

# Disclosure Policy

June 2005

## I. OBJECTIVE AND SCOPE

This disclosure policy of SemBioSys Genetics Inc. (“SemBioSys” or the “Company”) is intended to assist SemBioSys in fulfilling its obligation to ensure that all information relevant and material to the Company’s shareholders and the market is disclosed to the public and to the media in a timely, factual and accurate manner, and is broadly disseminated in accordance with all applicable legal and regulatory requirements, while protecting the Company’s commercially sensitive information.

This disclosure policy extends to all employees and consultants of SemBioSys, its Board of Directors and those authorized to speak on its behalf. It covers disclosures in documents filed with the securities regulators and written statements made in the Company’s annual and quarterly reports, news releases (and related material change reports), other public filings such as information circulars and annual information forms, letters to shareholders, presentations by senior management, information contained on the SemBioSys website and other electronic communications. It extends to oral statements made in meetings, telephone conversations with analysts and investors, interviews with the media, and to speeches, press conferences and conference calls.

## 2. DISCLOSURE COMMITTEE

The Board of Directors of SemBioSys has established a Disclosure Committee consisting of the President and CEO, CFO, CSO, Director Intellectual Property and Manager Investor Relations. The Disclosure Committee is generally responsible for all regulatory disclosure and for overseeing the Company’s disclosure practices. This includes:

- monitoring the effectiveness of and compliance with this policy;
- educating Directors, officers, employees, consultants, spokespersons and others about the Company’s disclosure obligations;
- determining if material information should be disclosed or kept confidential;
- reviewing and authorizing disclosure (both written and oral) before public release;
- monitoring the website;
- designating Company spokespersons;
- maintaining a disclosure record;
- keeping minutes of Disclosure Committee meetings; and
- reporting to the Company’s Board of Directors.

It is essential that the Disclosure Committee be kept fully apprised of all pending material SemBioSys developments in order to evaluate and discuss those events and to determine the appropriateness and timing for public release of information. If it is deemed that the information should remain confidential, the Disclosure Committee will determine how that confidential information will be controlled. The Disclosure Committee will identify appropriate industry and Company benchmarks for a preliminary assessment of materiality. Guided by these benchmarks, the Disclosure Committee will use experience and judgement to determine timing for public release of material information. The Disclosure Committee will meet quarterly or as conditions require. The Disclosure Committee will review and update, if necessary, this disclosure policy on an annual basis or as needed to ensure compliance with changing regulatory requirements. The Disclosure Committee will report to the Board of Directors on an as requested basis, but no less than once per year.

### **3. MATERIAL INFORMATION AND PRINCIPLES OF DISCLOSURE**

Material Change means a change in the business, operations or capital of SemBioSys that would reasonably be expected to have a significant affect on the market price or value of any of the securities of SemBioSys and includes a decision to implement the change by the Board of Directors of SemBioSys or by senior management of SemBioSys who believe that confirmation of the decision by the Board is probable.

Material Fact means a fact that significantly affects or would reasonably be expected to have a significant affect on the market price or value of SemBioSys' securities.

Material Information means any information (Material Fact or Material Change) relating to the business and affairs of SemBioSys that: (i) results in or would reasonably be expected to result in a significant change in the market price or value of any of SemBioSys' securities; or (ii) would be considered important by investors in making decisions whether to purchase, sell or hold securities of SemBioSys.

In complying with the requirement to disclose forthwith all Material Information under applicable laws and TSX rules, SemBioSys will adhere to the following basic disclosure principles:

- (a) Material Information will be publicly disclosed immediately via news release.
- (b) In certain circumstances, where such disclosure would be unduly detrimental to SemBioSys (for example, if release of the information would prejudice negotiations in a corporate transaction), the Material Information will be kept confidential until the Disclosure Committee determines it is appropriate to publicly disclose. In such circumstances, the Disclosure Committee will cause a confidential material change report to be filed with the applicable securities regulators, and will periodically (at least every 10 days) review its decision to keep the Material Information confidential (also see "Rumours").
- (c) Disclosure must include any Material Information, the omission of which would make the rest of the disclosure misleading.
- (d) Unfavourable Material Information must be disclosed as promptly and completely as favourable information.
- (e) No selective disclosure. Previously undisclosed Material Information must not be disclosed to selected individuals (for example, in an interview with an analyst or in a telephone conversation with an investor). If previously undisclosed Material Information has been inadvertently disclosed to an analyst or any other person not bound by an express confidentiality obligation, such Material Information must be broadly disclosed immediately via news release.
- (f) Disclosure on SemBioSys' website alone does not constitute adequate disclosure of Material Information.
- (g) Disclosure must be corrected immediately if SemBioSys subsequently learns that earlier disclosure by SemBioSys contained a material error.

### **4. MAINTAINING CONFIDENTIALITY**

Any employee privy to confidential information is prohibited from communicating such information to anyone else, unless it is necessary to do so in the course of business. Efforts will be made to limit access to such confidential information to only those who need to know the information and such persons will be advised that the information is to be kept confidential.

Outside parties privy to undisclosed Material Information concerning SemBioSys will be told that they must not divulge such information to anyone else, other than in the necessary course of business and that

they may not trade in SemBioSys' securities until the information is publicly disclosed. Such outside parties will confirm their commitment to non-disclosure in the form of a written confidentiality agreement.

In order to prevent the misuse or inadvertent disclosure of Material Information, the procedures set forth below should be observed at all times:

- (a) Documents and files containing confidential information should be kept in a safe place to which access is restricted to individuals who "need to know" that information in the necessary course of business and code names should be used if necessary.
- (b) Confidential matters should never be discussed in places where the discussion may be overheard, such as elevators, hallways, restaurants, airplanes or taxis.
- (c) Discussion of confidential matters should be avoided on wireless telephones or other wireless devices, unless by secure transmission.
- (d) Confidential documents should never be read or displayed in public places and should not be discarded where others can retrieve them.
- (e) Extra precautions should be observed when communicating confidential information by e-mail. Where possible, employees should avoid using e-mail to transmit confidential information. Communication by e-mail leaves a physical track of its passage that may be subject to later decryption attempts.
- (f) Employees must ensure they maintain the confidentiality of information in their possession outside of the office as well as inside the office.
- (g) Transmission of documents by electronic means, such as by fax or directly from one computer to another, should be made only where it is reasonable to believe that the transmission can be made and received under secure conditions.
- (h) Unnecessary copying of confidential documents should be avoided. Documents containing confidential information should be promptly removed from conference rooms and work areas after meetings have concluded. Extra copies of confidential documents should be shredded or otherwise destroyed.
- (i) Access to confidential electronic data should be restricted through the use of passwords.

## **5. EXTERNAL INQUIRIES AND DESIGNATED SPOKESPERSONS**

The Company designates a limited number of spokespersons responsible for communication with the investment community, regulators, or the media on matters related to SemBioSys where materiality issues may come into play. The Disclosure Committee will designate the official spokespersons for the Company, from time to time, who will ordinarily be senior officers of the Company. The Disclosure Committee may also, from time to time, designate others within SemBioSys to speak on behalf of SemBioSys as back-ups or to respond to specific inquiries. Employees who have not been designated to speak on behalf of the Company shall refer all media questions and enquiries to the President and CEO, or if unavailable, to another member of the Disclosure Committee.

In no case should employees convey financial information or other information related to the company's overall prospects. Employees also shall not in any circumstances discuss any matters related to emergencies, loss of property or loss of life. All such inquiries shall be referred to the CFO or CEO.

## 6. NEWS RELEASES

Once the Disclosure Committee determines that a development is material, it will authorize the issuance of a news release, or further determine that such developments must remain confidential for the time being. In the latter case, the Disclosure Committee will authorize the appropriate confidential filings and institute control of that Company's confidential information. Should a material statement inadvertently be made in a selective forum, SemBioSys will immediately issue a news release in order to fully disclose that information.

If the TSX is open for trading at the time of a proposed announcement, prior notice of a news release announcing material information must be provided to the market surveillance department to enable a trading halt, if deemed necessary by the TSX. If a news release announcing material information is issued outside of trading hours, market surveillance must be notified before the market opens.

Annual and interim financial results will be publicly released immediately following Board and/or audit committee approval, as applicable, of the financial statements. At the same time, SemBioSys will file such documents with SEDAR and ensure that any required corporate mailings are posted to shareholders.

News releases will be disseminated through an approved newswire service that provides simultaneous national and/or international distribution. News releases will be transmitted to all stock exchange members, relevant regulatory bodies, major business wires, national financial media, and if deemed appropriate, the local media in localities where SemBioSys has its headquarters and operations.

News releases will be posted on SemBioSys' website immediately after release over the news wire. The news release page of the website shall include a notice that advises the reader that the information posted was accurate at the time of posting, but may be superseded by subsequent news releases.

## 7. RUMOURS

SemBioSys does not comment, affirmatively or negatively, on rumours. This also applies to rumours on the Internet. SemBioSys' spokespersons will respond consistently to rumours, by saying, "**It is our policy not to comment on market rumours or speculation**". Should the TSX request that SemBioSys make a definitive statement in response to a market rumour that is causing significant volatility in the stock, the CEO will consider the matter and decide whether to make a policy exception. If the rumour is true in whole or in part, SemBioSys will immediately issue a news release disclosing the relevant material information.

## 8. CONTACTS WITH ANALYSTS, INVESTORS, AND THE MEDIA

Disclosure in individual or group meetings does not constitute adequate disclosure of information that is considered material non-public information. If SemBioSys intends to announce material information at an analyst or shareholder meeting or a press conference or conference call, the announcement must be preceded by a news release.

SemBioSys recognizes that meetings with analysts and significant investors are an important element of SemBioSys' investor relations program. SemBioSys will meet with analysts and investors on an individual or small group basis as needed and will initiate contacts or respond to analyst and investor calls in a timely, consistent, and accurate fashion in accordance with this policy.

SemBioSys will provide only non-material information through individual and group meetings, in addition to regular publicly disclosed information. SemBioSys recognizes there is potential for an analyst or investor to construct information into a mosaic that could result in material information. As such SemBioSys spokespersons cannot knowingly alter the materiality of information by breaking down the information into smaller, non-material components.

Spokespersons will keep notes of telephone conversations with analysts and investors and where practicable more than one SemBioSys representative will be present at all individual and group meetings.

## **9. REVIEWING ANALYST DRAFT REPORTS AND MODELS**

When asked to review analysts' draft research reports or models, it is SemBioSys' policy to do so. SemBioSys will review the report or model for the purpose of pointing out errors in fact based on publicly disclosed information. When an analyst inquires with respect to his/her estimates, it is SemBioSys' policy to refer him/her to SemBioSys' published earnings information. SemBioSys will limit its comments in responding to such inquiries to non-material information. SemBioSys will not confirm, or attempt to influence, an analyst's opinions or conclusions and will not express comfort with an analyst's model and earnings estimates.

In order to avoid appearing to "endorse" an analyst's report or model, SemBioSys will provide its comments orally or will attach a disclaimer to written comments to indicate the report was reviewed only for factual accuracy.

## **10. MANAGING ANALYST EXPECTATIONS**

SemBioSys will not confirm an analyst's opinions or conclusions and will not express comfort or otherwise with analysts' models and earnings estimates. SemBioSys will try to ensure, through its regular public dissemination of quantitative and qualitative information, that analysts' estimates are in line with SemBioSys' own expectations. If SemBioSys has determined that it will be reporting results materially below or above publicly held expectations, it will disclose this information in a news release in order to enable discussion without risk of selective disclosure.

## **11. DISTRIBUTING ANALYST REPORTS**

Analyst reports are proprietary products of the analyst's firm. Re-circulating a report by an analyst may be viewed as an endorsement by SemBioSys of the report. For these reasons, SemBioSys will not provide analyst reports through any means to persons outside of SemBioSys or to SemBioSys employees.

SemBioSys may list, regardless of the recommendation, investment firms and analysts who provide research coverage on the Company. Any such listing shall include an accompanying disclaimer that SemBioSys does not endorse any analyst reports or commentary.

## **12. FORWARD-LOOKING INFORMATION**

Should SemBioSys elect to disclose forward-looking information (FLI) in continuous disclosure documents, speeches, conference calls, etc., the following guidelines will be observed:

- (a) The information, if deemed material, will be broadly disseminated via news release, in accordance with this disclosure policy;
- (b) The information will be clearly identified as forward looking;
- (c) SemBioSys will identify all material assumptions used in the preparation of the FLI;
- (d) A statement that identifies the risks and uncertainties that may cause actual results to differ materially from those envisaged in the FLI will accompany the FLI; and
- (e) A statement that disclaims SemBioSys' intention or obligation to update or revise the FLI, whether as a result of new information, future events, or otherwise will accompany the FLI. Notwithstanding this disclaimer, should subsequent events prove past statements about current trends to be materially off target, SemBioSys may choose to issue a news release explaining the

reasons for the difference. In this case, SemBioSys will update its guidance on the anticipated impact on revenue and earnings (or other key metrics). If SemBioSys has issued a forecast or projection in connection with an offering document covered by National Policy 48, SemBioSys will update that forecast or projection periodically, as required by National Policy 48.

### **13. DISCLOSURE RECORD**

The Disclosure Committee will oversee the maintenance of a five year file containing all public information about SemBioSys, including continuous disclosure documents, news releases, analysts' reports, transcripts, tape recordings of conference calls, debriefing notes, notes from meetings and telephone conversations with analysts and investors, and newspaper articles.

### **14. RESPONSIBILITY FOR ELECTRONIC COMMUNICATIONS**

This disclosure policy also applies to electronic communications. Accordingly, officers and personnel responsible for written and oral public disclosures shall also be responsible for electronic communications.

The person designated by the Disclosure Committee or his/her designate is responsible for updating the investor relations section of SemBioSys' website and is responsible, along with the CFO, for monitoring all SemBioSys information placed on the website to ensure that it is accurate, complete, up-to-date, and in compliance with relevant securities laws.

Investor relations material shall be contained within a separate section of SemBioSys' website and shall include a notice that advises the reader that the information posted was accurate at the time of posting, but may be superseded by subsequent disclosures. All data posted to the website, including text and audiovisual material, shall show the date such material was issued. Any material changes in information must be updated immediately. The person designated by the Disclosure Committee or his/her designate will maintain a log indicating the date that material information is posted and/or removed from the investor relations website. The minimum retention period for material corporate information on the website shall be two years. Disclosure on the SemBioSys website alone does not constitute adequate disclosure of information that is considered material non-public information. Any disclosures of material information on its website will be preceded by the issuance of a news release.

The SemBioSys website will not link to any third party website except as approved by the Disclosure Committee. Website links to the company public disclosure record (SEDAR) and to reputable publicly available sites in the case of trading history and information are permissible.

The person designated by the Disclosure Committee shall also be responsible for responses to electronic inquiries. Only public information or information which could otherwise be disclosed in accordance with this disclosure policy shall be utilized in responding to electronic inquiries. Where possible, SemBioSys will only verbally reply to electronic inquiries to avoid electronic commentary being disseminated broadly or used out of context.

In order to ensure that no material undisclosed information is inadvertently disclosed, employees are prohibited from participating in Internet chat rooms or newsgroup discussions on matters pertaining to SemBioSys' activities or its securities.

### **15. COMMUNICATION AND ENFORCEMENT**

This disclosure policy extends to all SemBioSys employees and consultants, its Board of Directors, and authorized spokespersons. SemBioSys will provide new Directors, officers, employees and consultants with a copy of this disclosure policy and will educate them about its importance. SemBioSys will circulate this disclosure policy to all employees on an annual basis and whenever changes are made.

Any employee or consultant who violates this disclosure policy may face disciplinary action up to and including termination of his or her employment or consulting arrangement with SemBioSys without notice. The violation of this disclosure policy may also violate certain securities laws. If it appears that an employee or consultant may have violated such securities laws, SemBioSys may refer the matter to the appropriate regulatory authorities. Violation of securities laws could lead to penalties, fines or imprisonment.