

SEMBIOSYS GENETICS INC.
INSIDER TRADING POLICY AND PROCEDURES

1. OBJECTIVE AND SCOPE

This Policy sets forth the obligations of certain persons with respect to trading in securities of SemBioSys Genetics Inc. (“**SemBioSys**”) and outlines the reporting obligations of Insiders of SemBioSys. The Policy is drafted broadly; it will be applied and interpreted in a similar manner. This Policy has been reviewed and approved by SemBioSys’ Board of Directors.

The purpose of this Policy is to ensure that investment and trading activities of Restricted Persons (as defined below) and Employees (as defined below) are consistent with their ethical and employment responsibilities to SemBioSys and are in accordance with applicable law.

This Policy prescribes rules for directors, officers, Employees, Insiders and other persons dealing with SemBioSys with respect to trading in securities of SemBioSys by such individuals when there is Undisclosed Material Information or Pending Material Developments with respect to SemBioSys. Strict adherence to this Policy will promote investor confidence in securities of SemBioSys by assuring the investing community that certain persons who have access to Undisclosed Material Information will not make use of it by trading in securities of SemBioSys before the information has been fully disclosed to the public and a reasonable period of time for the dissemination of that information has passed.

Failure to adhere to this Policy may expose SemBioSys, as well as the individuals referred to in this Policy to:

- (a) penalties and other sanctions under the securities laws of Canada which prohibit insider trading and tipping;
- (b) embarrassment caused by the investigation and publicity of a violation; and
- (c) civil litigation.

This Policy also reinforces SemBioSys’ commitment to guard its confidential information. The ethical and business principles underlying this Policy may extend beyond even the stringent requirements of applicable securities laws. SemBioSys is concerned not simply with meeting minimum requirements, but also with ensuring continued confidence in SemBioSys by the capital markets.

2. DEFINITIONS USED IN THIS POLICY

“**Blackout Period**” means a period designated as such by the Information Officer when Material Information has not been disclosed and includes a reasonable period of time following the disclosure of such Material Information;

“**Employees**” means all individuals currently employed by SemBioSys or any of its direct or indirect affiliates or under contract to SemBioSys or any of its direct or indirect affiliates, and includes the spouses, and other individuals residing in the same home, of such individuals;

“**Information Officer**” means the individual whom Employees, Insiders or Restricted Persons may contact to determine whether or not they may execute trades in the market or reveal Undisclosed Material Information in the necessary course of business;

“**Insider**” means a director or officer of SemBioSys and includes each of the five highest paid employees or any person or company that beneficially owns, or exercises control or direction over, more than 10% of the outstanding securities of SemBioSys, and includes the spouse, and other individuals residing in the same home, of such individuals;

“**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;

“**Pending Material Developments**” means a proposed transaction of SemBioSys that would constitute Material Information, however, a decision to proceed with the transaction has not been made by the Board of Directors or by senior management with the expectation of concurrence from the board;

“**Restricted Persons**” means:

- (a) directors and officers of SemBioSys and includes the spouses, and other individuals residing in the same home, of such individuals; and
- (b) Special Relationship Persons, other than those in (a) above, who are routinely in possession of Undisclosed Material Information; and

“**Special Relationship Person**” means:

- (a) a person or company that is an Insider, affiliate or associate of:
 - (i) SemBioSys;
 - (ii) a person or company that is proposing to make a take-over bid for the securities of SemBioSys; or
 - (iii) a person or company that is proposing to become a party to a business combination with SemBioSys or to acquire a substantial portion of its property;
- (b) a person or company that is engaging in or proposes to engage in any business or professional activity with or on behalf of SemBioSys or with or on behalf of a person or company described in subclause (a)(ii) or (iii);
- (c) a person who is an Employee of SemBioSys or of a person or company described in subclause (a)(ii) or (iii) or clause (b);
- (d) a person or company that learned of the material fact or material change with respect to SemBioSys while the person or company was a person or company described in clause (a), (b) or (c);
- (e) a person or company that learns of a material fact or material change with respect to SemBioSys from any other person or company described in this subsection, including a person or company described in this clause, and knows or ought reasonably to have known that the other person or company is a person or company in such a relationship.

“Undisclosed Material Information” means Material Information pertaining to SemBioSys that has not been publicly disclosed or information that has been publicly disclosed, but a reasonable period of time for its dissemination has not passed.

3. TERMS OF THIS POLICY

Insider trading is a complex area of the law. There are many circumstances in which an individual legitimately may be unsure about the application of this Policy. In these situations, a simple question may forestall disciplinary action or complex legal problems. If there is any question or concern with respect to the application of this Policy to any Employee of SemBioSys or to any particular circumstance, the Information Officer should be contacted for guidance.

4. GENERAL PROHIBITION

No Special Relationship Persons shall purchase or sell securities of SemBioSys when they are aware of Undisclosed Material Information. In addition, subject to Section 6, Special Relationship Persons are prohibited from informing, or “tipping”, anyone else about such information. This prohibition extends to other securities whose price or value may reasonably be expected to be affected by changes in the price of SemBioSys’ securities and includes the granting or exercise of stock options.

5. INFORMATION OFFICER

For purposes of this Policy, James Szarko, President and CEO (primary) and Harm Deckers, Director, Intellectual Property (backup) have been designated as the Information Officer(s) and can be contacted at (403) 717-8787 and (403) 717-8772, respectively. When Special Relationship Persons have concerns about whether or not certain information is Undisclosed Material Information, they should contact the Information Officer to obtain permission before executing any trades in securities of SemBioSys. If the information is such that it would influence Special Relationship to buy or sell securities of SemBioSys then that fact alone suggests that it is Material Information. Special Relationship Persons should err on the side of caution in such matters.

6. UNDISCLOSED MATERIAL INFORMATION

No Special Relationship Person shall reveal Undisclosed Material Information to any person unless the disclosure must occur in the necessary course of business (e.g. discussions with SemBioSys' bankers or advisers where the disclosure of such information is necessary). The Information Officer should be consulted to determine if it is appropriate to reveal the Undisclosed Material Information in the circumstances.

7. UNDISCLOSED MATERIAL INFORMATION OF OTHER CORPORATIONS

Where Employees or Restricted Persons become aware of Undisclosed Material Information concerning another public corporation, they shall not trade in the securities of that corporation until the information is publicly disclosed and a reasonable period of time for its dissemination has passed. Generally, a "reasonable period of time" will be 48 hours, however, it may be longer depending upon the particular market following of that corporation. The Information Officer should be consulted to determine what would be a "reasonable period of time" in the circumstances.

8. RESTRICTED PERSONS

Restricted Persons are prohibited from trading whenever there are Pending Material Developments, even if they are unaware of the details of the same. In the circumstances where there is Pending Material Information with respect to SemBioSys, a confidential memo will be sent to all Restricted Persons, as well as to other Special Relationship Persons if it is determined appropriate, informing them of the Blackout Period with respect to such Pending Material Development at which time they shall cease trading until further notice. No reason for the trading restriction will be provided.

As an alternative to a total prohibition on trading during a Blackout Period, senior management may make the determination that trades may occur during the Blackout Period but only with the express prior approval by the Information Officer of each such trade. This alternative will only be available during a Blackout Period if the written notice of such Blackout Period so states.

It shall be the responsibility of senior management to make the determination as to when a pending transaction would constitute a Pending Material Development. As guidance, a Blackout Period must at least commence once negotiations on a proposed transaction have progressed to a

point where it reasonably could be expected that the market price of SemBioSys' securities would materially change if the status of the proposed transaction were publicly disclosed.

9. BLACKOUT PERIOD

No Special Relationship Person shall trade in SemBioSys' securities during a Blackout Period. The purpose of the Blackout Period is to allow the market to fully reflect the Material Information in the price of SemBioSys' securities. The Information Officer will be responsible for setting the length of the Blackout Period and notifying Special Relationship Persons of it.

The Information Officer should consider setting, and advising of, specific and routine Blackout Periods for routine and scheduled material announcements, such as quarterly and annual financial information; for example, a regular Blackout Period two weeks prior to the scheduled release of financial statements and 48 hours after their actual release.

10. ADDITIONAL PROHIBITED TRADING FOR INSIDERS

No Insider shall knowingly sell, directly or indirectly, a security of SemBioSys or any of its affiliates if the Insider selling the share does not own or has not fully paid for the share to be sold. Similarly, an Insider shall not, directly or indirectly, buy or sell a call or put in respect of a share of SemBioSys or any of its affiliates. Certain limited exceptions to this prohibition may be available and the Information Officer should be consulted for any question as to the availability of such exceptions.

11. INSIDER TRADING REPORTS

Certain Insiders (as the term is defined in this Policy) are required to file an initial insider report, within 10 days after becoming an Insider, listing his or her direct or indirect ownership of securities of SemBioSys with the applicable securities regulatory authorities. However, no initial report is required if the Insider does not own or exercise control or direction over securities of SemBioSys, unless they have done so in the last six (6) months prior to becoming an Insider. Such Insiders are also required to file, with the securities regulatory authorities, insider trading reports within 10 days of a change in their interest in any securities of SemBioSys (this includes the grant of options or other convertible securities to such persons or the exercise by them of such options or convertible securities).

In addition, such Insiders are required to disclose in writing to the Chief Financial Officer of SemBioSys, any change in their interest within 5 days of such trade.

Any Insider wishing assistance in filing their required reports may notify the Chief Financial Officer who will arrange for the necessary assistance.

12. PENALTIES

If Special Relationship Persons were caught trading on Undisclosed Material Information it would cause great embarrassment to SemBioSys. As a result, SemBioSys may take its own disciplinary actions, including termination of employment or implementation of a probationary period. SemBioSys will also report the matter to the appropriate regulatory authorities.

The prohibition against trading on Undisclosed Material Information as set forth in Canadian securities legislation can be enforced through a wide range of penalties, including:

- (a) fines of up to three times any profit made or loss avoided, or \$5 million Canadian, whichever is greater and/or penal sanctions including imprisonment of not more than 5 years less a day;
- (b) civil actions for damages;
- (c) an accounting to SemBioSys for any benefit or advantage received; and
- (d) administrative sanctions by securities commissions, such as cease trade orders and removal of exemptions.

13. POLICY REVIEW

SemBioSys will review this Policy annually to ensure that it is achieving its purpose. Based on the results of the review, the Policy may be revised accordingly.