

VERITY PHARMACEUTICALS INC.

WHISTLE BLOWER POLICY

Purpose

Verity Pharmaceuticals Inc. (the “**Corporation**”) is committed to achieving compliance with all applicable securities laws and regulations, accounting standards, accounting controls and audit practices. In order to facilitate the reporting of employee complaints, the Audit Committee of the Corporation has established the following procedures for: (a) the receipt, retention and treatment of complaints and concerns regarding accounting, internal accounting controls and auditing matters (“**Accounting Matters**”); and (b) the confidential and anonymous submission by employees of complaints or concerns regarding questionable accounting or auditing matters.

Scope

These procedures relate to complaints or concerns regarding any questionable Accounting Matters, including, without limitation, the following:

- (a) fraud or deliberate error in the preparation, evaluation, review or audit of any financial statement of the Corporation;
- (b) fraud or deliberate error in the recording and maintaining of financial records of the Corporation;
- (c) deficiencies in or non-compliance with the Corporation’s internal accounting controls;
- (d) misrepresentation or false statement to or by a senior officer or accountant regarding a matter contained in the financial records, financial reports or audit reports of the Corporation; or
- (e) deviation from full and fair reporting of the Corporation’s financial condition.

Procedures

1. Submission of Complaints

In submitting a complaint or concern regarding Accounting Matters, employees, shareholders and others should exercise due care to ensure the accuracy of information.

- (a) Employees, shareholders or others may report their complaints or concerns regarding Accounting Matters to the **[Chief Executive Officer]** (“[CEO]”) of the Corporation by email (hglase@veritypharma.com) or by mail addressed to the CEO or the Chairman of the Audit Committee at Verity Pharmaceuticals Inc., Suite 720 – 999 West Broadway, Vancouver, BC, V5Z 1K5.

The CEO will forward a copy of the same, to the extent appropriate, to the Chair of the Audit Committee. The person submitting a complaint or concern regarding

Accounting Matters should include a telephone number at which she or he can be contacted if the CEO or the Audit Committee determines that contact is appropriate.

- (b) Employees may report their complaints or concerns regarding Accounting Matters by writing to the CEO on an anonymous basis by not identifying themselves.

2. Treatment of Complaints

For each complaint or concern regarding Accounting Matters (an “**Accounting Complaint**”), an inquiry will be initiated to determine if the complaint or concern can be substantiated or has merit. The inquiry will be made by the CEO or person designated by the CEO unless the Audit Committee designates another person to review the Accounting Complaint (the “**Investigator**”).

When possible, the Investigator will acknowledge receipt of the Accounting Complaint to the person who submitted it.

The Investigator will conduct an informal inquiry or review in order to determine, in his or her reasonable judgment, whether a reasonable basis exists for pursuing an investigation or further review of the Accounting Complaint. The purpose of this informal inquiry or review is to screen Accounting Complaints so that the Audit Committee does not have to examine immaterial, frivolous or spurious reports of wrongdoing.

The Investigator will forward the Accounting Complaint to the Chair of the Audit Committee along with any conclusions she or he may have reached about the merit of the Accounting Complaint.

Following receipt of the Investigator’s report, the Audit Committee will review each matter reported and recommend that the Corporation or board of directors of the Corporation (the “**Board**”) take prompt and appropriate corrective or disciplinary action, where necessary. The Audit Committee may enlist employees of the Corporation and/or outside legal, accounting or other advisors to assist with the investigation or further review of the Accounting Complaint. The Board will be informed of all investigations and reviews upon their conclusion.

When possible and when determined appropriate by the Audit Committee, notice of any corrective action taken will be given to the person who submitted the Accounting Complaint. If this person is not satisfied with the treatment of his or her complaint, he or she may follow-up on the matter with the Chair of the Audit Committee.

3. Confidentiality and Anonymity

Employees, shareholders or others with Accounting Complaints may make their complaint or concern known on a confidential basis or anonymously, as applicable, to the extent reasonable and practicable under the law.

The Corporation will make good faith efforts to protect the confidentiality of employees making submissions of Accounting Complaints; provided, however, that the Corporation or its

employees and agents will be permitted to reveal the employee's identity and confidential information to the extent necessary to permit a thorough and effective investigation.

4. Records

A confidential file for each Accounting Complaint will be maintained for an appropriate amount of time. This file will relate to the initial Accounting Complaint as well as to any inquiry, investigation and resolution of the Accounting Complaint.

In addition, the CEO will maintain a log of all Accounting Complaints, tracking their receipt, investigation and resolution and will prepare a periodic summary report of all Accounting Complaints for the Audit Committee. Copies of these logs and summary reports will be maintained for an appropriate amount of time.

These records are confidential to the Corporation and are protected by attorney-client privilege and/or the attorney work product doctrine. Such records will be considered privileged and confidential.

Protection for Whistleblowers

The Corporation will not retaliate or attempt to retaliate and will not tolerate any retaliation or attempted retaliation by any other person or group, directly or indirectly, against any person who:

- (a) in good faith, submits an Accounting Complaint;
- (b) provides assistance to the Audit Committee, the CEO or the Corporation's management or any other person or group, including any governmental, regulatory or law enforcement body, investigating or otherwise helping to resolve an Accounting Complaint;
- (c) provides information regarding any conduct the person reasonably and in good faith believes constitutes a violation of any law or regulation regarding securities fraud in an investigation conducted by any state, provincial or federal regulatory or law enforcement agency or authority, or a member or committee of the Canadian or provincial legislative bodies; or
- (d) participates in an investigation, hearing, court proceeding or other administrative inquiry in connection with an Accounting Complaint.

In addition, the Corporation will not discharge, demote, suspend, threaten, harass or in any other manner discriminate against any employee in the terms and conditions of employment based upon any lawful actions of such employee with respect to good faith submissions of Accounting Complaints.

Unsubstantiated Claims

If an employee submits an Accounting Complaint in good faith, which is not confirmed by subsequent investigation, no action will be taken against that employee.

Any employee who knowingly or recklessly makes false accusations of wrongdoing (including making statements or disclosures that are not in good faith) may be subject to discipline, which may include termination.

Employees who submit Accounting Complaints can and will continue to be held to the Corporation's general job performance standards. Therefore, an employee against whom legitimate adverse employment actions have been taken or are proposed to be taken for reasons other than prohibited retaliatory actions, such as poor job performance or misconduct by the employee, is prohibited from using this policy as a defense against the Corporation's lawful actions.

Annual Review

These procedures will be reviewed periodically by the Audit Committee, taking into account the effectiveness of the procedures in promoting proper disclosure and with a view to minimizing the opportunities to cause improper investigations.

Publication

The Corporation will communicate these procedures to all employees by providing a copy of this policy to all employees.