VELAN INC.

CORPORATE GOVERNANCE
AND HUMAN RESOURCES COMMITTEE CHARTER

1. ESTABLISHMENT OF COMMITTEE

1.1 Establishment of Corporate Governance and Human Resources Committee Confirmed – The establishment of the corporate governance and human resources committee of the Board of the Corporation is hereby confirmed with the purpose, constitution and responsibilities set forth herein.

1.2 Certain Definitions - In this Charter:

(a) "Board" means the board of directors of the Corporation;

(b) "Chair" means the chairperson of the Committee;

(c) "Chairman" means the Chairman of the Board.

(d) "Charter" means this written charter of the Committee and any such charter for the Committee which the Board resolves from time to time shall be the charter of the Committee, as amended from time to time;

(e) "CEO" means the President & Chief Executive Officer of the Corporation;

(f) "Committee" means the corporate governance and human resources committee of the Board;

(g) "Corporation" means Velan Inc.;

(h) "Director" means a member of the Board; and

(i) "Lead Director" means a member of the Board who has been appointed as Lead Director.

1.3 Interpretation – The provisions of this Charter are subject to the provisions of the by-laws of the Corporation and to the applicable provisions of applicable legislation.

2. PURPOSE

2.1 Purpose – The Committee's purpose is to:

(a) develop the Corporation's approach to corporate governance;

(b) develop and recommend to the Board the Corporation's approach to corporate governance, including a set of governance principles and guidelines applicable to the Corporation (the "**Governance Principles**") as well as any amendments to those principles that it may consider appropriate from time to time, and assess the Board's compliance with the Governance Principles;

(c) assess the performance and effectiveness of the Board as a whole, the committees of the Board and the contributions of individual Directors;

(d) review and recommend for the approval by the Board the objectives, performance, compensation and incentives of the President & CEO;

(e) review and approve, based on the recommendation of the President & CEO, the objectives, the performance, compensation and incentives of the Executive vice presidents, the Chief Financial Officer, the heads of subsidiaries of the Corporation;

(f) review, recommend for approval by the Board, the overall annual payout incentive for any given year;

(g) review the objectives, the performance, the compensation and the incentives of other vice presidents as recommended and approved by the President & CEO; ;

(h) establish human resources policies for the NEOs and monitor the same;

(i) make recommendations to the Board with respect to incentive compensation plans;

(j) approve and monitor insider trading and share ownership policies;

(k) adopting a code of business conduct and ethics applicable to all directors, officers and employees, (a "Code of Ethics");

(l) monitoring compliance with and periodically reviewing the Code of Ethics; and

(m) perform any other activities consistent with this Charter.

2.2 Establishment and Review of Corporate Governance Policies – Reviewing and assessing the adequacy of the Code of Ethics periodically, but at least annually. The Committee shall recommend any amendments to the Code of Ethics to the Board for approval. The Code of Ethics at a minimum shall (i) comply with any requirements established by any regulatory body or any other applicable statute, rule or regulation that the Committee deems relevant, (ii) address conflicts of interest, full and fair disclosure and compliance with laws, (iii) encourage the reporting of any illegal or unethical behaviour and expressly prohibit retaliation of any kind for any such reports or complaints, (iv) provide clear and objective standards for compliance with the Code of Ethics and a fair process by which to determine violations thereof, and (v) contain an enforcement mechanism.

The Committee is responsible for:

(a) Collaborating with the Corporation's officers and legal counsel to disclose publicly any amendments to the Code of Ethics required to be disclosed by any Regulatory Body.

(b) Collaborating with the Corporation's officers and legal counsel and the Audit Committee of the Board to establish procedures for (a) the receipt, retention; and treatment of complaints received by the Corporation regarding violations of or non-compliance with the Code of Ethics; (b) the confidential, anonymous submission by employees of the Corporation of complaints regarding any such violations or non-compliance; and (c) the submission to the Audit Committee of any such complaints regarding accounting, internal accounting controls, or auditing matters.

(c) Preparing and recommending to the Board annually a Statement of Corporate Governance Practices to be included in the Corporation's annual report or proxy circular.

(d) Recommending procedures to permit the Board and its Committees to function independently of management of the Corporation, including procedures to permit the Board and its Committees to meet on a regular basis without management present.

(e) Monitoring and ensuring the adequacy of the orientation and education program for members of the Board.

3. COMMITTEE MEMBERSHIP

3.1 Number of Members - The Committee shall consist of not fewer than three members, each of whom shall be an independent Director within the meaning of National Instrument 58-101 *Disclosure of Corporate Governance Practices*.

3.2 Appointment of Members – The members of the Committee shall be appointed by the Board. The appointment of members of the Committee shall take place no later than at the first meeting of the Board after a meeting of the shareholders at which Directors are elected, provided that if the appointment of members of the Committee is not so made, the Directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.

3.3 Vacancy - The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Directors.

3.4 Removal of Members - Any member of the Committee may be removed from the Committee by a resolution of the Board.

4. COMMITTEE CHAIR

4.1 Board to Appoint Chair - The Board shall appoint the Chair from the members of the Committee (or if it fails to do so, the members of the Committee shall appoint the Chair of the Committee from among its members).

4.2 Chair to be Appointed Annually - The designation of the Committee's Chair shall take place no later than at the first meeting of the Board after a meeting of the shareholders at which Directors are elected, provided that if the designation of Chair is not so made, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

5. COMMITTEE MEETINGS

5.1 Quorum - A quorum of the Committee shall be a majority of its members.

5.2 Secretary – Subject to the by-laws of the Corporation, the Chair shall designate from time to time a person who may, but need not, be a member of the Committee, to be Secretary of the Committee.

5.3 Time and Place of Meetings - The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; provided, however, the Committee shall meet regularly during the year.

5.4 Right to Vote – Each member of the Committee shall have the right to vote on matters that come before the Committee.

5.5 Invitees – The Committee may invite Directors, officers and employees of the Corporation or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee.

6. OUTSIDE ADVISORS

6.1 Retaining and Compensating Advisors - The Committee may retain outside counsel and any other advisors as the Committee may deem appropriate with the approval of the Audit Committee.

7. REMUNERATION OF COMMITTEE MEMBERS

7.1 Remuneration – Members of the Committee and the Chair shall receive such remuneration for their service on the Committee as the Board may determine from time to time.

8. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

8.1 Governance Principles – The Committee shall:

(a) develop and recommend to the Board the Corporation's Governance Principles;

(b) review the Governance Principles at least annually and recommend to the Board any changes to the Governance Principles which it considers appropriate;

(c) review the fulfilment of the other purposes of the Committee set forth in Section 2 hereof;

(d) review and recommend to the Board for approval any disclosure required by applicable securities regulators or stock exchanges relating to the Corporation's corporate governance practices; and

(e) assess the Board's compliance with the Governance Principles.

8.2 Board, Committee and Individual Director Assessment – The Committee shall:

(a) develop and recommend to the Board a process for assessing the performance and effectiveness of the Board as a whole, the committees of the Board and the contributions of individual Directors on an annual basis, such process to consider:

(i) the solicitation and receipt of comments from Directors, as appropriate,

(ii) the Board's written charter,

(iii) the charter of each committee of the Board,

(iv) applicable position description(s) for each individual Director and for the chairs of the Board and of each committee of the Board, and

(v) the competencies and skills each individual Director is expected to bring to the Board;

(b) be responsible for overseeing the execution of the assessment process approved by the Board and management; and

(c) assess, on an annual basis, the contribution and performance of individual Directors.

8.3 Board Review – The Committee shall review the Board's committee structure on a regular basis and recommend to the Board any changes it considers necessary or desirable with respect to the committee structure, including:

(a) the charters of each committee;

(b) the criteria for membership on any committee;

(c) the composition of each committee;

(d) the appointment and removal of members from any committee;

(e) the operations of each committee, including the ability of any committee to delegate any or all of its responsibilities to a sub-committee of that committee; and

(f) the process by which each committee reports to the Board.

8.4 Assessment of Director Independence – The Committee shall determine annually which members of the Board the Committee considers to be independent directors for the purposes of the Canadian securities regulators' requirements.

8.5 Delineating Board and Management Responsibilities – The Committee shall:

(a) develop and recommend to the Board position descriptions for Directors, including:

(i) the chair of each committee of the Board, and

(ii) the chair of the Board; and

(b) together with the President & CEO recommends to the Board a position description for the President & CEO, including defining the limits of management's responsibilities.

8.6 Related Party Transactions – The Committee shall approve (or make recommendations to the Board with respect to) related party transactions which the Corporation proposes to enter into. The review of the fees and other payments made to or from the Corporation with respect to ongoing related party transactions shall be within the mandate of the Audit Committee.

8.7 Succession Planning – The Committee shall make recommendations to the Board with respect to management succession including:

(a) policies and principles for the President & CEO selection with respect to potential successors to the President & CEO; and

(b) policies regarding succession in the event of an emergency or the retirement of the President & CEO.

8.8 Communication Policy – The Committee shall ensure that the Corporation has an acceptable policy for communicating with its shareholders, the investment community, the media, governments and their agencies, employees and the general public.

8.9 Disclosure and Share Trading Policy – The Committee shall make recommendations to the Board with respect to a disclosure and share trading policy for the Corporation which deals with the disclosure by the Corporation to the public of material information and sets standards for share trading by Corporation insiders.

8.10 Insider Trading Policy – The Committee shall review, approve and receive regular reports from management with respect to the Corporation's insider trading policy.

8.11 Ethical Compliance and Legal Compliance – The Committee shall:

(a) subject to Board approval, establish, review and update periodically the Corporation's Code of Ethics with a view to complying with all applicable rules and regulations, and ensure that management has established a system to enforce this code;

(b) review, approve and receive regular reports from management with respect to compliance with the Corporation's Code of Ethics and the review system in place to ensure that the Corporation's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements;

(c) satisfy itself that management has established a system to disclose the Code of Ethics, any amendments to the code and any waivers from the code granted by the Committee for the benefit of a Director or senior officer of the Corporation, as required by applicable rules and regulations (if any) and receive regular reports from management with respect to compliance with this system; and

(d) review, approve and receive regular reports from management and the Corporation's legal counsel with respect to legal compliance matters including the Corporation's corporate securities trading policy.

9. SUBCOMMITTEES

9.1 Delegation to Subcommittees – The Committee may form and delegate authority to subcommittees if deemed appropriate by the Committee.

10. REPORTING TO THE BOARD

10.1 Regular Reporting – The Committee shall report to the Board following each meeting of the Committee and at such other times as the Chair may determine to be appropriate.

11. PERFORMANCE EVALUATION

11.1 Performance Evaluation – The Committee shall follow the process established by it (referred to in Section 8.2 above) for all committees of the Board for assessing the performance and effectiveness of the Committee.

12. NOMINATING FUNCTION

12.1 Nominating Function – The Committee shall also be responsible for nominating persons for election to the Board. So long as the Corporation is controlled *de jure* by a single shareholder (subject to the provisions of the second following sentence in the event that the number of directors to be elected is an odd number), the Committee shall propose for nomination 50% of the members of the Board of Directors, all of whom shall qualify as independent Directors under applicable securities laws. In the event that the *de jure* controlling shareholder does not notify the Chairman of the Committee by written instrument on a timely basis of its proposed nominees with respect to the other 50% of the Directors, the Committee shall make such additional nominations as is appropriate. In the event of the proposed election of an odd number of directors, the Committee and the *de jure* controlling shareholder shall be entitled to jointly propose one director.

The Committee and the *de jure* controlling shareholder shall:

(a) identify individuals qualified to become members of the Board;

(b) recommend to the Board the director nominees to be put before the shareholders at each annual meeting; and

(c) perform any other activities consistent with this Charter.

12.2 Evaluating Board Competencies and Skills – The Committee shall provide recommendations to the Board with respect to the following matters:

(a) the competencies and skills the Board, as a whole, should possess;

(b) the competencies and skills each existing Director possesses and which the Board as a whole therefore possesses; and

(c) the personality and other qualities of each Director, as these may ultimately determine the boardroom dynamic.

12.3 Identifying and Recommending New Nominees – The Committee shall identify the individuals qualified to become new Directors and recommend to the Board new nominees for election by shareholders or for appointment by the Board to fill any vacancy on the Board. In making its recommendations to the Board, the Committee shall consider any selection criteria approved by the Board from time to time, including the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess; including but not limited to:

(a) economic, technical, scientific, academic, financial, accounting, legal, marketing, or other expertise applicable to the business of the Corporation;

(b) leadership or substantial achievement in their particular fields;

(c) demonstrated ability to exercise sound business judgment;

(d) integrity, high moral and ethical character and business or professional standing that will add to the Board's reputation;

(e) potential to contribute to the diversity of viewpoints, backgrounds, or experiences of the Board as a whole and the committees thereof;

(f) capacity and desire to represent the balanced, best interests of the shareholders as a whole and not primarily a special interest group or constituency;

(g) ability to work well with others;

(h) high degree of interest in the business of the Corporation;

(i) dedication to the success of the Corporation;

(j) commitment to responsibilities of a director,

(k) international business or professional experience;

(l) the competencies and skills that the Board considers each existing Director to possess; and

(m) the competencies and skills each new nominee would bring to the boardroom.

12.4 Exception for Certain Nominees – If the Corporation is legally required by contract or otherwise to provide third parties with the right to nominate Directors, the Committee shall have no responsibility for the selection and nomination of such Directors.

12.5 Identifying and Recommending Nominees for the Audit Committee – The Committee shall identify Directors qualified to become members of the Corporation's Audit Committee and recommend to the Board Directors for appointment by the Board to the Corporation's Audit Committee.

12.6 Orientation – The Committee shall develop and recommend to the Board a comprehensive orientation program for new Directors, which shall include assisting new Directors to understand:

(a) the role of the Board and its committees;

(b) the contribution individual Directors are expected to make (including the commitment of time and energy that the Corporation expects from its Directors); and

(c) the nature and operation of the Corporation's business.

12.7 Continuing Education – The Committee shall develop and recommend to the Board a continuing education program for all Directors which shall, among other things:

(a) assist Directors to maintain or enhance their skills and abilities as directors; and

(b) assist Directors in ensuring that their knowledge and understanding of the Corporation's business remains current.

12.8. Size of Board – The Committee shall consider and recommend to the Board the appropriate size of the Board, with a view to facilitating effective decision-making.

13. GENERAL

13.1 Independent Advice – The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities and duties as described above, and may seek, retain and terminate accounting, legal, consulting or other expert advice from a source independent of management, at the expense of the Corporation, with notice to either the Chair of the Board or the Chief Executive Officer of the Corporation, as deemed appropriate by the Committee. In furtherance of the foregoing, the Committee shall have the sole authority to retain and terminate any such consultant or adviser to be used to assist in the evaluation of such matters and shall have the sole authority to approve such consultant or adviser's fees and other retention terms.

13.2 Charter Review – The Committee shall review and assess the adequacy of this Charter on a regular basis and recommend to the Board any changes it deems appropriate.