

VELAN INC. - WHISTLE BLOWING

Policy and Procedures for the Receipt, Retention and Treatment of Complaints and Employee Concerns Regarding Fraudulent Activities, Accounting, Internal Controls and Auditing Matters

Velan Inc. is committed to maintaining compliance with all applicable securities laws and regulations, accounting standards, internal controls and audit practices. Any Velan Inc. employee (for clarity this includes employees of any Velan Inc. group company included in appendix A) may submit a good faith complaint or concern regarding fraudulent activities and accounting or auditing matters, including without limitation matters as to financial presentation and communications with internal and external auditors, to company management without fear of dismissal or retaliation of any kind for filing the complaint. Employees, and other individuals with knowledge of Velan Inc. accounting, internal control or audit practices, are strongly encouraged to report good faith complaints or concerns regarding such matters. These good faith complaints can be brought to the attention of Velan Inc.'s CEO, President, CFO, Chairperson of the Board, Chairperson of the Audit Committee, its Vice-President, Finance or its Vice-President, Human Resources & General Counsel at the following e-mail addresses:

CEO: A.K. Velan – ak.velan@velan.com

President: Tom Velan – tom.velan@velan.com

CFO: John Ball – john.ball@velan.com

Chairperson of the Board: Ivan Velan – ivan.velan@velan.com

Chairperson of the Audit Committee: Anna Martini – amartini@dynamite.ca

Vice-President, Finance: Valerie Hannah – valerie.hannah@velan.com

Vice-President, Human Resources & General Counsel: Sabine Bruckert – sabine.bruckert@velan.com

For situations where the individual desires to remain anonymous, the Velan Inc. Audit Committee has established the following procedures for (1) receiving, retaining and treating such complaints, and (2) providing employees with a confidential, anonymous means of submitting concerns regarding fraudulent activities, questionable accounting or auditing matters at the Corporation (the "Secure Reporting Process"). The Audit Committee Chairperson (the "Chairperson") will oversee the investigation and resolution of reported complaints and concerns and has overall authority for the implementation of this policy.

Scope

These procedures cover complaints or concerns relating to any fraudulent activities, questionable accounting, and internal control or auditing matters. The following are examples, but they are not meant to limit the types of issues that could be communicated:

- Any fraud or deliberate error in preparing, evaluating, reviewing or auditing any financial statement;
- Any fraud or deliberate error in recording or maintaining of financial records;
- Any deliberate overriding or disregarding of established internal controls;
- Any misrepresentation or false statement regarding a matter contained in or affecting any financial record, financial report or audit report;
- Any deviation from full and fair reporting of the company's financial condition or results.

Submission

Employees may forward reports of complaints or concerns, on a confidential, anonymous basis if desired, through a world wide web-based reporting system. The web-based reporting system submits the complaints via e-mail directly to the Chairperson. The web address is:

www.velan.com/whistleblowing

Employees and non-employees may also submit complaints on a confidential, anonymous basis if desired to the following address:

Velan Inc.
1155 Rene-Levesque West Suite 2500
Montreal, Quebec
H3B 2K4

The address is that of an independent mail service company who will forward the complaint directly to the Chairperson.

If an employee submits information on a confidential, anonymous basis, in general the company will not attempt to discover the employee's identity except if required under applicable law or stock exchange rules

Treatment and Reporting

- All complaints (whether from a company employee or otherwise) received regarding fraudulent activities, accounting, internal accounting controls or auditing matters shall be referred to the Chairperson.
 - The Chairperson shall:
 - conduct such investigation of any complaint as the Chairperson considers appropriate in the circumstances;
 - retain any documentation received or created in connection with any complaint; and
 - recommend to the Audit Committee the action which the Chairperson considers appropriate with respect to any complaint.
 - The Audit Committee shall:
 - review any aspects of the complaint;
 - oversee the process contemplated by the Secure Reporting Process;
 - consider recommendations by the Chairperson with respect to any action to be taken with respect to a complaint; and
 - determine what action should be taken with respect to any complaint.

APPENDIX A

VELAN GROUP COMPANIES INCLUDE:

Velan Inc.

Velan – Proquip Inc.

Velan Valve Corp.

Velan Stream Trap Corporation

Velan Valves Ltd.

Velan GmbH

Velan Ltd.

Juwon

Velan Válvulas Industriais, Lda.

Velan-Valvac Manufacturing Co. Ltd.

Accucast

APPENDIX B

- What is meant by *FRAUD*? “Fraud” is an intentional act that results in a material misstatement of financial statements.
- Three types of misstatements are considered relevant to our consideration of fraud.
 - Fraudulent Financial Reporting – intentional misstatements of financial statements or footnotes with the intention to deceive.
 - Misappropriation of Assets – involves the theft or defalcation of a company’s assets (for example, embezzling cash receipts, stealing assets, receiving kickbacks from suppliers or agents etc.).
 - Illegal Acts – can cause a material misstatement of financial statements. Illegal acts include violations of laws or government regulations (for example, an intentional violation of government regulations).

Acknowledgement

I have read and agree to comply with the terms of this policy regarding Whistle Blowing. I understand that a violation of the policy may result in disciplinary action, including possible termination of employment as well as civil and criminal liability.

Date: _____ Name: _____ Signature: _____
(Please print)