

VELAN INC.

TRADING POLICY

1. GENERAL

1.1 Definitions in this Policy

Capitalized terms that are used in this policy have the meanings set forth in Appendix A or as otherwise defined in this policy.

1.2 Purpose of this Policy

Pursuant to Canadian securities laws, Insiders and other persons are not permitted to (i) purchase or sell Securities of Velan or otherwise transact in or with respect to securities of Velan (including so called "derivative" and monetization transactions) or Related Financial Instruments while in possession of Material Information (certain examples set forth on Schedule B) that has not been Generally Disclosed (ii) inform others of the undisclosed Material Information except in the necessary course of business ("**Tipping**"), or (iii) recommend or encourage another person to purchase or sell Securities of Velan or transact while in possession of undisclosed Material Information.

1.3 Application of this Policy

This policy applies to:

- a) Insiders;
- b) all other employees of Velan; and
- c) to the extent they may be in possession of or have access to Confidential or Material Information regarding Velan, any other officer or employee of Velan and its Subsidiaries and certain external persons or entities, including, without limitation, legal counsel, investment bankers and investor relations consultants.

(collectively, the "**Recipients**").

This document is only a summary of specific rules and regulations. If you have any questions on any issues relating to this policy or how you may be affected by the various securities laws, please contact the Chief Financial Officer ("**CFO**") or the Executive Vice President Human Resources and General Counsel.

1.4 Consequences of Non-Compliance with this policy

Violation of this policy may constitute a breach of securities law, including provisions against insider trading and Tipping and Velan may refer such breach to the appropriate regulatory authorities. Violations may also harm Velan's reputation in the investment community and cause other prejudice to Velan. Violation of this policy could lead to fines, penalties, imprisonment of the Recipient and liability of the Recipient to investors and Velan. A failure to comply with this policy may also result in disciplinary action including immediate termination of employment, a request for resignation or loss of nomination (in

the case of a director) or the termination of an engagement or retainer (in the case of an external consultant) and, ultimately, liability or other legal consequences on the part of or to the Recipient.

The onus of complying with the Policy and the relevant insider trading and other rules is on each Recipient.

2. CORPORATE GOVERNANCE AND HUMAN RESOURCES COMMITTEE

The Velan Board of Directors has mandated the Corporate Governance and Human Resources Committee to establish, review and monitor the present policy.

In the event that you have any questions with respect to the policy or the possible application thereof, it is essential that you contact the CFO (currently Benoit Alain – (benoit.alain@velan.com), the Executive Vice President Human Resources and General Counsel (sabine.bruckert@velan.com) or a member of the Corporate Governance and Human Resources Committee prior to taking any action. The current members of the Corporate Governance and Human Resources Committee and their contact information are as follows:

Dahra Granovsky	dgranovsky@bafoldingcartons.com
Suzanne Blanchet	suzanne_blanchet@outlook.com
Edward Kernaghan	ed@kernaghanpartners.com
James Mannebach	jim.mannebach@velan.com

3. TRADING RESTRICTIONS & TRADING BLACK-OUT PERIODS

The highest standards must be maintained with respect to trading of its Securities by its directors, officers and employees of Velan. Trading must comply with the insider trading requirements of the various provincial securities commissions, the Exchange and applicable securities legislation. It is illegal for anyone to purchase or sell securities of any public corporation with knowledge of material information affecting that corporation that has not been publicly disclosed. The purpose of this rule is to prevent persons in possession of, or who have knowledge of, material information not Generally Disclosed to the public from taking advantage of such information (whether intentionally or otherwise) through trading in that corporation's securities. Directors, officers and employees of a public corporation must act in accordance with applicable laws in the highest standards of ethical and professional behavior. Insiders are also prohibited from informing, or "tipping", anyone else about that information except in the necessary course of business, in which case all reasonable measures should be taken to advise the recipient of the confidential nature of the information.

Substantial penalties exist for violations of insider trading laws. In Canada, those penalties include possible imprisonment and fines.

Insiders may not make use of Material Information in trading of Velan's Securities before such information has been fully disclosed to the public and a reasonable period of time has passed following full disclosure of the information. In practical terms, this means that people with knowledge of Material Information about Velan are prohibited from in trading

Securities or in respect thereof (e.g. monetization transactions) in Velan and from exercising options to acquire Securities until such time.

3.1 Prohibitions on Trading Securities

Blackout periods may be prescribed from time to time by the Committee as a result of scheduled announcements (including quarterly and annual financial results) and special circumstances relating to Velan pursuant to which Recipients would be precluded from trading in or with respect to Securities of Velan or Related Financial Instruments including exercising options.

The Corporate Governance and Human Resources Committee has established a policy that Insiders may not trade in or with respect to Velan Securities or Related Financial Instruments, other than during the period commencing on the 5th day following the press release summarizing the quarterly financial statements of Velan and terminating on the 35th day following such quarterly press release. Velan will advise Recipients of the date of the relevant press release and the consequential trading period, as well as any change in the blackout period parameters.

It is important to note that, during such generally permitted trading period, any person with knowledge of Material Information that has not been Generally Disclosed is still precluded from trading in or with respect to Velan securities. In the event that any Recipient knows or is aware of any information relating to Velan and is uncertain as to whether such information may constitute Undisclosed Material information, it is essential that the recipient contact a member of the Corporate Governance and Human Resources Committee, the Executive Vice President Human Resources and General Counsel and the Chief Financial Officer prior to taking any action.

Non-exhaustive examples of Material Information are given for illustration purposes in the attached appendix B.

To summarize the prohibition on trading means that:

- No one subject to this policy may purchase or sell Securities of Velan or Related Financial Instruments during a Black-out Period.
- No one subject to this policy may purchase or sell Securities of Velan or Related Financial Instruments while they possess non-Generally Disclosed Material Information Trading would constitute illegal insider trading and a breach of this policy.

with respect to the purchase, sale, acquisition of Velan Securities or Related Financial Instruments (including options).

3.2 Exceptions

The Committee may, if appropriate, grant exceptions to purchase or sell securities during a Black-out Period.

3.3 Insider Reports

Insiders of Velan are required to complete and file an insider trading report using SEDI within the times required by applicable securities laws (generally within the 5 days of the transaction). Instructions on how to file an insider report may be obtained from the CFO. Failure to file an insider trading report on a timely basis may result in a fine and/or imprisonment.

3.4 Speculative and short sales

Without limiting any other provisions of this Policy, securities of Velan may not be sold short at any time. Purchases of Velan's Securities should be made for long-term investments rather than for speculative purposes.

It is inappropriate for any Recipient, whether acting alone or together with any other person or corporation, directly or indirectly engage in any activity:

- that creates or may create a false or misleading appearance of trading activity in the Securities of Velan;
- that has a direct or indirect effect of setting an artificial price for the Securities of Velan;
- that otherwise interferes with the free determination by the market of the market price for the Securities of Velan.

4 COMMUNICATION AND ENFORCEMENT OF THIS POLICY

New directors, officers and employees and consultants (who may have access to confidential information of a material nature) will be provided with a copy of this policy.

5 PROHIBITION ON HEDGING

The purpose of incentive plans is to make part of the remuneration subject to the risks and benefits of fluctuations in the price of the Corporation's shares, in order to align the financial interest of the executives with those of shareholders. This purpose is defeated if executives hedge the price risk on the securities, they receive under an incentive plan.

This policy prohibits Directors, officers, consultants and employees to engage in hedging arrangements (including, for example, the use of put and call options or other derivatives instruments) over unvested Securities issued pursuant to any option or share plans or to enter into any transaction which has the purpose or effect of transferring to any other person any of the risk or benefit of any fluctuation in value of the securities they received under an

incentive plan for as long as the securities remain subject to a restriction on disposal under the plan.

For Securities that have been issued under an incentive plan but are no longer subject to a restriction on disposal under the plan, the executives may enter into hedging transactions or arrangements but only if they: - disclose the full details of the transaction or arrangement in advance to the President or the CEO and comply with the insider trading laws and the other provisions of this policy, as applicable.

6 POLICY REVIEW

The present policy may be modified from time to time by the Corporate Governance and Human Resources Committee.

RECEIPT AND ACKNOWLEDGEMENT

I, _____, hereby acknowledge that I have received a copy of the Velan Inc. Trading Policy (the “**Policy**”) and have read, been given the opportunity to ask questions and understand the guidelines set forth in said Policy.

Date

Signature

APPENDIX A

DEFINITIONS

“Black-out Period” means:

- (a) Each period (A) commencing on the 36th day following the press release disclosing the quarterly and year end financial results, and (B) ending at the close of business on the 4th day following the press release disclosing the quarterly and year end financial results; and
- (b) Any other period designated by the Corporate Governance and Human Resources Committee and communicated to those to whom the policy applies.

“Board” means the board of directors of Velan.

“Confidential information” is all information, in whatever form, pertaining to the business or affairs of Velan or any affiliate which has not been disclosed to the public, and is “material” information as explained below. Undisclosed Material Information

“Controlled”: for the purposes of the definition of “Subsidiary”, an entity is considered to be controlled by Velan if

- (a) In the case of an entity that has directors, (i) Velan beneficially owns or exercises control or direction over voting securities of the entity carrying more than 50 per cent of the votes for the election of directors and (ii) the votes carried by the securities entitle Velan to elect a majority of the directors of the entity;
- (b) In the case of a partnership or other entity that does not have directors, other than a limited partnership, Velan beneficially owns or exercises control or direction over more than 50 per cent of the voting interests in the partnership or other entity; or
- (c) In the case of an entity that is a limited partnership, Velan is the general partner or controls each general partner within the meaning of paragraph (a) or (b).

“Corporation” means Velan.

“Exchanges” means the TSX and such other exchanges, if any, on which securities of Velan may be listed and Market Surveillance/Market Regulation Services Inc.

“Generally Disclosed” means the public disclosure of information in a manner calculated to result in broad dissemination to the marketplace as requested by applicable securities legislation and the passage of a reasonable amount of time to permit adequate dissemination in the market and to give investors a reasonable time to analyze the information, and **“Generally Disclose”** means to disseminate information in that manner.

“Insider” includes:

- (a) Directors and Senior Officers of Velan;

- (b) Directors and Senior Officers of Velan’s Subsidiaries or entities that are Insiders to Velan;
- (c) Any person or company who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding voting securities of Velan or any of its Subsidiaries and any director or senior officer of such person or company;
- (d) Investor relations consultants of Velan, as well as any other employees and external parties with access to Confidential or Material Information.

“**Material Change**” means a change in the business, operations or capital of Velan that would reasonably be expected to have a significant effect on the market price or value of any of the Securities of Velan and includes a decision by the Board or by senior management (with respect to which management considers that Board approval of the decision is probable) to implement such a change.

“**Material Fact**” means a fact that results in or would reasonably be expected to have a significant effect in the market price or value of any of Velan’s securities. It includes anything that a reasonable investor would consider important in assessing Velan as a potential investment.

“**Material Information**” means Material Changes and Material Facts.” Examples of Material Information are given in Appendix B.

“**Related Financial Instruments**” means:

- an instrument, agreement or security where the value, market price or payment obligations are derived from, referenced to or based on the value, market price or payment obligations of a Security of Velan; and
- any other instrument, agreement or understanding that affects, directly or indirectly (a) a person’s economic interest in a Security of Velan; or (b) economic exposure to Velan , or another reporting issuer.

“**Security**” or “**Securities**” means a security or securities as defined under applicable securities law (including income deposit securities, shares, notes, options, warrants, rights and other instruments and interests.

“**Subsidiary**”: A person or company is considered to be the subsidiary of another person or company if it is Controlled by (i) that other, (ii) that other and one or more persons or companies, each of which is controlled by that other, or (iii) two or more persons or companies, each of which is Controlled by that other, or (iv) a Subsidiary of a person or company that is that other’s Subsidiary.

“**TSX**” means the Toronto Stock Exchange.

“**Velan**” includes Velan Inc. and its Subsidiaries.

APPENDIX B

EXAMPLES OF INFORMATION THAT MAY BE MATERIAL IF IT IS REASONABLE TO EXPECT THAT THEY WOULD HAVE A SIGNIFICANT EFFECT ON THE MARKET PRICE

Changes in corporate structure

- Changes in share ownership that may affect control of Velan
- Major reorganizations, amalgamations, or mergers
- Take-over bids, issuer bids, or insider bids

Changes in capital structure

- The public or private sale of additional securities
- Planned repurchases or redemptions of securities
- Planned splits of shares or offerings of warrants or rights to buy shares
- Any share consolidation, share exchange, or share distribution
- Changes in Velan's dividend payments or policies
- The possible initiation of a proxy fight
- Material modifications to the rights of security holders

Changes in financial results

- Unexpected changes in the financial results for any period
- Shifts in financial circumstances, such as cash flow reductions, major asset write-offs or write-downs
- Significant changes in the value or composition of Velan's assets
- Any material change in Velan's accounting policies

Changes in business and operations

- Any significant development that affects Velan's assets, products or markets
- A significant change in capital investment plans or objectives
- Major labour disputes or disputes with major contractors or suppliers
- Significant changes to the board of directors or executive management, including the departure of Velan's CEO, President or CFO
- The commencement of, or developments in, material legal proceedings or regulatory matters
- Any notice that reliance on a prior audit is no longer permissible
- De-listing of Velan's securities or their movement from one quotation system or exchange to another
- Entering into or loss of significant contracts

Acquisitions and dispositions

- Significant acquisitions or dispositions of assets, property or joint venture interests
- Acquisitions of other entities, including a take-over bid for, or merger with, another company

Changes in credit arrangements

- The borrowing or lending of a significant amount of money, other than in the ordinary course of business
- Any mortgaging or encumbering of Velan's assets, other than in the ordinary course of business
- Defaults under debt obligations, agreements to restructure debt, or planned enforcement procedures by a bank or any other creditors
- Changes in rating agency decisions
- Significant new credit arrangements
