

Charter of Board Governance and Expectations

1.0 ROLE OF THE BOARD

This Board Charter sets out the principles for the operation of the Board of Directors of SemBioSys Genetics Inc. (SemBioSys) and describes the functions of the Board.

The Board has primary responsibility to shareholders for the welfare of the Company by guiding and monitoring the business and affairs of the Company. The Company recognizes the importance of the Board in providing a sound base for good corporate governance in the Company's operations.

The Board must at all times act honestly, fairly and diligently in all respects in accordance with the legislation applicable to the Company. Furthermore, the Board will at all times act in accordance with all relevant Company policies.

Each of the Directors, when representing the Company, must act in the best interests of the Company's shareholders and in the best interests of the Company as a whole.

This Charter, and those of the various committees of the Board, have been prepared and adopted on the basis that there is a contribution that good governance and good governance procedures can add to the performance of the Company.

2.0 RESPONSIBILITIES OF THE BOARD

The Board will ensure that management has in place appropriate processes for risk assessment, management, internal control, and monitoring performance against agreed benchmarks. The Board will work with senior executives to advance the interests of the Company.

This Charter delegates authority and recognizes that, once delegated; management needs to be free to manage. The Board will not be too accepting of management's views and will test and question management's assertions, monitor progress, evaluate management's performance and, where warranted, take corrective action.

It is the responsibility of the Board to oversee the direction and management of the Company in accordance with applicable law, the Company's Bylaws and applicable rules and regulations of the Toronto Stock Exchange, while adhering to high ethical standards. Specific tasks and actions of the Board in fulfilling these general responsibilities are as follows:

2.1 The Board is responsible for the management of the affairs of SemBioSys including:

- Financial strategic objectives;
- Evaluating, approving and monitoring the strategic and financial plans of the Company;
- Evaluating, approving and monitoring the annual budgets and operational plans of the Company;
- Evaluating, approving and monitoring major capital expenditure, capital management and all major corporate transactions; and
- Ensuring that, where possible, all the Company's business activities, including planning and development, are consistent with the Company's priorities and Strategic Plan.

2.2 Executive Management

- Appointing, monitoring, managing the performance of, and, if necessary, terminating the employment of the Chief Executive Officer;
- Managing succession planning for senior executive positions. It is envisaged that this would involve working with the Chief Executive Officer to identify the requirements for critical positions and individuals who can fill those positions on both an emergency basis and over the longer term; and
- Approving the appointment, and terms of appointment, of senior executives.

2.3 Risk management

- Monitoring the Company's performance in relation to principles of best-practice corporate governance (as identified and resolved by the Board);
- Approving and monitoring the Company's risk-management framework;
- Approving and monitoring compliance with SemBioSys' key corporate policies and protocols; and
- Monitoring the Company's operations in relation to, and compliance with, relevant regulatory requirements.

2.4 Guidelines for risk management and strategic planning

- The Board will be actively and regularly involved in risk management and strategic planning. Strategic planning will be based on the identification of opportunities and the full range of business risks that will determine which of those opportunities are most worth pursuing. The Board recognizes that strategic planning is an ongoing process that must be responsive to changes in the external environment and internal developments;
- The Board's involvement in strategic planning and the monitoring of risks does not mean the Board intends to manage the business, but it recognizes the Board is responsible for overseeing management and holding it to account;
- The Board will oversee the process that management has in place to identify business opportunities and risks;
- The Board will consider the extent and types of risk that are acceptable for the Company to bear;
- The Board will monitor management's systems and processes for managing a broad range of business risks; and
- The Board will, on an ongoing basis, review with management how the strategic environment is changing, what key business risks and opportunities are appearing, how they are being managed and what, if any, modifications in strategic direction should be adopted.

2.5 Systems Integrity

- Confirm with the Audit Committee that it has reviewed and discussed the adequacy of the Company's internal controls and management information systems;
- Review, adopt and confirm distribution to appropriate personnel of a Code of Ethics for Directors and executives and other governing policies. Review and evaluate whether the Company, and its executives conduct themselves in an ethical manner and in compliance with laws, regulations, audit and accounting principles and the Company's own governing policies; and
- Ensure that the Board has free and full access to management regarding all matters of compliance and performance.

2.6 Material Transactions

- Review and approve any material transactions outside of the corporate budget including, but not limited to, long term contracts, licenses or obligations which will outlive an individual's relationship with the Company.

3.0 BOARD STRUCTURE & FUNCTION

3.1 Composition of the Board of Directors

- Ensure that the majority of Directors are "independent", as defined by the highest test set by the Company's governing regulatory bodies.

3.2 Annual Disclosure of Directors

- Publicly disclose conclusions as to the independence of the Directors as defined by the rules of the Ontario Securities Commission and the Toronto Stock Exchange.

3.3 Assessing Directors

- Review and discuss promptly any issues regarding Board membership of any Director whose employment or professional status has materially changed; and
- Review and discuss any issues regarding Board membership of any Director who is also a standing director and/or officer of any other public company.

3.4 Position of Chairman of the Board

- Appoint as Chairman of the Board an independent Director.

3.5 Board Evaluation

- At least annually evaluate the Boards' own performance in fulfilling its obligations outlined in this Charter and any other duties charged to the Board; and
- Annually review the size of the Board, and any impact of that size on the effectiveness of the Board and whether it is appropriate to reduce or increase the size of the Board.

3.6 Compensation of Directors

- Annually review the compensation paid to Directors.

3.7 Board Committees

- Consider that Board committees should generally consist of outside Directors;
- Ensure that the majority of Directors on all committees be independent and unrelated Directors; and
- Annually review the Charter for each committee and consider any changes recommended by such committee or the full Board.

3.8 Governance and Nominating Committee

- Appoint a Governance and Nominating Committee to annually nominate Board members for election by stockholders and recommend new Board members to fill any vacancy;
- Delegate general responsibility for review and evaluation of corporate governance issues to the Governance and Nominating Committee;
- Review annually the Governance and Nominating Committee Charter, and suggest changes to its Charter the committee deems appropriate for consideration by the entire Board; and
- Undertake orientation for new Directors.

3.9 Audit Committee

- Delegate general responsibility to the Audit Committee to (1) select and provide for compensation of the Company's independent auditors and (2) oversee the audits of Company's financial statements and its financial reporting and disclosure processes, and (3) evaluate the independence and performance of the Company's independent auditors;
- Ensure that all committee members are independent;
- Review annually the Audit Committee Charter and suggest changes to its Charter the committee deems appropriate for consideration by the entire Board; and
- Prepare an annual Audit Committee Report for inclusion in Company's annual Information Circular.

3.10 Compensation Committee

- Delegate general responsibility to the Compensation Committee for senior executive compensation, including a review of compensation and performance in relation to corporate objectives;
- Prepare annually a report on executive compensation for inclusion in the Company's annual Information Circular;
- Review annually the Compensation Committee Charter and suggest changes to its Charter that the committee deems appropriate for consideration by the entire Board;
- Review annually the Company's incentive stock option plan; and
- Approve all grants under the Company's incentive stock option plan.

3.11 Outside Advisors for Directors

- Ensure that the Board and each committee of the Board are permitted to engage outside advisors at the Company's expense as they deem appropriate.

3.12 Director Succession

- Ensure that there is a succession plan for Directors and the Company's independent Chairperson.

3.13 General

- Perform such other functions as prescribed by law and in the Company's By-laws.

3.14 Amendments to Charter of Board Governance and Expectations

- Annually review this Charter and propose amendments to be ratified by a simple majority of the Board.

4.0 PERSONAL AND PROFESSIONAL CHARACTERISTICS OF BOARD MEMBERS

The following characteristics and traits outline the framework for the recruitment and selection of Board of Director nominees:

4.1 Conduct and Accountability

- Nominee must demonstrate high ethical standards and conduct in their personal and professional lives, and make and be accountable for their decisions in their capacity as Board members.

4.2 Judgment

- Nominee must demonstrate to the satisfaction of the Board a capacity to provide sound advice on a broad range of industry and community issues;
- Nominee must have or develop to the satisfaction of the Board a broad knowledge base of the Company's industry in order to understand the basis from which corporate strategies are developed and business plans produced; and
- Nominee must be able to provide to the satisfaction of the Board a mature and useful perspective as to the business plan, strategy, risks and objectives of the Company.

4.3 Financial Literacy

- Nominee must demonstrate to the satisfaction of the Board a sound level of financial literacy including the ability to understand financial statements and use financial metrics to evaluate the financial health and performance of the Company.

4.4 Teamwork

- Nominee must demonstrate to the satisfaction of the Board that he or she will put Board and Company performance ahead of individual achievements.

4.5 Communication

- Nominee must demonstrate to the satisfaction of the Board a willingness to listen as well as to communicate their opinions, openly and in a respectful manner.

4.6 Experience

- Nominee must have demonstrated and continue to demonstrate to the satisfaction of the Board a high level of achievement in their personal and professional lives that reflects high standards of personal and professional conduct.