

MERUS LABS INTERNATIONAL INC.
(the “Company”)



BOARD OF DIRECTORS CHARTER

I. PURPOSE

The Board of Directors of the Company and its management are committed to maintaining a high standard of Corporate Governance. This commitment includes adherence to and complying with the laws and regulations in each jurisdiction in which Merus operates.

The Board has the responsibility for the overall stewardship of the Company, establishing the overall policies and standards for the Company in the operation of its businesses, and reviewing and approving the strategic plans and public disclosure documents. In addition, the Board monitors and assesses overall performance and progress in meeting the Company’s goals. Day to day management is the responsibility of the Chief Executive Officer and senior management. The Board will look to discharge its duties directly or indirectly and will use specific committees to do so where practical.

II. COMPOSITION

The number of directors of the Company will be as approved from time-to-time by the shareholders of the Company in accordance with the Articles. The Nominating and Corporate Governance Committee is mandated to review the size of the Board from time to time and recommend changes in size to the Board, for recommendation to shareholders of the Company for approval.

A. Chair of The Board

The Board has currently determined to separate the positions of Chair of the Board (Chair) and Chief Executive Officer and with this approach the previously additional held position of a Lead Director becomes redundant.

B. Independent and Non-Independent Directors

The Board believes that, as a matter of policy, there should be a majority of independent directors on the Company’s Board. The Company’s nominating and corporate governance, audit and compensation committees shall all be comprised of independent directors. The Board annually determines the independent status of each director based on the information provided

by each Director, applicable laws and stock exchange requirements and the Governance and Nominating Committee's recommendation.

C. Primary Employment Status Change

The Board has adopted a policy that requires any director whose primary employment status changes to notify the Chair of the Nominating and Corporate Governance Committee. In addition, each director will notify the Chair of the Nominating and Corporate Governance Committee of any new directorships with other organizations (profit and not-for-profit) to which the director is appointed. The Nominating and Corporate Governance Committee shall in turn advise the Board and provide recommendations on the member's continued service to the Company as a director. It is not intended that directors who retire or whose professional positions change should leave the Board. The Nominating and Corporate Governance Committee has the responsibility to assess the continued appropriateness of Board membership under such circumstances and in accordance with its Charter.

D. Officers' Board Membership

The Board has determined that management members of the Board shall not automatically stand for re-election after retirement or resignation from the Company. Any former officer of the Company serving on the Board will be considered to be a Non-Independent Director for purposes of Corporate Governance until such time as the applicable regulatory cooling off periods have been met and the independent directors determine that sufficient distance has been established from the officer's former executive duties to allow the person to be considered independent.

E. Board Committees

The Committees are (1) the Audit Committee; (2) the Nominating and Corporate Governance Committee and (3) the Compensation Committee. Each Committee operates according to Board-approved terms of reference documented by an annually reviewed and updated Committee Charter. Each Committee shall be comprised of three or more directors as determined by the Board, each of whom shall satisfy the independence requirements in accordance with applicable laws, rules and regulations. The Nominating and Corporate Governance Committee is responsible for recommending to the Board the assignment of Board members to various Committees and the designation of the Committee Chairs and taking into account the wishes of individual Board members. Vacancies at any time shall be filled by designation of the Board directors. In addition, the Board may constitute additional Committees from time to time, and approve the mandates for such Committees, as the Board considers advisable to enable the Board to discharge its responsibilities.

III. RESPONSIBILITIES AND DUTIES

The Board has the authority to exercise all powers of the Company that are required by the Business Corporation Act (British Columbia) and the Articles of the Company. In the event of any conflict between this Charter and the Act or the Articles, the provisions of the Act and the Articles will govern. Without limiting the generality of this authority, the Board of Directors will fulfill its responsibilities and duties by carrying out the following activities:

A. Board Relationship with Management

The Board supports and encourages the members of the Company's management in the performance of their duties and individual outside directors are encouraged to provide their counsel as needed. Board members will have complete access to management and materials for all relevant information. The Board encourages senior management to bring managers to Board meetings from time to time to provide additional insight into the items being discussed.

B. Corporate Strategy

The Board believes that management is responsible for development of corporate strategy, with review and approval by the Board. It is the role of the Board to review, question, validate and approve material changes in the strategies of the Company.

Long-term strategies with respect to the Company's operations are developed by senior management of the Company and reviewed and approved by the Board. These long-term strategies are to be reviewed and updated as required.

Annual strategic, operating and capital plans are developed by management and reviewed and approved by the Board annually. The strategic plan is to take into account, among other things, the opportunities and risks to the Company's business on a shorter term basis.

C. Limits to Management Authority

The Board establishes, from time-to-time and as it considers appropriate, general authority guidelines that places limits on management's approval authority depending on the nature and size of the proposed transaction. These limits anticipate that some flexibility exists within approved budgets, but otherwise must not be exceeded without prior Board or appropriate Committee approval.

D. Formal Evaluation of the Chief Executive Officer

The Compensation Committee together with the Board Chair conducts an annual review of the performance of the Chief Executive Officer as measured against objectives established mutually in the prior year by the Compensation Committee and the Chief Executive Officer in accordance with the Compensation Committee Charter. The results of this annual review are communicated to the Board's independent directors who then make an evaluation of the overall performance of the Chief Executive Officer. This performance evaluation is communicated to the Chief Executive Officer by the Board Chair. The evaluation is used by the Compensation Committee in its deliberations concerning the Chief Executive Officer's annual compensation.

E. Succession Planning and Management Development

The Board believes that succession planning and management development are key to the ongoing process that contributes substantially to the success of the Company. The Board is responsible for approving the appointment of all current and potential senior officers, including the Chief Executive Officer, President, Chief Operating Officer and Chief Financial Officer of the Company. The Nominating and Corporate Governance Committee is responsible for ensuring

an up to date job description for the position of the Chief Executive Officer and a comprehensive succession plan for the Chief Executive Officer and senior management of the Company is in place. The succession plan developed with the Chief Executive Officer is reviewed annually in order to ensure that the operations of the Company are conducted in accordance with strategic plans and objectives set by the Board from time to time. The Chief Executive Officer provides a detailed annual report to the Nominating and Corporate Governance Committee and a summary presentation to the Board. The Chief Executive Officer makes available to the Nominating and Corporate Governance Committee his recommendation as to a successor in the event of the unexpected incapacity of the Chief Executive Officer. The Board is responsible for assessing the performance of the senior officers of the Company and ensuring that the management team is sound, focused and capable of successfully managing the Company.

F. Principal Risks

The Board is responsible for understanding the principal risks associated with the Company's business on an ongoing basis and it is the responsibility of management to assure that the Board and its Committees are kept well informed of these changing risks on a timely basis. It is important that the Board understand and support the key risk decisions of management, which includes comprehending the appropriate balance between risks and rewards. The Board will, together with management, establish systems and procedures to be implemented by management to ensure that these risks are appropriately monitored. These systems and procedures must include the responsible use of the Company's assets and financial resources, and must ensure compliance with all regulatory obligations.

G. Internal Controls and Management Information System

Fundamental to the discharge of the Board's overall responsibilities is the existence of control systems that can in part ensure the effective discharge of these responsibilities.

The Board has delegated to the Audit Committee the responsibility to monitor the Company's financial reporting process and internal control system in light of applicable legal and regulatory requirements, to review and appraise the audit efforts of the Company's independent auditor and to provide an open avenue of communication among the independent auditor, financial and senior management and the Board. The Audit Committee requires management to implement and maintain appropriate systems of internal controls and meets with the Company's external auditors and with management, on at least a quarterly basis, to oversee the effectiveness of the systems.

H. Board Communication

The Board or the appropriate Committee reviews the content of the Company's major communications to shareholders and the investing public, including the quarterly and annual reports, and approves the proxy circular, the annual information form and any prospectuses that may be issued. The Board believes that it is the function of the management to speak for the Company in its communications with the investment community, the media, customers, suppliers, employees, governments and the general public. It is understood that individual directors may from time to time be requested by management to assist with such

communications. As noted in the Disclosure, Confidentiality and Insider Trading Policy, only designated spokespersons make, respond or speak on behalf of the company.

I. Performance Assessment of The Board Committees and Individual Directors

The Nominating and Corporate Governance Committee reports to the Board annually on the evaluation of the performance of the Board, each of its Committees and that of individual directors. The performance of the Chair is annually evaluated against his terms of reference by the Chair of the Nominating and Corporate Governance Committee by means of formal interviews with each of the directors.

J. Monitor and update Criteria for Board membership

The Nominating and Corporate Governance Committee reviews each year the general and specific criteria applicable to candidates to be considered for nomination to the Board in accordance with its Charter. The objective of this review is to maintain the composition of the Board in a way that provides the best mix of skills and experience to guide the long-term strategy and ongoing business operations of the Company. This review takes into account the desirability of maintaining a reasonable diversity of backgrounds, skills and experience and personal characteristics such as age, gender, geographic residence among the directors along with the key common qualities required for effective Board participation.

K. Selection of New Director Candidates

The Board is responsible for identifying suitable candidates to be recommended for election to the Board by the shareholders. The Nominating and Corporate Governance Committee has the responsibility for assessing potential nominees under its Charter. The Committee will seek input from the Chair of the Board and the Chief Executive Officer and then make its recommendation to the board.

L. New Directors Orientation

New directors are provided with an orientation and education program that includes written information about the duties and obligations of directors, the business and operations of the Company, documents from recent Board meetings, and opportunities for meetings and discussion with senior management and other directors. The details of the orientation of each new director are tailored to that director's individual needs and areas of interest. The Nominating and Corporate Governance Committee has the responsibility for overseeing new director and education orientation.

M. Review Retirement Age

The Nominating and Corporate Governance Committee assists the Board by reviewing the retirement age for directors on an annual base.

N. Board Committees

Responsibilities and duties of each Committee are documented in the specific Committee Charter. In the event of any conflict between a Committee Charter and this Charter, the specific provisions of the Committee Charter will govern.

O. General Reviews and Approval

Any core document (such as prospectuses, take-over bid circulars, issuer bid circulars, directors' circulars, rights offering circulars, managements' discussion and analysis, annual information forms, information circulars, annual financial statements, interim financial statements, annual report on Form 40-F or 20-F to be filed with the SEC with exception of material change reports) must be reviewed and approved by the Board of Directors. This approval authority may be delegated to specific Committees, as provided for in the Committee Charters, and to management in certain limited circumstances. For any further details please refer to the Disclosure, Confidentiality and Insider Trading Policy.

IV. BOARD OF DIRECTORS AUTHORITY AND RESOURCES

Occasionally individual directors may need the services of an advisor or expert to assist on matters involving their responsibilities as Board members. The Board has determined that any director who wishes to engage an outside advisor at the expense of the Company may do so provided the expense is reasonable in the context of the advice sought and is asked to inform the Chief Executive Officer and the Chief Financial Officer in context with their budget planning.

V. TERM

The Board does not believe it should establish a fixed term for membership on the Board. Vacancies at any time occurring shall be filled by designation of the Board of Directors in accordance with their authority under the Articles.

VI. MEETINGS

The Board of Directors shall meet at least four times per year or more frequently as circumstances dictate. The Chair of the Board establishes the agenda for each Board meeting and any Board member may suggest the inclusion of items on the agenda in advance of the meeting. All relevant information, data and presentations that are important to the Board's understanding of business and business issues shall be distributed to the Board well in advance of each Board meeting to ensure adequate and sufficient review time. The Board shall maintain minutes or other records of its meetings and activities. These documents will be shared with the Board of Directors and stored in a centralized electronic archive administered by the Chief Financial Officer. In case of absence of the Chairman, the Chairman will designate an interim Chairman. The Board of Directors may invite members of Management or others to attend their meetings and they will be asked to step-out during sensitive conversations.

A. Board Committees

The Committee Chairs, in consultation with Committee members, determine the frequency (consistent with the Committee's terms of reference under its Charter) and length of the meetings in accordance with their Committee Charters. Each Committee shall maintain minutes or other records of its meetings and activities and inform, involve the Board as needed to discharge its delegated responsibilities. These documents will be stored in a centralized electronic archive administered by the Chief Financial Officer. In addition the Committee Chair should consult with the Chief Executive Officer and Chief Financial Officer as appropriate. A majority of the members appearing at a duly convened meeting shall constitute a quorum and the Committee shall maintain minutes or other records of its meetings and activities.

VII. REMUNERATION OF BOARD DIRECTORS

The Compensation Committee reviews the compensation of directors on an annual basis, taking into account such matters as time commitment, responsibility and compensation provided by comparative companies, as more particularly provided in the Compensation Committee Charter. The Committee makes recommendations to the Board for consideration when it believes changes in compensation are warranted.