

Transition Therapeutics Inc.

CODE OF BUSINESS CONDUCT AND ETHICS

At Transition Therapeutics Inc. (the “Corporation”) we expect our employees, officers and directors will comply with our company values.

The Corporation’s Values with respect of the Code of Business Conduct and Ethics are:

- (a) Respect people and cultural differences**
- (b) Honest and open communications**
- (c) Professional in everything we do**
- (d) Accept individual responsibility**

As a Corporation, we value honesty, high ethical standards and compliance with laws, rules and regulations.

The following provides guidance on the application of these principles:

Adoption

This Code of Business Conduct and Ethics was adopted by the Board of Directors (the “Board”) of the Corporation.

Compliance with laws, rules and regulations

1. Accounting Requirements

The Corporation and its employees shall follow the accepted rules and controls required by the securities commission in each jurisdiction in which the Corporation is a reporting issuer and any stock exchange on which the Corporation’s securities are listed. Further, the Corporation’s financial statements shall be prepared in accordance with Canadian generally accepted accounting principles. For additional information on these rules and controls, contact the Corporation’s Chief Financial Officer.

2. Equal Employment Opportunity and Discrimination Laws

It continues to be the practice of the Corporation to employ positive business and personnel practices designed to ensure the full realization of equal employment opportunity. Further, we expect all employees to accomplish their work in a businesslike manner with a concern for the well-being of their co-workers. Harassment of any employee by any other employee is prohibited, regardless of their working relationship. Any employee who experiences harassment should bring it to the attention of his/her supervisor. If the employee is not satisfied that the matter has been appropriately addressed, the employee should feel free to contact the Chief Executive Officer of the Corporation.

3. Securities Laws

All employees of the Corporation are prohibited from transacting in the Corporation’s securities, for themselves, family members, friends or any other person, while in the possession of material,

non-public (inside) information concerning the Corporation. In addition, all employees of the Corporation must pre-clear any trades in the Corporation's securities with the Corporation's Chief Financial Officer or Chief Executive Officer.

Employees must not give inside information to anyone. Inside information is information that the Corporation has not made public about any of its activities, such as clinical trial results, the issuance of a patent, earnings estimates, the commencement or outcome of litigation, mergers and acquisitions, or any other information that could affect the Corporation's fortunes and therefore the price of the stock. For more detailed information, please refer to the Corporation's "Policy on Disclosure, Confidentiality and Trading of Insiders and Employees", available from the Corporation's Chief Financial Officer.

4. Health and Safety

The Corporation seeks to provide a clean, safe and healthy place to work. All employees are expected to observe all safety rules and practices and to follow instructions concerning safe work practices.

5. Record Keeping and Reporting of Information

All records and reported information must be accurate, complete, honest and timely.

6. Conflicts of Interest

Every employee, officer or director, is expected to make decisions in the best interest of the Corporation and not for personal gain. A conflict of interest can arise when an employee, officer or director takes action or has a personal interest that may make it difficult to perform his or her work for the Corporation objectively and effectively. This may include outside business interests, outside employment, outside investments and business relationships with friends or relatives that could cause a conflict of interest. Employees, officers and directors should report potential conflicts of interest and are prohibited from taking for themselves personally opportunities that are discovered or may be available through the use of the Corporation's property, information or position. Employees are prohibited from accepting meals, entertainment, travel, gratuities, merchandise or promotional material that could influence objectivity in making business decisions.

7. Fair Dealing

Employees, officers and directors should endeavour to deal fairly with the Corporation's partners, researchers, and suppliers and each other. No one should take unfair advantage of anyone else through manipulation or misrepresentation of material facts.

Protection and Proper Use of Corporation Assets

All employees, officers and directors should protect the Corporation's assets and ensure their efficient use.

Confidentiality/Privacy Policy

Employees, officers and directors should maintain the confidentiality of information entrusted to them by the Corporation, its partners, researchers, and its vendors and suppliers, except when

disclosure is authorized or legally mandated. Confidential information includes all non-public information.

Further, employees, officers and directors should ensure compliance with the Corporation's "Privacy Policy" as such may be amended from time to time.

Encouraging the Reporting of any Illegal or Unethical Behaviour

Many areas of the law, such as securities and antitrust, are very complicated. The Corporation encourages employees to talk to supervisors, managers or other appropriate personnel when in doubt about the best course of action in a particular situation. Additionally, employees should report violations of laws, rules, regulations or the Code of Business Conduct and Ethics to the Chief Executive Officer of the Corporation or the Chairman of the Corporate Governance and Nominating Committee. There will be no retaliation against anyone who presents this type of information in good faith.

Disclosure of Gifts to Employees

Employees, officers and directors will notify and receive permission from the Board before accepting any gift, trip, etc. of value over \$500. The gift, trip, etc. would not be prohibited if deemed to be a benefit to the employee and the Corporation.

Waiver of the Code of Business Conduct and Ethics

There will be no waivers to the Code of Business Conduct and Ethics.

Enforcement

Any violators of this Code will be subject to disciplinary action. The disciplinary actions will be determined by the Board of Directors or its designee. The Company intends such disciplinary action to reflect our belief that all employees, officers and directors should be held accountable to the standards of conduct set forth herein. Accordingly, such disciplinary action may include, without limitation, censure by the Board, demotion, re-assignment, suspension or termination, depending on the nature and the severity of the violation.