportunity and fairness of treatment for all individuals are basic human values. In commitment to that belief, Nordion has always stressed its fundamental value to “respect the individual” which entails treating people as individuals with the same understanding and appreciation that we seek for ourselves. As Nordion people, we should each treat people the way that they wish to be treated.

Respect and Dignity in the Workplace

Nordion is committed to fostering a productive work environment based on our Core Values. As Nordion people we all need to share in the responsibility for continuing to create a positive work environment, built on teamwork, trust, communication and respect.

One of the clearest ways to demonstrate respect is through our behaviour and communication with others. This can take many forms, including: listening, providing direct and honest answers, accepting differences, valuing diversity, respecting an individual’s privacy, recognizing accomplishments and planning for a common goal. Each will contribute to our success, as individuals and as a company.

RESPECT FOR PEOPLE

CONFIDENTIAL INFORMATION

Equity in the Workplace

Nordion is committed to the principle of workplace equity that is aimed at identifying and developing policies and practices that take all reasonable measures to assist Nordion employees, especially designated groups, in maximizing their potential. The designated groups specifically mentioned in the policy are: women, native people, people of a visible minority and persons with disabilities.

No Discrimination

Nordion is committed to the principle of equal opportunity and supports non-discrimination policies by which discrimination on the grounds of race, colour, national origin, gender, political or religious affiliation, sex, age, sexual orientation, marital status, family relationship, disability and any other grounds outlined in relevant Human Rights legislation is prohibited.

No Harassment

Nordion expects and promotes a workplace free of harassment in any type or form, whether sexual, physical, verbal, intimidation or bullying. Harassment committed by any employee, visitor, client or contractor is prohibited and will not be tolerated under any circumstances.

Safe Workplace

Nordion supports a safe workplace and does not condone any violence in the workplace.

Nordion will act promptly and responsibly and respond fairly to any issues involving workplace equity or any discrimination, harassment, workplace safety or violence.

Question: *A person in my work group has a calendar displayed on their cubicle wall that contains pin-up type pictures. The person does not believe that it is a problem because it is in their cubicle and not in a common area. I have to work with this person on a daily basis and I find it offensive. What should I do?*

Answer: *The preferred course of action is to clearly tell the co-worker that you find the calendar offensive and ask that it be removed. Nordion considers a calendar with this kind of content inappropriate for our professional work environment. If it is not removed, you can escalate the matter and ask a Manager or other company representative to take appropriate action.*

RESPECT FOR PEOPLE

ENVIRONMENT, HEALTH AND SAFETY

Standard: *We will operate our businesses in a safe and healthy manner and we will respect the environment.*

As embodied in our Core Purpose, Nordion believes that the continued protection of our personnel and the implementation of sound environmental practices are crucial to accomplishing our strategic goals.

In support of these beliefs Nordion commits each one of us to:

- Provide and maintain facilities and operations where health and safety is promoted and hazards are controlled.
- Manage facilities and operations such that their potential impacts on the environment are controlled and minimized.
- Meet or exceed applicable environmental health and safety (EHS) legal requirements.
- Provide appropriate EHS training and education for Nordion employees.
- Establish measurable EHS objectives and monitor progress towards their achievement.
- Integrate EHS management into every facet of our business.
- Consider EHS performance in the selection of suppliers, contractors and business partners.
- Monitor and continuously improve EHS performance and our EHS management system.

Nordion is responsible to employees to create workplaces where EHS risks are managed and hazards are controlled. Nordion personnel are responsible for working safely and within the requirements defined by local or company-wide EHS programs.

Sound EHS management and performance is the responsibility of each and every one of us at Nordion. Individually and collectively we work together to build exemplary programs and to achieve performance in EHS that serve as a positive example for other organizations in countries where Nordion operates.

As Nordion people we endeavour, every day, to make Nordion a safe and healthy place to work and continue to help protect the environment in the communities where we operate.

<p>Additional Guidance: For more details on the Environmental Health and Safety Program and Policies see the company Intranet. Should you have any questions, you can contact the EHS resource.</p>

RESPECT FOR PEOPLE

SALES AND MARKETING PRACTICES

Standard: *We will conduct sales and marketing activities in accordance with Nordion's Core Values, Nordion policies and the law (including among others, domestic and foreign bribery and other anti-corruption laws).*

We must preserve Nordion's reputation as a leading company whose products and services are desired for their quality and value and whose people are respected for their integrity and high performance. The long-term success of Nordion depends on our ability to build long-term trusting relationships with our customers and partners.

When communicating with customers or potential customers we should always honestly describe the features of Nordion's products and services. All literature and public statements should be true and we should not misstate facts or create misleading impressions. Also, we should not unfairly criticize a competitor's products or services. In addition, we should only use individual and customer confidential information for the purposes that the information was provided and, even then, only with their consent. Please also be aware of your participation in Trade associations and sharing of sensitive company information with competitors (see Fair Competition).

We should not nor at the request of any individual, offer, make or authorize, any payment of Anything of Value or Facilitating Payments, directly or indirectly, to:

- Illegally influence judgment or conduct, for purposes of attaining a desired outcome or action of any individual, customer, company or company representative.
- Win or retain business or influence any act or decision of any government official, political party, candidate for political office or official of a public international organization.
- Gain an improper advantage.
- Illegally influence, induce or reward persons or related persons or officials of any institute, government department, agency, instrumentality or state-controlled or state-owned enterprise or a company for the purpose of any act, omission or decision, obtaining or retaining business, directing business to any person, or expediting matters (unless legally able to do so such as where prescribed by regulations).

By way of example, payments of "Anything of Value" include, cash, cash equivalents, gifts, gratuities, services, employment offers, loans, travel and lodging expenses, entertainment, political contributions, charitable donations, subsidies, sponsorships, honoraria or anything else of value, for the purpose of exercising improper influence or obtaining improper advantage. "Facilitating Payments" also known as "greasing payments" are payments made to an individual (including a government official), to obtain or expedite performance of an action.

RESPECT FOR PEOPLE

SALES AND MARKETING PRACTICES

Also, stricter and more specific rules generally apply when we are doing business with government agencies and their officials. Due to the sensitive nature of these relationships, you should always talk to your Manager before offering gifts or incentives of any nature to any government or other public sector employees. While Nordion observes local business customs and market practices, we do not participate in any corrupt practices. All employees and any agents or other individuals representing Nordion must follow the laws of the country, in which they operate, as well as applicable Canadian law (including, for example, *Corruption of Foreign Public Officials Act*), U.S. Law (including, for example, the *Foreign Corrupt Practices Act*), and other laws such as bribery laws, foreign corrupt practices laws, criminal laws and these Practice Standards (including, for example the UK Bribery Act).

Remember that Nordion wins business by offering great products and services at good value and that alone is enough to generate business. Any business that needs to be won by providing unusual gifts or hospitality is business that we do not want. Nordion should turn down business if we must compromise our Core Values or breach applicable laws to acquire it. It is essential that all payments must be properly recorded and described. Requests for unusual payments (including higher than usual commission payments) should be reported to the Legal Department prior to payment. Be on the look out for complicated schemes. In most cases Facilitating Payments are illegal even if customary and of nominal value. Where concerns arise, carry out due diligence and ensure the legitimacy of all payments and those with whom we do business to ensure they are bona fide and legitimate. A facilitation payment or business practice which may be permitted in one jurisdiction may not be permitted in another jurisdiction, and may be subject to investigation and prosecution in the latter jurisdiction.

Additional Guidance: If you have any questions about this Sales and Marketing Practice, please speak to your Manager or a member of the Legal Department. In addition, refer to the Fraud Policy on the company Intranet.

RESPECT FOR PEOPLE

FAIR COMPETITION

Standard: *We will uphold the ideals of free and competitive enterprise.*

Nordion is committed to the ideals of free and competitive enterprise:

- Buyers of products and services should be able to select from a variety of products and services at competitive prices.
- There should be no artificial restraints such as price fixing or discrimination, illegal monopolies, abuse of dominant position, exclusive dealing, refusal to deal or tie-ins.

These principles apply to Nordion operations worldwide. Nordion competes in the marketplace solely on the merits of its products and services, on the prices that we charge and on the customer loyalty that we earn. Our goal is to deal fairly with all customers, to retain them as customers and to attract new customers because we provide products and services that people want at prices they find attractive. Customers who are also our competitors must be treated fairly and not be disadvantaged. We should not discriminate between the level of service we provide our customers and the service we provide our competition and their customers.

Antitrust and competition laws are technical and vary from country to country. We should avoid situations that may violate the principles of fair competition, as well as situations that violate the law. Here are some general guidelines:

Do not discuss the following subjects with competitors:

- | | |
|-------------------------------|--------------------------------------|
| ▪ Pricing or pricing policies | ▪ Royalties |
| ▪ Lease rates | ▪ Warranties |
| ▪ Bids on contracts | ▪ Customer information |
| ▪ Contracts | ▪ Territorial markets |
| ▪ Promotions | ▪ Inventories |
| ▪ Costs | ▪ Production capacities or plans |
| ▪ Profits | ▪ Distribution or selling strategies |
| ▪ Terms or conditions of sale | ▪ Margins |

Never engage in any discussion with a competitor which may have the appearance of impropriety.

RESPECT FOR PEOPLE

FAIR COMPETITION

Nordion is free to select its own business partners. However, cancellations and refusals to sell could raise fair competition issues. Consult with a member of the Legal Department and appropriate business management before ending a relationship, or refusing to do business with any customer, prospective customer, business partner or prospective business partner.

- Involvement with trade associations must be undertaken with care because of the potential for activity, which might be in breach of relevant competition laws. Communication of sensitive information, including pricing, output and markets among competitors could result in significant fines, criminal prosecution and reputational damage. Seek Legal Department counsel about guidelines for avoiding issues when participating in trade associations or other groups.
- Purchases from a supplier should not be dependent on the supplier's agreement to purchase or use Nordion products or services.

Additional Guidance: Please consult with your Manager or Supervisor or a member of the Legal Department to evaluate situations not covered by these guidelines.

Question: *If I do not talk about specific price levels, can I agree with a competitor not to engage in a price war?*

Answer: *No. Any agreement between competitors that relates to the prices we or they charge, or that otherwise limits competition, is a violation of fair competition laws, regardless of whether specific prices are a part of the agreement.*

RESPECT FOR PEOPLE

COMPETITIVE INFORMATION

Standard: *We will not collect information on our competitors through inappropriate means.*

Information is valuable in any competitive business and it is useful to us to learn more about our competitors, suppliers and customers. But, we must be ethical about how we acquire that information.

When collecting information our actions must be honest and fair and within the law. Do not request or use information that violates laws regulating:

- Fair competition
- Antitrust policies
- Proprietary information and data
- Confidential relationships between employees and employers

Question: *My partner has a job at a local printing company. One of his or her jobs was to print pricing sheets for a competitor of Nordion and he or she found some discarded copies in the trash. It was given to me. I would like to give this information to my Manager at Nordion to use. Is there a problem with this?*

Answer: *Yes there is. You have come into the possession of the competitor's pricing information as a result of your partner's employment with the printing company. There is nothing to indicate that the competitor has made the information public or does not wish to maintain the confidentiality of the information. The most probable purpose for providing the information to your Manager is to influence Nordion pricing based on the competitive pricing information. This kind of conduct should be avoided.*

Question: *When interviewing people who have worked or are working for a competing company, is it right to take this opportunity to "pump them" for inside information that Nordion would find useful?*

Answer: *"Pumping" the new employee or a potential employee for information about our competitor is NOT consistent with our Practice Standards and is not supported by Nordion as an approved practice.*

RESPECT FOR PEOPLE

ACCURACY OF RECORDS

Standard: *We will reflect our businesses accurately in our records.*

Accurate business records are important because they are used for decision-making and strategic planning. Business records also form the basis for earnings statements, reports to shareholders and reports to governments.

Use good judgment and common sense when preparing any Nordion record. Report facts accurately, honestly and objectively and do not omit facts needed to prevent information from being misleading.

As a public company, Nordion is required to follow strict accounting principles and standards, to report financial information accurately and completely, and to have appropriate internal controls and processes so that accounting and financial reporting complies with the law. All Nordion employees must comply with these requirements and do what is needed to help Nordion, as a company, comply. As a result, take special care with financial reports to ensure that they are accurate in all material respects and that they conform with generally accepted accounting principles. Do not make false entries or attempt to hide or fail to record any funds, assets or transactions.

Violations of laws associated with accounting and financial practices can result in fines, penalties and imprisonment, and they can lead to a loss of public faith in a company.

If you become aware of any action related to accounting or financial practices or records that you believe may be improper or inaccurate, you must immediately notify the company. This can be done through any of the channels identified at the beginning of these Global Business Practice Standards on page 8.

Question: *I do not have the time to check all of the invoices and expense reports that come across my desk. Surely, it is the responsibility of the individual who prepared the invoices or reports or the employee who submitted them to me to make sure that they are correct. Am I right in my assumption?*

Answer: *No. Each of us is responsible for making sure that all reports, invoices etc. are accurate and filled out correctly. If you are approving an invoice or expense reports, you are responsible for its accuracy.*

INTEGRITY

ACCURACY OF RECORDS

Nordion is committed to maintaining the highest standards of honesty, integrity and ethical conduct and have adopted a Fraud Policy to provide consistent and effective investigation, reporting and disclosure of any occurrence of fraud or suspected fraud.

Nordion will not tolerate fraud and is committed to take all actions it deems appropriate.

Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of personal gain or inducing another to act upon it to such person's detriment, including injury or financial loss. Some actions constituting fraud or possible fraud include:

- Forgery or alteration of any document or account belonging to the Company
- Forgery or alteration of a cheque, bank draft, or any other financial document
- Intentionally reporting falsified financial results
- Impropriety in the handling or reporting of money or financial transactions

In addition, designated roles in Finance are required to commit to the Nordion Finance Code of Ethics. This provides additional assurance to Nordion shareholders of Nordion commitment to maintaining accurate financial records and is consistent with financial best practices.

Additional Guidance: If you have any questions please feel free to speak with your manager or supervisor or contact a senior member of the finance team or the legal department.

The Fraud Policy is available on the company Intranet.

Question: *I was reviewing approvals for expense accounts and noticed that an employee has submitted the same receipt for reimbursement multiple times. I know this person is well respected in the organization and a friend of my manager. What should I do?*

Answer: *This could be a potential case of fraud that should be reviewed. You could discuss this with your manager's boss explaining the sensitivity or contact your HR Representative, Legal Department or the Integrity Alertline.*

INTEGRITY

COMPLIANCE WITH LAWS

Standard: *We will meet or exceed all applicable laws and regulations in the countries in which we operate.*

Many of our businesses are subject to extensive governmental regulation throughout the world. Consistent with our Core Values, it is the policy of Nordion to meet or exceed the laws in each of the countries in which we do business.

It is the responsibility of all employees to be familiar with the laws and regulations that relate to our business and to comply with them. Among other things, these include laws and regulations governing employment, environmental matters, antitrust and anti-corruption (see “Sales and Marketing Practice”s in these Global Business Practice Standards as well as the company's Anti-Corruption Policy). The Legal, Quality and Regulatory, Environmental Health and Safety, Risk Management, Privacy and other functional departments conduct periodic programs to help Nordion companies assess whether they comply with applicable laws and regulations and to take corrective action as required.

<p>Additional Guidance: The Legal Department, or any of the other functional departments, are available to you for this purpose. However, it is the responsibility of local management to establish policies and practices to comply with applicable laws and regulations.</p>

INTEGRITY

DISCLOSURE OF INFORMATION TO MEDIA & INVESTORS

Standard: *We will protect Nordion's reputation by allowing Nordion's designated spokespeople to deal with inquiries from the media or investors.*

What is said or written about the company impacts Nordion's reputation. We place great importance on maintaining effective relationships with the news media and investment community. To be consistent with our beliefs, and to maintain the company's credibility, information should be given to our audiences in a timely, accurate, and non-discriminating manner.

As such, ALL communications with the media must be handled and co-ordinated by the company's Communications department. Requests for media interviews will be vetted by the respective Communications representative and granted, if appropriate, with the company's designated spokespeople only.

Employees who are not authorized spokespersons must not respond under any circumstances to inquiries from the investment community or the media, unless specifically asked to do so by an authorized spokesperson. All such inquiries are to be referred to the Manager, External and Internal Communications, or designate.

ALL communications with investors, analysts, securities regulators or investment community must be handled and co-ordinated by the company's Investor Relations group. All such inquiries are to be referred to the Chief Finance Officer, or designate.

Question: *If I receive a call from an investor, analyst or reporter who is looking for information about the company that is within the scope of my job. What should I do?*

Answer: *Redirect analyst or investor calls to the Chief Finance Officer or designate. Calls from the media should be directed to the Manager, External and Internal Communications, or designate.*

Additional Guidance: For more details on what the company policy is on dealing with the media or the investment community please refer to the **Disclosure Policy**, which is located on the company Intranet.

INTEGRITY



TRADING IN COMPANY SHARES AND DERIVATIVE SECURITIES

Standard: *We will not trade Nordion securities or securities of other companies when in possession of “material” non-public information. We will not trade in Nordion derivatives at any time.*

Through equity compensation and the Employee Share Purchase Program, Nordion enables its employees to invest in the company as an excellent way to align the interests of employees with the interests of our shareholders.

When buying or selling Nordion shares, all employees should be mindful of the legal and policy limitations on trading and tipping.

What Are the Limitations on Trading and Tipping?

As Nordion employees, we may have “material non-public information” about Nordion and its businesses or about other companies that other investors do not have. Therefore, if you are in possession of “material non-public information” (see definition which follows), you should not buy or sell Nordion securities nor should you share or communicate such information (“tipping”) to others, including colleagues, family members or friends. The above restrictions on trading and tipping also apply to the securities of other public companies negotiating, competing, doing business or seeking to do business with Nordion (“Counterparties”). These requirements apply to all Nordion employees regardless of your position in the Company.

What are the Prohibitions related to Trading Derivative Securities of Nordion?

Certain practices have developed in the securities market which allow investors in the market to buy or sell options to acquire shares of a company at a fixed price within a specified time, known as "puts" or "calls" or to sell shares of a company that they do not own at the time or have not fully paid for, known as "short sales". Puts, calls or short sales are referred to collectively as "Derivative Securities". **Except for options granted under Nordion incentive plans, all employees and members of the board of directors of the Company are strictly prohibited from trading in Derivative Securities related to the shares of Nordion at any time on any market whether or not in possession of "material non-public information" about Nordion.**

INTEGRITY

TRADING IN COMPANY SHARES AND DERIVATIVE SECURITIES

What is “Material Non-Public Information”

“**Material**” information is any information about the business of Nordion that would reasonably be expected to have a significant influence on or reasonable investor’s decision on whether to buy, sell or hold the shares of a company. The “materiality” of the information must be viewed in light of the impact the information could have on the company as a whole. While it may be difficult under this definition to determine whether any particular information is material, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered material. Examples of such information include, but are not limited to:

- Financial Results
- Projections of future earnings or losses
- News of a pending or proposed reorganization or amalgamation
- News of an acquisition or divestiture of a significant business division or subsidiary
- Gain or loss of a substantial customer or supplier or contract
- Changes in dividend policy
- New product announcements of a significant nature
- Stock splits
- New equity or debt offerings
- Major changes in senior management

Either positive or negative information may be material.

“**Non-Public**” information is information that has not been previously disclosed to the general public and is otherwise not available to the general public. Information may be disseminated to the public by news release, in the company’s financial statements or annual report, or by some other means that results in wide dissemination of the information to the general public.

INTEGRITY



TRADING IN COMPANY SHARES AND DERIVATIVE SECURITIES

Be Thoughtful When You Are Trading Nordion Shares

Each insider and employee of Nordion has the individual responsibility to comply with the requirements outlined above and applicable securities laws, regardless of whether the company has recommended a trading window. So please use appropriate judgment for any trade in the company's shares. Please note that in addition to any impact it may have on your job, if you contravene these rules you may be subject to potential fines or criminal prosecution under securities laws.

Question: *I was at a meeting where someone from the finance department mentioned that Nordion would be announcing earnings results that are significantly better than the market is expecting. Can I buy Nordion shares?*

Answer: No.

Question: *I became aware that Nordion is in discussions to acquire another company. Can I acquire the shares or derivative securities of the other company?*

Answer: No, not until 3 trading days after Nordion publicly announces the acquisition.

Question: *The Company has just decided to award a large supply contract to a small publicly traded supplier. Can I buy shares in that supplier?*

Answer: No. Not until 3 trading days after the contract is publicly announced.

Question: *Can I advise family members or friends so they can buy shares?*

Answer: No. This is considered tipping and is a violation of securities laws.

Additional Requirements for "Insiders"

The people who are most likely to be in receipt of "material non-public information" including the Nordion Board of Directors, Executive Officers and certain other corporate employees are also required to comply with Nordion's **Insider Trading Policy**. In addition to the general restrictions in trading and tipping contained herein, the policy prohibits the trading by insiders of Nordion shares during certain fixed periods of time during the year where "material non-public information" is most likely to be circulating. The full details of the policy are located on the company Intranet.

Additional Guidance: If you have any questions at all about the trading of Nordion or counterparty shares or Derivative Securities, please contact the Legal Department.

INTEGRITY

POLITICAL AND GOVERNMENT ACTIVITIES

Standard: *We will not seek to influence any political process or governmental process in an inappropriate manner.*

Political Activities

Nordion encourages employees to be involved personally in political affairs by voting, volunteering time or contributing money to candidates of your own choosing. These decisions and choices are intensely personal and so any donation of time, money or other resources must also be personal. Do not give the impression that you are speaking on behalf or representing Nordion while personally involved in the political process.

Volunteer work for political campaigns must not be done on company time and Nordion funds or assets must not be contributed to any political party, candidate or campaign without the appropriate approval. Similarly, the Nordion name should not be used in conjunction with any political issue.

Government Relations and Lobbying

Nordion will deal with all government agencies in a direct, open and honest manner.

Any contact with government personnel for the purpose of influencing legislation or rule-making, including such activity in connection with any marketing or procurement matters, is considered lobbying. Some laws also define lobbying even more broadly to include our normal marketing activities. You are responsible for knowing and adhering to all the relevant lobbying laws and associated gift laws, if applicable, and for compliance with all reporting requirements.

Lobbyist registration legislation in Canada and in other jurisdictions requires lobbyists and registrants to disclose their interactions with certain public officials. Under the Lobbyists Registration Act (Canada) (the “LRA”), for example, such disclosure is required in monthly reports setting out information concerning certain arranged meetings and communications with designated public office holders (“DPOH”) (defined below).

Enhanced reporting requirements apply to certain interactions described below that occur between governmental officials anywhere in the world and any director, officer, employee or representative of Nordion or its affiliates.

Any in-person meetings, telephone calls or other discussions arranged with any member of a legislative body or other senior public official having a policy making or procurement function in the public service, a government-owned corporation, department or administrative agency (any of which is considered a “Government Official”) requires prompt disclosure to Nordion’s compliance group in certain circumstances. These include, among other things, the requirement to disclose any such meeting or discussion arranged with respect to any of the following:

INTEGRITY

POLITICAL AND GOVERNMENT ACTIVITIES

- (a) with a person that is a DPOH for the purposes of the LRA, or holds a similar or equivalent position in any other jurisdiction;
- (b) with any Government Official, whether or not of the type specified in (a) above, if such communications are arranged for the purposes of or relates to:
 - (i) seeking to influence public policy or its application to Nordion, other than the obtaining of licenses and exemptions pursuant to administrative or legal processes prescribed by legislation or regulation,
 - (ii) seeking to influence public procurement or an award of business by a government, a legislative body, a government-owned corporation, department or administrative agency, other than through mechanisms provided under a publicly available request for proposals, tender or similar process, or
 - (iii) a situation in which anything other than of nominal value is exchanged between any such public official and Nordion or its representatives.

If you have had communications of the above nature during the past calendar month, you are required to report to the Nordion Legal Department the following information not later than the 10th day of each calendar month:

- Date and form of meeting or discussion (e.g., telephone)
- Name of public official (including title and name of government corporation, department or agency)
- Name of initiator of meeting or discussion
- Brief description of the subject matter of the meeting
- Whether any value was exchanged (e.g., meal paid; gift provided) and, if so, the nature and amount exchanged

You should obtain the prior approval of the Legal Department to lobby or authorize anyone else (for example, a consultant or agent) to lobby on Nordion's behalf, except when lobbying involves only normal marketing activities and not influencing legislation or rule-making.

Definition of DPOH under the LRA:

Designated public office holders (DPOHs) constitute a category within the broader group of federal officials defined as public office holders (POHs) by the Lobbying Act. DPOHs include:

A Minister of the Crown or a minister of state or their exempt staff appointed pursuant to subsection 128(1) of the Public Service Employment Act; Any other public office holder who works for a department and occupies a senior executive position, such as deputy minister (DM), associate deputy minister, assistant deputy minister (ADM) and chief executive officer (CEO), or a position of comparable rank, as well as any other individual who is designated by regulation.

INTEGRITY

POLITICAL AND GOVERNMENT ACTIVITIES

The Commissioner has the responsibility of establishing criteria to be used in order to determine if a particular POH position is equivalent to DPOH positions such as deputy minister, associate deputy minister, assistant deputy minister or chief executive officer.

The following positions and classes of positions are listed as occupied by DPOH in the Schedule (Section 1) of the Designated Public Office Holder Regulations. The first 6 positions are within the Canadian Forces.

Positions and classes of positions designated as occupied by Designated Public Office Holders (DPOHs) Designated Public Office Holder Regulations — Schedule (Section 1)

Item #	Positions and classes of positions
1.	Chief of the Defence Staff
2.	Vice Chief of the Defence Staff
3.	Chief of Maritime Staff
4.	Chief of Land Staff
5.	Chief of Air Staff
6.	Chief of Military Personnel
7.	Judge Advocate General
8.	Any positions of Senior Advisor to the Privy Council to which the office holder is appointed by the Governor in Council
9.	Deputy Minister (Intergovernmental Affairs) Privy Council Office
10.	Comptroller General of Canada
11.	Any position to which the office holder is appointed pursuant to paragraph 27.1(1) (a) or (b) of the Public Service Employment Act.
12.	MPs
13.	Senators
14.	Exempt staff working in the office of the Leader of the Opposition in the House and in the Senate

Question: *Several of my co-workers and I strongly support a certain political candidate. May we work together to support this candidate?*

Answer: *Of course. Nordion encourages participation in the political process. However, you may not use company funds, equipment or materials to support the candidate or pressure other employees or subordinates to support the candidate. Do not engage in political activities while you are on the job.*

FAILURE TO ADHERE TO PRACTICE STANDARDS

Failing to adhere to the Global Business Practice Standards may result in a number of consequences, including with respect to employees of Nordion, disciplinary action, repayment of bonuses/allowances received, or termination of employment and, with respect to service providers, breach of contract, termination of services and legal action.

INTEGRITY



PLEDGE OF THE NORDION BOARD OF DIRECTORS

Each Member of the Nordion Inc. Board of Directors has signed the Nordion Personal Pledge acknowledging his or her shared responsibility for maintaining the Company's reputation of integrity by carrying out his or her duties and responsibilities as a director in a manner consistent with the company's Global Business Practice Standards.

As Members of the Board of Directors of Nordion, we acknowledge having received and read the Nordion Global Business Practice Standards and agree to carry out our duties and responsibilities in accordance with such Standards.

On behalf of the Nordion Board of Directors

A handwritten signature in black ink, appearing to read "William D. Anderson".

William D. Anderson
Chairman



PLEDGE OF THE NORDION EXECUTIVE MANAGEMENT TEAM

Each member of the Nordion Executive Management Team has signed the Nordion Personal Pledge acknowledging his or her shared responsibility for maintaining the Company's reputation of integrity by carrying out his or her duties and responsibilities in a manner consistent with the company's Global Business Practice Standards.

As employees and members of the Executive Management Team, we acknowledge having received and read the Nordion Global Business Practice Standards and agree to carry out our duties and responsibilities in accordance with such Standards.

On behalf of the Nordion Executive Management Team

A handwritten signature in black ink, appearing to read "Steve West", with a stylized flourish at the end.

Steve West
President & Chief Executive Officer, Nordion Inc.



NORDION PERSONAL PLEDGE (Employee)

As employees of Nordion or its subsidiaries or affiliates, we all share the responsibility for maintaining the company's reputation of integrity. Such responsibility includes carrying out our day to day activities in a manner consistent with certain business practice standards developed and adopted by the company and founded in the company's core values of mutual trust, genuine concern and respect for people, integrity and commitment to excellence.

Accordingly, I acknowledge that I have received and read the Nordion Global Business Practice Standards and understand that the company expects me to carry out my duties and responsibilities in accordance with such Standards.

Employee Signature: _____

Date: _____

Employee Name: _____



NORDION PERSONAL PLEDGE (Board of Director)

As Directors of Nordion, we share the responsibility for maintaining the company's reputation of integrity. Such responsibility includes carrying out our duties and responsibilities as Directors in a manner consistent with certain business practice standards developed and adopted by the company and founded in the company's core values of mutual trust, genuine concern and respect for people, integrity and commitment to excellence.

Accordingly, I acknowledge that I have received and read the Nordion Global Business Practice Standards and that the company expects me to carry out my duties and responsibilities as a Director of the company in accordance with such Standards.

Director Signature: _____

Date: _____

Director Name: _____



NORDION PERSONAL PLEDGE (Executive Management Team)

As employees of Nordion or its subsidiaries and as members of the Executive Management Team, we share the responsibility for maintaining the company's reputation of integrity. Such responsibility includes carrying out our duties and responsibilities as employees in a manner consistent with certain business practice standards developed and adopted by the company and founded in the company's core values of mutual trust, genuine concern and respect for people, integrity and commitment to excellence.

Accordingly, I acknowledge that I have received and read the Nordion Global Business Practice Standards and that the company expects me to carry out my duties and responsibilities in accordance with such Standards.

Employee
Signature:

Date:

Employee Name:



NORDION PERSONAL PLEDGE (Service Providers)

As a Service provider to Nordion or its subsidiaries or affiliates, the undersigned acknowledges having received and read the Nordion Global Business Practice Standards and acknowledges that the company expects the undersigned to carry out its duties and responsibilities in accordance with such Standards.

Service Provider's Name: _____

Service Provider's
Signature: _____

Date: _____

NORDION OPERATING PRINCIPLES

At Nordion, we . . .

Strive to be #1 in the markets in which we operate

Believe that relationships and partnerships drive our growth

Work toward a common goal

Commit to meeting our customers' needs

Strive to balance the short term and the long term

Encourage innovation and entrepreneurship

Have high standards of quality and performance

Listen and communicate with each other in clear and honest ways

Keep work and life in perspective



In the end it's the people we help that matter most . . .



Note 4. Inventories (Tables)**12 Months Ended
Oct. 31, 2012**

Schedule of Inventory, Current [Table Text Block]	As of October 31	2012	2011
	Raw materials and supplies	\$ 33,843	\$ 31,611
	Work-in-process	282	354
	Finished goods	1,031	267
		35,156	32,232
	Allowance for excess and obsolete inventory	(1,179)	(1,637)
	Inventories	\$ 33,977	\$ 30,595

**Note 22. Employee Benefits
(Detail) - Funded Status of
Defined Benefit Pension
Plans: (USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

Oct. 31, 2012 Oct. 31, 2011

Change in projected benefit obligation

Actuarial loss \$ (83,374) \$ (35,480)

Change in fair value of plan assets

Fair value of plan assets 261,240

Funded status – (under)/over at end of year 9,748

Domestic Pension Plans of Foreign Entity, Defined Benefit [Member]

Change in projected benefit obligation

Projected benefit obligation 229,449 215,167

Service cost - pension 3,932 3,910

Interest cost 12,263 11,994

Benefits paid (9,747) (8,224)

Actuarial loss 50,801 1,621

Foreign currency exchange rate changes (207) 4,981

Change in fair value of plan assets

Fair value of plan assets 239,197 224,111

Actual return (loss) on plan assets 19,567 10,252

Benefits paid (9,747) (8,224)

Employer contributions 3,252 6,681

Employee contributions 1,128 1,191

Foreign currency exchange rate changes (472) 5,186

Fair value of plan assets 252,925 239,197

Projected benefit obligation 286,491 229,449

Funded status – (under)/over at end of year (33,566) 9,748

Foreign Pension Plans, Defined Benefit [Member]

Change in projected benefit obligation

Projected benefit obligation 12,929 11,720

Interest cost 571 610

Benefits paid (799) (649)

Actuarial loss 1,303 1,248

Change in fair value of plan assets

Fair value of plan assets 8,998 8,826

Actual return (loss) on plan assets (47) 703

Benefits paid (799) (649)

Employer contributions 163 118

Fair value of plan assets 8,315 8,998

Projected benefit obligation 14,004 12,929

Funded status – (under)/over at end of year \$ (5,689) \$ (3,931)

**Note 21. Stock-Based
Compensation (Tables)**

[Schedule of Share-based Payment Award, Stock Options, Valuation Assumptions \[Table Text Block\]](#)

[Schedule of Share-based Compensation Arrangement by Share-based Payment Award, Options, Grants in Period, Grant Date Intrinsic Value \[Table Text Block\]](#)

[LiabilityRelatedToMtipPlans \[Table Text Block\]](#)

Canadian Dollar Options [Member]

[Schedule of Share-based Compensation, Stock Options, Activity \[Table Text Block\]](#)

**12 Months Ended
Oct. 31, 2012**

	2012	2011	2010
Risk-free interest rate	1.07%	1.94%	2.1%
Expected dividend yield	4.29%	3.75%	0.0%
Expected volatility	0.280	0.304	0.365
Expected time until exercise (years)	3.6	3.6	3.6
	2012	2011	2010
Aggregate intrinsic value of options exercised	C\$ - C\$ -	C\$ - C\$ -	C\$ - C\$ -
	US\$ - US\$ -	US\$ - US\$ -	US\$ 62
Aggregate grant-date fair value of shares vested	C\$ 454 C\$ -	C\$ - C\$ 5,920	C\$ 5,920 C\$ 4,518
	US\$ - US\$ -	US\$ - US\$ -	US\$ 4,518
Liability^(a)	As of October 31		
	2012	2011	
2006 Plan	\$ 195	\$ 508	
2007 Plan	-	-	
2008 Plan	-	-	
2009 Plan	-	-	
Total	\$ 195	\$ 508	
(Income) Expense^(b)	Years ended October 31		
	2012	2011	2010
2006 Plan	\$ (57)	\$ (197)	\$ (28)
2007 Plan	-	-	-
2008 Plan	-	-	3,988
2009 Plan	-	-	6,101
Total	\$ (57)	\$ (197)	\$ 10,061

	Number (000s)	Weighted Average Exercise Price (C\$)	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (C\$ thousands)
Outstanding as of				
October 31, 2010	3,531	\$ 16.53	3.9	\$ 2,067
Granted	809	10.32		
Exercised	-	-		
Cancelled or forfeited	(1,801)	19.80		
Expired	(116)	21.74		
Outstanding as of				
October 31, 2011	2,423	\$ 11.78	5.3	\$ -
Granted	43	9.52		
Exercised	-	-		
Cancelled or forfeited	(6)	20.66		
Expired	(44)	18.90		
Outstanding as of				
October 31, 2012	2,416	\$ 11.59	4.5	\$ -
Vested and expected to vest as at October 31, 2011 ^(a)	2,182	\$ 11.98	5.2	\$ -

[Schedule of Share-based Compensation, Shares Authorized under Stock Option Plans, by Exercise Price Range \[Table Text Block\]](#)

Vested and expected to vest as at October 31, 2012 ^(a)					
	2,204	\$	11.75	3.9	\$ -
Exercisable as at October 31, 2011	440	\$	20.11	1.9	\$ -
Exercisable as at October 31, 2012					
	645	\$	16.30	2.9	\$ -
			Options Outstanding	Options Exercisable	
Range of Exercise Prices (C\$)	Weighted Average Remaining Contractual Life (Years)	Number (000s)	Weighted Average Exercise Price (C\$)	Number (000s)	Weighted Average Exercise Price (C\$)
\$09.52- \$11.63	5.1	2,026	\$ 9.92	255	\$ 10.26
\$17.75- \$21.77	1.1	390	20.24	390	20.24
	4.5	2,416	\$ 11.59	645	\$ 16.30

United States Dollar Option [Member]
[Schedule of Share-based Compensation, Stock Options, Activity \[Table Text Block\]](#)

	Number (000s)	Weighted Average Exercise Price (US\$)	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (US\$ thousands)
Outstanding as of October 31, 2010	802	\$ 15.88	4.6	\$ 15
Granted	-	-		
Exercised or released	-	-		
Cancelled or forfeited	(645)	15.91		
Outstanding as of October 31, 2011	157	\$ 15.72	3.6	\$ 8
Granted	-	-		
Exercised or released	-	-		
Cancelled or forfeited	(1)	15.91		
Outstanding as of October 31, 2012	156	\$ 15.73	2.5	\$ 1
Vested and expected to vest as at October 31, 2011	157	\$ 15.72	3.6	\$ 8
Vested and expected to vest as at October 31, 2012	156	\$ 15.73	2.5	\$ 1
Exercisable as at October 31, 2011	157	\$ 15.72	3.6	\$ 8
Exercisable as at October 31, 2012	156	\$ 15.73	2.5	\$ 1

[Schedule of Share-based Compensation, Shares Authorized under Stock Option Plans, by Exercise Price Range \[Table Text Block\]](#)

			Options Outstanding		Options Exercisable	
Range of Exercise Prices (US\$)	Weighted Average Remaining Contractual Life (Years)	Number (000s)	Weighted Average Exercise Price (US\$)	Number (000s)	Weighted Average Exercise Price (US\$)	
\$6.15	3.1	3	\$ 6.15	3	\$ 6.15	
\$15.89 - \$15.91	2.5	153	15.91	153	15.91	
	2.5	156	\$ 15.73	156	\$ 15.73	

**Note 15. Share Capital
(Tables)**

**12 Months Ended
Oct. 31, 2012**

[Schedule of Stockholders Equity \[Table Text Block\]](#)

	Common Shares	
(number of shares in thousands)	Number	Amount
Balance as of October 31, 2009	120,137	\$ 488,808
Issued	42	327
Repurchased and cancelled	(52,941)	(215,304)
Other	-	28
Balance as of October 31, 2010	67,238	273,859
Repurchased and cancelled	(4,860)	(19,775)
Other	-	(8)
Balance as of October 31, 2011	62,378	254,076
Repurchased and cancelled	(469)	(1,911)
Other	-	3
Balance as of October 31, 2012	61,909	\$ 252,168

**Note 22. Employee Benefits
(Detail) - Funded Status of
Other Benefit Plans: (USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

Oct. 31, 2012 Oct. 31, 2011 Oct. 31, 2010

Change in projected benefit obligation

Actuarial loss (gain) \$ 83,374 \$ 35,480

Funded status – under at end of year 9,748

Other Postretirement Benefit Plans, Defined Benefit [Member]

Change in projected benefit obligation

Projected benefit obligation 14,328 15,251

Service cost 186 191 276

Interest cost 696 768 790

Benefits paid (671) (856)

Actuarial loss (gain) 1,795 (1,398)

Foreign currency exchange rate changes (21) 372

Projected benefit obligation 16,314 14,328 15,251

Funded status – under at end of year \$ (16,314) \$ (14,328)

**Note 8. Other Long-Term
Assets (Detail) - Other Long-
Term Assets (USD \$)
In Thousands, unless
otherwise specified**

	Oct. 31, 2012	Oct. 31, 2011
Restricted cash(a)	\$ 3,906	[1] \$ 5,847
Financial instrument pledged as security on long-term debt(b)	38,989	[2] 40,048
Long-term note receivable(c)	14,172	[3] 20,721
Goodwill (Note 9)	2,526	2,532
Pension assets (Note 22)		9,748
Other(d)	2,503	[4] 2,349
Other long-term assets	\$ 62,096	\$ 81,245

[1] As of October 31, 2012, restricted cash of \$3.9 million (October 31, 2011 - \$5.8 million) is related to funds for insurance liabilities.

[2] The financial instrument pledged as security on long-term debt is classified as held to maturity and is not readily tradable as it defeases the long-term debt due to the Government of Canada related to the construction of the MAPLE Facilities (Note 11). The effective annual interest rate is 7.02% and it is repayable semi-annually over 15 years commencing October 2, 2000. The carrying value as of October 31, 2012 is \$43.0 million (October 31, 2011 - \$44.1 million), of which \$4.0 million (October 31, 2011 - \$4.1 million) is included in notes receivable in the consolidated statements of financial position. As of October 31, 2012, the fair value is \$49.1 million (October 31, 2011 - \$51.7 million), which has been determined using a discounted cash flow model, in which future cash flows are discounted to present value using the current market borrowing rate pertaining to the remaining life of the receivable.

[3] Atomic Energy of Canada Limited (AECL) In fiscal 2006, as a result of a comprehensive mediation process that resulted in an exchange of assets between the Company and AECL related to the MAPLE Facilities, a long-term note receivable of \$38.0 million after discounting, was received by the Company. This non-interest bearing note receivable was repayable monthly over four years commencing November 1, 2008 and the last payment was received by the Company during the fourth quarter of fiscal 2012. The carrying value of the long-term note receivable as of October 31, 2012 is \$0 (October 31, 2011 - \$12.0 million) of which the entire \$12.0 million as at October 31, 2011 was included in notes receivable in the consolidated statements of financial position. On March 5, 2010, as part of the consideration for the sale of Early Stage, the Company received a note receivable with a principal amount of \$25.0 million issued by Celerion, which has a five-year term and bears interest at 4% per annum (the Note). Celerion can elect to add the interest to the principal amount of the Note. The Note is partially secured with a second-lien interest in certain real estate of Celerion. As part of the sale of Early Stage, the Company also signed a transition services agreement (TSA) that allowed Celerion to pay for the first three months of TSA services, to a maximum of \$1.8 million, by increasing the principal amount of the Note. In the first quarter of fiscal 2012, Celerion offered to make an early payment to Nordion of \$6.5 million in cash to reduce the unsecured portion of the Note principal amount by \$12.5 million that would have otherwise been due in 2015, to facilitate a change in Celerion's capital structure related to its strategic initiative. Effective January 2, 2012, the Company accepted the offer from Celerion and amended the Note reflecting a reduction in the principal amount of the Note by \$12.5 million in the face value, or \$8.9 million in the carrying value, for a \$6.5 million cash payment received. As a result, the Company recorded a loss of \$2.4 million in the first quarter of fiscal 2012 (Note 18). Other than restating the principal amount for the immediate cash payment, all other terms and conditions of the Note remained effectively the same. The Company identified this transaction as an impairment indicator and

assessed whether an other-than-temporary impairment of the Note has occurred. As the transaction did not represent an adverse change in the cash flow of the remaining Note amount, the Company determined no other-than-temporary impairment of the Note occurred as of January 31, 2012. Except for this transaction, the Company did not identify any impairment indicator for the Note during fiscal 2012. The carrying value of the Note, including interest and accretion as of October 31, 2012 is \$14.2 million (October 31, 2011 - \$20.7 million). The fair value of the Note as of October 31, 2012 is \$14.2 million, which includes \$5.8 million of accreted interest. The fair value has been determined based on discounted cash flows using market rates for secured debt and cost of equity of comparable companies adjusted for risk and any increase in principal amount related to the TSA and interest payments. The current face value of the Note including TSA services and interest is \$16.8 million. The Note is being accreted up to its face value using an effective interest rate of 8% for secured cash flows and 28% for unsecured cash flows.

[4] Includes the long-term portion of the TheraSphere clinical trials' prepayment, the deferred charges relating to the credit facility (Note 11) and other long-term receivables and assets.

12 Months Ended								12 Months Ended	2 Months Ended	12 Months Ended
									Oct. 31, 2012	Oct. 31, 2012
				Oct. 31, 2012	Oct. 31, 2012	Oct. 31, 2012	Oct. 31, 2012	Oct. 31, 2012	Estimated Accrual For	Estimated Accrual For
				Sterilization Technologies [Member]	Sterilization Technologies [Member]	Medical Isotopes [Member]	Medical Isotopes [Member]	AECL Arbitration and Legal Costs [Member]	AECL's Legal Costs Relating To The MAPLE Arbitration [Member]	AECL's Legal Costs Relating To The MAPLE Arbitration [Member]
Note 23. Segmented Information (Detail) (USD \$)	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2010							
Number of Operating Segments	3									
Legal Fees	\$ 5,576,000	\$ 12,172,000	\$ 9,207,000					\$ 5,600,000	\$ 46,000,000	\$ 24,100,000
Internal Investigation Costs	9,827,000									
Loss on Note Receivable Due to Write Down	2,411,000									
Gain on Sale of Investments		1,700,000								
Asset Impairment Charges			1,632,000							
Loss on Sale of Investments			1,100,000							
Goodwill	2,526,000	2,532,000		1,900,000	1,600,000	600,000	900,000			
Entity-Wide Revenue, Major Customer, Amount	\$ 51,800,000	\$ 60,800,000	\$ 20,600,000							
Entity-Wide Revenue, Major Customer, Percentage	21.00%	22.00%	9.00%							

**Note 22. Employee Benefits
(Tables)**

Pension Plans, Defined Benefit [Member]

[Schedule of Net Benefit Costs \[Table Text Block\]](#)

**12 Months Ended
Oct. 31, 2012**

	Domestic Plan			International Plan		
Years ended						
October 31	2012	2011	2010	2012	2011	2010
Components of net periodic pension cost						
Service cost	\$ 2,804	\$ 2,719	\$ 1,980	\$ -	\$ -	\$ 97
Interest cost	12,263	11,994	12,045	571	610	689
Expected return on plan assets	(14,736)	(16,044)	(15,579)	(701)	(706)	(687)
Recognized actuarial loss	-	-	-	127	258	344
Net periodic pension cost (income)	\$ 331	\$ (1,331)	\$ (1,554)	\$ (3)	\$ 162	\$ 443

[Schedule of Assumptions Used \[Table Text Block\]](#)

	Domestic Plan			International Plan		
Years ended						
October 31	2012	2011	2010	2012	2011	2010
Projected benefit obligation						
Discount rate	4.25%	5.40%	5.40%	3.52%	4.50%	5.24%
Expected return on plan assets	5.75%	6.00%	6.50%	8.00%	8.00%	8.00%
Rate of compensation increase	3.25%	3.50%	3.50%	n/a	n/a	n/a
Benefit cost						
Discount rate	5.40%	5.40%	6.50%	4.50%	5.24%	5.75%
Expected return on plan assets	6.00%	6.50%	6.90%	8.00%	8.00%	8.00%
Rate of compensation increase	3.50%	3.50%	3.75%	n/a	n/a	4.50%

[Schedule of Net Funded Status \[Table Text Block\]](#)

	Domestic Plan		International Plan	
As of October 31	2012	2011	2012	2011
Change in projected benefit obligation				
Projected benefit obligation, beginning of year	\$229,449	\$215,167	\$12,929	\$11,720
Service cost - pension	3,932	3,910	-	-
Interest cost	12,263	11,994	571	610
Benefits paid	(9,747)	(8,224)	(799)	(649)
Actuarial loss	50,801	1,621	1,303	1,248
Foreign currency exchange rate changes	(207)	4,981	-	-
Projected benefit obligation, end of year	286,491	229,449	14,004	12,929
Change in fair value of plan assets				

Fair value of plan assets, beginning of year	239,197	224,111	8,998	8,826
Actual return (loss) on plan assets	19,567	10,252	(47)	703
Benefits paid	(9,747)	(8,224)	(799)	(649)
Employer contributions	3,252	6,681	163	118
Employee contributions	1,128	1,191	-	-
Foreign currency exchange rate changes	(472)	5,186	-	-
Fair value of plan assets, end of year	252,925	239,197	8,315	8,998
Funded status – (under)/over at end of year				
	\$ (33,566)	\$ 9,748	\$ (5,689)	\$ (3,931)

[Schedule of Amounts Recognized in Balance Sheet \[Table Text Block\]](#)

	Domestic Plan		International Plan	
As of October 31	2012	2011	2012	2011
Projected benefit obligation	\$286,491	\$229,449	\$14,004	\$12,929
Fair value of plan assets	252,925	239,197	8,315	8,998
Plan assets (less than) in excess of projected benefit obligation	(33,566)	9,748	(5,689)	(3,931)
Unrecognized net actuarial loss	76,183	30,212	7,191	5,268
Net amount recognized at year end	\$ 42,617	\$ 39,960	\$ 1,502	\$ 1,337

Long-term pension plan assets	\$ -	\$ 9,748	\$ -	\$ -
Non-current liabilities	(33,566)	-	(5,689)	(3,931)
Accumulative other comprehensive loss	76,183	30,212	7,191	5,268
Net amount recognized at year end	\$ 42,617	\$ 39,960	\$ 1,502	\$ 1,337

[ScheduleOfAmountsInAccumulatedOtherComprehensiveIncomeLossYetToBeRecognized \[Table Text Block\]](#)

As of October 31	2012	2011
Net actuarial loss	\$ 83,374	\$ 35,480
Deferred income taxes	(20,449)	(8,847)
Accumulated other comprehensive loss - net of tax	\$ 62,925	\$ 26,633

[Schedule of Allocation of Plan Assets \[Table Text Block\]](#)

	Target	Domestic Plan		International Plan	
Asset Category		2012	2011	2012	2011
Cash	0%	0.0%	0.1%	0.0%	0.0%
Fixed income	44%	41.6%	48.2%	100.0%	100.0%
Equities	56%	58.4%	51.7%	0.0%	0.0%
Total	100%	100.0%	100.0%	100.0%	100.0%

[ScheduleOfDefinedBenefitFairValueOfPlanAssetsMeasuredOnRecurringBasis \[Table Text Block\]](#)

As of October 31, 2012	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 25	\$ -	\$ -	\$ 25
Debt securities	-	156,024	-	156,024
Equity securities	-	105,191	-	105,191
Other	-	-	-	-
Total	\$ 25	\$261,215	\$ -	\$261,240

[Schedule of Expected Benefit Payments \[Table Text Block\]](#)

Years ended October 31	Domestic Plan	International Plan ^(a)
2013	\$ 9,918	\$ 499
2014	10,442	541
2015	11,193	559
2016	11,725	591
2017	12,291	695
2018 – 2022	69,807	3,993

Other Postretirement Benefit Plans, Defined Benefit [Member]

[Schedule of Net Benefit Costs \[Table Text Block\]](#)

[Schedule of Assumptions Used \[Table Text Block\]](#)

[Schedule of Net Funded Status \[Table Text Block\]](#)

[Schedule of Amounts Recognized in Balance Sheet \[Table Text Block\]](#)

[Schedule of Expected Benefit Payments \[Table Text Block\]](#)

[Schedule of Effect of One-Percentage-Point Change in Assumed Health Care Cost Trend Rates \[Table Text Block\]](#)

	\$ 125,376	\$ 6,878	
Years ended October 31	2012	2011	2010
Components of net periodic cost			
Current service cost	\$ 186	\$ 191	\$ 276
Interest cost	696	768	790
Recognized actuarial (gain) loss	(63)	(229)	348
Recognized past service cost	(49)	(50)	(48)
Curtailment gain recognized	-	-	(486)
Net periodic cost	\$ 770	\$ 680	\$ 880
Years ended October 31	2012	2011	2010
Projected benefit obligation			
Discount rate	4.11%	5.11%	5.13%
Rate of compensation increase	3.75%	3.91%	3.96%
Initial health care cost trend rate	9.02%	9.06%	9.10%
Ultimate health care cost trend rate	4.50%	4.50%	4.50%
Years until ultimate trend rate is reached	9	10	11
Benefit cost			
Discount rate	5.11%	5.13%	6.08%
Rate of compensation increase	3.91%	3.96%	4.05%
As of October 31	2012	2011	
Change in projected benefit obligation			
Projected benefit obligation – beginning of year	\$ 14,328	\$ 15,251	
Service cost	186	191	
Interest cost	697	768	
Benefits paid	(671)	(856)	
Actuarial loss (gain)	1,795	(1,398)	
Foreign currency exchange rate changes	(21)	372	
Projected benefit obligation – end of year	\$ 16,314	\$ 14,328	
Funded status – under at end of year	\$ (16,314)	\$ (14,328)	
As of October 31	2012	2011	
Projected benefit obligation	\$ (16,314)	\$ (14,328)	
Fair value of plan assets	-	-	
Plan assets less than projected benefit obligation	(16,314)	(14,328)	
Unrecognized actuarial gains	(237)	(2,097)	
Unrecognized past service costs	(232)	(282)	
Net amount recognized at year end	\$ (16,783)	\$ (16,707)	
Non-current liabilities	\$ (16,314)	\$ (14,328)	
Accumulative other comprehensive income	(469)	(2,379)	
Net amount recognized at year end	\$ (16,783)	\$ (16,707)	
Years ended October 31			
2013	\$ 650		
2014	716		
2015	782		
2016	798		
2017	837		
2018 — 2022	5,134		
Total	\$ 8,917		
	1%	1%	
	Increase	Decrease	
Change in net benefit cost	\$ 94	\$ (75)	
Change in projected benefit obligation	\$ 1,641	\$ (1,323)	

**Note 13. Other Long-Term
Liabilities (Detail) - Other
Long-Term Liabilities: (USD
\$)**

Oct. 31, 2012 Oct. 31, 2011

**In Thousands, unless
otherwise specified**

Post-retirement obligations (Note 22)	\$ 55,516	\$ 18,259
Asset retirement obligation (Note 26)	12,570	11,691
Captive insurance liability (Note 24)	2,505	2,616
Restructuring provision (Note 17)	191	3,617
Other	3,686	3,436
Other long-term liabilities	\$ 74,468	\$ 39,619

**Note 21. Stock-Based
Compensation (Detail) -
Stock Option Activity -
United States Dollar
Options: (United States
Dollar Option [Member],
USD \$)**

12 Months Ended

Oct. 31, 2012 Oct. 31, 2011 Oct. 31, 2010

**In Thousands, except Per
Share data, unless otherwise
specified**

United States Dollar Option [Member]

<u>Outstanding, Number</u>	157	802	
<u>Outstanding, Weighted Average Exercise Price (in Dollars per share)</u>	\$ 15.72	\$ 15.88	
<u>Outstanding, Weighted Average Remaining Contractual Life</u>	2 years 6 months	3 years 219 days	4 years 219 days
<u>Outstanding, Aggregate Intrinsic Value (in Dollars)</u>	\$ 8	\$ 15	
<u>Cancelled or forfeited, Number</u>	(1)	(645)	
<u>Cancelled or forfeited, Weighted Average Exercise Price (in Dollars per share)</u>	\$ 15.91	\$ 15.91	
<u>Vested and expected to vest, Number</u>	157		
<u>Vested and expected to vest, Weighted Average Exercise Price (in Dollars per share)</u>	\$ 15.72		
<u>Vested and expected to vest, Weighted Average Remaining Contractual Life</u>	2 years 6 months	3 years 219 days	
<u>Vested and expected to vest, Aggregate Intrinsic Value (in Dollars)</u>	8		
<u>Exercisable, Number</u>	157		
<u>Exercisable, Weighted Average Exercise Price (in Dollars per share)</u>	\$ 15.72		
<u>Exercisable, Weighted Average Remaining Contractual Life</u>	2 years 6 months	3 years 219 days	
<u>Exercisable, Aggregate Intrinsic Value (in Dollars)</u>	8		
<u>Outstanding, Number</u>	156	157	802
<u>Outstanding, Weighted Average Exercise Price (in Dollars per share)</u>	\$ 15.73	\$ 15.72	\$ 15.88
<u>Outstanding, Weighted Average Remaining Contractual Life</u>	2 years 6 months	3 years 219 days	4 years 219 days
<u>Outstanding, Aggregate Intrinsic Value (in Dollars)</u>	1	8	15
<u>Vested and expected to vest, Number</u>	156	157	
<u>Vested and expected to vest, Weighted Average Exercise Price (in Dollars per share)</u>	\$ 15.73	\$ 15.72	
<u>Vested and expected to vest, Weighted Average Remaining Contractual Life</u>	2 years 6 months	3 years 219 days	
<u>Vested and expected to vest, Aggregate Intrinsic Value (in Dollars)</u>	1	8	
<u>Exercisable, Number</u>	156	157	
<u>Exercisable, Weighted Average Exercise Price (in Dollars per share)</u>	\$ 15.73	\$ 15.72	
<u>Exercisable, Weighted Average Remaining Contractual Life</u>	2 years 6 months	3 years 219 days	

Exercisable, Aggregate Intrinsic Value (in Dollars)

\$ 1

\$ 8

**Note 13. Other Long-Term
Liabilities (Tables)**

**12 Months Ended
Oct. 31, 2012**

Schedule of Other Assets and Other Liabilities [Table Text Block]	As of October 31	2012	2011
Post-retirement obligations <i>(Note 22)</i>	\$55,516	\$18,259	
Asset retirement obligation <i>(Note 26)</i>	12,570	11,691	
Captive insurance liability <i>(Note 24)</i>	2,505	2,616	
Restructuring provision <i>(Note 17)</i>	191	3,617	
Other	3,686	3,436	
Other long-term liabilities	\$74,468	\$39,619	

Note 25. Litigation

**12 Months Ended
Oct. 31, 2012**

[Schedule of Loss](#)
[Contingencies by Contingency](#)
[\[Table Text Block\]](#)

25. Litigation

MAPLE

AECL and the Government of Canada unilaterally announced in fiscal 2008 their intention to discontinue development work on the MAPLE Facilities. At the same time, AECL and the Government of Canada also publicly announced that they would continue to supply medical isotopes from the current NRU reactor, and would pursue a license extension of the NRU reactor operations past the expiry date, at the time, of October 31, 2011. On July 8, 2008, Nordion served AECL with a notice of arbitration proceedings seeking an order to compel AECL to fulfill its contractual obligations under an agreement entered into with AECL in February 2006 (the 2006 Agreement) to complete the MAPLE Facilities and, in the alternative and in addition to such order, seeking significant monetary damages. On September 10, 2012, Nordion announced that it had received the decision in its confidential arbitration with AECL and was unsuccessful in its claim for specific performance or monetary damages relating to AECL's cancelled construction of the MAPLE facilities. The majority of the tribunal ruled 2:1 that Nordion's claim against AECL in the arbitration was precluded under the terms of the 2006 Agreement. Thus, Nordion was not entitled to a remedy under the 2006 Agreement for the unilateral termination by AECL of the construction of the MAPLE facilities. In the decision, the arbitrators also dismissed AECL's counterclaim against Nordion for damages for breach of contract in the amount of \$250 million (C\$250 million) and other relief. The appeal period has expired and neither party appealed the decision. The arbitrators have yet to decide on the issue of costs, and requested that Nordion and AECL make submissions. As the decision of the tribunal favors AECL, Nordion may be responsible for a portion of AECL's costs, which could be material. AECL submitted total arbitration-related costs of approximately \$46 million. Nordion has received and is currently assessing the legal merits and financial implications of AECL's costs submissions.

In addition to the arbitration, in 2008 Nordion also filed a court claim against AECL and the Government of Canada. Nordion's claim filed against AECL sought (i) damages in the amount of \$1.6 billion (C\$1.6 billion) for negligence and breach of contract under the Isotope Production Facilities Agreement (IPFA) entered into with AECL in 1996; and (ii) interim, interlocutory and final orders directing AECL to continue to supply radioisotopes under the 2006 Agreement, pending any final judgment and completion of the MAPLE Facilities; and, against the Government of Canada, Nordion sought (i) damages in the amount of \$1.6 billion (C\$1.6 billion) for inducing breach of contract and interference with economic relations in respect to the 2006 Agreement; (ii) an order that Nordion may set off the damages owing to it by the Government of Canada as a result of the Government's conduct set out herein against any amounts owing by Nordion to the Government of Canada under the Facilities Development and Construction Funding Agreement (FDCFA), a loan agreement between the Government of Canada and Nordion for \$100 million (C\$100 million); and (iii) an interim and interlocutory order suspending any payments that may be owing to the Government of Canada under the FDCFA pending the determination of the issues in this litigation and an interim or interlocutory order requiring the return of all security instruments delivered in connection with the FDCFA. The arbitration decision leaves Nordion open to pursue its ongoing lawsuit against AECL in the Ontario courts in

relation to the 1996 IPFA. In the analysis of the decision, although the arbitrators did not rule on the issue, the view of the majority was that a breach of contract by AECL did not occur under the 2006 Agreement. Nordion is pursuing its rights under the IPFA.

The parties have agreed on a preliminary schedule for proceeding in the IPFA claim and Nordion filed an amended statement of claim on January 18, 2013. Having regard to the majority opinion in the arbitration, the amended statement of claim under the IPFA no longer includes the Government of Canada and the damages claimed are substantially lower. Nordion and the Government of Canada have agreed to the discontinuance of the action against the Government of Canada without costs. The schedule provides for AECL to file motions if it sees fit and to file a defence. Documentary productions and discoveries are currently anticipated to begin during 2013. Based on the current schedule, the matter would not be expected to be set down for trial before mid-2014. The claim requests damages in the amount of \$243.5 million for negligence and breach of the IPFA, as well as pre- and post-judgment interest and costs. The damages claimed are for the recovery of Nordion's costs up to the end of the IPFA, net of certain amounts settled between Nordion and AECL at the time of entering into the Interim and Long-Term Supply Agreement (ILTSA).

Under the 2006 Agreement, commercially reasonable efforts are required to maintain isotope production from the NRU reactor until such time as Nordion has established a satisfactory, long-term alternative supply. Nordion has accordingly notified AECL that it intends to continue to require isotope supply from AECL while Nordion continues to explore alternatives to mitigate the lack of supply from AECL, for both back-up and the long-term supply of reactor-based medical isotopes.

Bioequivalence studies

During fiscal 2009, the Company was served with a Complaint related to repeat study and mitigation costs of \$10 million and lost profits of \$70 million. This action relates to certain bioequivalence studies carried out by the Company's former MDS Pharma Services business unit at the Montreal, Canada facility from January 1, 2000, to December 31, 2004. The Company maintains reserves in respect of repeat study costs as well as errors and omissions insurance. Nordion has assessed this claim and has accrued amounts related to the direct costs associated with the repeat study costs in the FDA provision (Note 10(a)). No specific provision has been recorded related to the claim for lost profit, other than insurance deductible liabilities included in accrued liabilities. The Company has filed an Answer and intends to vigorously defend this action. Discoveries are ongoing, and no trial date has been set. To date, attempts to mediate the claim have been unsuccessful.

During fiscal 2009, the Company was served with a Statement of Claim related to repeat study and mitigation costs of \$5 million (C\$5 million) and loss of profit of \$30 million (C\$30 million). This action relates to certain bioequivalence studies carried out by the Company's former MDS Pharma Services business unit at the Montreal, Canada facility from January 1, 2000, to December 31, 2004. The Company maintains reserves in respect of repeat study costs as well as errors and omissions insurance. Nordion has assessed this claim and has accrued amounts related to the direct costs associated with the repeat study costs in the FDA provision (Note 10(a)). No specific provision has been recorded related to the claim for lost profit, other than insurance

deductible liabilities included in accrued liabilities. The Company has filed a Statement of Defence and intends to vigorously defend this action.

BioAxone BioSciences

During the third quarter of fiscal 2012, the Company was served with a Complaint filed in Florida relating to our former Pharma Services business (the Complaint). The Complaint, by BioAxone BioSciences Inc., named Nordion (US) Inc. as well as another co-defendant, and alleges that MDS Pharma Services acted negligently in the preparation and qualification of a Bacterial Master Cell Bank relating to the development of a biologic drug, and claims that Plaintiff has incurred costs to take corrective actions to the cell bank and to the development of its drug as a result of associated delays in development, progress through clinical trials and the FDA approvals process, in an amount greater than \$90 million. Nordion has not made a specific provision related to this Complaint. The Company is currently assessing the merits of the Complaint and intends to vigorously defend this claim.

**Note 14. Earnings Per Share
(Detail) - Earnings Per
Share: (USD \$)
In Thousands, except Per
Share data, unless otherwise
specified**

12 Months Ended

	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2010
<u>Weighted average number of Common shares outstanding – basic</u>	62,029	64,719	89,279
<u>Impact of stock options assumed exercised</u>	1	90	1
<u>Weighted average number of Common shares outstanding – diluted</u>	62,030	64,809	89,280
<u>Basic and diluted (loss) earnings per share from continuing operations (in Dollars per share)</u>	\$ (0.47)	\$ 0.67	\$ (0.94)
<u>Basic and diluted loss per share from discontinued operations (in Dollars per share)</u>		\$ (0.41)	\$ (1.66)
<u>Basic and diluted (loss) earnings per share (in Dollars per share)</u>	\$ (0.47)	\$ 0.26	\$ (2.60)

**Note 22. Employee Benefits
(Detail) - Components of Net
Periodic Cost for Other
Benefit Plans: (Other
Postretirement Benefit Plans,
Defined Benefit [Member],
USD \$)**

12 Months Ended

Oct. 31, 2012 Oct. 31, 2011 Oct. 31, 2010

**In Thousands, unless
otherwise specified**

Other Postretirement Benefit Plans, Defined Benefit [Member]

Components of net periodic cost

<u>Current service cost</u>	\$ 186	\$ 191	\$ 276
<u>Interest cost</u>	696	768	790
<u>Recognized actuarial (gain) loss</u>	(63)	(229)	348
<u>Recognized past service cost</u>	(49)	(50)	(48)
<u>Curtailment gain recognized</u>			(486)
<u>Net periodic cost</u>	\$ 770	\$ 680	\$ 880

**Note 24. Commitments and
Contingencies (Detail) (USD
\$)**

	12 Months Ended		
	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2010
Operating Leases, Rent Expense, Net	\$ 1,100,000	\$ 1,300,000	\$ 16,600,000
Long-term Purchase Commitment, Time Period	1 to 12 years		
Amounts Purchased Under Contractual Commitments	37,400,000	45,900,000	47,300,000
Direct Operating Cost, Royalty Expense	500,000	1,600,000	3,600,000
Amount Of Self Insurance For Costs Incurred Relating To Single Liability Claim In Year Maximum	5,000,000		
Amount Of Self Insurance For Costs Incurred In Aggregate Related To Liability Claims In Year Maximum	10,000,000		
Self Insurance Reserve	4,600,000	7,100,000	
Operating Leases, Future Minimum Payments Due	6,970,000		
Retained Obligation From Sale of Early Stage [Member]			
Operating Leases, Future Minimum Payments Due	700,000		
Isotopes [Member]			
Purchase Obligation	240,000,000		
Outsourcing of Information Technology Infrastructure [Member]			
Purchase Obligation	\$ 2,500,000	\$ 2,300,000	

Note 10. Accrued Liabilities
(Detail) - Accrued
Liabilities: (USD \$)
In Thousands, unless
otherwise specified

	Oct. 31, 2012	Oct. 31, 2011
Employee-related accruals (Note 21)	\$ 4,922	\$ 6,716
FDA provision(a)	8,321	[1] 8,325 [1]
Captive insurance liability (Note 24)	2,119	4,492
AECL revenue share and waste disposal	3,770	3,004
Restructuring provision (Note 17)	3,453	4,004
Other(b)	57,737	[2] 26,373 [2]
Accrued liabilities	\$ 80,322	\$ 52,914

[1] The FDA provision was established in fiscal 2007 to address certain U.S. Food and Drug Administration (FDA) issues related to the Company's discontinued bioanalytical operations in its Montreal, Canada, facilities. Although the bioanalytical operations were part of MDS Pharma Services, Nordion has retained this potential liability following the sale of Early Stage. The Company may, where appropriate, reimburse clients who have incurred or will incur third party audit costs or study re-run costs to complete the work required by the FDA and other regulators. Management regularly updates its analysis of this critical estimate based on all currently available information. Based on this analysis, the Company recorded payments of \$nil (2011 - \$0.2 million; 2010 - \$9.9 million) for the year ended October 31, 2012. As of October 31, 2012, management believes that the remaining provision of \$8.3 million (October 31, 2011 - \$8.3 million) is sufficient to cover any agreements reached with clients for study audits, study re-runs, and other related costs. Included in this potential liability are amounts for two legal claims the Company has been served with related to repeat study costs (Note 25).

[2] Other includes a \$9.5 million settlement accrual recorded for the arbitration with Life Technologies Corporation (Life) as a result of the ruling that occurred in July 2011 as well as approximately \$32 million estimated litigation accruals (Note 25). Other also includes derivative liabilities, royalties and various miscellaneous payables.

Note 18. Other Expenses, Net
(Detail) (USD \$)
In Thousands, unless
otherwise specified

12 Months Ended

Oct. 31, Oct. 31, Oct. 31,
2012 2011 2010

[Other Operating Income \(Expense\), Net](#)

\$
(26,321) ^[1] \$ (275) \$ 14,165

Loss on Celerion Note Receivable [Member]

[Other Operating Income \(Expense\), Net](#)

2,400

Estimated Accrual For AECL's Legal Costs Relating To The MAPLE
Arbitration [Member]

[Other Operating Income \(Expense\), Net](#)

\$ 24,100

[1] Included in Other is a loss on the Celerion note receivable of \$2.4 million (Note 8(c)) and estimated
litigation accruals of \$24.1 million (Note 25) for the year ended October 31, 2012.

**Note 24. Commitments and
Contingencies (Tables)**

[Contractual Obligation, Fiscal Year Maturity Schedule \[Table Text Block\]](#)

**12 Months Ended
Oct. 31, 2012**

Years ended October 31	Operating Leases	Other Contractual Commitments
2013	\$ 1,844	\$ 52,091
2014	1,101	44,139
2015	990	32,898
2016	989	49,974
2017	1,137	26,844
Thereafter	909	82,803
	\$ 6,970	\$ 288,749

Note 22. Employee Benefits (Detail) (USD \$) In Millions, unless otherwise specified	12 Months Ended	
	Oct. 31, 2012	Oct. 31, 2011 Oct. 31, 2010
Defined Contribution Plans [Member]		
Deferred Compensation Arrangement with Individual, Employer Contribution	\$ 1.3	\$ 1.2 \$ 3.5
Canadian Plan [Member]		
Defined Benefit Plans, General Information	<p>The Canadian plan is based on the highest three or six average consecutive years of wages and requires employee contributions.</p>	
U.S. Plan [Member]		
Defined Benefit Plans, General Information	<p>The U.S. plan is based on the participants' 60 highest consecutive months of compensation and their years of service.</p>	
Pension Plans, Defined Benefit [Member]		
Estimated Annual Funding Requirements For Next Five Years	14	
Estimated Annual Current Service Cost Contributions Expected For Next Five Years	3	
Unrecognized Actuarial Gains And Past Service Costs Net Of Taxes	0.5	2.4
Unrecognized Actuarial Gains And Past Service Costs Taxes	0.1	0.6
Other Postretirement Benefit Plans, Defined Benefit [Member]		
Defined Benefit Plan, Estimated Future Employer Contributions in Next Fiscal Year	\$ 0.7	

**Note 11. Long-Term Debt
(Detail) - Future Principal
Repayments of Long-Term
Debt: (USD \$)**

**In Thousands, unless
otherwise specified**

Dec. 31, 2012 Oct. 31, 2012 Dec. 31, 2011

2013		\$ 4,190		
2014		4,156		
2015		34,985		
	\$ 43,331	\$ 43,331	\$ 44,330	

Note 16. Financial Instruments and Financial Risk (Detail) - The following table presents the changes in the Level 3 fair value category: (USD \$) In Thousands, unless otherwise specified	12 Months Ended	
	Oct. 31, 2012	Oct. 31, 2011
		Oct. 31, 2010
Derivative assets (Note 6)	\$ 11,409	\$ 10,514
Derivative assets (Note 6)	\$ (11,409)	\$ 895

Note 15. Share Capital
(Detail) - Summary of Share
Capital: (USD \$)
In Thousands, except Share
data, unless otherwise
specified

12 Months Ended

Oct. 31, 2012 Oct. 31, 2011 Oct. 31, 2010

<u>Balance as of October 31, 2009 (in Shares)</u>	62,378,521	67,238,000	120,137,000
<u>Balance as of October 31, 2009</u>	\$ 254,076	\$ 273,859	\$ 488,808
<u>Issued (in Shares)</u>			42,000
<u>Issued</u>			327
<u>Repurchased and cancelled (in Shares)</u>	(469,000)	(4,860,000)	(52,941,000)
<u>Repurchased and cancelled</u>	(1,911)	(19,775)	(215,304)
<u>Other</u>	3	(8)	28
<u>Balance (in Shares)</u>	61,909,101	62,378,521	67,238,000
<u>Balance</u>	\$ 252,168	\$ 254,076	\$ 273,859

Note 17. Restructuring Charges (Detail) In Thousands, unless otherwise specified	12 Months Ended			36 Months Ended	12 Months Ended	3 Months Ended		Jan. 31, 2012 Net Recovery Due to Lease Termination of 70% of Former Toronto Office Space [Member] USD (\$)
	Oct. 31, 2012 USD (\$)	Oct. 31, 2011 USD (\$)	Oct. 31, 2010 USD (\$)	Oct. 31, 2012 USD (\$)	Oct. 31, 2012 Workforce Reductions [Member] USD (\$)	Jan. 31, 2012 Lease Termination Penalty [Member] USD (\$)	Jan. 31, 2012 Lease Termination Penalty [Member] CAD	
Restructuring Charges	\$ 1,781	\$ 1,592	\$ 62,531	\$ 65,904	\$ 2,600			
Restructuring Reserve, Settled with Cash				62,397		2,500	2,500	
Percentage of Toronto Office Space For Which An Early Termination Penalty Was Paid						70.00%	70.00%	
Restructuring Reserve, Accrual Adjustment	1,781							700
Restructuring Reserve	\$ 3,644	\$ 7,600		\$ 3,644				
Lease, Remaining Term	2 years							

Note 12. Deferred Revenue
(Detail) - Deferred Revenue:

(USD \$)

**In Thousands, unless
otherwise specified**

Oct. 31, 2012

Oct. 31, 2011

Deferred Revenue	\$ 3,458		\$ 5,675	
Less: current portion	(1,500)		(1,820)	
Long-term portion of deferred revenue	1,958		3,855	
Up-front Payment Arrangement [Member]				
Deferred Revenue	1,269		1,115	
Deferred Credit Related to Government Loan [Member]				
Deferred Revenue	1,958	[1]	3,467	[1]
Deposits For Reimbursable Costs [Member]				
Deferred Revenue	\$ 231		\$ 1,093	

[1] The deferred credit is related to the Canadian government loan associated with the MAPLE Facilities, which is being amortized over the remaining three-year term of the debt using the sum of the years' digits method.

Note 9. Goodwill (Detail)**(USD \$)****In Thousands, unless
otherwise specified****Oct. 31, 2012 Oct. 31, 2011**

Goodwill	\$ 2,526	\$ 2,532
Sterilization Technologies [Member]		
Goodwill	1,600	
Medical Isotopes [Member]		
Goodwill	\$ 900	

Note 17. Restructuring Charges

**12 Months Ended
Oct. 31, 2012**

[Restructuring and Related Activities Disclosure \[Text Block\]](#)

17. Restructuring Charges, Net

During the fourth quarter of fiscal 2012, Nordion announced a strategic realignment of the business designed to focus on improving the execution of Nordion's business strategy. As a result of this strategic alignment the Company recorded a restructuring charge of \$2.6 million (2011 - \$nil; 2010 - \$nil) relating to workforce reductions for the year ended October 31, 2012.

During the first quarter of fiscal 2012, the Company signed a lease termination agreement and paid a \$2.5 million (C\$2.5 million) early termination penalty for approximately 70% of its former Toronto office space. As a result, during the year ended October 31, 2012 the Company recorded a \$0.7 million net recovery in the first quarter of fiscal 2012.

As of October 31, 2012, the restructuring provision of \$3.6 million (October 31, 2011 — \$7.6 million) is included in accrued liabilities (Note 10) and other long-term liabilities (Note 13) in the consolidated statements of financial position. The majority of the workforce reduction provision is expected to be utilized during fiscal 2013 with a portion of the provision remaining until the first quarter of fiscal 2014. The Company has completed its activities associated with the fiscal 2011 and 2010 restructuring plans and has utilized substantially all of the related prior year provisions. The remaining contract cancellation recovery provision relates to future rental payments related to the Company's remaining former corporate office space in Toronto, which may extend over 2 years.

The table below provides an analysis of the Company's restructuring activities related to its continuing operations until October 31, 2012.

	Expenses				Cumulative Activities		Balance as of October 31
	2012	2011	2010	Total	Cash	Non-Cash	2012
Workforce reductions	\$ 2,557	\$ 1,217	\$ 42,161	\$ 45,935	\$(42,174)	\$ (1,074)	\$ 2,687
Contract cancellation (recovery) charges	(776)	375	7,175	6,774	(7,042)	1,225	957
Other	-	-	13,195	13,195	(13,181)	(14)	-
Restructuring charges, net	\$ 1,781	\$ 1,592	\$ 62,531	\$ 65,904	\$(62,397)	\$ 137	\$ 3,644

**Note 17. Restructuring
Charges (Tables)**

[Schedule of Restructuring and Related
Costs \[Table Text Block\]](#)

**12 Months Ended
Oct. 31, 2012**

	Expenses				Cumulative Activities		Balance as of October 31
	2012	2011	2010	Total	Cash	Non- Cash	2012
Workforce reductions	\$ 2,557	\$1,217	\$ 42,161	\$45,935	\$(42,174)	\$(1,074)	\$ 2,687
Contract cancellation (recovery) charges	(776)	375	7,175	6,774	(7,042)	1,225	957
Other	-	-	13,195	13,195	(13,181)	(14)	-
Restructuring charges, net	\$ 1,781	\$1,592	\$ 62,531	\$65,904	\$(62,397)	\$ 137	\$ 3,644

**Note 8. Other Long-Term
Assets (Tables)**

[Schedule of Other Assets, Noncurrent \[Table Text Block\]](#)

**12 Months Ended
Oct. 31, 2012**

As of October 31	2012	2011
Restricted cash ^(a)	\$ 3,906	\$ 5,847
Financial instrument pledged as security on long-term debt ^(b)	38,989	40,048
Long-term note receivable ^(c)	14,172	20,721
Goodwill (<i>Note 9</i>)	2,526	2,532
Pension assets (<i>Note 22</i>)	-	9,748
Other ^(d)	2,503	2,349
Other long-term assets	\$ 62,096	\$ 81,245

Note 11. Long-Term Debt		12 Months Ended			
(Detail) - Long-Term Debt:					
(USD \$)					
In Thousands, unless otherwise specified		Oct. 31, 2012	Dec. 31, 2012	Dec. 31, 2011	Oct. 31, 2011
Total long-term debt	Dec. 31, 2013				
Total long-term debt	Dec. 31, 2015				
Total long-term debt	\$ 43,331	\$ 43,331	\$ 44,330		
Current portion of long-term debt	(4,190)	(4,190)	(4,156)	(4,156)	
Long-term debt	\$ 39,141	\$ 39,141	\$ 40,174	\$ 40,174	

Note 19. Income Taxes
(Detail) - Gross Reserves For
Uncertain Tax Positions
Excluding Accrued Interest
and Penalties: (USD \$)
In Thousands, unless
otherwise specified

12 Months Ended

Oct. 31, 2012 Oct. 31, 2011

<u>Gross unrecognized tax benefits</u>	\$ 9,377	\$ 7,842
<u>Additions for tax positions from prior years</u>	17,104	218
<u>Reductions for tax positions from prior years</u>	(3,513)	(1,177)
<u>Additions for tax positions related to the current year</u>	10,388	2,346
<u>Currency translation adjustment</u>	118	148
<u>Gross unrecognized tax benefits</u>	\$ 33,474	\$ 9,377

**Note 2. Summary of
Significant Accounting
Policies (Tables)**

[Property, Plant and Equipment, Estimated Useful
Lives \[Table Text Block\]](#)

**12 Months Ended
Oct. 31, 2012**

Buildings (years)	25 — 40
Equipment (years)	3 — 20
Furniture and fixtures (years)	3 — 10
Computer systems (years)	3 — 7
	Term of the lease plus renewal periods, when renewal is reasonably assured
Leaseholds improvements	

Note 19. Income Taxes
(Tables)

[Schedule of Income before Income Tax, Domestic and Foreign \[Table Text Block\]](#)

[Schedule of Components of Income Tax Expense \(Benefit\) \[Table Text Block\]](#)

[Schedule of Effective Income Tax Rate Reconciliation \[Table Text Block\]](#)

12 Months Ended

Oct. 31, 2012

Oct. 31, 2011

Years ended October 31	2012	2011	2010
Canadian	\$ 2,491	\$57,453	\$(61,247)
Foreign	1,033	3,171	(22,382)
Income (loss) from continuing operations before income taxes	\$ 3,524	\$60,624	\$(83,629)
Years ended October 31	2012	2011	2010
Canadian income tax expense (recovery)			
Current	\$ (5,211)	\$12,851	\$(9,615)
Deferred	38,137	3,666	(6,998)
Foreign income tax (recovery) expense			
Current	(533)	605	1,308
Deferred	-	-	15,492
Income tax expense	\$32,393	\$17,122	\$ 187
Years ended October 31	2012	2011	2010
Expected income tax expense (recovery) at the 25% (2011 – 27%; 2010 – 30%) statutory rate	\$ 893	\$16,372	\$(25,050)
Increase (decrease) in taxes as a result of:			
Change in valuation allowance on deferred tax assets	48,515	(406)	19,599
Tax benefit arising on utilization of R&D tax credits	(1,339)	(438)	(11)
Net changes in reserves for uncertain tax positions ^(a)	14,758	1,398	(10,217)
Foreign earnings taxed at rates different from the statutory rate	(264)	(1,166)	1,726
Stock-based compensation	397	471	269
Impact of income tax rate changes	(2,297)	-	1,065
Deferred tax rate differential	1,159	788	(562)
Provision to previously filed tax returns	(5,744)	(671)	4,188
Non-taxable portion of capital loss on investments	(26,694)	-	-
Other investment write downs	-	(109)	-
Non-deductible foreign exchange losses	-	-	6,950

Impact of non-deductible expenses and other differences	3,009	883	2,230
---	-------	-----	-------

Reported income tax expense	\$ 32,393	\$17,122	\$ 187
------------------------------------	------------------	-----------------	---------------

[Schedule of Deferred Tax Assets and Liabilities \[Table Text Block\]](#)

As of October 31	2012	2011
Tax benefit of losses carried forward	\$ 128,124	\$ 99,498
Tax basis in excess of book value	2,883	9,756
Investment tax credits	68,088	65,283
Provisions and reserves	385	(2,195)
Other comprehensive loss	20,025	8,609
Deferred tax assets before valuation allowance	219,505	180,951
Unrecognized tax benefits	(12,872)	-
Valuation allowance	(149,637)	(100,053)
Net deferred tax assets	\$ 56,996	\$ 80,898

[Summary of Income Tax Contingencies \[Table Text Block\]](#)

As at October 31	2012	2011
Gross unrecognized tax benefits, beginning of year	\$ 9,377	\$ 7,842
Additions for tax positions from prior years	17,104	218
Reductions for tax positions from prior years	(3,513)	(1,177)
Additions for tax positions related to the current year	10,388	2,346
Currency translation adjustment	118	148
Gross unrecognized tax benefits, end of year	\$33,474	\$ 9,377

	1 Months Ended	12 Months Ended			12 Months Ended						
									Oct. 31, 2012 LCC	Oct. 31, 2011 LCC	Oct. 31, 2010 LCC
Note 7. Long-Term Investments (Detail) (USD \$)	Mar. 31, 2010	Oct. 31, 2011	Oct. 31, 2010	Oct. 31, 2012	Oct. 31, 2012 Celerion, Inc. [Member]	Oct. 31, 2011 Celerion, Inc. [Member]	Mar. 05, 2010 Celerion, Inc. [Member]	Legacy Holdings (LCC) (formerly Lumira Capital Corp.) [Member]	Legacy Holdings (LCC) (formerly Lumira Capital Corp.) [Member]	Legacy Holdings (LCC) (formerly Lumira Capital Corp.) [Member]	
Equity Method Investment, Ownership Percentage							15.00%				
Preferred Stock, Conversion Basis	1										
Investment Owned, at Fair Value					\$ 1,400,000						
Fair Value Of Company's Investment In And Note Receivable From Celerion					15,600,000						
Proceeds from Equity Method Investment, Dividends or Distributions		951,000	3,034,000					900,000			
Income (Loss) from Equity Method Investments		(1,079,000)	(3,684,000)						100,000	700,000	
Equity Method Investments	\$ 1,473,000	^[1]		\$ 1,450,000	^[1] \$ 1,450,000	^[2] \$ 1,473,000	^[2]				

[1] Long-term investments include an investment in LCC, an investment fund management company, which has long-term investments in development-stage enterprises that have not yet earned significant revenues from their intended business activities or established their commercial viability. Nordion does not have any significant involvement in the day-to-day operations of LCC other than to obtain its share of earnings and losses. During the year ended October 31, 2012, the Company reported equity loss of \$0 (2011 - \$0.1 million; 2010 - \$0.7 million) from the investment in LCC. The Company's exposure to losses is limited to its investment of \$0 (October 31, 2011 - \$0).

[2] On March 5, 2010, as part of the consideration for the sale of MDS Pharma Services Early Stage (Early Stage), Nordion received approximately 15% of the total common stock of Celerion assuming the conversion of all the outstanding preferred stock and issuance and exercise of permitted stock options. The outstanding preferred stock of Celerion are voting, all owned by third parties, convertible into common stock on a 1:1 basis, subject to certain adjustments, and are subordinated to the Note (Note 8(c)). Nordion's ability to transfer its Celerion equity and the Note is subject to the consent of Celerion, which is controlled by third-party investors who collectively hold a majority of the outstanding Celerion equity and have no restrictions on selling their interests. These third-party investors also have majority representation on the Board of Directors of Celerion. This investment in Celerion is recorded at cost and has a fair value of \$1.4 million as of October 31, 2012. The fair value has been determined based on an estimate of the fair value of the business sold using proceeds on sale and a discounted future cash flow model using cost of equity of comparable companies adjusted for risk. Pursuant to applicable U.S. accounting rules, a business entity may be subject to consolidation if it is determined to be a variable interest entity (VIE) and if the reporting entity is the primary beneficiary. The Company has determined that Celerion is a VIE but Nordion is not the primary beneficiary and, therefore, consolidation is not required. The Company continues to assess any reconsideration events and monitor the status of its relationship with Celerion. The fair value of the Company's investment in Celerion and the Note (Note 8(c)) is currently estimated to be \$15.6 million in aggregate. The Company's maximum exposure to loss is limited to the carrying value of the Note and its investment in Celerion.

**Note 22. Employee Benefits
(Detail) - Weighted Average
Assumptions Used in
Determining Net Periodic
Benefit Cost and Projected
Benefit Obligation of
Defined Benefit Pension
Plans:**

12 Months Ended

	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2010
Projected Benefit Obligation - Expected Return On Plan Assets [Member] Domestic Pension Plans of Foreign Entity, Defined Benefit [Member]			
<u>Projected benefit obligation</u>			
<u>Expected return on plan assets</u>	5.75%	6.00%	6.50%
Projected Benefit Obligation - Expected Return On Plan Assets [Member] Foreign Pension Plans, Defined Benefit [Member]			
<u>Projected benefit obligation</u>			
<u>Expected return on plan assets</u>	8.00%	8.00%	8.00%
Benefit Cost - Expected Return On Plan Assets [Member] Domestic Pension Plans of Foreign Entity, Defined Benefit [Member]			
<u>Projected benefit obligation</u>			
<u>Expected return on plan assets</u>	6.00%	6.50%	6.90%
Benefit Cost - Expected Return On Plan Assets [Member] Foreign Pension Plans, Defined Benefit [Member]			
<u>Projected benefit obligation</u>			
<u>Expected return on plan assets</u>	8.00%	8.00%	8.00%
Domestic Pension Plans of Foreign Entity, Defined Benefit [Member]			
<u>Projected benefit obligation</u>			
<u>Discount rate</u>	4.25%	5.40%	5.40%
<u>Discount rate</u>	5.40%	5.40%	6.50%
<u>Rate of compensation increase</u>	3.50%	3.50%	3.75%
<u>Rate of compensation increase</u>	3.25%	3.50%	3.50%
Foreign Pension Plans, Defined Benefit [Member]			
<u>Projected benefit obligation</u>			
<u>Discount rate</u>	3.52%	4.50%	5.24%
<u>Discount rate</u>	4.50%	5.24%	5.75%
<u>Rate of compensation increase</u>			4.50%

**Note 2. Summary of
Significant Accounting
Policies (Detail) - Estimated
useful lives of property, plant
and equipment**

12 Months Ended

Oct. 31, 2012

Leaseholds improvements	Term of the lease plus renewal periods, when renewal is reasonably assured
Building [Member] Minimum [Member] Property, plant and equipment useful lives	25 years
Building [Member] Maximum [Member] Property, plant and equipment useful lives	40 years
Equipment [Member] Minimum [Member] Property, plant and equipment useful lives	3 years
Equipment [Member] Maximum [Member] Property, plant and equipment useful lives	20 years
Furniture and Fixtures [Member] Minimum [Member] Property, plant and equipment useful lives	3 years
Furniture and Fixtures [Member] Maximum [Member] Property, plant and equipment useful lives	10 years
Computer Systems [Member] Minimum [Member] Property, plant and equipment useful lives	3 years
Computer Systems [Member] Maximum [Member] Property, plant and equipment useful lives	7 years

**Note 14. Earnings Per Share
(Tables)**

**12 Months Ended
Oct. 31, 2012**

[Schedule of Weighted Average Number of Shares](#)
[\[Table Text Block\]](#)

Years Ended October 31			
(number of shares in thousands)	2012	2011	2010
Weighted average number of Common shares outstanding – basic	62,029	64,719	89,279
Impact of stock options assumed exercised	1	90	1
Weighted average number of Common shares outstanding – diluted	62,030	64,809	89,280
Basic and diluted (loss) earnings per share from continuing operations	\$ (0.47)	\$ 0.67	\$ (0.94)
Basic and diluted loss per share from discontinued operations	-	(0.41)	(1.66)
Basic and diluted (loss) earnings per share	\$ (0.47)	\$ 0.26	\$ (2.60)

Note 1. Nature of Operations

**12 Months Ended
Oct. 31, 2012**

[Nature of Operations \[Text Block\]](#)

1. Nature of Operations

Nordion Inc. (Nordion or the Company) is a global health science company that provides market-leading products and services used for the prevention, diagnosis and treatment of disease. The Company's operations are organized into three business segments: Targeted Therapies, Sterilization Technologies and Medical Isotopes as well as certain corporate functions and activities reported as Corporate and Other.

**Note 22. Employee Benefits
(Detail) - Basis For the Fair
Valuation of Defined Benefit
Pension Plans Assets: (USD
\$)**

Oct. 31, 2012

**In Thousands, unless
otherwise specified**

<u>Defined Benefit Pension Plans Assets</u>	\$ 261,240
Cash and Cash Equivalents [Member] Fair Value, Inputs, Level 1 [Member]	
<u>Defined Benefit Pension Plans Assets</u>	25
Cash and Cash Equivalents [Member]	
<u>Defined Benefit Pension Plans Assets</u>	25
Debt Securities [Member] Fair Value, Inputs, Level 2 [Member]	
<u>Defined Benefit Pension Plans Assets</u>	156,024
Debt Securities [Member]	
<u>Defined Benefit Pension Plans Assets</u>	156,024
Equity Securities [Member] Fair Value, Inputs, Level 2 [Member]	
<u>Defined Benefit Pension Plans Assets</u>	105,191
Equity Securities [Member]	
<u>Defined Benefit Pension Plans Assets</u>	105,191
Fair Value, Inputs, Level 1 [Member]	
<u>Defined Benefit Pension Plans Assets</u>	25
Fair Value, Inputs, Level 2 [Member]	
<u>Defined Benefit Pension Plans Assets</u>	\$ 261,215

**Note 3. Accounts Receivable
(Detail) (One-Time
Settlement Related to
Certain Litigation Matters
[Member], USD \$)
In Millions, unless otherwise
specified**

Oct. 31, 2012

One-Time Settlement Related to Certain Litigation Matters [Member]

[Other Receivables](#)

\$ 8.3

**Note 24. Commitments and
Contingencies (Detail) - Non-
Cancelable Operating Leases**
Minimum Annual Payments: Oct. 31, 2012
(USD \$)

**In Thousands, unless
otherwise specified**

2013	\$ 1,844
2013	52,091
2014	1,101
2014	44,139
2015	990
2015	32,898
2016	989
2016	49,974
2017	1,137
2017	26,844
Thereafter	909
Thereafter	82,803
	6,970
	\$ 288,749

Note 10. Accrued Liabilities
(Tables)

12 Months Ended
Oct. 31, 2012

Schedule of Accrued Liabilities [Table Text Block]	As of October 31	2012	2011
Employee-related accruals <i>(Note 21)</i>	\$ 4,922	\$ 6,716	
FDA provision ^(a)	8,321	8,325	
Captive insurance liability <i>(Note 24)</i>	2,119	4,492	
AECL revenue share and waste disposal	3,770	3,004	
Restructuring provision <i>(Note 17)</i>	3,453	4,004	
Other ^(b)	57,737	26,373	
Accrued liabilities	\$80,322	\$52,914	

**Note 21. Stock-Based
Compensation**

**12 Months Ended
Oct. 31, 2012**

[Disclosure of Compensation
Related Costs, Share-based
Payments \[Text Block\]](#)

21. Stock-Based Compensation

Stock option plan

At the Company's annual and Special Meeting of Shareholders held on March 8, 2007, shareholders approved the Company's 2007 Stock Option Plan (the Plan), which replaced the Company's 2006 Stock Option Plan. Under the Plan, which conforms to all current regulations of the New York and Toronto stock exchanges, the Company may issue shares on the exercise of stock options granted to eligible employees, officers, directors and persons providing on-going management or consulting services to the Company. The exercise price of stock options issued under the Plan equals the market price of the underlying shares on the date of the grant. All options issued under the Plan are granted and priced on the date on which approval by the Board of Directors of the Company is obtained or a later date set by the Board of Directors in its approval. As of October 31, 2012, 6,159,800 Common shares have been reserved for issuance under the Plan. Stock-based compensation expense related to the Company's stock option plan for the year ended October 31, 2012 is \$1.6 million (2011 — \$1.2 million; 2010 - \$3.5 million), of which \$1.6 million (2011 — \$1.2 million; 2010 - \$0.2 million) is included in selling, general and administration expenses. Stock based compensation expense for fiscal 2010 also included \$2.5 million in restructuring charges (Note 17) and \$0.8 million in "Loss from discontinued operations, net of income taxes".

During the year ended October 31, 2012, the Company granted 42,800 (2011 – 808,700; 2010 – 1,174,000) C\$ stock options at a weighted average exercise price of C\$9.52 (2011 - C\$10.32). All options granted in fiscal 2012 have a seven year term and become exercisable ratably (a graded-vesting schedule) over a three-year period.

Canadian Dollar Options

	Number (000s)	Weighted Average Exercise Price (C\$)	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (C\$ thousands)
Outstanding as of October 31, 2010	3,531	\$ 16.53	3.9	\$ 2,067
Granted	809	10.32		
Exercised	-	-		
Cancelled or forfeited	(1,801)	19.80		
Expired	(116)	21.74		
Outstanding as of October 31, 2011	2,423	\$ 11.78	5.3	\$ -
Granted	43	9.52		
Exercised	-	-		
Cancelled or forfeited	(6)	20.66		
Expired	(44)	18.90		
Outstanding as of October 31, 2012	2,416	\$ 11.59	4.5	\$ -
Vested and expected to vest as at October 31, 2011 ^(a)	2,182	\$ 11.98	5.2	\$ -

Vested and expected to vest as at					
October 31, 2012^(a)	2,204	\$	11.75	3.9	\$ -
Exercisable as at October 31, 2011	440	\$	20.11	1.9	\$ -
Exercisable as at October 31, 2012	645	\$	16.30	2.9	\$ -

(a) The expected to vest amount represents the unvested options as at October 31, 2012 and 2011, respectively, less estimated forfeitures.

Canadian dollar options outstanding as of October 31, 2012 comprise the following:

Range of Exercise Prices (C\$)	Options Outstanding			Options Exercisable	
	Weighted Average Remaining Contractual Life (Years)	Number (000s)	Weighted Average Exercise Price (C\$)	Number (000s)	Weighted Average Exercise Price (C\$)
\$09.52- \$11.63	5.1	2,026	\$ 9.92	255	\$ 10.26
\$17.75- \$21.77	1.1	390	20.24	390	20.24
	4.5	2,416	\$ 11.59	645	\$ 16.30

United States Dollar Options

	Number (000s)	Weighted Average Exercise Price (US\$)	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (US\$ thousands)
Outstanding as of October 31, 2010	802	\$ 15.88	4.6	\$ 15
Granted	-	-		
Exercised or released	-	-		
Cancelled or forfeited	(645)	15.91		
Outstanding as of October 31, 2011	157	\$ 15.72	3.6	\$ 8
Granted	-	-		
Exercised or released	-	-		
Cancelled or forfeited	(1)	15.91		
Outstanding as of October 31, 2012	156	\$ 15.73	2.5	\$ 1
Vested and expected to vest as at October 31, 2011	157	\$ 15.72	3.6	\$ 8
Vested and expected to vest as at October 31, 2012	156	\$ 15.73	2.5	\$ 1
Exercisable as at October 31, 2011	157	\$ 15.72	3.6	\$ 8
Exercisable as at October 31, 2012	156	\$ 15.73	2.5	\$ 1

United States dollar options outstanding as of October 31, 2012 comprise the following:

Range of Exercise Prices (US\$)	Options Outstanding			Options Exercisable	
	Weighted Average Remaining Contractual Life (Years)	Number (000s)	Weighted Average Exercise Price (US\$)	Number (000s)	Weighted Average Exercise Price (US\$)
\$6.15	3.1	3	\$ 6.15	3	\$ 6.15
\$15.89 - \$15.91	2.5	153	15.91	153	15.91

2.5	156	\$	15.73	156	\$	15.73
-----	-----	----	-------	-----	----	-------

The Company utilizes the Black-Scholes option valuation model to estimate the fair value of the options granted based on the following assumptions:

	2012	2011	2010
Risk-free interest rate	1.07%	1.94%	2.1%
Expected dividend yield	4.29%	3.75%	0.0%
Expected volatility	0.280	0.304	0.365
Expected time until exercise (years)	3.6	3.6	3.6

The weighted average fair values of options granted are estimated to be C\$1.28 per Common share in fiscal 2012 (2011 - C\$1.83; 2010 - C\$2.91).

The Black-Scholes option valuation model used by the Company to determine fair values was developed for use in estimating the fair value of freely traded options that are fully transferable and have no vesting restrictions. This model requires the use of assumptions, including future stock price volatility and expected time until exercise. The Company uses historical volatility to estimate its future stock price volatility. The expected time until exercise is based upon the contractual term, taking into account expected employee exercise and expected post-vesting employment termination behavior.

The following table summarizes the intrinsic value of options exercised and the fair values of shares vested:

	2012	2011	2010
Aggregate intrinsic value of options exercised	C\$ -	C\$ -	C\$ -
	US\$ -	US\$ -	US\$ 62
Aggregate grant-date fair value of shares vested	C\$ 454	C\$ -	C\$ 5,920
	US\$ -	US\$ -	US\$ 4,518

As of October 31, 2012, the total remaining unrecognized compensation expense related to non-vested stock options amounted to approximately C\$2.0 million and US\$nil, which will be amortized over the weighted average remaining requisite service period of approximately 15 months and nil months, respectively, for the C\$ and US\$ stock options.

Deferred share units (DSU)

During the year ended October 31, 2012, the Company granted 132,493 (2011 – 179,777; 2010 – nil) DSU, respectively. DSU vest immediately or 100% after three years from the grant date. Vesting is time based and not dependent on a performance measure. Vested DSU are payable upon termination of employment and will be settled in cash or share units equal to the number of vested units multiplied by the five-day average closing TSX share price up to and including the termination date.

DSU granted are accompanied by dividend equivalents rights that will be payable in cash upon settlement of the DSU. During the year ended October 31, 2012, the Company recorded 15,449 (2011 – 11,496; 2010 - nil) DSU per dividend equivalent.

The Company records compensation expense and the corresponding liability each period based on vested units and changes in the market price of Common shares. The DSU expense for the year ended October 31, 2012 is \$0.7 million (2011 - \$1.0 million; 2010 — \$nil) of which \$0.6 million (2011 — \$1.0 million; 2010 - \$nil) is included in selling, general and administration expenses and \$0.1 million (2011 — \$nil; 2010 - \$nil) is in restructuring charges (Note 17).

During the fourth quarter of fiscal 2012, 68,570 DSU were paid out in the amount of \$0.6 million.

Restricted share units (RSU)

During the year ended October 31, 2012, the Company granted 201,231 (2011 – nil; 2010 – nil) RSU, respectively, which vest 100% after three years from the grant date. Vesting is time based and not dependent on a performance measure. Vested RSU are settled in cash equal to the number of vested units multiplied by the five-day average closing TSX share price up to and including the vesting date. RSU granted are accompanied by dividend equivalents rights that will be payable in cash upon settlement of the RSU. During the year ended October 31, 2012, the Company recorded 3,939 (2011 – nil; 2010 - nil) RSU per dividend equivalent.

The Company records compensation expense and the corresponding liability over the vesting period of the RSU adjusted for any fair value changes at each reporting date. The RSU expense for the year ended October 31, 2012 is \$0.4 million (2011 - \$nil; 2010 — \$nil) of which \$0.3 million (2011 — \$nil; 2010 - \$nil) is included in selling, general and administration expenses and \$0.1 million (2011 — \$nil; 2010 - \$nil) is in restructuring charges (Note 17).

Performance share units (PSU)

During the year ended October 31, 2012, the Company granted 122,828 (2011 – nil; 2010 – nil) PSU, respectively, which vest 6 months after the achievement of certain performance goals and other criteria over the vesting period by October 31, 2013. Vested PSU are settled in cash equal to the number of vested units multiplied by the five-day average closing TSX share price up to and including the vesting date. PSU granted are accompanied by dividend equivalents rights that will be payable in cash upon settlement of the PSU.

The PSU expense for the year ended October 31, 2012 is \$0.2 million (2011 - \$nil; 2010 — \$nil) of which \$nil (2011 — \$nil; 2010 - \$nil) is included in selling, general and administration expenses and \$0.2 million (2011 — \$nil; 2010 - \$nil) is in restructuring charges (Note 17).

Other mid-term incentive plan (MTIP)

The MTIP income related to the fully vested DSU granted under the Company's original 2006 Plan (2006 MTIP).

Liability^(a)

As of October 31

	2012	2011
2006 Plan	\$ 195	\$ 508
2007 Plan	-	-
2008 Plan	-	-
2009 Plan	-	-
Total	\$ 195	\$ 508

(Income) Expense ^(b)	Years ended October 31		
	2012	2011	2010
2006 Plan	\$ (57)	\$ (197)	\$ (28)
2007 Plan	-	-	-
2008 Plan	-	-	3,988
2009 Plan	-	-	6,101
Total	\$ (57)	\$ (197)	\$ 10,061

(a) The MTIP liability is included in the employee-related accruals in accrued liabilities in the consolidated statements of financial position (Note 10).

(b) The MTIP (income) expense for the year ended October 31, 2012 is \$(0.1) million (2011 — \$(0.2) million; 2010 - \$10.1 million), of which \$(0.1) million (2011 — \$(0.2); 2010 - \$nil) is included in selling, general and administration expenses. MTIP (income) expense for fiscal 2010 also included \$5.6 million in restructuring charges (Note 17) and \$4.5 million in “Loss from discontinued operations, net of income taxes”.

The 2006 MTIP is accompanied by dividend equivalents rights that will be payable in cash upon settlement of the plan. During the year ended October 31, 2012, the Company recorded 972 (2011 – 1,607; 2010 - nil) MTIP units per dividend equivalent.

**Note 20. Supplementary
Cash Flow Information**

[Cash Flow, Supplemental Disclosures](#)
[\[Text Block\]](#)

**12 Months Ended
Oct. 31, 2012**

20. Supplementary Cash Flow Information

Items not affecting cash flows comprise the following:

Years ended October 31	2012	2011	2010
Depreciation and amortization	\$ 17,080	\$ 22,375	\$ 28,514
Stock option compensation	1,567	1,229	2,768
Loss on Celerion note receivable	2,411	-	-
Deferred income taxes	38,137	3,666	8,493
Change in fair value of embedded derivatives	12,020	(2,649)	(13,050)
Foreign currency transactional loss	6,271	1,623	26,341
Equity loss, including cash distribution of \$nil (2011 — \$951; 2010 — \$3,034)	-	1,079	3,684
Write-down of investments and other long- term assets	-	-	1,632
Loss on sale of investments	-	-	1,054
Other including foreign currency translation adjustments	6,908	(260)	13,208
	\$ 84,394	\$ 27,063	\$ 72,644

Changes in operating assets and liabilities comprise the following:

Years ended October 31	2012	2011	2010
Accounts receivable	\$ (7,963)	\$ 1,159	\$ 1,726
Inventories	(3,382)	(4,012)	(3,697)
Other current assets and long term assets	17,767	5,206	(3,569)
Accounts payable and accrued liabilities	26,254	(26,178)	(2,864)
Income taxes	(18,360)	2,951	(37,216)
Deferred income	(2,217)	(11,298)	(1,396)
Other long-term obligations	(4,228)	(1,284)	(1,738)
	\$ 7,871	\$ (33,456)	\$ (48,754)

**Note 20. Supplementary
Cash Flow Information
(Detail) - Changes in
Operating Assets and
Liabilities: (USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

Oct. 31, 2012 Oct. 31, 2011 Oct. 31, 2010

<u>Accounts receivable</u>	\$ (7,963)	\$ 1,159	\$ 1,726
<u>Inventories</u>	(3,382)	(4,012)	(3,697)
<u>Other current assets and long term assets</u>	17,767	5,206	(3,569)
<u>Accounts payable and accrued liabilities</u>	26,254	(26,178)	(2,864)
<u>Income taxes</u>	(18,360)	2,951	(37,216)
<u>Deferred income</u>	(2,217)	(11,298)	(1,396)
<u>Other long-term obligations</u>	(4,228)	(1,284)	(1,738)
	\$ 7,871	\$ (33,456)	\$ (48,754)

**Note 23. Segmented
Information (Tables)**

[Schedule of Segment Reporting Information,
by Segment \[Table Text Block\]](#)

**12 Months Ended
Oct. 31, 2012**

**Year ended October
31, 2012**

		Specialty Isotopes				
	Targeted Therapies	Sterilization Technologies	Medical Isotopes	Corporate and Other	Total	
Revenues	\$ 48,451	\$ 95,434	\$100,955	\$ -	\$244,840	
Direct cost of revenues	13,726	42,284	54,982	-	110,992	
Selling, general and administration ^(a)	16,565	13,766	14,189	9,908	54,428	
Other expense (income), net ^(b)	4,082	347	2,345	(1,202)	5,572	
Segment earnings (loss)	\$ 14,078	\$ 39,037	\$ 29,439	\$ (8,706)	\$ 73,848	
Depreciation and amortization	1,609	4,850	10,621	-	17,080	
Restructuring recovery, net AECL arbitration and legal costs					5,576	
Litigation accruals (<i>Note 25</i>)					24,058	
Loss on Celerion note receivable					2,411	
Internal investigation costs (<i>Note 24</i>)					9,827	
Change in fair value of embedded derivatives					12,020	
Operating income from continuing operations					\$ 1,095	

**Year ended October
31, 2011**

		Specialty Isotopes				
	Targeted Therapies	Sterilization Technologies	Medical Isotopes	Corporate and Other	Total	
Revenues	\$ 42,576	\$ 108,662	\$122,789	\$ -	\$274,027	
Direct cost of revenues	12,590	47,308	66,178	-	126,076	
Selling, general and administration ^(a)	14,067	15,007	16,055	7,806	52,935	

Other expense, net ^(b)	3,267	207	2,214	4,552	10,240
Segment earnings (loss)	\$ 12,652	\$ 46,140	\$ 38,342	\$ (12,358)	\$ 84,776
Depreciation and amortization	1,480	6,719	14,138	38	22,375
Restructuring charges, net					1,592
AECL arbitration and legal costs					12,172
Gain on sale of investment					(1,691)
Change in fair value of embedded derivatives					(2,649)
Operating income from continuing operations					\$ 52,977
Year ended October 31, 2010					

	Specialty Isotopes				Total
	Targeted Therapies	Sterilization Technologies	Medical Isotopes	Corporate and Other	
Revenues	\$ 29,040	\$ 103,556	\$ 89,372	\$ -	\$221,968
Direct cost of revenues	6,556	41,642	56,479	-	104,677
Selling, general and administration ^(a)	10,692	14,447	17,702	48,238	91,079
Other expense, net ^(b)	2,730	13	1,757	17,871	22,371
Segment earnings (loss)	\$ 9,062	\$ 47,454	\$ 13,434	\$ (66,109)	\$ 3,841
Depreciation and amortization	1,160	5,156	10,231	11,967	28,514
Restructuring charges, net					62,531
AECL arbitration and legal costs					9,207
Loss on sale of investments					1,054
Impairment of long-lived assets					1,632
Change in fair value of embedded derivatives					(13,050)

**Operating loss
from
continuing
operations**

\$ (86,047)

[Schedule of Revenue from External Customers
and Long-Lived Assets, by Geographical Areas](#)
[\[Table Text Block\]](#)

Years ended		Canada	US	Europe	Other	Total
October 31						
2012	\$ 10,147	\$ 165,944	\$ 23,960	\$ 44,789	\$ 244,840	
2011	\$ 6,360	\$ 178,213	\$ 26,565	\$ 62,889	\$ 274,027	
2010	\$ 6,775	\$ 136,834	\$ 20,831	\$ 57,528	\$ 221,968	

**Note 11. Long-Term Debt
(Tables)**

[Schedule of Long-term Debt Instruments \[Table Text Block\]](#)

[Schedule of Maturities of Long-term Debt \[Table Text Block\]](#)

**12 Months Ended
Oct. 31, 2012**

As of October 31	Maturity	2012	2011
Total long-term debt	2013to2015	\$43,331	\$44,330
Current portion of long-term debt		(4,190)	(4,156)
Long-term debt		\$39,141	\$40,174
2013		\$ 4,190	
2014		4,156	
2015		34,985	
2016		-	
2017		-	
Thereafter		-	
		\$ 43,331	

Note 22. Employee Benefits

**12 Months Ended
Oct. 31, 2012**

[Pension and Other
Postretirement Benefits
Disclosure \[Text Block\]](#)

22. Employee Benefits

Defined benefit pension plans

The Company sponsors defined benefit pension plans for certain employees in Canada and the U.S.. The Canadian plan is based on the highest three or six average consecutive years of wages and requires employee contributions. The U.S. plan is based on the participants' 60 highest consecutive months of compensation and their years of service. The pension plan in the U.S. is related to the Company's discontinued MDS Pharma Services operations, which Nordion retained subsequent to the sale of Early Stage. During the fourth quarter of fiscal 2012, the Company received approval from the Internal Revenue Service (IRS) in the U.S. for a proposed settlement of this pension plan. The Company expects the final settlement to occur during fiscal 2013.

All plans are funded and the Company uses an October 31st measurement date for its plans. The most recent actuarial valuation for the Nordion pension plan for funding purposes was as of January 1, 2012. Based on this actuarial valuation, the Company expects funding requirements of approximately \$14 million, including approximately \$3 million of current service cost contributions, in each of the next five years to fund the regulatory solvency deficit. The deficit has arisen due to falling real interest rates where the pension liabilities increased more than the increase in the value of pension assets. The actual funding requirements over the five-year period will be dependent on subsequent annual actuarial valuations. These amounts are estimates, which may change with actual investment performance, changes in interest rates, any pertinent changes in government regulations, and any voluntary contributions.

The components of net periodic pension cost (income) for these plans for fiscal 2012, 2011 and 2010 are as follows:

	Domestic Plan			International Plan		
Years ended October 31	2012	2011	2010	2012	2011	2010
Components of net periodic pension cost						
Service cost	\$ 2,804	\$ 2,719	\$ 1,980	\$ -	\$ -	\$ 97
Interest cost	12,263	11,994	12,045	571	610	689
Expected return on plan assets	(14,736)	(16,044)	(15,579)	(701)	(706)	(687)
Recognized actuarial loss	-	-	-	127	258	344
Net periodic pension cost (income)	\$ 331	\$ (1,331)	\$ (1,554)	\$ (3)	\$ 162	\$ 443

The following weighted average assumptions are used in the determination of the net periodic cost (income) and the projected benefit obligation:

	Domestic Plan		International Plan	
Years ended October 31	2012	2011	2012	2011
Projected benefit obligation				

Discount rate	4.25%	5.40%	5.40%	3.52%	4.50%	5.24%
Expected return on plan assets	5.75%	6.00%	6.50%	8.00%	8.00%	8.00%
Rate of compensation increase	3.25%	3.50%	3.50%	n/a	n/a	n/a
Benefit cost						
Discount rate	5.40%	5.40%	6.50%	4.50%	5.24%	5.75%
Expected return on plan assets	6.00%	6.50%	6.90%	8.00%	8.00%	8.00%
Rate of compensation increase	3.50%	3.50%	3.75%	n/a	n/a	4.50%

Discount rate assumptions have been, and continue to be, based on the prevailing long-term, market interest rates at the measurement date.

The changes in the projected benefit obligation, fair value of plan assets, and the funded status of the plans are as follows:

	Domestic Plan		International Plan	
As of October 31	2012	2011	2012	2011
Change in projected benefit obligation				
Projected benefit obligation, beginning of year	\$ 229,449	\$ 215,167	\$ 12,929	\$ 11,720
Service cost - pension	3,932	3,910	-	-
Interest cost	12,263	11,994	571	610
Benefits paid	(9,747)	(8,224)	(799)	(649)
Actuarial loss	50,801	1,621	1,303	1,248
Foreign currency exchange rate changes	(207)	4,981	-	-
Projected benefit obligation, end of year	286,491	229,449	14,004	12,929
Change in fair value of plan assets				
Fair value of plan assets, beginning of year	239,197	224,111	8,998	8,826
Actual return (loss) on plan assets	19,567	10,252	(47)	703
Benefits paid	(9,747)	(8,224)	(799)	(649)
Employer contributions	3,252	6,681	163	118
Employee contributions	1,128	1,191	-	-
Foreign currency exchange rate changes	(472)	5,186	-	-
Fair value of plan assets, end of year	252,925	239,197	8,315	8,998
Funded status – (under)/over at end of year	\$ (33,566)	\$ 9,748	\$ (5,689)	\$ (3,931)

The funded status for the Canadian and U.S. plans, measured as the difference between the fair value of plan assets and the projected benefit obligation, for the Canadian plan are included in other long-term liabilities (Note 13) in the consolidated statements of financial position.

A reconciliation of the funded status to the net plan (liabilities) assets recognized in the consolidated statements of financial position is as follows:

	Domestic Plan		International Plan	
As of October 31	2012	2011	2012	2011
Projected benefit obligation	\$ 286,491	\$ 229,449	\$ 14,004	\$ 12,929
Fair value of plan assets	252,925	239,197	8,315	8,998
Plan assets (less than) in excess of projected benefit obligation	(33,566)	9,748	(5,689)	(3,931)
Unrecognized net actuarial loss	76,183	30,212	7,191	5,268
Net amount recognized at year end	\$ 42,617	\$ 39,960	\$ 1,502	\$ 1,337
Long-term pension plan assets	\$ -	\$ 9,748	\$ -	\$ -
Non-current liabilities	(33,566)	-	(5,689)	(3,931)
Accumulative other comprehensive loss	76,183	30,212	7,191	5,268
Net amount recognized at year end	\$ 42,617	\$ 39,960	\$ 1,502	\$ 1,337

The following table illustrates the amounts in accumulated other comprehensive (loss) income that has not yet been recognized as components of pension expense:

As of October 31	2012	2011
Net actuarial loss	\$ 83,374	\$ 35,480
Deferred income taxes	(20,449)	(8,847)
Accumulated other comprehensive loss - net of tax	\$ 62,925	\$ 26,633

The weighted average asset allocation of the Company's pension plans is as follows:

	Target	Domestic Plan		International Plan	
Asset Category		2012	2011	2012	2011
Cash	0%	0.0%	0.1%	0.0%	0.0%
Fixed income	44%	41.6%	48.2%	100.0%	100.0%
Equities	56%	58.4%	51.7%	0.0%	0.0%
Total	100%	100.0%	100.0%	100.0%	100.0%

The Company maintains target allocation percentages among various asset classes based on investment policies established for the pension plans, which are designed to maximize the total rate of return (income and appreciation) after inflation, within the limits of prudent risk taking, while providing for adequate near-term liquidity for benefit payments. Such investment strategies have adopted an equity-based philosophy in order to achieve their long-term investment goals by investing in assets that often have uncertain returns, such as Canadian equities, foreign equities, and non-government bonds. However, it also attempts to reduce its overall level of risk by diversifying the asset classes and further diversifying within each individual asset class.

The Company's expected return on asset assumptions are derived from studies conducted by actuaries and investment advisors. The studies include a review of anticipated future long-term performance of individual asset classes and consideration of the appropriate asset allocation strategy given the anticipated requirements of the plans to determine the average rate of earnings expected on the funds invested to provide for the pension plans benefits. While the study gives appropriate consideration to recent fund performance and historical returns, the assumption is primarily a long-term, prospective rate.

The following table provides a basis of fair value measurement for plan assets held by the Company's pension plans that are measured at fair value on a recurring basis. See also the discussion of fair value hierarchy in Note 16.

As of October 31, 2012	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 25	\$ -	\$ -	\$ 25
Debt securities	-	156,024	-	156,024
Equity securities	-	105,191	-	105,191
Other	-	-	-	-
Total	\$ 25	\$ 261,215	\$ -	\$ 261,240

Expected future benefit payments are as follows:

Years ended October 31	Domestic Plan	International Plan^(a)
2013	\$ 9,918	\$ 499
2014	10,442	541
2015	11,193	559
2016	11,725	591
2017	12,291	695
2018 – 2022	69,807	3,993
	\$ 125,376	\$ 6,878

- (a) Represents the U.S. plan related to the discontinued MDS Pharma Services operations and is currently expected to be settled during fiscal 2013.

Other benefit plans

Other benefit plans include a supplemental retirement arrangement, a retirement/termination allowance and post-retirement benefit plans, which include contributory health and dental care benefits and contributory life insurance coverage. All non-pension post-employment benefit plans are unfunded.

The components of net periodic cost for these plans are as follows:

Years ended October 31	2012	2011	2010
Components of net periodic cost			
Current service cost	\$ 186	\$ 191	\$ 276
Interest cost	696	768	790
Recognized actuarial (gain) loss	(63)	(229)	348
Recognized past service cost	(49)	(50)	(48)
Curtailment gain recognized	-	-	(486)
Net periodic cost	\$ 770	\$ 680	\$ 880

The weighted average assumptions used to determine the net periodic pension cost and projected benefit obligation for these plans are as follows:

Years ended October 31	2012	2011	2010
Projected benefit obligation			
Discount rate	4.11%	5.11%	5.13%

Rate of compensation increase	3.75%	3.91%	3.96%
Initial health care cost trend rate	9.02%	9.06%	9.10%
Ultimate health care cost trend rate	4.50%	4.50%	4.50%
Years until ultimate trend rate is reached	9	10	11
Benefit cost			
Discount rate	5.11%	5.13%	6.08%
Rate of compensation increase	3.91%	3.96%	4.05%

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in assumed health care cost trend rates would have had the following impact in fiscal 2012:

	1%	1%
	Increase	Decrease
Change in net benefit cost	\$ 94	\$ (75)
Change in projected benefit obligation	\$ 1,641	\$ (1,323)

The changes in the projected benefit obligation and the funded status of the plans are as follows:

As of October 31	2012	2011
Change in projected benefit obligation		
Projected benefit obligation – beginning of year	\$ 14,328	\$ 15,251
Service cost	186	191
Interest cost	697	768
Benefits paid	(671)	(856)
Actuarial loss (gain)	1,795	(1,398)
Foreign currency exchange rate changes	(21)	372
Projected benefit obligation – end of year	\$ 16,314	\$ 14,328
Funded status – under at end of year	\$ (16,314)	\$ (14,328)

A reconciliation of the funded status to the net plan liabilities recognized in the consolidated statements of financial position is as follows:

As of October 31	2012	2011
Projected benefit obligation	\$ (16,314)	\$ (14,328)
Fair value of plan assets	-	-
Plan assets less than projected benefit obligation	(16,314)	(14,328)
Unrecognized actuarial gains	(237)	(2,097)
Unrecognized past service costs	(232)	(282)
Net amount recognized at year end	\$ (16,783)	\$ (16,707)
Non-current liabilities	\$ (16,314)	\$ (14,328)
Accumulative other comprehensive income	(469)	(2,379)
Net amount recognized at year end	\$ (16,783)	\$ (16,707)

The other benefit plan liabilities related to continuing operations are included within other long-term liabilities (Note 13).

As of October 31, 2012, the unrecognized actuarial gains and past service costs of \$0.5 million (October 31, 2011 — \$2.4 million), net of tax of \$0.1 million (October 31, 2011 — \$0.6 million) are included in accumulated other comprehensive income.

Based on the actuarial assumptions used to develop the Company's benefit obligations as of October 31, 2012, the following benefit payments are expected to be made to plan participants:

Years ended October 31

2013	\$	650
2014		716
2015		782
2016		798
2017		837
2018 — 2022		5,134
Total	\$	8,917

During fiscal 2013, the Company expects to contribute approximately \$0.7 million to the Company's other benefit plans.

During fiscal 2012, the Company contributed \$1.3 million to defined contribution plans on behalf of its employees (2011 — \$1.2 million; 2010 — \$3.5 million).

**Note 23. Segmented
Information**

**12 Months Ended
Oct. 31, 2012**

[Segment Reporting Disclosure](#) **23. Segmented Information**
[\[Text Block\]](#)

Nordion operates as a global life sciences company with three business segments: Targeted Therapies, Sterilization Technologies and Medical Isotopes. These segments are organized predominantly around the products and services provided to customers identified for the businesses.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. There are no significant inter-segment transactions. Segmented earnings are computed by accumulating the segment's operating income, interest costs, other expenses and foreign exchange translations. The corporate segment results include the incremental cost of corporate overhead in excess of the amount allocated to the other operating segments, as well as certain other costs and income items that do not pertain to a business segment. Management does not track or allocate assets on a business segment basis. Accordingly, assets and additions to assets are not disclosed on a business segment basis in the following financial information. Related expenses, such as depreciation, are allocated to each segment and reported appropriately herein.

On September 12, 2012, the Company announced a strategic realignment that resulted in changes to the segments. The following segmented information results reflect the Company's new segment structure. The primary change to Company's segment reporting is that Contract Manufacturing is now reported in Medical Isotopes whereas previously it was reported in Targeted Therapies. Prior years have been restated to reflect this change.

The information presented below is for continuing operations.

	Year ended October 31, 2012				
		Specialty Isotopes			
	Targeted Therapies	Sterilization Technologies	Medical Isotopes	Corporate and Other	Total
Revenues	\$ 48,451	\$ 95,434	\$ 100,955	\$ -	\$ 244,840
Direct cost of revenues	13,726	42,284	54,982	-	110,992
Selling, general and administration ^(a)	16,565	13,766	14,189	9,908	54,428
Other expense (income), net ^(b)	4,082	347	2,345	(1,202)	5,572
Segment earnings (loss)	\$ 14,078	\$ 39,037	\$ 29,439	\$ (8,706)	\$ 73,848
Depreciation and amortization	1,609	4,850	10,621	-	17,080
Restructuring recovery, net					1,781
AECL arbitration and legal costs					5,576
Litigation accruals <i>(Note 25)</i>					24,058
Loss on Celerion note receivable					2,411
Internal investigation costs <i>(Note 24)</i>					9,827

Change in fair value of embedded derivatives	12,020
Operating income from continuing operations	\$ 1,095

- (a) excludes AECL arbitration and legal costs of \$5.6 million and internal investigation costs of \$9.8 million
- (b) excludes estimated litigation accruals of \$24.1 million (Note 25) and loss on Celerion note receivable of \$2.4 million

Year ended October
31, 2011

	Specialty Isotopes				
	Targeted Therapies	Sterilization Technologies	Medical Isotopes	Corporate and Other	Total
Revenues	\$ 42,576	\$ 108,662	\$ 122,789	\$ -	\$ 274,027
Direct cost of revenues	12,590	47,308	66,178	-	126,076
Selling, general and administration ^(a)	14,067	15,007	16,055	7,806	52,935
Other expense, net ^(b)	3,267	207	2,214	4,552	10,240
Segment earnings (loss)	\$ 12,652	\$ 46,140	\$ 38,342	\$ (12,358)	\$ 84,776
Depreciation and amortization	1,480	6,719	14,138	38	22,375
Restructuring charges, net					1,592
AECL arbitration and legal costs					12,172
Gain on sale of investment					(1,691)
Change in fair value of embedded derivatives					(2,649)
Operating income from continuing operations					\$ 52,977

- (a) excludes AECL arbitration and legal costs of \$12.2 million

- (b) excludes gain on sale of investment of \$1.7 million

Year ended October
31, 2010

	Specialty Isotopes				
	Targeted Therapies	Sterilization Technologies	Medical Isotopes	Corporate and Other	Total
Revenues	\$ 29,040	\$ 103,556	\$ 89,372	\$ -	\$ 221,968
Direct cost of revenues	6,556	41,642	56,479	-	104,677
Selling, general and administration ^(a)	10,692	14,447	17,702	48,238	91,079
Other expense, net ^(b)	2,730	13	1,757	17,871	22,371
Segment earnings (loss)	\$ 9,062	\$ 47,454	\$ 13,434	\$ (66,109)	\$ 3,841
Depreciation and amortization	1,160	5,156	10,231	11,967	28,514
Restructuring charges, net					62,531
AECL arbitration and legal costs					9,207
Loss on sale of investments					1,054
Impairment of long-lived assets					1,632

Change in fair value of embedded derivatives	(13,050)
Operating loss from continuing operations	\$ (86,047)

(a) excludes AECL arbitration and legal costs of \$9.2 million

(b) excludes impairment of long-lived assets of \$1.6 million and loss on sale of investment of \$1.1 million

Revenues by geographic location are summarized below:

Years ended October 31		Canada		US		Europe		Other		Total
	2012 \$	10,147	\$	165,944	\$	23,960	\$	44,789	\$	244,840
	2011 \$	6,360	\$	178,213	\$	26,565	\$	62,889	\$	274,027
	2010 \$	6,775	\$	136,834	\$	20,831	\$	57,528	\$	221,968

All Property, plant and equipment for continuing operations and goodwill of the Company is located in Canada. All of the goodwill is carried in Canada and allocated to Sterilization Technologies, \$1.9 million, and Medical Isotopes, \$0.6 million.

Significant customers

For the year ended October 31, 2012, one major customer in Medical Isotopes segment accounted for \$51.8 million or 21% (2011 — \$60.8 million or 22%; 2010 — \$20.6 million or 9%) of the Company's revenues.

**Consolidated Statements of
Cash Flows (USD \$)
In Thousands, unless
otherwise specified**

**12 Months Ended
Oct. 31, 2012 Oct. 31, 2011 Oct. 31, 2010**

Operating activities

<u>Net (loss) income</u>	\$	\$	\$
	(28,869)	16,847	(232,010)
<u>Loss from discontinued operations, net of income taxes</u>		(26,655)	(148,194)
<u>(Loss) income from continuing operations</u>	(28,869)	43,502	(83,816)

Adjustments to reconcile net loss to cash provided by (used in) operating activities relating to continuing operations (Note 20):

<u>Items not affecting current cash flows</u>	84,394	27,063	72,644
<u>Changes in operating assets and liabilities</u>	7,871	(33,456)	(48,754)
<u>Cash provided by (used in) operating activities of continuing operations</u>	63,396	37,109	(59,926)
<u>Cash used in operating activities of discontinued operations</u>		(18,592)	(73,499)
<u>Cash provided by (used in) operating activities</u>	63,396	18,517	(133,425)

Investing activities

<u>Purchase of property, plant and equipment</u>	(7,384)	(6,732)	(7,251)
<u>Decrease (increase) in restricted cash</u>	1,941	26,592	(16,147)
<u>Proceeds on sale of long-term investments</u>		1,668	10,552
<u>Cash (used in) provided by investing activities of continuing operations</u>	(5,443)	21,528	(12,846)
<u>Cash (used in) provided by investing activities of discontinued operations</u>		(18,412)	633,167
<u>Cash (used in) provided by investing activities</u>	(5,443)	3,116	620,321

Financing activities

<u>Payment of cash dividends</u>	(18,632)	(19,244)	
<u>Repurchase and cancellation of Common shares</u>	(4,044)	(52,398)	(450,000)
<u>Issuance of shares</u>	1		327
<u>Repayment of long-term debt</u>			(221,456)
<u>Cash used in financing activities of continuing operations</u>	(22,675)	(71,642)	(671,129)
<u>Cash used in financing activities of discontinued operations</u>		(1,193)	(298)
<u>Cash used in financing activities</u>	(22,675)	(72,835)	(671,427)
<u>Effect of foreign exchange rate changes on cash and cash equivalents</u>	15	2,467	9,130
<u>Net increase (decrease) in cash and cash equivalents during the year</u>	35,293	(48,735)	(175,401)
<u>Cash and cash equivalents, beginning of year</u>	74,067	122,802	298,203
<u>Cash and cash equivalents, end of year</u>	109,360	74,067	122,802
<u>Cash interest paid</u>	4,504	2,479	32,476
<u>Cash taxes (refunded) paid</u>	\$	\$	\$ 526
	(1,130)	(2,775)	

**Note 24. Commitments and
Contingencies**

**12 Months Ended
Oct. 31, 2012**

[Commitments and
Contingencies Disclosure](#)
[\[Text Block\]](#)

24. Commitments and Contingencies

Leases and other commitments

The Company is obligated under non-cancelable operating leases, primarily for its offices and equipment. These leases generally contain customary scheduled rent increases or escalation clauses and renewal options.

The Company is also obligated under outsourcing agreements related to certain aspects of its information technology and human resources support functions. Actual amounts paid under these outsourcing agreements could be higher or lower than the amounts shown below as a result of changes in volume and other variables. In addition, early termination of these outsourcing agreements by the Company could result in the payment of termination fees, which are not reflected in the table below.

As of October 31, 2012, the Company is obligated under non-cancelable operating leases, primarily for its premises and equipment leases and other long-term contractual commitments to make minimum annual payments of approximately:

Years ended October 31	Operating Leases	Other Contractual Commitments
2013	\$ 1,844	\$ 52,091
2014	1,101	44,139
2015	990	32,898
2016	989	49,974
2017	1,137	26,844
Thereafter	909	82,803
	\$ 6,970	\$ 288,749

Net rental expense for premises and equipment leases for the year ended October 31, 2012 was \$1.1 million (2011 — \$1.3 million; 2010 — \$16.6 million).

Contractual commitments

Included in other contractual commitments is approximately \$240 million associated with long-term supply arrangements primarily with domestic and international suppliers of isotopes. Other contractual commitments also include a \$2.5 million (2011 — \$2.3 million) relating to the outsourcing of the information technology infrastructure. The terms of these long-term supply or service arrangements range from 1 to 12 years. The amounts purchased under these contractual commitments for the year ended October 31, 2012 are \$37.4 million (2011 — \$45.9 million; 2010 — \$47.3 million).

Net sales of certain products of the Company are subject to royalties payable to third parties. Royalty expense recorded in direct cost of revenues for the year ended October 31, 2012 amounted to \$0.5 million (2011 — \$1.6 million; 2010 — \$3.6 million).

Captive insurance liability

The Company is self-insured for up to the first \$5 million of costs incurred relating to a single liability claim in a year and to \$10 million in aggregate claims arising during an annual policy period. The Company provides for unsettled reported losses and losses incurred but not reported based on an independent review of all claims made against the Company. Accruals for estimated losses related to captive insurance are \$4.6 million as of October 31, 2012 (October 31, 2011 — \$7.1 million) which are recorded in accrued liabilities (Note 10) and other long-term liabilities (Note 13).

Retained liabilities related to Early Stage

Subsequent to the sale of Early Stage, Nordion has retained litigation claims and other costs associated with the U.S. FDA's review of the Company's bioanalytical operations (Note 10(a)) and certain other contingent liabilities in Montreal, Canada. Nordion has also retained certain liabilities related to pre-closing matters, a defined benefit pension plan for certain U.S. employees, and a lease obligation for an office location in Bothell, Washington. The cost of future lease payments offset by expected sublease revenue, where applicable, is estimated at approximately \$0.7 million which is included in accrued liabilities (Note 10).

Indemnities and guarantees

In connection with various divestitures that the Company underwent, Nordion has agreed to indemnify various buyers for actual future damage suffered by the buyers related to breaches, by Nordion, of representations and warranties contained in the purchase agreements. In addition, Nordion has retained certain existing and potential liabilities arising in connection with such operations related to periods prior to the closings. To mitigate Nordion's exposure to these potential liabilities, the Company maintains errors and omissions and other insurance. Nordion is not able to make a reasonable estimate of the maximum potential amount that the Company could be required to pay under these indemnities. The Company has not made any significant payments under these types of indemnity obligations in the past.

Internal investigation

Through Nordion's own internal review as part of its Canadian Corruption of Foreign Public Officials Act (CFPOA) compliance program, the Company has discovered potential compliance irregularities. As a result, the Company commenced an internal investigation of the possible compliance issues related to potential improper payments and other related financial irregularities in connection with the supply of materials and services to the Company, focusing on compliance with the CFPOA and the U.S. Foreign Corrupt Practices Act (FCPA). This investigation is being conducted by outside legal counsel and external forensic and accounting firms that are experienced in such compliance.

These external advisors are reporting regularly to a special Committee of the Board constituted to deal with this matter. The Company voluntarily contacted the relevant regulatory and enforcement authorities to disclose the existence of this investigation and certain details of this matter, and continues to provide reports to them as the investigation progresses. The Company is continuing with its investigation into this matter and its cooperation with regulatory and enforcement authorities.

As a result of the investigation to date, the Company has ceased to make payments to and terminated its contractual arrangements with the affected foreign supplier. These actions were reflected in, among other things, a reduction in the notional amount of commitments included in the calculation of embedded derivative expense during the third quarter of fiscal 2012.

The Company is currently unable to determine as to whether there will be any potential regulatory and/or enforcement action resulting from these matters or, if any such action is taken, whether it will have a material adverse effect on our business, financial position, profitability or liquidity. If regulatory or enforcement authorities determine to take action against the Company, Nordion may be, among other things, subject to fines and/or penalties which may be material.

Nordion is committed to the highest standards of integrity and diligence in its business dealings and to the ethical and legally compliant business conduct of its employees, representatives and suppliers. The Company reviews its compliance programs on a regular basis to assess and align them with emerging trends and business practices. Corrupt or fraudulent business conduct is in direct conflict with the Company's Global Business Practice Standards (GBPS) and corporate policies. The Company continues to investigate this matter and cooperate with regulatory and enforcement authorities.

In parallel with the Internal Investigation, Nordion has developed and implemented a number of new and enhanced policies and procedures related to compliance. This remediation process has included enhancements to Nordion's GBPS, policies related to anti-corruption, third-party due diligence, travel and expenses, sponsorships, and payment control processes. Nordion is continuing to develop and strengthen other policies and procedures, as well as monitoring protocols to detect exceptions to these new policies, and is delivering training to employees, high risk third parties and other stakeholders affected by the changes. The intent of these changes is to strengthen Nordion's overall compliance framework.

**Note 16. Financial
Instruments and Financial
Risk (Detail) - Notional and
Fair Value of All Derivative
Instruments: (USD \$)
In Thousands, unless
otherwise specified**

Oct. 31, 2012 Oct. 31, 2011

Assets

<u>Embedded derivatives(a)</u>	\$ 10	[1]	\$ 11,584	[1]
<u>Foreign currency forward contracts under cash flow hedges(b)</u>	195	[2]	88	[2]
<u>Foreign currency forward contracts not under hedging relationships(c)</u>		[3]	183	[3]

Liabilities

<u>Embedded derivatives(a)</u>	814	[1]	370	[1]
<u>Foreign currency forward contracts under cash flow hedges(b)</u>	60	[2]	57	[2]
<u>Foreign currency forward contracts not under hedging relationships(c)</u>		[3]	\$ 148	[3]

[1] As of October 31, 2012 and October 31, 2011, total notional amounts for the Company's certain supply contracts identified for embedded derivatives were approximately \$49 million and \$300 million, respectively.

[2] As of October 31, 2012 and October 31, 2011, total notional amounts for the Company's foreign currency forward contracts under cash flow hedges were approximately \$33 million and \$36 million, respectively.

[3] As of October 31, 2012 and October 31, 2011, total notional amounts for the Company's foreign currency forward contracts not under hedging relationships were approximately \$0 and \$13 million, respectively.

**Note 22. Employee Benefits
(Detail) - Amounts in
Accumulated Other
Comprehensive Income That
Have Not Yet Been
Recognized as Components
of Defined Benefit Pension
Plans Expense: (USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

Oct. 31, 2012 Oct. 31, 2011

<u>Net actuarial loss</u>	\$ 83,374	\$ 35,480
<u>Deferred income taxes</u>	(20,449)	(8,847)
<u>Accumulated other comprehensive loss - net of tax</u>	\$ 62,925	\$ 26,633

**Note 5. Property, Plant and
Equipment (Tables)**

[Property, Plant and Equipment \[Table Text
Block\]](#)

**12 Months Ended
Oct. 31, 2012**

As of October 31		2012		2011	
		Accumulated		Accumulated	
	Cost	Depreciation	Cost	Depreciation	
Land	\$ 2,828	\$ -	\$ 2,834	\$ -	
Buildings	84,030	45,677	82,800	43,060	
Equipment	83,422	61,989	80,627	56,923	
Furniture and fixtures	1,604	1,604	1,608	1,566	
Computer systems	82,642	77,331	77,869	73,112	
Leasehold improvements	10,779	1,593	10,752	1,046	
Facility modifications	36,641	30,237	36,418	26,462	
Construction in-progress	4,702	-	6,951	-	
	306,648	\$ 218,431	299,859	\$ 202,169	
Accumulated depreciation	(218,431)		(202,169)		
Property, plant and equipment	\$ 88,217		\$ 97,690		

**Note 20. Supplementary
Cash Flow Information
(Tables)**

[Schedule of Cash Flow, Supplemental
Disclosures \[Table Text Block\]](#)

**12 Months Ended
Oct. 31, 2012**

Years ended October 31	2012	2011	2010
Depreciation and amortization	\$ 17,080	\$ 22,375	\$ 28,514
Stock option compensation	1,567	1,229	2,768
Loss on Celerion note receivable	2,411	-	-
Deferred income taxes	38,137	3,666	8,493
Change in fair value of embedded derivatives	12,020	(2,649)	(13,050)
Foreign currency transactional loss	6,271	1,623	26,341
Equity loss, including cash distribution of \$nil (2011 — \$951; 2010 — \$3,034)	-	1,079	3,684
Write-down of investments and other long-term assets	-	-	1,632
Loss on sale of investments	-	-	1,054
Other including foreign currency translation adjustments	6,908	(260)	13,208
	\$ 84,394	\$ 27,063	\$ 72,644

[Cash Flow, Operating Capital \[Table Text Block\]](#)

Years ended October 31	2012	2011	2010
Accounts receivable	\$ (7,963)	\$ 1,159	\$ 1,726
Inventories	(3,382)	(4,012)	(3,697)
Other current assets and long term assets	17,767	5,206	(3,569)
Accounts payable and accrued liabilities	26,254	(26,178)	(2,864)
Income taxes	(18,360)	2,951	(37,216)
Deferred income	(2,217)	(11,298)	(1,396)
Other long-term obligations	(4,228)	(1,284)	(1,738)
	\$ 7,871	\$ (33,456)	\$ (48,754)

Note 10. Accrued Liabilities
(Detail) (USD \$)

	12 Months Ended		
	Oct. 31, 2011	Oct. 31, 2010	Oct. 31, 2012
<u>Loss Contingency, Accrual Carrying Value, Current</u>	\$ 8,325,000 ^[1]		\$ 8,321,000 ^[1]
FDA Related Costs [Member]			
<u>Loss Contingency Accrual, Carrying Value, Payments</u>	200,000	9,900,000	
<u>Loss Contingency, Accrual Carrying Value, Current</u>	8,300,000		8,300,000
Settlement Accrual For The Life Technologies Corporation (Life)			
Arbitration [Member]			
<u>Loss Contingency, Accrual Carrying Value, Current</u>			9,500,000
Estimated Accrual For AECL's Legal Costs Relating To The MAPLE			
Arbitration [Member]			
<u>Loss Contingency, Accrual Carrying Value, Current</u>			\$ 32,000,000

[1] The FDA provision was established in fiscal 2007 to address certain U.S. Food and Drug Administration (FDA) issues related to the Company's discontinued bioanalytical operations in its Montreal, Canada, facilities. Although the bioanalytical operations were part of MDS Pharma Services, Nordion has retained this potential liability following the sale of Early Stage. The Company may, where appropriate, reimburse clients who have incurred or will incur third party audit costs or study re-run costs to complete the work required by the FDA and other regulators. Management regularly updates its analysis of this critical estimate based on all currently available information. Based on this analysis, the Company recorded payments of \$nil (2011 - \$0.2 million; 2010 - \$9.9 million) for the year ended October 31, 2012. As of October 31, 2012, management believes that the remaining provision of \$8.3 million (October 31, 2011 - \$8.3 million) is sufficient to cover any agreements reached with clients for study audits, study re-runs, and other related costs. Included in this potential liability are amounts for two legal claims the Company has been served with related to repeat study costs (Note 25).

**Consolidated Statements of
Financial Position (USD \$)
In Thousands, unless
otherwise specified**

	Oct. 31, 2012	Oct. 31, 2011
<u>Current assets</u>		
<u>Cash and cash equivalents</u>	\$ 109,360	\$ 74,067
<u>Accounts receivable (Note 3)</u>	46,488	38,999
<u>Notes receivable (Notes 8(b) and 8(c))</u>	4,004	16,061
<u>Inventories (Note 4)</u>	33,977	30,595
<u>Income taxes recoverable (Note 19)</u>	23,951	22,857
<u>Current portion of deferred tax assets (Note 19)</u>	4,141	7,661
<u>Other current assets (Note 6)</u>	2,042	13,842
<u>Assets of discontinued operations</u>		936
<u>Total current assets</u>	223,963	205,018
<u>Property, plant and equipment, net (Note 5)</u>	88,217	97,690
<u>Deferred tax assets (Note 19)</u>	52,855	73,237
<u>Long-term investments (Note 7)</u>	1,450	[1] 1,473 [1]
<u>Other long-term assets (Note 8)</u>	62,096	81,245
<u>Total assets</u>	428,581	458,663
<u>Current liabilities</u>		
<u>Accounts payable</u>	18,783	13,661
<u>Accrued liabilities (Note 10)</u>	80,322	52,914
<u>Income taxes payable (Note 19)</u>	9,494	4,238
<u>Current portion of long-term debt (Note 11)</u>	4,190	4,156
<u>Current portion of deferred revenue (Note 12)</u>	1,500	1,820
<u>Liabilities of discontinued operations</u>		4,079
<u>Total current liabilities</u>	114,289	80,868
<u>Long-term debt (Note 11)</u>	39,141	40,174
<u>Deferred revenue (Note 12)</u>	1,958	3,855
<u>Long-term income taxes payable (Note 19)</u>	3,960	9,369
<u>Other long-term liabilities (Note 13)</u>	74,468	39,619
<u>Total liabilities</u>	233,816	173,885
<u>Shareholders' equity</u>		
<u>Common shares at par – Authorized shares: unlimited; Issued and outstanding shares: 61,909,101 and 62,378,521, respectively; (Note 15)</u>	252,168	254,076
<u>Additional paid-in capital</u>	84,726	83,159
<u>Accumulated deficit</u>	(265,474)	(216,789)
<u>Accumulated other comprehensive income</u>	123,345	164,332
<u>Total shareholders' equity</u>	194,765	284,778
<u>Total liabilities and shareholders' equity</u>	\$ 428,581	\$ 458,663

[1] Long-term investments include an investment in LCC, an investment fund management company, which has long-term investments in development-stage enterprises that have not yet earned significant revenues from their intended business activities or established their commercial viability. Nordion does not have any significant involvement in the day-to-day operations of LCC other than to obtain its share of earnings and losses. During the year ended October 31, 2012, the Company reported equity loss of \$0 (2011 - \$0.1 million; 2010 - \$0.7 million) from the investment in LCC. The Company's exposure to losses is limited to its investment of \$0 (October 31, 2011 - \$0).

Note 12. Deferred Revenue
(Tables)

[Deferred Revenue, by Arrangement, Disclosure \[Table Text Block\]](#)

12 Months Ended
Oct. 31, 2012

As of October 31	2012	2011
Payment in advance of services rendered	\$ 1,269	\$ 1,115
Deferred credit related to government loan ^(a)	1,958	3,467
Deposits for reimbursable costs	231	1,093
	3,458	5,675
Less: current portion	(1,500)	(1,820)
Long-term portion of deferred revenue	\$ 1,958	\$ 3,855

Note 19. Income Taxes
(Detail) - Components of the
Deferred Tax Assets and
Liabilities: (USD \$)
In Thousands, unless
otherwise specified

12 Months Ended

Oct. 31, 2012 Oct. 31, 2011

<u>Tax benefit of losses carried forward</u>	\$ 128,124	\$ 99,498
<u>Tax basis in excess of book value</u>	2,883	9,756
<u>Investment tax credits</u>	68,088	65,283
<u>Provisions and reserves</u>	385	(2,195)
<u>Other comprehensive loss</u>	20,025	8,609
<u>Deferred tax assets before valuation allowance</u>	219,505	180,951
<u>Unrecognized tax benefits</u>	(12,872)	
<u>Valuation allowance</u>	(149,637)	(100,053)
<u>Net deferred tax assets</u>	\$ 56,996	\$ 80,898

**Note 22. Employee Benefits
(Detail) - Amounts
Recognized in Consolidated
Statements of Financial
Position of Defined Benefit
Pension Plans: (USD \$)
In Thousands, unless
otherwise specified**

Oct. 31, 2012 Oct. 31, 2011 Oct. 31, 2010

Fair value of plan assets	\$ 261,240		
Plan assets (less than) in excess of projected benefit obligation		9,748	
Non-current liabilities	55,516	18,259	
Domestic Pension Plans of Foreign Entity, Defined Benefit [Member]			
Projected benefit obligation	286,491	229,449	215,167
Fair value of plan assets	252,925	239,197	224,111
Plan assets (less than) in excess of projected benefit obligation	(33,566)	9,748	
Unrecognized net actuarial loss	76,183	30,212	
Net amount recognized at year end	42,617	39,960	
Long-term pension plan assets		9,748	
Non-current liabilities	(33,566)		
Accumulative other comprehensive loss	76,183	30,212	
Foreign Pension Plans, Defined Benefit [Member]			
Projected benefit obligation	14,004	12,929	11,720
Fair value of plan assets	8,315	8,998	8,826
Plan assets (less than) in excess of projected benefit obligation	(5,689)	(3,931)	
Unrecognized net actuarial loss	7,191	5,268	
Net amount recognized at year end	1,502	1,337	
Non-current liabilities	(5,689)	(3,931)	
Accumulative other comprehensive loss	\$ 7,191	\$ 5,268	

**Consolidated Statements of
Comprehensive Income
(Loss) (USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2010
<u>Net (loss) income</u>	\$ (28,869)	\$ 16,847	\$ (232,010)
<u>Foreign currency translation</u>	(2,369)	10,959	203,227
<u>Reclassification of realized gain on derivatives designated as cash flow hedges, net of tax of \$141 (2011 - \$nil; 2010 - \$nil), respectively</u>	(420)		
<u>Unrealized gain on derivatives designated as cash flow hedges, net of tax of \$(160) (2011 — \$(14); 2010 — \$nil)</u>	479	41	
<u>Pension liability adjustments, net of tax of \$12,100 (2011 — \$1,544; 2010 — \$2,532)</u>	(37,704)	(4,129)	(11,869)
<u>Reclassification of realized foreign currency translation gain on divestitures</u>		(4,629)	(42,122)
<u>Unrealized gain on available-for-sale assets, net of tax of \$nil (2011 — \$(82); 2010 — \$(123))</u>		1	485
<u>Reclassification of realized gain on available-for-sale assets, net of tax of \$nil (2011 — \$180; 2010 — \$nil)</u>		(1,512)	
<u>Unrealized gain on net investment hedge, net of tax of \$nil (2011 — \$nil; 2010 — \$nil)</u>			2,400
<u>Realized gain on net investment hedge due to divestitures, net of tax of \$nil (2011 — \$nil; 2010 — \$16,271)</u>			(130,367)
<u>Other</u>			34
<u>Other comprehensive (loss) income</u>	(40,014)	731	21,788
<u>Comprehensive (loss) income</u>	\$ (68,883)	\$ 17,578	\$ (210,222)

Note 19. Income Taxes
(Detail) - Reconciliation of
Expected Income Taxes to
Reported Income Tax
Expenses: (USD \$)
In Thousands, unless
otherwise specified

12 Months Ended

	Oct. 31,	Oct. 31,	Oct. 31,
	2012	2011	2010
<u>Expected income tax expense (recovery) at the 25% (2011 – 27%; 2010 – 30%) statutory rate</u>	\$ 893	\$ 16,372	\$ (25,050)
<u>Increase (decrease) in taxes as a result of:</u>			
<u>Change in valuation allowance on deferred tax assets</u>	48,515	(406)	19,599
<u>Tax benefit arising on utilization of R&D tax credits</u>	(1,339)	(438)	(11)
<u>Net changes in reserves for uncertain tax positions(a)</u>	14,758	^[1] 1,398	^[1] (10,217) ^[1]
<u>Foreign earnings taxed at rates different from the statutory rate</u>	(264)	(1,166)	1,726
<u>Stock-based compensation</u>	397	471	269
<u>Impact of income tax rate changes</u>	(2,297)		1,065
<u>Provision to previously filed tax returns</u>	(5,744)	(671)	4,188
<u>Other investment write downs</u>		(109)	
<u>Non-deductible foreign exchange losses</u>			6,950
<u>Impact of non-deductible expenses and other differences</u>	3,009	883	2,230
<u>Reported income tax expense</u>	32,393	17,122	187
Deferred tax rate differential [Member]			
<u>Increase (decrease) in taxes as a result of:</u>			
<u>Income tax reconciliation, other adjustment</u>	1,159	788	(562)
Non-taxable portion of capital loss on investments [Member]			
<u>Increase (decrease) in taxes as a result of:</u>			
<u>Income tax reconciliation, other adjustment</u>	\$ (26,694)		

[1] Excludes net changes in reserves for uncertain tax positions related to discontinued operations.

Note 1. Nature of Operations 12 Months Ended
(Detail) Oct. 31, 2012

Number of Operating Segments 3

**Note 20. Supplementary
Cash Flow Information
(Detail) - Items Not Affecting
Cash Flows: (Parentheticals)
(USD \$)**

12 Months Ended

Oct. 31, 2011 Oct. 31, 2010

**In Thousands, unless
otherwise specified**

<u>Equity method investments, cash distributions</u>	\$ 951	\$ 3,034
--	--------	----------

**Note 27. Comparative
Figures**

**12 Months Ended
Oct. 31, 2012**

[Reclassifications \[Text Block\]](#) **27. Comparative Figures**

Certain figures for the prior period have been reclassified to conform to the current period's consolidated financial statements presentation.

**Note 26. Asset Retirement
Obligation (ARO) (Detail) -
Reconciliation of Asset
Retirement Obligations:
(USD \$)**

12 Months Ended

Oct. 31, 2012 Oct. 31, 2011

**In Thousands, unless
otherwise specified**

<u>Asset retirement obligation – beginning of year</u>	\$ 11,691	\$ 10,598
<u>Accretion expense</u>	906	843
<u>Foreign exchange and other</u>	(27)	250
<u>Asset retirement obligation – end of year</u>	\$ 12,570	\$ 11,691

**Note 5. Property, Plant and
Equipment (Detail) -
Property, Plant and
Equipment: (USD \$)
In Thousands, unless
otherwise specified**

Oct. 31, 2012 Oct. 31, 2011

<u>Cost</u>	\$ 306,648	\$ 299,859
<u>Accumulated Depreciation</u>	218,431	202,169
<u>Accumulated depreciation</u>	(218,431)	(202,169)
<u>Property, plant and equipment</u>	88,217	97,690
Land [Member]		
<u>Cost</u>	2,828	2,834
Building [Member]		
<u>Cost</u>	84,030	82,800
<u>Accumulated Depreciation</u>	45,677	43,060
<u>Accumulated depreciation</u>	(45,677)	(43,060)
Equipment [Member]		
<u>Cost</u>	83,422	80,627
<u>Accumulated Depreciation</u>	61,989	56,923
<u>Accumulated depreciation</u>	(61,989)	(56,923)
Furniture and Fixtures [Member]		
<u>Cost</u>	1,604	1,608
<u>Accumulated Depreciation</u>	1,604	1,566
<u>Accumulated depreciation</u>	(1,604)	(1,566)
Computer Equipment [Member]		
<u>Cost</u>	82,642	77,869
<u>Accumulated Depreciation</u>	77,331	73,112
<u>Accumulated depreciation</u>	(77,331)	(73,112)
Leasehold Improvements [Member]		
<u>Cost</u>	10,779	10,752
<u>Accumulated Depreciation</u>	1,593	1,046
<u>Accumulated depreciation</u>	(1,593)	(1,046)
Building Improvements [Member]		
<u>Cost</u>	36,641	36,418
<u>Accumulated Depreciation</u>	30,237	26,462
<u>Accumulated depreciation</u>	(30,237)	(26,462)
Construction in Progress [Member]		
<u>Cost</u>	\$ 4,702	\$ 6,951

Note 14. Earnings Per Share**12 Months Ended
Oct. 31, 2012**[Earnings Per Share \[Text Block\]](#)**14. (Loss) Earnings Per Share**

The following table illustrates the reconciliation of the denominator in the computations of the basic and diluted (loss) earnings per share:

Years Ended October 31

(number of shares in thousands)	2012	2011	2010
Weighted average number of Common shares outstanding – basic	62,029	64,719	89,279
Impact of stock options assumed exercised	1	90	1
Weighted average number of Common shares outstanding – diluted	62,030	64,809	89,280
Basic and diluted (loss) earnings per share from continuing operations	\$ (0.47)	\$ 0.67	\$ (0.94)
Basic and diluted loss per share from discontinued operations	-	(0.41)	(1.66)
Basic and diluted (loss) earnings per share	\$ (0.47)	\$ 0.26	\$ (2.60)

**Accounting Policies, by
Policy (Policies)**

**12 Months Ended
Oct. 31, 2012**

[Basis of Accounting, Policy
\[Policy Text Block\]](#)

Basis of presentation

The consolidated financial statements have been prepared in United States (U.S.) dollars, the Company's reporting currency, and in accordance with U.S. generally accepted accounting principles (GAAP) applied on a consistent basis.

[Consolidation, Policy \[Policy
Text Block\]](#)

Principles of consolidation

The consolidated financial statements of the Company reflect the assets and liabilities and results of operations of all subsidiaries and entities of which the Company is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated. The results of operations disposed of are included in the consolidated financial statements up to the date of disposal.

[Use of Estimates, Policy
\[Policy Text Block\]](#)

The equity method of accounting is used for investments in entities for which the Company does not have the ability to exercise control, but has significant influence.

Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The Company's estimates are based on the facts and circumstances available at the time estimates are made, historical experience, risk of loss, general economic conditions and trends, and the Company's assessments of the probable future outcomes of these matters. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of changes, if any, are reflected in the consolidated statements of operations in the period in which they are determined.

[Cash and Cash Equivalents,
Policy \[Policy Text Block\]](#)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, demand deposits, and investments with maturities of three months or less at the time the investment is made. The fair value of cash and cash equivalents approximates the carrying amounts shown in the consolidated statements of financial position.

[Cash and Cash Equivalents,
Restricted Cash and Cash
Equivalents, Policy \[Policy
Text Block\]](#)

Restricted cash

Restricted cash, which is included in other long-term assets, includes cash held for specific purposes which is not readily available to be used in the Company's operations related to insurance liabilities.

[Loans and Leases Receivable,
Allowance for Loan Losses
Policy \[Policy Text Block\]](#)

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts based on a variety of factors, including the length of time the receivables are past due, macroeconomic conditions, significant one-time events, historical experience and the financial condition of customers. The Company

records a specific reserve for individual accounts when it becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. If circumstances related to a customer change, the Company would further adjust estimates of the recoverability of receivables.

[Inventory, Policy \[Policy Text Block\]](#) **Inventories**

Inventories of raw materials and supplies are recorded at the lower of cost or market value, determined on a first-in, first-out (FIFO) basis. Finished goods and work-in-process include the cost of material, labor and manufacturing overhead and are recorded on a FIFO basis at the lower of cost or market. The Company reduces the carrying value of inventories for those items that are potentially excess, obsolete or slow-moving based on changes in customer demand, technology developments or other economic factors.

[Property, Plant and Equipment, Policy \[Policy Text Block\]](#) **Property, plant and equipment**

Property, plant and equipment, including assets under capital leases, are carried in the accounts at cost less accumulated depreciation. Gains and losses arising on the disposal of individual assets are recognized in income in the period of disposal.

The costs associated with modifications to facilities owned by others to permit isotope production are deferred and recorded as facility modifications and amortized over the expected contractual production. Costs, including financing charges and certain design, construction and installation costs, related to assets that are under construction and are in the process of being readied for their intended use are recorded as construction in-progress and are not subject to depreciation.

Depreciation, which is recorded from the date on which each asset is placed into service, is generally provided for on a straight-line basis over the estimated useful lives of the property, plant and equipment as follows:

Buildings (years)	25 — 40
Equipment (years)	3 — 20
Furniture and fixtures (years)	3 — 10
Computer systems (years)	3 — 7
Leaseholds improvements	Term of the lease plus renewal periods, when renewal is reasonably assured

[Asset Retirement Obligations, Policy \[Policy Text Block\]](#) **Asset retirement obligations**

The Company records asset retirement obligation costs associated with the retirement of tangible long-lived assets. The Company reviews legal obligations associated with the retirement of these long-lived assets. If it is determined that a legal obligation exists and it is probable that this liability will ultimately be realized, the fair value of the liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the expected life of the asset. The present

[Goodwill and Intangible
Assets, Goodwill, Policy
\[Policy Text Block\]](#)

value of the asset retirement obligation is accreted with the passage of time to its expected settlement fair value.

Goodwill

Goodwill is not amortized but is tested for impairment, at least annually. The Company tests goodwill during the fourth quarter of each year for impairment, or more frequently if certain indicators are present or changes in circumstances suggest that impairment may exist. The Company first assesses qualitative factors to determine whether it is necessary to perform the two step quantitative goodwill impairment test. If it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, the Company utilizes the two-step quantitative approach. The first step requires a comparison of the carrying value of the reporting units to the fair value of these units. The Company estimates the fair value of its reporting units through internal analyses and valuation, utilizing an income approach based on the present value of future cash flows. If the carrying value of a reporting unit exceeds its fair value, the Company will perform the second step of the goodwill impairment test to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of a reporting unit's goodwill with its carrying value. The implied fair value of goodwill is determined in the same manner that the amount of goodwill recognized in a business combination is determined. The Company allocates the fair value of a reporting unit to all of the assets and liabilities of that unit, including intangible assets, as if the reporting unit had been acquired in a business combination. Any excess of the value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill.

[Impairment or Disposal of
Long-Lived Assets, Policy
\[Policy Text Block\]](#)

Impairment of long-lived assets

The Company evaluates the carrying value of long-lived assets, including property, plant and equipment, for potential impairment when events and circumstances warrant a review. Factors that the Company considers important that could trigger an impairment review include, but are not limited to, significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for the Company's overall business, significant negative industry or economic trends, a significant adverse legal or regulatory development, a significant decline in the Company's stock price for a sustained period, and the Company's market capitalization relative to its net book value. In assessing long-lived assets for impairment, assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

The carrying value of a long-lived asset is considered impaired when the anticipated net recoverable amount of the asset is less than its carrying value. In that event, a loss is recognized in an amount equal to the difference between the carrying value and fair value less costs of disposal by a charge to income. The anticipated net recoverable amount for a long-lived asset is an amount equal to the anticipated undiscounted cash flows net of directly attributable general and administration costs, carrying costs, and income taxes, plus the expected residual value, if any.

When required, the fair values of long-lived assets are estimated using accepted valuation methodologies, such as discounted future net cash flows, earnings multiples, or prices for similar assets, whichever is most appropriate under the circumstances.

[Equity Method Investments,
Policy \[Policy Text Block\]](#)

Long-term investments

The Company accounts for long-term investments where it has the ability to exercise significant influence using the equity method of accounting. In situations where the Company does not exercise significant influence over a long-term investee that is not publicly listed, the investments are recorded at cost. Investments in public companies are carried at fair value. The Company periodically reviews these investments for impairment. In the event the carrying value of an investment exceeds its fair value and the decline in fair value is determined to be other than temporary, the Company writes down the value of the investment to its fair value.

[Lease, Policy \[Policy Text
Block\]](#)

Leases

Leases entered into by the Company in which substantially all of the benefits and risks of ownership are transferred to the Company are recorded as obligations under capital leases, and under the corresponding category of property, plant and equipment. Obligations under capital leases reflect the present value of future lease payments, discounted at an appropriate interest rate, and are reduced by rental payments net of imputed interest. Property, plant, and equipment under capital leases are depreciated, to the extent that these assets are in continuing operations, based on the useful life of the asset. All other leases in continuing operations are classified as operating leases and leasing costs, including any rent holidays, leasehold incentives, and rent concessions, are amortized on a straight-line basis over the lease term.

[Revenue Recognition, Policy
\[Policy Text Block\]](#)

Revenue recognition

Revenues are recorded when title to goods passes or services are provided to customers, the price is fixed or determinable, and collection is reasonably assured. For the majority of product revenues, title passes to the buyer at the time of shipment and revenue is recorded at that time.

The Company recognizes revenue and related costs for arrangements with multiple deliverables as each element is delivered or completed based upon fair value as determined by vendor-specific objective evidence of selling price or third-party evidence of selling price. If neither vendor-specific objective evidence nor third-party evidence of a selling price is available for any undelivered element, revenue for all elements is calculated based on an estimated selling price method. When a portion of the customer's payment is not due until acceptance, the Company defers that portion of the revenue until acceptance has been obtained. Revenue for training is deferred until the service is completed. Revenue for extended service contracts is recognized ratably over the contract period. Provisions for discounts, warranties, rebates to customers, returns and other adjustments are provided for in the period the related sales are recorded.

[Standard Product Warranty,
Policy \[Policy Text Block\]](#)

Warranty costs

A provision for warranties is recognized when the underlying products or services are recorded as revenues. The provision is based on estimated future costs using historical labor and material costs to estimate costs that will be incurred in the warranty period.

[Share-based Compensation,
Option and Incentive Plans
Policy \[Policy Text Block\]](#)

Stock-based compensation

The fair value of stock options is recognized as compensation expense on a straight-line basis over the applicable stock option vesting period. The expense is included in selling, general, and administration expenses in the consolidated statements of operations and as additional paid-in capital grouped within shareholders' equity on the consolidated statements of financial position.

The consideration received on the exercise of stock options is credited to share capital at the time of exercise along with the associated amount of additional paid-in capital.

Certain incentive compensation plans of the Company base the determination of compensation to be paid in the future on the price of the Company's publicly traded shares at the time of payment or time of the grant date. Expenses related to these plans are recorded as a liability and charged to income over the period in which the amounts are earned, based on an estimate of the current fair value of amounts that will be paid in the future.

[Pension and Other
Postretirement Plans, Policy
\[Policy Text Block\]](#)

Pension, post-retirement and other post-employment benefit plans

The Company offers a number of benefit plans that provide pension and other post-retirement benefits. The current service cost of benefit plans is charged to income. Cost is computed on an actuarial basis using the projected benefits method and based on management's best estimates of investment yields, salary escalation, and other factors.

The Company recognizes the funded status of its defined benefit plans on its consolidated statements of financial position; recognizes gains, losses, and prior service costs or credits that arise during the period that are not recognized as components of net periodic benefit cost (income) as a component of accumulated other comprehensive income, net of tax; measures its defined benefit plan assets and obligations as of the date of the Company's fiscal year-end consolidated statements of financial position; and discloses additional information in the notes to the consolidated financial statements about certain effects on net periodic benefit cost (income) for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition assets or obligations.

The expected costs of post-employment benefits, other than pensions, for active employees are accrued in the years in which employees provide service to the Company. Adjustments resulting from plan amendments, experience gains and losses, or changes in assumptions are amortized over the remaining average service term of active employees. Other post-employment benefits are recognized when the event triggering the obligation occurs.

[Research and Development
Expense, Policy \[Policy Text
Block\]](#)

Research and development

The Company conducts various research and development programs and incurs costs related to these activities, including employee compensation, materials, professional services, facilities costs, and equipment depreciation. Research and development programs costs, including those internally processed, are expensed in the periods in which they are incurred.

[Clinical Trial Expenses \[Policy
Text Block\]](#) **Clinical trial expenses**

Other current assets and Other long-term assets include any clinical trial prepayments made to the clinical research organization (CRO). Research and development expenses include clinical trial expenses associated with the CRO. The invoicing from the CRO for services rendered can lag several months. The Company accrues the cost of services rendered in connection with CRO activities based on its estimate of site management, monitoring costs, and project management costs and record them in accrued liabilities. The Company maintains regular communication with the CRO to gauge the reasonableness of our estimates. Differences between actual clinical trial expenses and estimated clinical trial expenses recorded have not been material and are adjusted for in the period in which they become known.

[Income Tax, Policy \[Policy Text Block\]](#)

Income taxes

Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. The Company provides a valuation allowance against its deferred tax assets when it believes that it is more likely than not that the asset will not be realized.

The Company determines whether it is more likely than not that a tax position will be sustained upon examination. The tax benefit of any tax position that meets the more-likely-than-not recognition threshold is calculated as the largest amount that is more than 50% likely of being realized upon resolution of the contingency. To the extent, a full benefit is not expected to be realized on the uncertain tax position, an income tax liability is established. Interest and penalties on income tax obligations are included in income tax expense.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions that the Company has operated in globally. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from current estimates of the income tax liabilities. If the Company's estimate of income tax liabilities proves to be less than the ultimate assessment, an additional charge to income tax expense would result. If payment of these amounts ultimately proves to be less than the recorded amounts, the reversal of the income tax liabilities may result in income tax benefits being recognized in the period when it is determined that the estimated income tax liability is no longer required. All of these potential income tax liabilities are included in income taxes payable or netted against income taxes recoverable on the consolidated statements of financial position.

Investment tax credits related to the acquisition of assets are deferred and amortized to income on the same basis as the related assets, while those related to current expenses are included in the determination of income for the year.

[Earnings Per Share, Policy \[Policy Text Block\]](#)

Earnings per share

Basic earnings per share is calculated by dividing net income by the weighted average number of Common shares outstanding during the year.

Diluted earnings per share is calculated using the treasury stock method, by dividing net income available to common shareholders by the sum of the weighted average number of Common shares outstanding and all additional Common shares that would have been outstanding shares arising from the exercise of potentially dilutive stock options during the year.

[Foreign Currency Transactions and Translations Policy \[Policy Text Block\]](#)

Foreign currency translation

Although the Company reports its financial results in U.S. dollars, the functional currency of the Company's Canadian operations is Canadian dollars. The functional currencies of the Company's foreign subsidiaries are their local currencies. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currencies of operations at prevailing year-

end exchange rates. Non-monetary assets and liabilities are translated into functional currencies at historical rates. Assets and liabilities of foreign operations with a functional currency other than U.S. dollars are translated into U.S. dollars at prevailing year-end exchange rates, while revenue and expenses of these foreign operations are translated into U.S. dollars at average monthly exchange rates. The Company's net investments in foreign subsidiaries are translated into U.S. dollars at historical exchange rates.

Exchange gains and losses on foreign currency transactions are recorded in other expenses, net. Upon the sale or upon complete or substantially complete liquidation of an investment in a foreign (non-Canadian functional currency) entity, the amount attributable to that entity and accumulated in the translation adjustment component of the equity is removed from the separate component of equity and reported as part of the gain or loss on sale or liquidation of the investment in the period during which the sale or liquidation occurs. Exchange gains or losses arising on translation of the Company's net equity investments in these foreign subsidiaries and those arising on translation of foreign currency long-term liabilities designated as hedges of these investments are recorded in other comprehensive income (OCI). Upon reduction of the Company's investment in the foreign (non-Canadian) subsidiary, due to a sale or complete or substantially complete liquidation, the amount from the reporting currency translation as well as the offsetting amount from the translation of foreign currency long-term liabilities included in accumulated other comprehensive income (AOCI) is recognized in income.

[Derivatives, Policy \[Policy Text Block\]](#)

Derivative financial instruments

In the normal course of business, the Company uses derivative financial instruments to manage foreign currency exchange rate risks. Derivative transactions are governed by a uniform set of policies and procedures covering areas such as authorization, counterparty exposure and hedging practices. Positions are monitored based on changes in foreign currency exchange rates and their impact on the market value of derivatives. Credit risk on derivatives arises from the potential for counterparties to default on their contractual obligations to the Company. The Company limits its credit risk by dealing with counterparties that are considered to be of high credit quality. The Company does not enter into derivative transactions for trading or speculative purposes. The Company records derivatives at fair value either as other current assets or accrued liabilities on the consolidated statements of financial position. The Company determines the fair value of the derivative financial instruments using relevant market inputs when no quoted market prices exist for the instruments. The fair value of the derivative financial instruments is determined by comparing the rates when the derivatives are acquired to the market rates at period-end. The key inputs include interest rate yield curves, foreign exchange spot and forward rates. The Company classifies cash flows from its derivative programs as cash flows from operating activities in the consolidated statements of cash flows.

The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. In order for a derivative to qualify for hedge accounting, the derivative must be formally designated as a fair value, cash flow or net investment hedge by documenting the relationship between the derivative and the hedged item. The documentation includes a description of the hedging instrument, the hedged item, the risk being hedged, the Company's risk management objective and strategy for undertaking the hedge, the method for assessing the effectiveness of the hedge and the method for measuring hedge ineffectiveness. Additionally, the hedge relationship must be expected to be highly effective at offsetting changes

in either the fair value or cash flows of the hedged item at both inception of the hedge and on an ongoing basis. The Company assesses the ongoing effectiveness of its hedges on a quarterly basis.

Cash flow hedges

The Company's hedging activities include a hedging program to hedge the economic exposure from anticipated U.S. dollar denominated sales. The Company hedges a portion of these forecasted foreign denominated sales with forward exchange contracts. These transactions are designated as cash flow hedges and are accounted for under the hedge accounting. The Company hedges anticipated U.S. dollar denominated sales that are expected to occur over its planning cycle, typically no more than 12 months into the future. The effective portion of the hedge gain or loss is initially reported as a component of accumulated other comprehensive income and subsequently reclassified into revenues when the hedged exposure affects earnings. Any ineffective portion of related gains or losses is recorded in the consolidated statements of operations immediately.

Other derivatives

Derivatives not designated as hedges are recorded at fair value on the consolidated statements of financial position, with any changes in the mark to market being recorded in the consolidated statements of operations. Interest rate swap contracts may be used as part of the Company's program to manage the fixed and floating interest rate mix of the Company's total debt portfolio and the overall cost of borrowing. The Company uses short-term foreign currency forward exchange contracts to hedge the revaluations of the foreign currency balances. The Company has also identified embedded derivatives in certain supply contracts.

[Comprehensive Income,
Policy \[Policy Text Block\]](#)

Comprehensive income

The Company defines comprehensive income as net income plus the sum of the changes in unrealized gains (losses) on derivatives designated as cash flow hedges, unrealized gains (losses) on translation of debt designated as a hedge of the net investment in self-sustaining foreign subsidiaries, unrealized gains (losses) on pension liability adjustments, foreign currency translation gains (losses) on self-sustaining foreign subsidiaries and an unrealized gain (loss) on translation resulting from the application of U.S. dollar reporting and is presented in the consolidated statements of shareholders' equity and comprehensive (loss) income, net of income taxes.

[New Accounting
Pronouncements, Policy
\[Policy Text Block\]](#)

Recent accounting pronouncements

In December 2011, the Financial Accounting Standards Board (FASB) issued ASU No. 2011-11, "*Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*" which enhances current disclosures about financial instruments and derivative instruments that are either offset on the statement of financial position or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset on the statement of financial position. Entities are required to provide both net and gross information for these assets and liabilities in order to facilitate comparability between financial statements prepared on the basis of U.S. Generally Accepted Accounting Principles (GAAP) and financial statements prepared on the basis of International Financial Reporting Standards (IFRS). ASU 2011-11 is effective for annual

reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods and the Company plans to adopt ASU 2011-11 on November 1, 2013. ASU 2011-11 is not expected to have a significant impact on the Company's consolidated financial statements.

In December 2011, the FASB issued ASU No. 2011-12, "*Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*" which indefinitely defers the requirement in ASU No. 2011-05 to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. During the deferral period, the existing requirements in U.S. GAAP for the presentation of reclassification adjustments must continue to be followed. ASU 2011-12 is effective for annual reporting periods beginning on or after December 15, 2011 and interim periods within those annual periods and the Company plans to adopt ASU 2011-12 on November 1, 2012. ASU 2011-12 is not expected to have a significant impact on the Company's consolidated financial statements.

[International Financial Reporting Standards \(IFRS\)](#)
[\[Policy Text Block\]](#)

International Financial Reporting Standards (IFRS)

The Company has been monitoring the deliberations and progress being made by accounting standard setting bodies and securities regulators both in the U.S. and Canada with respect to the convergence to IFRS. The Company currently expects to adopt IFRS as its primary reporting standard when the SEC requires domestic registrants in the U.S. to adopt IFRS.

**Note 20. Supplementary
Cash Flow Information
(Detail) - Items Not Affecting
Cash Flows: (USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2010
Depreciation and amortization	\$ 17,080	\$ 22,375	\$ 28,514
Stock option compensation	1,567	1,229	2,768
Loss on Celerion note receivable	2,411		
Deferred income taxes	38,137	3,666	8,493
Change in fair value of embedded derivatives	12,020	(2,649)	(13,050)
Foreign currency transactional loss	6,271	1,623	26,341
Equity loss, including cash distribution of \$nil (2011 — \$951; 2010 — \$3,034)		1,079	3,684
Write-down of investments and other long-term assets			1,632
Loss on sale of investments		(1,691)	1,054
Other including foreign currency translation adjustments	6,908	(260)	13,208
	\$ 84,394	\$ 27,063	\$ 72,644

**Note 22. Employee Benefits
(Detail) - Estimated Future
Benefit Payments of Other
Benefit Plans: (Other
Postretirement Benefit Plans,
Defined Benefit [Member],
USD \$)**

Oct. 31, 2012

**In Thousands, unless
otherwise specified**

Other Postretirement Benefit Plans, Defined Benefit [Member]

2013	\$ 650
2014	716
2015	782
2016	798
2017	837
2018 — 2022	5,134
Total	\$ 8,917

**Note 16. Financial
Instruments and Financial
Risk**

**12 Months Ended
Oct. 31, 2012**

[Derivative Instruments and
Hedging Activities Disclosure
\[Text Block\]](#)

16. Financial Instruments and Financial Risk

Derivative instruments

The Company uses foreign currency forward exchange contracts to manage its foreign exchange risk. The Company enters into foreign exchange contracts to hedge anticipated U.S. dollar denominated sales that are expected to occur over its planning cycle, typically no more than 18 months into the future. If the derivative is designated as a cash flow hedge, the effective portions of the hedge gain or loss is initially reported as a component of accumulated other comprehensive income and subsequently reclassified into revenues when the hedged exposure affects earnings. Any ineffective portions of related gain or loss is recorded in earnings immediately. The Company also uses short-term foreign currency forward exchange contracts to hedge the revaluations of the foreign currency balances which have not been designated as hedges. Derivatives not designated as hedges are recorded at fair value on the consolidated statement of financial position, with any changes in the mark to market being recorded in the consolidated statement of operations.

The Company has identified embedded derivatives in certain of its supply contracts as a result of the currency of the contract being different from the functional currency of the parties involved. Changes in the fair value of the embedded derivatives are recognized in the consolidated statements of operations.

The Company does not use derivatives for trading or speculative purposes and is not a party to leveraged derivatives. See further discussion of derivative financial instruments in Note 2, Summary of Significant Accounting Policies.

The following table provides the fair value of all Company derivative instruments:

As of October 31	2012		2011	
	Fair		Fair	
	Value		Value	
Assets				
Embedded derivatives ^(a)	\$	10	\$	11,584
Foreign currency forward contracts under cash flow hedges ^(b)	\$	195	\$	88
Foreign currency forward contracts not under hedging relationships ^(c)	\$	-	\$	183
Liabilities				
Embedded derivatives ^(a)	\$	814	\$	370
Foreign currency forward contracts under cash flow hedges ^(b)	\$	60	\$	57
Foreign currency forward contracts not under hedging relationships ^(c)	\$	-	\$	148

(a) As of October 31, 2012 and October 31, 2011, total notional amounts for the Company's certain supply contracts identified for embedded derivatives were approximately \$49 million and \$300 million, respectively.

(b) As of October 31, 2012 and October 31, 2011, total notional amounts for the Company's foreign currency forward contracts under cash flow hedges were approximately \$33 million and \$36 million, respectively.

(c) As of October 31, 2012 and October 31, 2011, total notional amounts for the Company's foreign currency forward contracts not under hedging relationships were approximately \$nil and \$13 million, respectively.

The following table summarizes the activities of the Company's derivative instruments:

Years ended October 31	2012	2011	2010
Realized (gain) loss on foreign currency forward contracts under cash flow hedges	\$ (561)	\$ 219	\$ -
Unrealized gain (loss) on foreign currency forward contracts under cash flow hedges	\$ 639	\$ (55)	\$ -
Realized (gain) loss on foreign currency forward contracts not under cash flow hedges	\$ (482)	\$ (327)	\$ -
Unrealized (loss) gain on foreign currency forward contracts not under cash flow hedges	\$ (79)	\$ 10	\$ -
Unrealized (loss) gain on embedded derivatives recorded in change in fair value of embedded derivatives ^(a)	\$ (12,020)	\$ 2,649	\$ 13,050
Reclassification of realized gain recorded in OCI relating to net investment hedge	\$ -	\$ -	\$ (146,638)
Unrealized gain recorded in OCI relating to net investment hedges	\$ -	\$ -	\$ (2,400)

(a) Excludes unrealized loss for embedded derivatives related to the discontinued operations of \$0.5 million for the year ended October 31, 2010.

Credit risk

Certain of the Company's financial assets, including cash and cash equivalents, are exposed to credit risk. The Company may, from time to time, invest in debt obligations and commercial paper of governments and corporations. Such investments are limited to those issuers carrying an investment-grade credit rating. In addition, the Company limits the amount that is invested in issues of any one government or corporation.

The Company is also exposed, in its normal course of business, to credit risk from its customers. As of October 31, 2012, accounts receivable is net of an allowance for uncollectible accounts of \$0.2 million (October 31, 2011 — \$0.2 million).

Credit risk on financial instruments arises from the potential for counterparties to default on their contractual obligations to the Company. The Company is exposed to credit risk in the event of non-performance, but does not anticipate non-performance by any of the counterparties to its financial instruments. The Company limits its credit risk by dealing with counterparties that are considered to be of high credit quality. In the event of non-performance by counterparty, the carrying value of the Company's financial instruments represents the maximum amount of loss that would be incurred.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company has cash and cash equivalent totaling \$109.4 million (October 31, 2011 — \$74.0 million), cash generated by the operations and the credit facilities which are sufficient to honor its financial obligations.

Valuation methods and assumptions for fair value measurements

Cash and cash equivalents, accounts receivable, notes receivable, income taxes recoverable, accounts payable, accrued liabilities, and income taxes payable have short periods to maturity and the carrying values contained in the consolidated statements of financial position approximate their estimated fair values.

Fair value hierarchy

The fair value of the Company's financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments is determined by reference to quoted market prices for the same financial instrument in an active market (Level 1). If Level 1 fair values are not available, the Company uses quoted prices for identical or similar instruments in markets which are non-active, inputs other than quoted prices that are observable and derived from or corroborated by observable market data such as quoted prices, interest rates, and yield curves (Level 2), or valuation techniques in which one or more significant inputs are unobservable (Level 3).

The following table discloses the Company's financial assets and liabilities measured at fair value on a recurring basis:

As of October 31, 2012				
Description	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 100	\$ -	\$ -	\$ 100
Derivative assets (Note 6)	\$ -	\$ 205	\$ -	\$ 205
Derivative liabilities (Note 10(b))	\$ -	\$ 874	\$ -	\$ 874

As of October 31, 2011				
Description	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 100	\$ -	\$ -	\$ 100
Derivative assets (Note 6)	\$ -	\$ 446	\$ 11,409	\$ 11,855
Derivative liabilities (Note 10(b))	\$ -	\$ 575	\$ -	\$ 575

The following table presents the changes in the Level 3 fair value category:

Year ended October 31, 2012				
As of	Net Realized/ Unrealized Gains (Losses) included in	Purchases, Sales,	Transfers in	As of

Description	October 31		Issuance and (Settlements),		and/or out of Level 3		October 31
	2011	Earnings	Other	net			2012
Derivative assets (Note 6)	\$ 11,409	\$ -	\$(11,409)	\$ -	\$ -	\$ -	-

Year ended October 31, 2011

Description	As of October 31		Net Realized/ Unrealized Gains (Losses) included in		Purchases, Sales, Issuance and (Settlements), net		Transfers in and/or out of Level 3		As of October 31
	2010	Earnings	Other						2011
Derivative assets (Note 6)	\$ 10,514	\$ -	\$ 895	\$ -	\$ -	\$ -	\$ -	\$ -	11,409

**Note 7. Long-Term
Investments (Detail) - Long-
Term Investments: (USD \$)
In Thousands, unless
otherwise specified**

Oct. 31, 2012

Oct. 31, 2011

Long-term investment	\$ 1,450	[1]	\$ 1,473	[1]
Celerion, Inc. [Member]				
Long-term investment	\$ 1,450	[2]	\$ 1,473	[2]

[1] Long-term investments include an investment in LCC, an investment fund management company, which has long-term investments in development-stage enterprises that have not yet earned significant revenues from their intended business activities or established their commercial viability. Nordion does not have any significant involvement in the day-to-day operations of LCC other than to obtain its share of earnings and losses. During the year ended October 31, 2012, the Company reported equity loss of \$0 (2011 - \$0.1 million; 2010 - \$0.7 million) from the investment in LCC. The Company's exposure to losses is limited to its investment of \$0 (October 31, 2011 - \$0).

[2] On March 5, 2010, as part of the consideration for the sale of MDS Pharma Services Early Stage (Early Stage), Nordion received approximately 15% of the total common stock of Celerion assuming the conversion of all the outstanding preferred stock and issuance and exercise of permitted stock options. The outstanding preferred stock of Celerion are voting, all owned by third parties, convertible into common stock on a 1:1 basis, subject to certain adjustments, and are subordinated to the Note (Note 8(c)). Nordion's ability to transfer its Celerion equity and the Note is subject to the consent of Celerion, which is controlled by third-party investors who collectively hold a majority of the outstanding Celerion equity and have no restrictions on selling their interests. These third-party investors also have majority representation on the Board of Directors of Celerion. This investment in Celerion is recorded at cost and has a fair value of \$1.4 million as of October 31, 2012. The fair value has been determined based on an estimate of the fair value of the business sold using proceeds on sale and a discounted future cash flow model using cost of equity of comparable companies adjusted for risk. Pursuant to applicable U.S. accounting rules, a business entity may be subject to consolidation if it is determined to be a variable interest entity (VIE) and if the reporting entity is the primary beneficiary. The Company has determined that Celerion is a VIE but Nordion is not the primary beneficiary and, therefore, consolidation is not required. The Company continues to assess any reconsideration events and monitor the status of its relationship with Celerion. The fair value of the Company's investment in Celerion and the Note (Note 8(c)) is currently estimated to be \$15.6 million in aggregate. The Company's maximum exposure to loss is limited to the carrying value of the Note and its investment in Celerion.

**Note 21. Stock-Based
Compensation (Detail) -
Liability and Expense
Related to MTIP Plans:
(USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

	Oct. 31, 2012		Oct. 31, 2011		Oct. 31, 2010	
Liability	\$ 195	[1]	\$ 508	[1]		
(Income) Expense	(57)	[2]	(197)	[2]	10,061	[2]
2006 MTIP Plan [Member]						
Liability	195		508			
(Income) Expense	(57)		(197)		(28)	
2008 MTIP Plan [Member]						
(Income) Expense					3,988	
2009 MTIP Plan [Member]						
(Income) Expense					\$ 6,101	

[1] The MTIP liability is included in the employee-related accruals in accrued liabilities in the consolidated statements of financial position (Note 10).

[2] The MTIP (income) expense for the year ended October 31, 2012 is \$(0.1) million (2011 - \$(0.2) million; 2010 - \$10.1 million), of which \$(0.1) million (2011 - \$(0.2); 2010 - \$0) is included in selling, general and administration expenses. MTIP (income) expense for fiscal 2010 also included \$5.6 million in restructuring charges (Note 17) and \$4.5 million in "Loss from discontinued operations, net of income taxes".

**Consolidated Statements of
Comprehensive Income
(Loss) (Parentheticals) (USD
\$)**

**In Thousands, unless
otherwise specified**

12 Months Ended

	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2010
<u>Reclassification of realized loss on derivatives designated as cash flow hedges, tax</u>	\$ 141		
<u>Unrealized gain on derivatives designated as cash flow hedges, tax</u>	(160)	(14)	
<u>Pension liability adjustments, tax</u>	12,100	1,544	2,532
<u>Unrealized gain on available-for-sale assets, tax</u>		(82)	(123)
<u>Reclassification of realized gain on available-for-sale assets, tax</u>		180	
<u>Unrealized gain on net investment hedge, tax</u>			
<u>Realized gain on net investment hedge due to divestitures, tax</u>			\$ 16,271

**Consolidated Statements of
Financial Position
(Parentheticals) (USD \$)**

Oct. 31, 2012 Oct. 31, 2011

<u>Common Stock, Par Value (in Dollars per share)</u>	\$ 0	\$ 0
<u>Common Stock, Issued</u>	61,909,101	62,378,521
<u>Common Stock, Outstanding</u>	61,909,101	62,378,521

Note 9. Goodwill

**12 Months Ended
Oct. 31, 2012**

[Goodwill and Intangible
Assets Disclosure \[Text Block\]](#)

9. Goodwill

As of October 31, 2012, management determined that the fair value of goodwill exceeds its carrying value of \$2.5 million (October 31, 2011 — \$2.5 million) resulting in no impairment of goodwill.

In the fourth quarter of fiscal 2010, the Company changed its segment reporting structure (Note 23) following the completion of its strategic repositioning and allocated goodwill to two of the Company's business segments: Sterilization Technologies (\$1.6 million) and Medical Isotopes (\$0.9 million). The Company's segment reporting change, following its strategic realignment in the fourth quarter of fiscal 2012 did not require a reallocation of its goodwill.

**Note 21. Stock-Based
Compensation (Detail) -
Stock Options Outstanding -
Canadian Dollar Options:
(Canadian Dollar Options
[Member], CAD)
In Thousands, except Per
Share data, unless otherwise
specified**

12 Months Ended

Oct. 31, 2012

Options Outstanding, Weighted Average Remaining Contractual Life	4 years 6 months
Options Outstanding, Number (in Shares)	2,416
Options Outstanding, Weighted Average Exercise Price	11.59
Options Exercisable, Number (in Shares)	645
Options Exercisable, Weighted Average Exercise Price	16.30
\$09.52 - \$11.63 [Member]	
Range Of Exercise Prices, Lower Limit	9.52
Range Of Exercise Prices, Higher Limit	11.63
Options Outstanding, Weighted Average Remaining Contractual Life	5 years 36 days
Options Outstanding, Number (in Shares)	2,026
Options Outstanding, Weighted Average Exercise Price	9.92
Options Exercisable, Number (in Shares)	255
Options Exercisable, Weighted Average Exercise Price	10.26
\$17.75 - \$21.77 [Member]	
Range Of Exercise Prices, Lower Limit	17.75
Range Of Exercise Prices, Higher Limit	21.77
Options Outstanding, Weighted Average Remaining Contractual Life	1 year 36 days
Options Outstanding, Number (in Shares)	390
Options Outstanding, Weighted Average Exercise Price	20.24
Options Exercisable, Number (in Shares)	390
Options Exercisable, Weighted Average Exercise Price	20.24

**Note 19. Income Taxes
(Detail) - Components of the
Income Tax Expense: (USD
\$)**

12 Months Ended

Oct. 31, 2012 Oct. 31, 2011 Oct. 31, 2010

**In Thousands, unless
otherwise specified**

Canadian income tax expense (recovery)

Current \$ (5,211) \$ 12,851 \$ (9,615)

Deferred 38,137 3,666 (6,998)

Foreign income tax (recovery) expense

Current (533) 605 1,308

Deferred 15,492

Income tax expense \$ 32,393 \$ 17,122 \$ 187

Note 19. Income Taxes
(Detail) (USD \$)

	Oct. 31, 2012	Oct. 31, 2011
<u>Deferred Tax Liabilities, Undistributed Foreign Earnings</u>	\$ 0	
<u>Deferred Tax Assets, Capital Loss Carryforwards</u>	70,500,000	
<u>Deferred Tax Assets, Valuation Allowance</u>	149,637,000	100,053,000
<u>Unrecognized Tax Benefits Resulting in Net Operating Loss Carryforward</u>	128,124,000	99,498,000
<u>Tax Assets, Gross</u>	545,400,000	332,800,000
<u>Deferred Tax Assets, Gross</u>	219,505,000	180,951,000
<u>Deferred Tax Assets, Operating Loss Carryforwards</u>	57,600,000	58,400,000
<u>Operating Loss Carryforwards</u>	178,700,000	181,300,000
<u>Operating Loss Carryforwards, Subject to Expiration</u>	178,700,000	181,300,000
<u>Unrecognized Tax Benefits, Excluding Accrued Interest And Penalties</u>	33,500,000	9,400,000
<u>Unrecognized Tax Benefits Period Increase Decrease, Estimate, Next Fiscal Year</u>	16,700,000	
<u>Unrecognized Tax Benefits, Income Tax Penalties and Interest Accrued</u>	1,900,000	2,800,000
<u>Unrecognized Tax Benefits that Would Impact Effective Tax Rate</u>	21,100,000	9,300,000
Capital Loss Carryforward [Member]		
<u>Deferred Tax Assets, Valuation Allowance</u>	57,600,000	41,100,000
<u>Unrecognized Tax Benefits Resulting in Net Operating Loss Carryforward</u>	12,900,000	
Valuation Allowance, Operating Loss Carryforwards [Member]		
<u>Deferred Tax Assets, Valuation Allowance</u>	56,300,000	58,100,000
Investment Tax Credit Carryforward [Member]		
<u>Deferred Tax Assets, Valuation Allowance</u>	35,400,000	
<u>Deferred Tax Assets, Gross</u>	\$ 84,600,000	\$ 83,900,000

**Note 22. Employee Benefits
(Detail) - Amounts**

**Recognized in Consolidated
Statements of Financial
Position for Other Benefit**

Plans: (USD \$)

**In Thousands, unless
otherwise specified**

Oct. 31, 2012 Oct. 31, 2011 Oct. 31, 2010

Plan assets less than projected benefit obligation		\$ 9,748	
Non-current liabilities	55,516	18,259	
Other Postretirement Benefit Plans, Defined Benefit [Member]			
Projected benefit obligation	(16,314)	(14,328)	(15,251)
Plan assets less than projected benefit obligation	(16,314)	(14,328)	
Unrecognized actuarial gains	(237)	(2,097)	
Unrecognized past service costs	(232)	(282)	
Net amount recognized at year end	(16,783)	(16,707)	
Non-current liabilities	(16,314)	(14,328)	
Accumulative other comprehensive income	\$ (469)	\$ (2,379)	

**Note 22. Employee Benefits
(Detail) - Weighted Average**

12 Months Ended

**Assumptions Used in
Determining Net Periodic
Benefit Cost and Projected
Benefit Obligation of Other
Benefit Plans: (Other
Postretirement Benefit Plans,
Defined Benefit [Member])**

Oct. 31, 2012 Oct. 31, 2011 Oct. 31, 2010

Other Postretirement Benefit Plans, Defined Benefit [Member]

Projected benefit obligation

<u>Discount rate</u>	4.11%	5.11%	5.13%
<u>Rate of compensation increase</u>	3.75%	3.91%	3.96%
<u>Initial health care cost trend rate</u>	9.02%	9.06%	9.10%
<u>Ultimate health care cost trend rate</u>	4.50%	4.50%	4.50%
<u>Years until ultimate trend rate is reached</u>	9 years	10 years	11 years

Benefit cost

<u>Discount rate</u>	5.11%	5.13%	6.08%
<u>Rate of compensation increase</u>	3.91%	3.96%	4.05%

**Document And Entity
Information**

**12 Months Ended
Oct. 31, 2012**

Document and Entity Information [Abstract]

<u>Entity Registrant Name</u>	Nordion Inc.
<u>Document Type</u>	40-F
<u>Current Fiscal Year End Date</u>	--10-31
<u>Entity Common Stock, Shares Outstanding</u>	61,909,101
<u>Amendment Flag</u>	false
<u>Entity Central Index Key</u>	0001057698
<u>Entity Current Reporting Status</u>	Yes
<u>Entity Voluntary Filers</u>	No
<u>Entity Filer Category</u>	Smaller Reporting Company
<u>Entity Well-known Seasoned Issuer</u>	No
<u>Document Period End Date</u>	Oct. 31, 2012
<u>Document Fiscal Year Focus</u>	2012
<u>Document Fiscal Period Focus</u>	FY

Note 23. Segmented Information (Detail) - Segment Results for Continuing Operations: (USD \$) In Thousands, unless otherwise specified	12 Months Ended			36 Months Ended
	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2010	Oct. 31, 2012
Revenues	\$ 244,840	\$ 274,027	\$ 221,968	
Direct cost of revenues	110,992	126,076	104,677	
Selling, general and administration(a)	54,428	52,935	91,079	
Other expense (income), net(b)	5,572	10,240	22,371	
Segment earnings (loss)	73,848	84,776	3,841	
Depreciation and amortization	17,080	22,375	28,514	
Restructuring charges, net	1,781	1,592	62,531	65,904
Restructuring recovery, net	1,781			
AECL arbitration and legal costs	5,576	12,172	9,207	
(Gain) loss on sale of investments		(1,691)	1,054	
Impairment of long-lived assets			1,632	
Litigation accruals (Note 25)	24,058			
Loss on Celerion note receivable	2,411			
Internal investigation costs (Note 24)	9,827			
Change in fair value of embedded derivatives	12,020	^[1] (2,649)	^[1] (13,050)	^[1]
Operating income (loss) from continuing operations	1,095	52,977	(86,047)	
Targeted Therapies [Member]				
Revenues	48,451	42,576	29,040	
Direct cost of revenues	13,726	12,590	6,556	
Selling, general and administration(a)	16,565	14,067	10,692	
Other expense (income), net(b)	4,082	3,267	2,730	
Segment earnings (loss)	14,078	12,652	9,062	
Depreciation and amortization	1,609	1,480	1,160	
Specialty Isotopes - Sterilization Technologies [Member]				
Revenues	95,434	108,662	103,556	
Direct cost of revenues	42,284	47,308	41,642	
Selling, general and administration(a)	13,766	15,007	14,447	
Other expense (income), net(b)	347	207	13	
Segment earnings (loss)	39,037	46,140	47,454	
Depreciation and amortization	4,850	6,719	5,156	
Specialty Isotopes - Medical Isotopes [Member]				
Revenues	100,955	122,789	89,372	
Direct cost of revenues	54,982	66,178	56,479	
Selling, general and administration(a)	14,189	16,055	17,702	
Other expense (income), net(b)	2,345	2,214	1,757	
Segment earnings (loss)	29,439	38,342	13,434	

Depreciation and amortization	10,621	14,138	10,231
Corporate and Other [Member]			
Selling, general and administration(a)	9,908	7,806	48,238
Other expense (income), net(b)	(1,202)	4,552	17,871
Segment earnings (loss)	(8,706)	(12,358)	(66,109)
Depreciation and amortization		\$ 38	\$ 11,967

[1] Excludes unrealized loss for embedded derivatives related to the discontinued operations of \$0.5 million for the year ended October 31, 2010.

Note 10. Accrued Liabilities**12 Months Ended
Oct. 31, 2012**[Accounts Payable and
Accrued Liabilities Disclosure](#)
[\[Text Block\]](#)**10. Accrued Liabilities**

As of October 31	2012	2011
Employee-related accruals <i>(Note 21)</i>	\$ 4,922	\$ 6,716
FDA provision ^(a)	8,321	8,325
Captive insurance liability <i>(Note 24)</i>	2,119	4,492
AECL revenue share and waste disposal	3,770	3,004
Restructuring provision <i>(Note 17)</i>	3,453	4,004
Other ^(b)	57,737	26,373
Accrued liabilities	\$ 80,322	\$ 52,914

(a) The FDA provision was established in fiscal 2007 to address certain U.S. Food and Drug Administration (FDA) issues related to the Company's discontinued bioanalytical operations in its Montreal, Canada, facilities. Although the bioanalytical operations were part of MDS Pharma Services, Nordion has retained this potential liability following the sale of Early Stage. The Company may, where appropriate, reimburse clients who have incurred or will incur third party audit costs or study re-run costs to complete the work required by the FDA and other regulators. Management regularly updates its analysis of this critical estimate based on all currently available information. Based on this analysis, the Company recorded payments of \$nil (2011 - \$0.2 million; 2010 - \$9.9 million) for the year ended October 31, 2012. As of October 31, 2012, management believes that the remaining provision of \$8.3 million (October 31, 2011 — \$8.3 million) is sufficient to cover any agreements reached with clients for study audits, study re-runs, and other related costs. Included in this potential liability are amounts for two legal claims the Company has been served with related to repeat study costs (Note 25).

(b) Other includes a \$9.5 million settlement accrual recorded for the arbitration with Life Technologies Corporation (Life) as a result of the ruling that occurred in July 2011 as well as approximately \$32 million estimated litigation accruals (Note 25). Other also includes derivative liabilities, royalties and various miscellaneous payables.

Note 15. Share Capital (Detail) (USD \$)	3 Months Ended			12 Months Ended			3 Months Ended	12 Months Ended		
	Jul. 31, 2012	Apr. 30, 2012	Jan. 31, 2012	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2010	Jan. 25, 2012 Normal Course Issuer Bid (NCIB) - 2011 [Member]	Jan. 25, 2012 Normal Course Issuer Bid (NCIB) - 2011 [Member]	Oct. 31, 2012 Normal Course Issuer Bid (NCIB) - 2012 [Member]	Jan. 31, 2012 Normal Course Issuer Bid (NCIB) - 2012 [Member]
Stock Repurchased and Retired During Period, Shares (in Shares)				(469,000)	(4,860,000)	(52,941,000)	398,500	5,258,632	71,120	
Stock Repurchased During Period, Value							\$ 3,500,000		\$ 500,000	
Stock Repurchase Program, Number of Shares Authorized to be Repurchased (in Shares)										3,105,901
Common Stock, Dividends, Per Share, Declared (in Dollars per share)	\$ 0.10	\$ 0.10	\$ 0.10							
Payments of Dividends	\$ 6,200,000	\$ 6,200,000	\$ 6,200,000	\$ 18,632,000	\$ 19,244,000					

**Note 18. Other Expenses, Net
(Detail) - Other Expenses,
Net: (USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2010
Research and development	\$ 6,552	\$ 5,629	\$ 4,533
Foreign exchange (gain) loss	(832)	4,336	32,003
(Gain) loss on sale of investment		(1,691)	1,054
Write-down of investments and other long-term assets			1,632
Other(a)	26,321	[1] 275	(14,165)
Other expenses, net	\$ 32,041	\$ 8,549	\$ 25,057

[1] Included in Other is a loss on the Celerion note receivable of \$2.4 million (Note 8(c)) and estimated litigation accruals of \$24.1 million (Note 25) for the year ended October 31, 2012.

**Consolidated Statements of
Operations (USD \$)
In Thousands, except Per
Share data, unless otherwise
specified**

12 Months Ended

Oct. 31, 2012 Oct. 31, 2011 Oct. 31, 2010

<u>Revenues</u>	\$ 244,840	\$ 274,027	\$ 221,968	
<u>Costs and expenses</u>				
<u>Direct cost of revenues</u>	110,992	126,076	104,677	
<u>Selling, general and administration</u>	69,831	65,107	100,286	
<u>Depreciation and amortization</u>	17,080	22,375	28,514	
<u>Restructuring charges, net (Note 17)</u>	1,781	1,592	62,531	
<u>Change in fair value of embedded derivatives (Note 16)</u>	12,020	^[1] (2,649)	^[1] (13,050)	^[1]
<u>Other expenses, net (Note 18)</u>	32,041	8,549	25,057	
<u>Total costs and expenses</u>	243,745	221,050	308,015	
<u>Operating income (loss) from continuing operations</u>	1,095	52,977	(86,047)	
<u>Interest expense</u>	(4,406)	(2,499)	(5,522)	
<u>Interest and dividend income</u>	6,835	10,274	8,590	
<u>Equity loss (Note 7)</u>		(128)	(650)	
<u>Income (loss) from continuing operations before income taxes</u>	3,524	60,624	(83,629)	
<u>Income tax expense (recovery) (Note 19)</u>				
<u>-current</u>	(5,744)	13,456	(8,306)	
<u>-deferred</u>	38,137	3,666	8,493	
	32,393	17,122	187	
<u>(Loss) income from continuing operations</u>	(28,869)	43,502	(83,816)	
<u>Loss from discontinued operations, net of income taxes</u>		(26,655)	(148,194)	
<u>Net (loss) income</u>	\$ (28,869)	\$ 16,847	\$ (232,010)	
<u>Basic and diluted (loss) earnings per share (Note 14)</u>				
<u>- from continuing operations (in Dollars per share)</u>	\$ (0.47)	\$ 0.67	\$ (0.94)	
<u>- from discontinued operations (in Dollars per share)</u>		\$ (0.41)	\$ (1.66)	
<u>Basic and diluted (loss) earnings per share (in Dollars per share)</u>	\$ (0.47)	\$ 0.26	\$ (2.60)	

[1] Excludes unrealized loss for embedded derivatives related to the discontinued operations of \$0.5 million for the year ended October 31, 2010.

Note 4. Inventories**12 Months Ended
Oct. 31, 2012**[Inventory Disclosure \[Text Block\]](#) **4. Inventories**

As of October 31	2012	2011
Raw materials and supplies	\$ 33,843	\$ 31,611
Work-in-process	282	354
Finished goods	1,031	267
	35,156	32,232
Allowance for excess and obsolete inventory	(1,179)	(1,637)
Inventories	\$ 33,977	\$ 30,595

Note 3. Accounts Receivable

12 Months Ended
Oct. 31, 2012

[Loans, Notes, Trade and Other
Receivables Disclosure \[Text Block\]](#)

3. Accounts Receivable

As of October 31	2012	2011
Trade accounts receivable	\$ 35,484	\$ 37,203
Other receivables ^(a)	11,179	1,966
	46,663	39,169
Allowance for doubtful accounts	(175)	(170)
Accounts receivable	\$ 46,488	\$ 38,999

(a) Other receivables as of October 31, 2012, include a one-time settlement receivable of \$8.3 million related to certain litigation matters.

Note 15. Share Capital

**12 Months Ended
Oct. 31, 2012**

[Stockholders' Equity Note
Disclosure \[Text Block\]](#)

15. Share Capital

As of October 31, 2012, the authorized share capital of the Company consists of unlimited Common shares. The Common shares are voting and are entitled to dividends if and when declared by the Company's Board of Directors.

Summary of share capital

(number of shares in thousands)	Common Shares	
	Number	Amount
Balance as of October 31, 2009	120,137	\$ 488,808
Issued	42	327
Repurchased and cancelled	(52,941)	(215,304)
Other	-	28
Balance as of October 31, 2010	67,238	273,859
Repurchased and cancelled	(4,860)	(19,775)
Other	-	(8)
Balance as of October 31, 2011	62,378	254,076
Repurchased and cancelled	(469)	(1,911)
Other	-	3
Balance as of October 31, 2012	61,909	\$ 252,168

During the first quarter of fiscal 2012, the Company repurchased and cancelled 398,500 common shares for a total cost of \$3.5 million under the 2011 normal course issuer bid (NCIB). The Company repurchased 5,258,632 shares cumulatively under the 2011 NCIB, which expired on January 25, 2012.

On January 31, 2012, the Company announced a 2012 NCIB, which was authorized by the Toronto Stock Exchange (TSX) to purchase for cancellation up to 3,105,901 Common shares. During fiscal 2012, the Company repurchased 71,120 common shares for a total cost of \$0.5 million under the 2012 NCIB. During the fourth quarter of fiscal 2012, the Company ceased repurchasing shares under the current NCIB and cancelled the bid.

In December 2011, March and June 2012 the Company declared quarterly dividends at \$0.10 per share, which were paid on January 3, April 5 and July 3, 2012 each in the amount of \$6.2 million to the Company's shareholders of record on December 23, 2011, March 21 and June 18, 2012, respectively. During the fourth quarter of fiscal 2012, the Board of Directors for the Company decided to suspend the quarterly dividend.

Note 11. Long-Term Debt

12 Months Ended
Oct. 31, 2012

[Long-term Debt \[Text Block\]](#)

11. Long-Term Debt

As of October 31	Maturity	2012	2011
Total long-term debt	2013to2015 \$	43,331 \$	44,330
Current portion of long-term debt		(4,190)	(4,156)
Long-term debt	\$	39,141 \$	40,174

As of October 31, 2012, debt includes a non-interest-bearing Canadian government loan with a carrying value of \$43.0 million (October 31, 2011 — \$44.1 million) discounted at an effective interest rate of 7.02% and repayable at C\$4.0 million (US\$4.0 million) per year with the remaining balance due April 1, 2015. The fair value of this financial instrument is \$48.8 million (October 31, 2011 — \$52.1 million), which has been determined using a discounted cash flow model, in which future cash flows are discounted to present value using the current market borrowing rate pertaining to the remaining life of the related receivable. A long-term financial instrument has been pledged as full security for the repayment of this debt (Note 8(b)).

On January 25, 2013, the Company entered into a \$80.0 million Amended and Restated senior revolving one year committed credit facility with the Toronto-Dominion Bank (TD) and a select group of other financial institutions (the Lenders). The Amended and Restated credit facility consists of a \$20 million revolving credit facility and a separate facility of up to \$60 million to be used for the issuance of letters of credits. Each material subsidiary of Nordion jointly and severally guaranteed the obligations of the borrower to the lenders. The credit facilities are secured by floating and fixed charges over the assets of the borrower and guarantors including, but not limited to, accounts receivable, inventory and real property with the latter facility to be fully secured with a specific pledge of cash collateral.

Under this credit facility, the Company is able to borrow Canadian and U.S. dollars by way of Canadian dollar prime rate loans, U.S. dollar base rate loans, U.S. dollar Libor loans, the issuance of Canadian dollar banker's acceptances and letters of credit in Canadian and U.S. dollars. The credit facility is for a one-year term which may be extended on mutual agreement of the Lenders for successive subsequent periods. The credit facility is primarily for general corporate purposes. As of October 31, 2012, the Company has not used the credit facility for borrowing; however, we had \$30.6 million (October 31, 2011 - \$19.7 million) of letters of credit issued under this credit facility.

The loan agreement includes customary positive, negative and financial covenants.

Principal repayments

Principal repayments of long-term debt over the next five fiscal years and thereafter are as follows:

2013	\$	4,190
2014		4,156
2015		34,985

2016	-
2017	-
Thereafter	-
	\$ 43,331

**Note 16. Financial
Instruments and Financial
Risk (Detail) - Summary of
Activities of Derivative
Instruments: (USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2010
<u>Unrealized (loss) gain on embedded derivatives recorded in change in fair value of embedded derivatives(a)</u>	\$ (12,020) ^[1]	\$ 2,649 ^[1]	\$ 13,050 ^[1]
<u>Reclassification of realized gain recorded in OCI relating to net investment hedge</u>			(146,638)
<u>Unrealized gain recorded in OCI relating to net investment hedges</u>			(2,400)
Cash Flow Hedge [Member] Forward Contracts [Member]			
<u>Realized (gain) loss on foreign currency forward contracts</u>	(561)	219	
<u>Unrealized (loss) gain on foreign currency forward contracts</u>	639	(55)	
Non Cash Flow Hedge [Member] Forward Contracts [Member]			
<u>Realized (gain) loss on foreign currency forward contracts</u>	(482)	(327)	
<u>Unrealized (loss) gain on foreign currency forward contracts</u>	\$ (79)	\$ 10	

[1] Excludes unrealized loss for embedded derivatives related to the discontinued operations of \$0.5 million for the year ended October 31, 2010.

**Note 7. Long-Term
Investments**

**12 Months Ended
Oct. 31, 2012**

[Equity Method Investments
and Joint Ventures Disclosure](#)
[\[Text Block\]](#)

7. Long-Term Investments

As of October 31	2012	2011
Investment in Celerion ^(a)	\$ 1,450	\$ 1,473
Investment in LCC Legacy Holdings (formerly Lumira Capital Corp.) ^(b)	-	-
Long-term investments	\$ 1,450	\$ 1,473

(a) Investment in Celerion, Inc. (Celerion)

On March 5, 2010, as part of the consideration for the sale of MDS Pharma Services Early Stage (Early Stage), Nordion received approximately 15% of the total common stock of Celerion assuming the conversion of all the outstanding preferred stock and issuance and exercise of permitted stock options. The outstanding preferred stock of Celerion are voting, all owned by third parties, convertible into common stock on a 1:1 basis, subject to certain adjustments, and are subordinated to the Note (Note 8(c)). Nordion's ability to transfer its Celerion equity and the Note is subject to the consent of Celerion, which is controlled by third-party investors who collectively hold a majority of the outstanding Celerion equity and have no restrictions on selling their interests. These third-party investors also have majority representation on the Board of Directors of Celerion. This investment in Celerion is recorded at cost and has a fair value of \$1.4 million as of October 31, 2012. The fair value has been determined based on an estimate of the fair value of the business sold using proceeds on sale and a discounted future cash flow model using cost of equity of comparable companies adjusted for risk.

Pursuant to applicable U.S. accounting rules, a business entity may be subject to consolidation if it is determined to be a variable interest entity (VIE) and if the reporting entity is the primary beneficiary. The Company has determined that Celerion is a VIE but Nordion is not the primary beneficiary and, therefore, consolidation is not required. The Company continues to assess any reconsideration events and monitor the status of its relationship with Celerion. The fair value of the Company's investment in Celerion and the Note (Note 8(c)) is currently estimated to be \$15.6 million in aggregate. The Company's maximum exposure to loss is limited to the carrying value of the Note and its investment in Celerion.

(b) Investment in LCC Legacy Holdings (LCC) (formerly Lumira Capital Corp.)

Long-term investments include an investment in LCC, an investment fund management company, which has long-term investments in development-stage enterprises that have not yet earned significant revenues from their intended business activities or established their commercial viability. Nordion does not have any significant involvement in the day-to-day operations of LCC other than to obtain its share of earnings and losses. During the year ended October 31, 2012, the Company received a \$0.9 million dividend from LCC and reported equity loss of \$nil (2011 — \$0.1 million; 2010 - \$0.7 million) from the investment in LCC. The Company's exposure to losses is limited to its investment of \$nil (October 31, 2011 — \$nil).

**Note 2. Summary of
Significant Accounting
Policies (Detail)**

**12 Months Ended
Oct. 31, 2012**

Sustainable Tax Position Threshold Of Tax Examination Minimum 50.00%

**Note 22. Employee Benefits
(Detail) - Components of Net
Periodic Benefit Cost
Relating to Defined Benefit
Pension Plans: (USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

Oct. 31, 2012 Oct. 31, 2011 Oct. 31, 2010

Domestic Pension Plans of Foreign Entity, Defined Benefit [Member]

Components of net periodic pension cost

<u>Service cost</u>	\$ 2,804	\$ 2,719	\$ 1,980
<u>Interest cost</u>	12,263	11,994	12,045
<u>Expected return on plan assets</u>	(14,736)	(16,044)	(15,579)
<u>Net periodic pension cost (income)</u>	331	(1,331)	(1,554)

Foreign Pension Plans, Defined Benefit [Member]

Components of net periodic pension cost

<u>Service cost</u>			97
<u>Interest cost</u>	571	610	689
<u>Expected return on plan assets</u>	(701)	(706)	(687)
<u>Recognized actuarial loss</u>	127	258	344
<u>Net periodic pension cost (income)</u>	\$ (3)	\$ 162	\$ 443

**Note 5. Property, Plant and
Equipment**

[Property, Plant and Equipment Disclosure \[Text
Block\]](#)

**12 Months Ended
Oct. 31, 2012**

5. Property, Plant and Equipment

As of October 31		2012		2011	
		Accumulated		Accumulated	
	Cost	Depreciation	Cost	Depreciation	
Land	\$ 2,828	\$ -	\$ 2,834	\$ -	
Buildings	84,030	45,677	82,800	43,060	
Equipment	83,422	61,989	80,627	56,923	
Furniture and fixtures	1,604	1,604	1,608	1,566	
Computer systems	82,642	77,331	77,869	73,112	
Leasehold improvements	10,779	1,593	10,752	1,046	
Facility modifications	36,641	30,237	36,418	26,462	
Construction in-progress	4,702	-	6,951	-	
	306,648	\$ 218,431	299,859	\$ 202,169	
Accumulated depreciation	(218,431)		(202,169)		
Property, plant and equipment	\$ 88,217		\$ 97,690		

Note 6. Other Current Assets

**12 Months Ended
Oct. 31, 2012**

[Other Current Assets \[Text
Block\]](#)

6. Other Current Assets

As of October 31, 2012, other current assets include embedded derivative and other derivative assets of \$0.2 million (October 31, 2011 — \$11.8 million) (Note 16) as well as prepaid expenses and other of \$1.8 million (October 31, 2011 — \$2.0 million).

Note 8. Other Long-Term Assets

**12 Months Ended
Oct. 31, 2012**

[Other Assets Disclosure \[Text Block\]](#)

8. Other Long-Term Assets

As of October 31	2012	2011
Restricted cash ^(a)	\$ 3,906	\$ 5,847
Financial instrument pledged as security on long-term debt ^(b)	38,989	40,048
Long-term note receivable ^(c)	14,172	20,721
Goodwill (<i>Note 9</i>)	2,526	2,532
Pension assets (<i>Note 22</i>)	-	9,748
Other ^(d)	2,503	2,349
Other long-term assets	\$ 62,096	\$ 81,245

(a) Restricted cash

As of October 31, 2012, restricted cash of \$3.9 million (October 31, 2011 — \$5.8 million) is related to funds for insurance liabilities.

(b) Financial instrument pledged as security on long-term debt

The financial instrument pledged as security on long-term debt is classified as held to maturity and is not readily tradable as it defeases the long-term debt due to the Government of Canada related to the construction of the MAPLE Facilities (Note 11). The effective annual interest rate is 7.02% and it is repayable semi-annually over 15 years commencing October 2, 2000. The carrying value as of October 31, 2012 is \$43.0 million (October 31, 2011 — \$44.1 million), of which \$4.0 million (October 31, 2011 — \$4.1 million) is included in notes receivable in the consolidated statements of financial position. As of October 31, 2012, the fair value is \$49.1 million (October 31, 2011 — \$51.7 million), which has been determined using a discounted cash flow model, in which future cash flows are discounted to present value using the current market borrowing rate pertaining to the remaining life of the receivable.

(c) Long-term note receivable

Atomic Energy of Canada Limited (AECL)

In fiscal 2006, as a result of a comprehensive mediation process that resulted in an exchange of assets between the Company and AECL related to the MAPLE Facilities, a long-term note receivable of \$38.0 million after discounting, was received by the Company. This non-interest bearing note receivable was repayable monthly over four years commencing November 1, 2008 and the last payment was received by the Company during the fourth quarter of fiscal 2012. The carrying value of the long-term note receivable as of October 31, 2012 is \$nil (October 31, 2011 - \$12.0 million) of which the entire \$12.0 million as at October 31, 2011 was included in notes receivable in the consolidated statements of financial position.

Celerion

On March 5, 2010, as part of the consideration for the sale of Early Stage, the Company received a note receivable with a principal amount of \$25.0 million issued by Celerion, which has a five-year term and bears interest at 4% per annum (the Note). Celerion can elect to add the interest to the principal amount of the Note. The Note is partially secured with a second-lien interest in certain real estate of Celerion. As part of the sale of Early Stage, the Company also signed a transition services agreement (TSA) that allowed Celerion to pay for the first three months of TSA services, to a maximum of \$1.8 million, by increasing the principal amount of the Note.

In the first quarter of fiscal 2012, Celerion offered to make an early payment to Nordion of \$6.5 million in cash to reduce the unsecured portion of the Note principal amount by \$12.5 million that would have otherwise been due in 2015, to facilitate a change in Celerion's capital structure related to its strategic initiative. Effective January 2, 2012, the Company accepted the offer from Celerion and amended the Note reflecting a reduction in the principal amount of the Note by \$12.5 million in the face value, or \$8.9 million in the carrying value, for a \$6.5 million cash payment received. As a result, the Company recorded a loss of \$2.4 million in the first quarter of fiscal 2012 (Note 18).

Other than restating the principal amount for the immediate cash payment, all other terms and conditions of the Note remained effectively the same. The Company identified this transaction as an impairment indicator and assessed whether an other-than-temporary impairment of the Note has occurred. As the transaction did not represent an adverse change in the cash flow of the remaining Note amount, the Company determined no other-than-temporary impairment of the Note occurred as of January 31, 2012. Except for this transaction, the Company did not identify any impairment indicator for the Note during fiscal 2012.

The carrying value of the Note, including interest and accretion as of October 31, 2012 is \$14.2 million (October 31, 2011 – \$20.7 million). The fair value of the Note as of October 31, 2012 is \$14.2 million, which includes \$5.8 million of accreted interest. The fair value has been determined based on discounted cash flows using market rates for secured debt and cost of equity of comparable companies adjusted for risk and any increase in principal amount related to the TSA and interest payments. The current face value of the Note including TSA services and interest is \$16.8 million. The Note is being accreted up to its face value using an effective interest rate of 8% for secured cash flows and 28% for unsecured cash flows.

(d) Other

Includes the long-term portion of the TheraSphere® clinical trials' prepayment, the deferred charges relating to the credit facility (Note 11) and other long-term receivables and assets.

**Note 4. Inventories (Detail) -
Inventory: (USD \$)
In Thousands, unless
otherwise specified**

Oct. 31, 2012 Oct. 31, 2011

Raw materials and supplies	\$ 33,843	\$ 31,611
Work-in-process	282	354
Finished goods	1,031	267
	35,156	32,232
Allowance for excess and obsolete inventory	(1,179)	(1,637)
Inventories	\$ 33,977	\$ 30,595

Note 22. Employee Benefits 12 Months Ended
(Detail) - Effect of One-
Percentage Point Change in
Assumed Health Care Cost
Trend Rates for Health Care
Plans: (Health Care Plan
[Member], USD \$)
Oct. 31, 2012
In Thousands, unless
otherwise specified

Health Care Plan [Member]

[Change in net benefit cost](#) \$ 94

[Change in net benefit cost](#) (75)

[Change in projected benefit obligation](#) 1,641

[Change in projected benefit obligation](#) \$ (1,323)

**Note 16. Financial
Instruments and Financial
Risk (Detail) - Financial
Assets and Liabilities
Measured at Fair Value:**

Oct. 31, 2012 Oct. 31, 2011

(USD \$)

**In Thousands, unless
otherwise specified**

Cash equivalents	\$ 100	\$ 100
Derivative assets (Note 6)	205	11,855
Derivative liabilities (Note 10(b))	874	575
Fair Value, Inputs, Level 1 [Member]		
Cash equivalents	100	100
Fair Value, Inputs, Level 2 [Member]		
Derivative assets (Note 6)	205	446
Derivative liabilities (Note 10(b))	874	575
Fair Value, Inputs, Level 3 [Member]		
Derivative assets (Note 6)		\$ 11,409

Note 6. Other Current Assets**(Detail) (USD \$)****In Millions, unless otherwise specified****Oct. 31, 2012 Oct. 31, 2011**

Derivative Assets, Current	\$ 0.2	\$ 11.8
Prepaid Expense, Current	\$ 1.8	\$ 2.0

**Note 21. Stock-Based
Compensation (Detail) -
Stock Option Activity -
Canadian Dollar Options:
(Canadian Dollar Options
[Member], CAD)**

12 Months Ended

	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2010
In Thousands, except Per Share data, unless otherwise specified			
Canadian Dollar Options [Member]			
Outstanding, Number	2,423	3,531	
Outstanding, Weighted Average Exercise Price (in Dollars per share)	11.78	16.53	
Outstanding, Weighted Average Remaining Contractual Life	4 years 6 months	5 years 109 days	3 years 328 days
Outstanding, Aggregate Intrinsic Value (in Dollars)		2,067	
Granted, Number	43	809	
Granted, Weighted Average Exercise Price (in Dollars per share)	9.52	10.32	
Cancelled or forfeited, Number	(6)	(1,801)	
Cancelled or forfeited, Weighted Average Exercise Price (in Dollars per share)	20.66	19.80	
Expired, Number	(44)	(116)	
Expired, Weighted Average Exercise Price (in Dollars per share)	18.90	21.74	
Vested and expected to vest, Number	2,182	[1]	
Vested and expected to vest, Weighted Average Exercise Price (in Dollars per share)	11.98		
Vested and expected to vest, Weighted Average Remaining Contractual Life	3 years 328 days	5 years 73 days	
Vested and expected to vest, Aggregate Intrinsic Value (in Dollars)			
Exercisable, Number	440		
Exercisable, Weighted Average Exercise Price (in Dollars per share)	20.11		
Exercisable, Weighted Average Remaining Contractual Life	2 years 328 days	1 year 328 days	
Exercisable, Aggregate Intrinsic Value (in Dollars)			
Outstanding, Number	2,416	2,423	3,531
Outstanding, Weighted Average Exercise Price (in Dollars per share)	11.59	11.78	16.53
Outstanding, Weighted Average Remaining Contractual Life	4 years 6 months	5 years 109 days	3 years 328 days
Outstanding, Aggregate Intrinsic Value (in Dollars)			2,067
Vested and expected to vest, Number	2,204	[1] 2,182	[1]
Vested and expected to vest, Weighted Average Exercise Price (in Dollars per share)	11.75	11.98	

<u>Vested and expected to vest, Weighted Average Remaining Contractual Life</u>	3 years 328 days	5 years 73 days
<u>Vested and expected to vest, Aggregate Intrinsic Value (in Dollars)</u>		
<u>Exercisable, Number</u>	645	440
<u>Exercisable, Weighted Average Exercise Price (in Dollars per share)</u>	16.30	20.11
<u>Exercisable, Weighted Average Remaining Contractual Life</u>	2 years 328 days	1 year 328 days
<u>Exercisable, Aggregate Intrinsic Value (in Dollars)</u>		

[1] The expected to vest amount represents the unvested options as at October 31, 2012 and 2011, respectively, less estimated forfeitures.

Note 3. Accounts Receivable
(Detail) - Accounts
Receivable: (USD \$)
In Thousands, unless
otherwise specified

	Oct. 31, 2012	Oct. 31, 2011
Accounts Receivable	\$ 46,663	\$ 39,169
Allowance for doubtful accounts	(175)	(170)
Accounts receivable	46,488	38,999
Other receivables(a)	11,179	^[1] 1,966
Trade Accounts Receivable [Member]		
Accounts Receivable	\$ 35,484	\$ 37,203

[1] Other receivables as of October 31, 2012, include a one-time settlement receivable of \$8.3 million related to certain litigation matters.

**Note 19. Income Taxes
(Detail) - Income (Loss)
From Continuing Operations
Before Income Taxes: (USD
\$)**

12 Months Ended

Oct. 31, 2012 Oct. 31, 2011 Oct. 31, 2010

**In Thousands, unless
otherwise specified**

Canadian	\$ 2,491	\$ 57,453	\$ (61,247)
Foreign	1,033	3,171	(22,382)
Income (loss) from continuing operations before income taxes	\$ 3,524	\$ 60,624	\$ (83,629)

	12 Months Ended			2 Months Ended	12 Months Ended	1 Months Ended					12 Months Ended			3 Months Ended				
	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2010	Oct. 31, 2012	Oct. 31, 2012	Sep. 30, 2012	Sep. 30, 2012	Jan. 31, 2013	Jul. 31, 2008	Jul. 31, 2008	Oct. 31, 2009	Oct. 31, 2009	Oct. 31, 2009	Jul. 31, 2012	Oct. 31, 2012	Oct. 31, 2012		
				Estimated	Estimated	Amount	Amount											
				Accrual For AECL's Legal Costs	Accrual For AECL's Legal Costs	Dismissed By Arbitrators For AECL's Counterclaim Against Nordion For Breach Of Contract [Member] USD (\$)	Dismissed By Arbitrators For AECL's Counterclaim Against Nordion For Breach Of Contract [Member] USD (\$)	Notice of Arbitration Served to AECL by Nordion [Member] USD (\$)	Notice of Arbitration Served to AECL by Nordion [Member] USD (\$)	Notice of Arbitration Served to AECL by Nordion [Member] CAD	Complaint Served to Nordion Regarding Bioequivalence Studies [Member] USD (\$)	Statement of Claim Served to Nordion Regarding Bioequivalence Studies [Member] USD (\$)	Statement of Claim Served to Nordion Regarding Bioequivalence Studies [Member] CAD	Complaint Served to Nordion By BioAxxone BioSciences [Member] USD (\$)	Agreement Between The Government of Canada and Nordion [Member] USD (\$)	Agreement Between The Government of Canada and Nordion [Member] CAD		
Note 25. Litigation (Detail)	USD (\$)	USD (\$)	USD (\$)	Relating To The MAPLE Arbitration [Member] USD (\$)	Relating To The MAPLE Arbitration [Member] USD (\$)	Nordion For Breach Of Contract [Member] USD (\$)	Nordion For Breach Of Contract [Member] CAD	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)		
Loss Contingency, Damages Sought, Value						\$ 250,000,000	250,000,000	\$ 243,500,000	\$ 1,600,000,000	1,600,000,000				\$ 90,000,000				
Legal Fees	5,576,000	12,172,000	9,207,000	46,000,000	24,100,000													
Loans Payable															100,000,000	100,000,000		
Costs Claimed For Study And Mitigation											10,000,000	5,000,000	5,000,000					
Lost Profits Alleged											\$ 70,000,000	\$ 30,000,000	30,000,000					

**Note 26. Asset Retirement
Obligation (ARO)**

**12 Months Ended
Oct. 31, 2012**

[Asset Retirement Obligation
Disclosure \[Text Block\]](#)

26. Asset Retirement Obligation (ARO)

The Company's ARO represents the present value of future remediation costs, which are recorded in other long-term liabilities (Note 13) and increased the carrying amounts of the related assets in property, plant and equipment, net in the consolidated statements of financial position. The capitalized future site remediation costs are depreciated and the ARO is accreted over the life of the related assets which is included in depreciation and amortization expense in "Operating income (loss) from continuing operations".

The fair value of the ARO is determined based on estimates. Considerable management judgment is required in estimating these obligations. The key assumptions include credit adjusted risk free interest rate, timing and the estimate of the remediation activities. Changes in these assumptions based on future information may result in adjustments to the estimated obligations over time. A reconciliation of the ARO for the years ended October 31, 2012 and 2011 is as follows:

As of October 31	2012	2011
Asset retirement obligation – beginning of year	\$ 11,691	\$ 10,598
Liability incurred	-	-
Liability settled	-	-
Incremental ARO	-	-
Accretion expense	906	843
Foreign exchange and other	(27)	250
Asset retirement obligation – end of year	\$ 12,570	\$ 11,691

The Company has pledged a \$15.4 million (October 31, 2011 — \$15.5 million) letter of credit in support of future site remediation costs.

Note 18. Other Expenses, Net
(Tables)

[Schedule of Other Operating Cost and Expense, by Component \[Table Text Block\]](#)

12 Months Ended
Oct. 31, 2012

Years ended October 31	2012	2011	2010
Research and development	\$ 6,552	\$ 5,629	\$ 4,533
Foreign exchange (gain) loss	(832)	4,336	32,003
(Gain) loss on sale of investment	-	(1,691)	1,054
Write-down of investments and other long-term assets	-	-	1,632
Other ^(a)	26,321	275	(14,165)
Other expenses, net	\$32,041	\$ 8,549	\$ 25,057

**Note 13. Other Long-Term
Liabilities**

**12 Months Ended
Oct. 31, 2012**

[Other Liabilities Disclosure \[Text Block\]](#) 13. Other Long-Term Liabilities

As of October 31	2012	2011
Post-retirement obligations <i>(Note 22)</i>	\$55,516	\$18,259
Asset retirement obligation <i>(Note 26)</i>	12,570	11,691
Captive insurance liability <i>(Note 24)</i>	2,505	2,616
Restructuring provision <i>(Note 17)</i>	191	3,617
Other	3,686	3,436
Other long-term liabilities	\$74,468	\$39,619

	12 Months Ended				12 Months Ended				12 Months Ended				12 Months Ended							
	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2012	Dec. 31, 2011	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2012	Dec. 31, 2011	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2012	Dec. 31, 2011	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2012	Dec. 31, 2011	Oct. 31, 2012	Oct. 31, 2011		
Note 22. Employee Benefits (Detail) - Weighted Average Asset Allocation of Defined Benefit Pension Plans:	Cash	Cash	Cash	Cash	Income	Income	Income	Income	Equity	Equity	Equity	Equity	Domestic	Domestic	Foreign	Foreign	Domestic	Domestic		
	Domestic	Domestic	Foreign	Foreign	Domestic	Domestic	Foreign	Foreign	Domestic	Domestic	Foreign	Foreign	Domestic	Domestic	Foreign	Foreign	Domestic	Domestic		
	Pension Plans of Foreign Entity, Defined Benefit [Member]	Pension Plans of Foreign Entity, Defined Benefit [Member]	Pension Plans of Foreign Entity, Defined Benefit [Member]	Pension Plans of Foreign Entity, Defined Benefit [Member]	Pension Plans of Foreign Entity, Defined Benefit [Member]	Pension Plans of Foreign Entity, Defined Benefit [Member]	Pension Plans of Foreign Entity, Defined Benefit [Member]	Pension Plans of Foreign Entity, Defined Benefit [Member]	Pension Plans of Foreign Entity, Defined Benefit [Member]	Pension Plans of Foreign Entity, Defined Benefit [Member]	Pension Plans of Foreign Entity, Defined Benefit [Member]	Pension Plans of Foreign Entity, Defined Benefit [Member]	Pension Plans of Foreign Entity, Defined Benefit [Member]	Pension Plans of Foreign Entity, Defined Benefit [Member]	Pension Plans of Foreign Entity, Defined Benefit [Member]	Pension Plans of Foreign Entity, Defined Benefit [Member]	Pension Plans of Foreign Entity, Defined Benefit [Member]	Pension Plans of Foreign Entity, Defined Benefit [Member]		
	Entity, Defined Benefit [Member]	Entity, Defined Benefit [Member]	Entity, Defined Benefit [Member]	Entity, Defined Benefit [Member]	Entity, Defined Benefit [Member]	Entity, Defined Benefit [Member]	Entity, Defined Benefit [Member]	Entity, Defined Benefit [Member]	Entity, Defined Benefit [Member]	Entity, Defined Benefit [Member]	Entity, Defined Benefit [Member]	Entity, Defined Benefit [Member]	Entity, Defined Benefit [Member]	Entity, Defined Benefit [Member]	Entity, Defined Benefit [Member]	Entity, Defined Benefit [Member]	Entity, Defined Benefit [Member]	Entity, Defined Benefit [Member]		
	Benefit [Member]	Benefit [Member]	Benefit [Member]	Benefit [Member]	Benefit [Member]	Benefit [Member]	Benefit [Member]	Benefit [Member]	Benefit [Member]	Benefit [Member]	Benefit [Member]	Benefit [Member]	Benefit [Member]	Benefit [Member]	Benefit [Member]	Benefit [Member]	Benefit [Member]	Benefit [Member]	Benefit [Member]	
	100.00%				0.00%				44.00%				56.00%							
Target Allocation	0.00%	0.10%	0.00%	0.00%		41.60%	48.20%	100.00%	100.00%		58.40%	51.70%	0.00%	0.00%			100.00%	100.00%	100.00%	
Actual Plan Allocation																				

Note 18. Other Expenses, Net**12 Months Ended
Oct. 31, 2012**[Other Income and Other
Expense Disclosure \[Text
Block\]](#)**18. Other Expenses, Net**

Years ended October 31	2012	2011	2010
Research and development	\$ 6,552	\$ 5,629	\$ 4,533
Foreign exchange (gain) loss	(832)	4,336	32,003
(Gain) loss on sale of investment	-	(1,691)	1,054
Write-down of investments and other long-term assets	-	-	1,632
Other ^(a)	26,321	275	(14,165)
Other expenses, net	\$ 32,041	\$ 8,549	\$ 25,057

(a) Included in Other is a loss on the Celerion note receivable of \$2.4 million (Note 8(c)) and estimated litigation accruals of \$24.1 million (Note 25) for the year ended October 31, 2012.

Note 19. Income Taxes
(Detail) - Reconciliation of
Expected Income Taxes to
Reported Income Tax
Expenses: (Parentheticals)

12 Months Ended

Oct. 31, 2012 Oct. 31, 2011 Oct. 31, 2010

Expected income tax expense (recovery) at statutory rate	25.00%	27.00%	30.00%
--	--------	--------	--------

**Note 16. Financial
Instruments and Financial
Risk (Tables)**

**12 Months Ended
Oct. 31, 2012**

[Schedule of Derivative
Instruments in Statement of
Financial Position, Fair Value
\[Table Text Block\]](#)

As of October 31	2012	2011
	Fair Value	Fair Value
Assets		
Embedded derivatives ^(a)	\$ 10	\$ 11,584
Foreign currency forward contracts under cash flow hedges ^(b)	\$ 195	\$ 88
Foreign currency forward contracts not under hedging relationships ^(c)	\$ -	\$ 183
Liabilities		
Embedded derivatives ^(a)	\$ 814	\$ 370
Foreign currency forward contracts under cash flow hedges ^(b)	\$ 60	\$ 57
Foreign currency forward contracts not under hedging relationships ^(c)	\$ -	\$ 148

[Schedule of Derivative
Instruments, Gain \(Loss\) in
Statement of Financial
Performance \[Table Text
Block\]](#)

Years ended October 31	2012	2011	2010
Realized (gain) loss on foreign currency forward contracts under cash flow hedges	\$ (561)	\$ 219	\$ -
Unrealized gain (loss) on foreign currency forward contracts under cash flow hedges	\$ 639	\$ (55)	\$ -
Realized (gain) loss on foreign currency forward contracts not under cash flow hedges	\$ (482)	\$ (327)	\$ -
Unrealized (loss) gain on foreign currency forward contracts not under cash flow hedges	\$ (79)	\$ 10	\$ -
Unrealized (loss) gain on embedded derivatives recorded in change in fair value of embedded derivatives ^(a)	\$ (12,020)	\$ 2,649	\$ 13,050
Reclassification of realized gain recorded in OCI relating to net investment hedge	\$ -	\$ -	\$ (146,638)
Unrealized gain recorded in OCI relating to net investment hedges	\$ -	\$ -	\$ (2,400)

[Schedule of Fair Value, Assets
and Liabilities Measured on
Recurring Basis \[Table Text
Block\]](#)

As of October 31, 2012				
Description	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 100	\$ -	\$ -	\$ 100
Derivative assets (Note 6)	\$ -	\$ 205	\$ -	\$ 205
Derivative liabilities (Note 10(b))	\$ -	\$ 874	\$ -	\$ 874
As of October 31, 2011				
Description	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 100	\$ -	\$ -	\$ 100
Derivative assets (Note 6)	\$ -	\$ 446	\$ 11,409	\$ 11,855
Derivative liabilities (Note 10(b))	\$ -	\$ 575	\$ -	\$ 575

[Fair Value, Assets Measured
on Recurring Basis,
Unobservable Input
Reconciliation \[Table Text
Block\]](#)

Year ended October 31, 2012					
Description	As of October 31 2011	Net Realized/ Unrealized Gains (Losses) included in Earnings	Other	Purchases, Sales, Issuance and (Settlements), net	Transfers in and/or out of Level 3
					As of October 31 2012

Derivative assets (Note 6)						
	\$ 11,409	\$ -	\$ (11,409)	\$ -	\$ -	\$ -
Year ended October 31, 2011						
Description	As of October 31 2010	Net Realized/ Unrealized Gains (Losses) included in		Purchases, Sales, Issuance and (Settlements), net	Transfers in and/or out of Level 3	As of October 31 2011
		Earnings	Other			
Derivative assets (Note 6)	\$ 10,514	\$ -	\$ 895	\$ -	\$ -	\$ 11,409

**Note 21. Stock-Based
Compensation (Detail) -
Stock Options Outstanding -
United States Dollar
Options: (United States
Dollar Option [Member],
USD \$)**

12 Months Ended

Oct. 31, 2012

**In Thousands, except Per
Share data, unless otherwise
specified**

Options Outstanding, Weighted Average Remaining Contractual Life	2 years 6 months
Options Outstanding, Number (in Shares)	156
Options Outstanding, Weighted Average Exercise Price	\$ 15.73
Options Exercisable, Number (in Shares)	156
Options Exercisable, Weighted Average Exercise Price	\$ 15.73
\$6.15 [Member]	
Options Outstanding, Weighted Average Remaining Contractual Life	3 years 36 days
Options Outstanding, Number (in Shares)	3
Options Outstanding, Weighted Average Exercise Price	\$ 6.15
Options Exercisable, Number (in Shares)	3
Options Exercisable, Weighted Average Exercise Price	\$ 6.15
\$15.89 - \$15.91 [Member]	
Range of Exercise Prices, Lower Limit	\$ 15.89
Range of Exercise Prices, Upper Limit	\$ 15.91
Options Outstanding, Weighted Average Remaining Contractual Life	2 years 6 months
Options Outstanding, Number (in Shares)	153
Options Outstanding, Weighted Average Exercise Price	\$ 15.91
Options Exercisable, Number (in Shares)	153
Options Exercisable, Weighted Average Exercise Price	\$ 15.91

**Note 7. Long-Term
Investments (Tables)**

[Schedule of Equity Method Investments \[Table
Text Block\]](#)

**12 Months Ended
Oct. 31, 2012**

As of October 31	2012	2011
Investment in Celerion ^(a)	\$ 1,450	\$ 1,473
Investment in LCC Legacy Holdings (formerly Lumira Capital Corp.) ^(b)	-	-
Long-term investments	\$ 1,450	\$ 1,473

**Note 21. Stock-Based
Compensation (Detail) -
Intrinsic Value of Options
Exercise and the Fair Value
of Shares Vested:
In Thousands, unless
otherwise specified**

12 Months Ended

Oct. 31, 2012 Oct. 31, 2010 Oct. 31, 2010
CAD USD (\$) CAD

(in Dollars)		\$ 62	
Aggregate grant-date fair value of shares vested	454	4,518	5,920
(in Dollars)	454	\$ 4,518	5,920

Consolidated Statements of Shareholders' Equity (USD \$) In Thousands, except Share data	Common Stock [Member]	Additional Paid-in Capital [Member]	Retained Earnings [Member]	Accumulated Other Comprehensive Income (Loss) [Member]	Total [Member]	Total
Balance as of October 31, 2009 at Oct. 31, 2009	\$ 488,808	\$ 78,450	\$ 167,229	\$ 259,424	\$ 993,911	
Balance as of October 31, 2009 (in Shares) at Oct. 31, 2009	120,137,000					120,137,000
Net income (loss)			(232,010)		(232,010)	(232,010)
Other comprehensive income				21,788	21,788	21,788
Repurchase and cancellation of Common shares	(215,304)		(127,844)	(106,852)	(450,000)	(215,304)
Repurchase and cancellation of Common shares (in Shares)	(52,941,000)					52,941,000
Stock options exercised	327				327	
Stock options exercised (in Shares)	42,000					
Stock-based compensation		3,538			3,538	
Other	28	(79)	86		35	(28)
Balance at Oct. 31, 2010	273,859	81,909	(192,539)	174,360	337,589	
Balance (in Shares) at Oct. 31, 2010	67,238,000					67,238,000
Net income (loss)			16,847		16,847	16,847
Other comprehensive income				731	731	731
Repurchase and cancellation of Common shares	(19,775)		(21,864)	(10,759)	(52,398)	(19,775)
Repurchase and cancellation of Common shares (in Shares)	(4,860,000)					4,860,000
Dividends declared			(19,244)		(19,244)	
Stock-based compensation		1,250			1,250	
Other	(8)		11		3	8
Balance at Oct. 31, 2011	254,076	83,159	(216,789)	164,332	284,778	284,778
Balance (in Shares) at Oct. 31, 2011	62,378,000					62,378,521
Net income (loss)			(28,869)		(28,869)	(28,869)
Other comprehensive income				(40,014)	(40,014)	(40,014)
Repurchase and cancellation of Common shares	(1,911)		(1,160)	(973)	(4,044)	(1,911)
Repurchase and cancellation of Common shares (in Shares)	(469,000)					469,000
Dividends declared			(18,632)		(18,632)	
Stock-based compensation		1,567			1,567	
Other	3		(24)		(21)	(3)

<u>Balance at Oct. 31, 2012</u>	\$ 252,168	\$ 84,726	\$ (265,474)	\$ 123,345	\$ 194,765	\$ 194,765
<u>Balance (in Shares) at Oct. 31, 2012</u>	61,909,000					61,909,101

Note 17. Restructuring Charges (Detail) - Restructuring Activities Related to Continuing Operations: (USD \$) In Thousands, unless otherwise specified	12 Months Ended			36 Months Ended
	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2010	Oct. 31, 2012
<u>Restructuring Expenses</u>	\$ 1,781	\$ 1,592	\$ 62,531	\$ 65,904
<u>Accrued Restructuring Expense Settled With Cash</u>				(62,397)
<u>Accrued Restructuring Expense Settled Without Cash</u>				137
<u>Reserve Balance</u>	3,644	7,600		3,644
Employee Severance [Member]				
<u>Restructuring Expenses</u>	2,557	1,217	42,161	45,935
<u>Accrued Restructuring Expense Settled With Cash</u>				(42,174)
<u>Accrued Restructuring Expense Settled Without Cash</u>				(1,074)
<u>Reserve Balance</u>	2,687			2,687
Contract Termination [Member]				
<u>Restructuring Expenses</u>	(776)	375	7,175	6,774
<u>Accrued Restructuring Expense Settled With Cash</u>				(7,042)
<u>Accrued Restructuring Expense Settled Without Cash</u>				1,225
<u>Reserve Balance</u>	957			957
Other Restructuring [Member]				
<u>Restructuring Expenses</u>			13,195	13,195
<u>Accrued Restructuring Expense Settled With Cash</u>				(13,181)
<u>Accrued Restructuring Expense Settled Without Cash</u>				\$ (14)

**Note 2. Summary of
Significant Accounting
Policies**

**12 Months Ended
Oct. 31, 2012**

[Significant Accounting
Policies \[Text Block\]](#)

2. Summary of Significant Accounting Policies

Basis of presentation

The consolidated financial statements have been prepared in United States (U.S.) dollars, the Company's reporting currency, and in accordance with U.S. generally accepted accounting principles (GAAP) applied on a consistent basis.

Principles of consolidation

The consolidated financial statements of the Company reflect the assets and liabilities and results of operations of all subsidiaries and entities of which the Company is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated. The results of operations disposed of are included in the consolidated financial statements up to the date of disposal.

The equity method of accounting is used for investments in entities for which the Company does not have the ability to exercise control, but has significant influence.

Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The Company's estimates are based on the facts and circumstances available at the time estimates are made, historical experience, risk of loss, general economic conditions and trends, and the Company's assessments of the probable future outcomes of these matters. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of changes, if any, are reflected in the consolidated statements of operations in the period in which they are determined.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, demand deposits, and investments with maturities of three months or less at the time the investment is made. The fair value of cash and cash equivalents approximates the carrying amounts shown in the consolidated statements of financial position.

Restricted cash

Restricted cash, which is included in other long-term assets, includes cash held for specific purposes which is not readily available to be used in the Company's operations related to insurance liabilities.

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts based on a variety of factors, including the length of time the receivables are past due, macroeconomic conditions, significant one-time events, historical experience and the financial condition of customers. The Company records a specific reserve for individual accounts when it becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. If circumstances related to a customer change, the Company would further adjust estimates of the recoverability of receivables.

Inventories

Inventories of raw materials and supplies are recorded at the lower of cost or market value, determined on a first-in, first-out (FIFO) basis. Finished goods and work-in-process include the cost of material, labor and manufacturing overhead and are recorded on a FIFO basis at the lower of cost or market. The Company reduces the carrying value of inventories for those items that are potentially excess, obsolete or slow-moving based on changes in customer demand, technology developments or other economic factors.

Property, plant and equipment

Property, plant and equipment, including assets under capital leases, are carried in the accounts at cost less accumulated depreciation. Gains and losses arising on the disposal of individual assets are recognized in income in the period of disposal.

The costs associated with modifications to facilities owned by others to permit isotope production are deferred and recorded as facility modifications and amortized over the expected contractual production. Costs, including financing charges and certain design, construction and installation costs, related to assets that are under construction and are in the process of being readied for their intended use are recorded as construction in-progress and are not subject to depreciation.

Depreciation, which is recorded from the date on which each asset is placed into service, is generally provided for on a straight-line basis over the estimated useful lives of the property, plant and equipment as follows:

Buildings (years)	25 — 40
Equipment (years)	3 — 20
Furniture and fixtures (years)	3 — 10
Computer systems (years)	3 — 7
Leaseholds improvements	Term of the lease plus renewal periods, when renewal is

Asset retirement obligations

The Company records asset retirement obligation costs associated with the retirement of tangible long-lived assets. The Company reviews legal obligations associated with the retirement of these long-lived assets. If it is determined that a legal obligation exists and it is probable that this liability will ultimately be realized, the fair value of the liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the expected life of the asset. The present value of the asset retirement obligation is accreted with the passage of time to its expected settlement fair value.

Goodwill

Goodwill is not amortized but is tested for impairment, at least annually. The Company tests goodwill during the fourth quarter of each year for impairment, or more frequently if certain indicators are present or changes in circumstances suggest that impairment may exist. The Company first assesses qualitative factors to determine whether it is necessary to perform the two step quantitative goodwill impairment test. If it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, the Company utilizes the two-step quantitative approach. The first step requires a comparison of the carrying value of the reporting units to the fair value of these units. The Company estimates the fair value of its reporting units through internal analyses and valuation, utilizing an income approach based on the present value of future cash flows. If the carrying value of a reporting unit exceeds its fair value, the Company will perform the second step of the goodwill impairment test to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of a reporting unit's goodwill with its carrying value. The implied fair value of goodwill is determined in the same manner that the amount of goodwill recognized in a business combination is determined. The Company allocates the fair value of a reporting unit to all of the assets and liabilities of that unit, including intangible assets, as if the reporting unit had been acquired in a business combination. Any excess of the value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill.

Impairment of long-lived assets

The Company evaluates the carrying value of long-lived assets, including property, plant and equipment, for potential impairment when events and circumstances warrant a review. Factors that the Company considers important that could trigger an impairment review include, but are not limited to, significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for the Company's overall business, significant negative industry or economic trends, a significant adverse legal or regulatory development, a significant decline in the Company's stock price for a sustained period, and the Company's market capitalization relative to its net book value. In assessing long-lived assets for impairment, assets are grouped with other assets and liabilities at

the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

The carrying value of a long-lived asset is considered impaired when the anticipated net recoverable amount of the asset is less than its carrying value. In that event, a loss is recognized in an amount equal to the difference between the carrying value and fair value less costs of disposal by a charge to income. The anticipated net recoverable amount for a long-lived asset is an amount equal to the anticipated undiscounted cash flows net of directly attributable general and administration costs, carrying costs, and income taxes, plus the expected residual value, if any.

When required, the fair values of long-lived assets are estimated using accepted valuation methodologies, such as discounted future net cash flows, earnings multiples, or prices for similar assets, whichever is most appropriate under the circumstances.

Long-term investments

The Company accounts for long-term investments where it has the ability to exercise significant influence using the equity method of accounting. In situations where the Company does not exercise significant influence over a long-term investee that is not publicly listed, the investments are recorded at cost. Investments in public companies are carried at fair value. The Company periodically reviews these investments for impairment. In the event the carrying value of an investment exceeds its fair value and the decline in fair value is determined to be other than temporary, the Company writes down the value of the investment to its fair value.

Leases

Leases entered into by the Company in which substantially all of the benefits and risks of ownership are transferred to the Company are recorded as obligations under capital leases, and under the corresponding category of property, plant and equipment. Obligations under capital leases reflect the present value of future lease payments, discounted at an appropriate interest rate, and are reduced by rental payments net of imputed interest. Property, plant, and equipment under capital leases are depreciated, to the extent that these assets are in continuing operations, based on the useful life of the asset. All other leases in continuing operations are classified as operating leases and leasing costs, including any rent holidays, leasehold incentives, and rent concessions, are amortized on a straight-line basis over the lease term.

Revenue recognition

Revenues are recorded when title to goods passes or services are provided to customers, the price is fixed or determinable, and collection is reasonably assured. For the majority of product revenues, title passes to the buyer at the time of shipment and revenue is recorded at that time.

The Company recognizes revenue and related costs for arrangements with multiple deliverables as each element is delivered or completed based upon fair value as determined by vendor-specific objective evidence of selling price or third-party evidence of selling price. If neither vendor-specific objective evidence nor third-party evidence of a selling price is available for any

undelivered element, revenue for all elements is calculated based on an estimated selling price method. When a portion of the customer's payment is not due until acceptance, the Company defers that portion of the revenue until acceptance has been obtained. Revenue for training is deferred until the service is completed. Revenue for extended service contracts is recognized ratably over the contract period. Provisions for discounts, warranties, rebates to customers, returns and other adjustments are provided for in the period the related sales are recorded.

Warranty costs

A provision for warranties is recognized when the underlying products or services are recorded as revenues. The provision is based on estimated future costs using historical labor and material costs to estimate costs that will be incurred in the warranty period.

Stock-based compensation

The fair value of stock options is recognized as compensation expense on a straight-line basis over the applicable stock option vesting period. The expense is included in selling, general, and administration expenses in the consolidated statements of operations and as additional paid-in capital grouped within shareholders' equity on the consolidated statements of financial position. The consideration received on the exercise of stock options is credited to share capital at the time of exercise along with the associated amount of additional paid-in capital.

Certain incentive compensation plans of the Company base the determination of compensation to be paid in the future on the price of the Company's publicly traded shares at the time of payment or time of the grant date. Expenses related to these plans are recorded as a liability and charged to income over the period in which the amounts are earned, based on an estimate of the current fair value of amounts that will be paid in the future.

Pension, post-retirement and other post-employment benefit plans

The Company offers a number of benefit plans that provide pension and other post-retirement benefits. The current service cost of benefit plans is charged to income. Cost is computed on an actuarial basis using the projected benefits method and based on management's best estimates of investment yields, salary escalation, and other factors.

The Company recognizes the funded status of its defined benefit plans on its consolidated statements of financial position; recognizes gains, losses, and prior service costs or credits that arise during the period that are not recognized as components of net periodic benefit cost (income) as a component of accumulated other comprehensive income, net of tax; measures its defined benefit plan assets and obligations as of the date of the Company's fiscal year-end consolidated statements of financial position; and discloses additional information in the notes to the consolidated financial statements about certain effects on net periodic benefit cost (income) for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition assets or obligations.

The expected costs of post-employment benefits, other than pensions, for active employees are accrued in the years in which employees provide service to the Company. Adjustments resulting

from plan amendments, experience gains and losses, or changes in assumptions are amortized over the remaining average service term of active employees. Other post-employment benefits are recognized when the event triggering the obligation occurs.

Research and development

The Company conducts various research and development programs and incurs costs related to these activities, including employee compensation, materials, professional services, facilities costs, and equipment depreciation. Research and development programs costs, including those internally processed, are expensed in the periods in which they are incurred.

Clinical trial expenses

Other current assets and Other long-term assets include any clinical trial prepayments made to the clinical research organization (CRO). Research and development expenses include clinical trial expenses associated with the CRO. The invoicing from the CRO for services rendered can lag several months. The Company accrues the cost of services rendered in connection with CRO activities based on its estimate of site management, monitoring costs, and project management costs and record them in accrued liabilities. The Company maintains regular communication with the CRO to gauge the reasonableness of our estimates. Differences between actual clinical trial expenses and estimated clinical trial expenses recorded have not been material and are adjusted for in the period in which they become known.

Income taxes

Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. The Company provides a valuation allowance against its deferred tax assets when it believes that it is more likely than not that the asset will not be realized.

The Company determines whether it is more likely than not that a tax position will be sustained upon examination. The tax benefit of any tax position that meets the more-likely-than-not recognition threshold is calculated as the largest amount that is more than 50% likely of being realized upon resolution of the contingency. To the extent, a full benefit is not expected to be realized on the uncertain tax position, an income tax liability is established. Interest and penalties on income tax obligations are included in income tax expense.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions that the Company has operated in globally. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from current estimates of the income tax liabilities. If the Company's estimate of income tax liabilities proves to be less than the ultimate assessment, an additional charge to income tax expense would result. If payment of these amounts ultimately proves to be less than the recorded amounts, the reversal of the income tax

liabilities may result in income tax benefits being recognized in the period when it is determined that the estimated income tax liability is no longer required. All of these potential income tax liabilities are included in income taxes payable or netted against income taxes recoverable on the consolidated statements of financial position.

Investment tax credits related to the acquisition of assets are deferred and amortized to income on the same basis as the related assets, while those related to current expenses are included in the determination of income for the year.

Earnings per share

Basic earnings per share is calculated by dividing net income by the weighted average number of Common shares outstanding during the year.

Diluted earnings per share is calculated using the treasury stock method, by dividing net income available to common shareholders by the sum of the weighted average number of Common shares outstanding and all additional Common shares that would have been outstanding shares arising from the exercise of potentially dilutive stock options during the year.

Foreign currency translation

Although the Company reports its financial results in U.S. dollars, the functional currency of the Company's Canadian operations is Canadian dollars. The functional currencies of the Company's foreign subsidiaries are their local currencies. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currencies of operations at prevailing year-end exchange rates. Non-monetary assets and liabilities are translated into functional currencies at historical rates. Assets and liabilities of foreign operations with a functional currency other than U.S. dollars are translated into U.S. dollars at prevailing year-end exchange rates, while revenue and expenses of these foreign operations are translated into U.S. dollars at average monthly exchange rates. The Company's net investments in foreign subsidiaries are translated into U.S. dollars at historical exchange rates.

Exchange gains and losses on foreign currency transactions are recorded in other expenses, net. Upon the sale or upon complete or substantially complete liquidation of an investment in a foreign (non-Canadian functional currency) entity, the amount attributable to that entity and accumulated in the translation adjustment component of the equity is removed from the separate component of equity and reported as part of the gain or loss on sale or liquidation of the investment in the period during which the sale or liquidation occurs. Exchange gains or losses arising on translation of the Company's net equity investments in these foreign subsidiaries and those arising on translation of foreign currency long-term liabilities designated as hedges of these investments are recorded in other comprehensive income (OCI). Upon reduction of the Company's investment in the foreign (non-Canadian) subsidiary, due to a sale or complete or substantially complete liquidation, the amount from the reporting currency translation as well as the offsetting amount from the translation of foreign currency long-term liabilities included in accumulated other comprehensive income (AOCI) is recognized in income.

Derivative financial instruments

In the normal course of business, the Company uses derivative financial instruments to manage foreign currency exchange rate risks. Derivative transactions are governed by a uniform set of policies and procedures covering areas such as authorization, counterparty exposure and hedging practices. Positions are monitored based on changes in foreign currency exchange rates and their impact on the market value of derivatives. Credit risk on derivatives arises from the potential for counterparties to default on their contractual obligations to the Company. The Company limits its credit risk by dealing with counterparties that are considered to be of high credit quality. The Company does not enter into derivative transactions for trading or speculative purposes. The Company records derivatives at fair value either as other current assets or accrued liabilities on the consolidated statements of financial position. The Company determines the fair value of the derivative financial instruments using relevant market inputs when no quoted market prices exist for the instruments. The fair value of the derivative financial instruments is determined by comparing the rates when the derivatives are acquired to the market rates at period-end. The key inputs include interest rate yield curves, foreign exchange spot and forward rates. The Company classifies cash flows from its derivative programs as cash flows from operating activities in the consolidated statements of cash flows.

The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. In order for a derivative to qualify for hedge accounting, the derivative must be formally designated as a fair value, cash flow or net investment hedge by documenting the relationship between the derivative and the hedged item. The documentation includes a description of the hedging instrument, the hedged item, the risk being hedged, the Company's risk management objective and strategy for undertaking the hedge, the method for assessing the effectiveness of the hedge and the method for measuring hedge ineffectiveness. Additionally, the hedge relationship must be expected to be highly effective at offsetting changes in either the fair value or cash flows of the hedged item at both inception of the hedge and on an ongoing basis. The Company assesses the ongoing effectiveness of its hedges on a quarterly basis.

Cash flow hedges

The Company's hedging activities include a hedging program to hedge the economic exposure from anticipated U.S. dollar denominated sales. The Company hedges a portion of these forecasted foreign denominated sales with forward exchange contracts. These transactions are designated as cash flow hedges and are accounted for under the hedge accounting. The Company hedges anticipated U.S. dollar denominated sales that are expected to occur over its planning cycle, typically no more than 12 months into the future. The effective portion of the hedge gain or loss is initially reported as a component of accumulated other comprehensive income and subsequently reclassified into revenues when the hedged exposure affects earnings. Any ineffective portion of related gains or losses is recorded in the consolidated statements of operations immediately.

Other derivatives

Derivatives not designated as hedges are recorded at fair value on the consolidated statements of financial position, with any changes in the mark to market being recorded in the consolidated

statements of operations. Interest rate swap contracts may be used as part of the Company's program to manage the fixed and floating interest rate mix of the Company's total debt portfolio and the overall cost of borrowing. The Company uses short-term foreign currency forward exchange contracts to hedge the revaluations of the foreign currency balances. The Company has also identified embedded derivatives in certain supply contracts.

Comprehensive income

The Company defines comprehensive income as net income plus the sum of the changes in unrealized gains (losses) on derivatives designated as cash flow hedges, unrealized gains (losses) on translation of debt designated as a hedge of the net investment in self-sustaining foreign subsidiaries, unrealized gains (losses) on pension liability adjustments, foreign currency translation gains (losses) on self-sustaining foreign subsidiaries and an unrealized gain (loss) on translation resulting from the application of U.S. dollar reporting and is presented in the consolidated statements of shareholders' equity and comprehensive (loss) income, net of income taxes.

Recent accounting pronouncements

In December 2011, the Financial Accounting Standards Board (FASB) issued ASU No. 2011-11, *"Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities"* which enhances current disclosures about financial instruments and derivative instruments that are either offset on the statement of financial position or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset on the statement of financial position. Entities are required to provide both net and gross information for these assets and liabilities in order to facilitate comparability between financial statements prepared on the basis of U.S. Generally Accepted Accounting Principles (GAAP) and financial statements prepared on the basis of International Financial Reporting Standards (IFRS). ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods and the Company plans to adopt ASU 2011-11 on November 1, 2013. ASU 2011-11 is not expected to have a significant impact on the Company's consolidated financial statements.

In December 2011, the FASB issued ASU No. 2011-12, *"Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05"* which indefinitely defers the requirement in ASU No. 2011-05 to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. During the deferral period, the existing requirements in U.S. GAAP for the presentation of reclassification adjustments must continue to be followed. ASU 2011-12 is effective for annual reporting periods beginning on or after December 15, 2011 and interim periods within those annual periods and the Company plans to adopt ASU 2011-12 on November 1, 2012. ASU 2011-12 is not expected to have a significant impact on the Company's consolidated financial statements.

International Financial Reporting Standards (IFRS)

The Company has been monitoring the deliberations and progress being made by accounting standard setting bodies and securities regulators both in the U.S. and Canada with respect to the convergence to IFRS. The Company currently expects to adopt IFRS as its primary reporting standard when the SEC requires domestic registrants in the U.S. to adopt IFRS.

**Note 26. Asset Retirement
Obligation (ARO) (Tables)**

[Schedule of Asset Retirement Obligations \[Table Text Block\]](#)

**12 Months Ended
Oct. 31, 2012**

As of October 31	2012	2011
Asset retirement obligation – beginning of year	\$ 11,691	\$ 10,598
Liability incurred	-	-
Liability settled	-	-
Incremental ARO	-	-
Accretion expense	906	843
Foreign exchange and other	(27)	250
Asset retirement obligation – end of year	\$ 12,570	\$ 11,691

Note 16. Financial Instruments and Financial Risk (Detail) (USD \$)	12 Months Ended			Oct. 31, 2009
	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2010	
Notional Amount of Foreign Currency Cash Flow Hedge Derivatives	\$ 33,000,000	\$ 36,000,000		
Notional Amount of Foreign Currency Derivative Instruments Not Designated as Hedging Instruments		13,000,000		
Embedded Derivative, Gain (Loss) on Embedded Derivative, Net	(12,020,000) ^[1]	2,649,000	^[1] 13,050,000	^[1]
Allowance for Doubtful Accounts Receivable	200,000	200,000		
Cash and Cash Equivalents, at Carrying Value	109,360,000	74,067,000	122,802,000	298,203,000
Embedded Derivative - Supply Contracts [Member]				
Derivative, Notional Amount	49,000,000	300,000,000		
Segment, Discontinued Operations [Member]				
Embedded Derivative, Gain (Loss) on Embedded Derivative, Net			\$ 500,000	

[1] Excludes unrealized loss for embedded derivatives related to the discontinued operations of \$0.5 million for the year ended October 31, 2010.

**Note 21. Stock-Based
Compensation (Detail) -
Assumptions Used to
Estimate the Fair Value of
Options Granted:**

12 Months Ended

	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2010
Risk-free interest rate	1.07%	1.94%	2.10%
Expected dividend yield	4.29%	3.75%	0.00%
Expected volatility	0.280	0.304	0.365
Expected time until exercise (years)	3 years 219 days	3 years 219 days	3 years 219 days

Note 8. Other Long-Term Assets (Detail) (USD \$)	12 Months Ended		12 Months Ended		1 Months Ended						1 Months Ended					
	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2012	Oct. 31, 2011	Jan. 31, 2012	Jan. 31, 2011	Oct. 31, 2011	Oct. 31, 2006	Jan. 31, 2012	Mar. 31, 2010	Oct. 31, 2012	Oct. 31, 2011	Mar. 05, 2010	Oct. 31, 2012
					Portion of Financial Instrument Pledged as Security on Long-Term Debt Included in Notes Receivable [Member]	Portion of Financial Instrument Pledged as Security on Long-Term Debt Included in Notes Receivable [Member]	Reduction in Face Value - Originally Due in 2015 [Member]	Reduction in Carrying Value [Member]	Energy of Canada Limited (AECL) [Member]	Energy of Canada Limited (AECL) [Member]	Celerion, Inc. [Member]	Celerion, Inc. [Member]	Celerion, Inc. [Member]	Celerion, Inc. [Member]	Celerion, Inc. [Member]	Canadian Government Loan [Member]
Restricted Cash and Cash Equivalents, Noncurrent	\$	\$														
	3,900,000	5,800,000														
Debt Instrument, Interest Rate, Effective Percentage																7.02%
Debt Instrument, Maturity Term						15 years										
Held-to-maturity Securities Pledged as Collateral	38,989,000 ^[1]	40,048,000 ^[1]			43,000,000	44,100,000										
Notes, Loans and Financing Receivable, Net, Current	4,004,000	16,061,000					4,000,000	4,100,000								
Financial Instruments, Owned and Pledged as Collateral, at Fair Value																
			49,100,000	51,700,000												
Notes, Loans and Financing Receivable, Net, Noncurrent										12,000,000	38,000,000				14,200,000	20,700,000
Term of Note Receivable										4 years					5 years	
Note Receivable, Interest Rate, Stated Percentage															4.00%	
Incremental Increase To Note Receivable Maximum Increase (Decrease) in Notes Receivables							12,500,000	8,900,000				1,800,000				
Proceeds from Collection of Notes Receivable																
Loss on Note Receivable Due to Write Down	2,411,000									6,500,000						
Notes Receivable, Fair Value Disclosure										2,400,000						
Interest Receivable															14,200,000	
Notes, Loans and Financing Receivable, Gross, Noncurrent															\$	
															16,800,000	
Effective Interest Rate For Secured Cash Flows On Note Receivable															8.00%	
Effective Interest Rate For Unsecured Cash Flows On Note Receivable															28.00%	

[1] The financial instrument pledged as security on long-term debt is classified as held to maturity and is not readily tradable as it defeases the long-term debt due to the Government of Canada related to the construction of the MAPLE Facilities (Note 11). The effective annual interest rate is 7.02% and it is repayable semi-annually over 15 years commencing October 2, 2000. The carrying value as of October 31, 2012 is \$43.0 million (October 31, 2011 - \$44.1 million), of which \$4.0 million (October 31, 2011 - \$4.1 million) is included in notes receivable in the consolidated statements of financial position. As of October 31, 2012, the fair value is \$49.1 million (October 31, 2011 - \$51.7 million), which has been determined using a discounted cash flow model, in which future cash flows are discounted to present value using the current market borrowing rate pertaining to the remaining life of the receivable.

Note 19. Income Taxes

**12 Months Ended
Oct. 31, 2012**

[Income Tax Disclosure \[Text Block\]](#)

19. Income Taxes

Income tax provision

The components of the Company's income (loss) from continuing operations before income taxes and the related provision for income taxes are presented below:

Years ended October 31	2012	2011	2010
Canadian	\$ 2,491	\$ 57,453	\$ (61,247)
Foreign	1,033	3,171	(22,382)
Income (loss) from continuing operations before income taxes	\$ 3,524	\$ 60,624	\$ (83,629)

The components of the income tax expense are as follows:

Years ended October 31	2012	2011	2010
Canadian income tax expense (recovery)			
Current	\$ (5,211)	\$ 12,851	\$ (9,615)
Deferred	38,137	3,666	(6,998)
Foreign income tax (recovery) expense			
Current	(533)	605	1,308
Deferred	-	-	15,492
Income tax expense	\$ 32,393	\$ 17,122	\$ 187

A reconciliation of expected income taxes to reported income tax expenses is provided below.

Years ended October 31	2012	2011	2010
Expected income tax expense (recovery) at the 25% (2011 – 27%; 2010 – 30%) statutory rate	\$ 893	\$ 16,372	\$ (25,050)
Increase (decrease) in taxes as a result of:			
Change in valuation allowance on deferred tax assets	48,515	(406)	19,599
Tax benefit arising on utilization of R&D tax credits	(1,339)	(438)	(11)
Net changes in reserves for uncertain tax positions ^(a)	14,758	1,398	(10,217)
Foreign earnings taxed at rates different from the statutory rate	(264)	(1,166)	1,726
Stock-based compensation	397	471	269
Impact of income tax rate changes	(2,297)	-	1,065
Deferred tax rate differential	1,159	788	(562)
Provision to previously filed tax returns	(5,744)	(671)	4,188
Non-taxable portion of capital loss on investments	(26,694)	-	-
Other investment write downs	-	(109)	-
Non-deductible foreign exchange losses	-	-	6,950
Impact of non-deductible expenses and other differences	3,009	883	2,230
Reported income tax expense	\$ 32,393	\$ 17,122	\$ 187

(a) Excludes net changes in reserves for uncertain tax positions related to discontinued operations.

Deferred tax assets and liabilities

Components of the deferred tax assets and liabilities consist of the following temporary differences:

As of October 31	2012	2011
Tax benefit of losses carried forward	\$ 128,124	\$ 99,498
Tax basis in excess of book value	2,883	9,756
Investment tax credits	68,088	65,283
Provisions and reserves	385	(2,195)
Other comprehensive loss	20,025	8,609
Deferred tax assets before valuation allowance	219,505	180,951
Unrecognized tax benefits	(12,872)	-
Valuation allowance	(149,637)	(100,053)
Net deferred tax assets	\$ 56,996	\$ 80,898

No deferred income taxes have been provided on undistributed earnings, or relating to cash held in foreign jurisdictions as the Company has estimated that any income or withholding taxes on repatriation would not be significant.

Included within the tax benefit of losses carried forward are deferred tax assets relating to capital losses carried forward of \$70.5 million (October 31, 2011 — \$41.1 million). The amount of valuation allowance recorded against these assets is \$57.6 million (October 31, 2011 — \$41.1 million) and \$12.9 million (October 31, 2011 - \$nil) is an unrecognized tax benefit. These tax assets relate to \$545.4 million (October 31, 2011 — \$332.8 million) of gross tax assets and have an indefinite expiry period.

Investment Tax Credits

As of October 31, 2012, the Company has deferred tax assets relating to investment tax credits of \$84.6 million (October 31, 2011 - \$83.9 million). These ITCs will expire in various years between 2024 and 2032. The amount of valuation allowance recorded against these assets is \$35.4 million (October 31, 2011 - \$nil).

Tax losses carried forward

As of October 31, 2012, the Company has deferred tax assets relating to net operating loss carryovers of \$57.6 million (October 31, 2011 — \$58.4 million). The valuation allowance recorded against these assets is \$56.3 million (October 31, 2011 — \$58.1 million). These tax assets relate to \$178.7 million (October 31, 2011 — \$181.3 million) of gross tax loss carryovers. Of the total losses, \$178.7 million (October 31, 2011 — \$181.3 million) will expire in various years between 2013 and 2031.

Tax contingencies

At October 31, 2012, the gross reserves for uncertain tax positions excluding accrued interest and penalties were \$33.5 million (October 31, 2011 — \$9.4 million) as noted in the following reconciliation. The Company estimates that the total amounts of unrecognized tax benefits will decrease by \$16.7 million during the year ended October 31, 2013.

As at October 31	2012	2011
Gross unrecognized tax benefits, beginning of year	\$ 9,377	\$ 7,842
Additions for tax positions from prior years	17,104	218
Reductions for tax positions from prior years	(3,513)	(1,177)
Additions for tax positions related to the current year	10,388	2,346
Currency translation adjustment	118	148
Gross unrecognized tax benefits, end of year	\$ 33,474	\$ 9,377

The Company accrues an estimate for interest and penalties related to uncertain tax positions in income tax expense. At October 31, 2012, accrued interest and penalties related to uncertain tax positions totaled \$1.9 million (October 31, 2011 — \$2.8 million).

The Company is subject to taxation in its principal jurisdiction of Canada and in numerous other countries around the world. With few exceptions, the Company is no longer subject to examination by Canadian tax authorities for years up to and including 2005. However, most tax returns for 2006 and beyond remain open to examination by various tax authorities.

At October 31, 2012, there are \$21.1 million (2011 - \$9.3 million) of unrecognized tax benefits that if recognized would affect the annual effective tax rate.

**Note 22. Employee Benefits
(Detail) - Expected Future
Benefit Payments of Defined
Benefit Pension Plans: (USD
\$)**

Oct. 31, 2012

**In Thousands, unless
otherwise specified**

Domestic Pension Plans of Foreign Entity, Defined Benefit [Member]

2013	\$ 9,918
2014	10,442
2015	11,193
2016	11,725
2017	12,291
2018 – 2022	69,807
	125,376

Foreign Pension Plans, Defined Benefit [Member]

2013	499
2014	541
2015	559
2016	591
2017	695
2018 – 2022	3,993
	\$ 6,878

**Note 26. Asset Retirement
Obligation (ARO) (Detail)
(Future Site Remediation
Costs [Member], USD \$)**

Oct. 31, 2012 Oct. 31, 2011

**In Millions, unless otherwise
specified**

Future Site Remediation Costs [Member]

[Letters of Credit Outstanding, Amount](#) \$ 15.4 \$ 15.5

**Note 23. Segmented
Information (Detail) -
Revenues By Geographic
Location: (USD \$)
In Thousands, unless
otherwise specified**

12 Months Ended

Oct. 31, 2012 Oct. 31, 2011 Oct. 31, 2010

Revenues by Geographic Location	\$ 244,840	\$ 274,027	\$ 221,968
Canada [Member]			
Revenues by Geographic Location	10,147	6,360	6,775
US [Member]			
Revenues by Geographic Location	165,944	178,213	136,834
Europe [Member]			
Revenues by Geographic Location	23,960	26,565	20,831
Other Location [Member]			
Revenues by Geographic Location	\$ 44,789	\$ 62,889	\$ 57,528

12 Months Ended									
Note 11. Long-Term Debt (Detail)	Dec. 31, 2012 USD (\$)	Oct. 31, 2012 USD (\$)	Dec. 31, 2011 USD (\$)	Oct. 31, 2012	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2012	Oct. 31, 2012	Oct. 31, 2011
				Canadian Government Loan [Member] USD (\$)	Canadian Government Loan [Member] CAD	Canadian Government Loan [Member] USD (\$)	Toronto Dominion Bank (TD) [Member] Revolving Credit Facility [Member] USD (\$)	Toronto Dominion Bank (TD) [Member] Letter of Credit [Member] USD (\$)	Toronto Dominion Bank (TD) [Member] Letter of Credit [Member] USD (\$)
Long-term Debt	\$ 43,331,000	\$ 43,331,000	\$ 44,330,000	\$ 43,000,000		\$ 44,100,000			
Debt Instrument, Interest Rate, Effective Percentage				7.02%	7.02%				
Debt Instrument, Periodic Payment, Principal				4,000,000	4,000,000				
Debt Instrument, Fair Value Disclosure				48,800,000		52,100,000			
Line of Credit Facility, Maximum Borrowing Capacity							20,000,000	60,000,000	80,000,000
Term of Credit Facility									1 year
Line of Credit Facility, Amount Outstanding							\$ 30,600,000	\$ 19,700,000	

**Note 3. Accounts Receivable
(Tables)**

[Schedule of Accounts, Notes, Loans and Financing Receivable \[Table Text Block\]](#)

**12 Months Ended
Oct. 31, 2012**

As of October 31	2012	2011
Trade accounts receivable	\$35,484	\$37,203
Other receivables ^(a)	11,179	1,966
	46,663	39,169
Allowance for doubtful accounts	(175)	(170)
Accounts receivable	\$46,488	\$38,999

Note 12. Deferred Revenue**12 Months Ended
Oct. 31, 2012**[Deferred Revenue Disclosure](#)
[\[Text Block\]](#)**12. Deferred Revenue**

As of October 31	2012	2011
Payment in advance of services rendered	\$ 1,269	\$ 1,115
Deferred credit related to government loan ^(a)	1,958	3,467
Deposits for reimbursable costs	231	1,093
	3,458	5,675
Less: current portion	(1,500)	(1,820)
Long-term portion of deferred revenue	\$ 1,958	\$ 3,855

(a) The deferred credit is related to the Canadian government loan associated with the MAPLE Facilities, which is being amortized over the remaining three-year term of the debt using the sum of the years' digits method.

[1] The MTIP (income) expense for the year ended October 31, 2012 is \$(0.1) million (2011 - \$(0.2) million; 2010 - \$10.1 millions), of which \$(0.1) million (2011 - \$(0.2); 2010 - \$0) is included in selling, general and administration expenses. MTIP (income) expense for fiscal 2010 also included \$5.6 million in restructuring charges (Note 17) and \$4.5 million in "Loss from discontinued operations, net of income taxes".