

CIPHER PHARMACEUTICALS INC.

CODE OF BUSINESS CONDUCT AND ETHICS

This Code of Business Conduct and Ethics (the “**Code**”) covers a wide range of business practices and procedures. It does not cover every issue that may arise, but sets out basic principles to guide all directors, officers and employees (collectively, “**Personnel**”) of Cipher Pharmaceuticals Inc. (“**Cipher**”) and its respective subsidiaries and affiliates (collectively, “**Cipher Entities**”). All Personnel must conduct themselves accordingly and seek to avoid even the appearance of improper behavior. The Code and specific related policies and guidelines put in place from time to time by Cipher Entities shall govern your employment or other relationship with Cipher Entities.

If a law conflicts with a policy in this Code, Personnel must comply with the law. If a local custom or policy conflicts with this Code, Personnel must comply with this Code. If you have any questions about these conflicts, you should ask a senior officer of Cipher how to handle the situation. **Management is responsible for administering the Code and Larry Andrews, the President and Chief Executive Officer of Cipher, is the chief contact person for questions regarding the Code (phone: 905-602-5840).**

Personnel who violate the standards in this Code or related policies and guidelines of the Cipher Entities shall be subject to disciplinary action, up to and including termination of their employment or other relationship with Cipher Entities. If you are in a situation that you believe may violate or lead to a violation of this Code, follow the guidelines described below under “Compliance Procedures”.

All Personnel are to sign the Acknowledgement Form attached to the Code and return it to the President within 30 days of receiving a copy of the Code.

For confidential reporting of any financial improprieties, please refer to the Whistleblowing Policy.

THE CODE

Compliance with Laws, Rules and Regulations

Obedying the law, both in letter and in spirit, is the foundation on which the Cipher Entities’ ethical standards are built and is critical to our reputation and continued success. All Personnel must respect and obey the laws of the various jurisdictions in which the Cipher Entities operate and avoid even the appearance of impropriety. Although not all Personnel are expected to know the details of these laws, it is important to know enough to determine when to seek advice from executive members or other appropriate personnel. The President of Cipher is available to assist Personnel in determining applicable legal requirements and to seek the advice of legal counsel where appropriate.

Conflicts of Interest

A “conflict of interest” exists when a person’s private interests interfere in any way with the interests of the Cipher Entities. A conflict of interest can arise when Personnel take actions or have interests that may make it difficult for them to perform their work for a Cipher Entity objectively and effectively. Conflicts of interest also may arise when Personnel or members of their families receive improper personal benefits as a result of their positions with a Entity.

Conflicts of interest are prohibited as a matter of policy, except as may be approved by the Board of Directors of Cipher. Conflicts of interest may not always be clear-cut. If you have a question, you should consult with your supervisor or department head. Any Personnel who become aware of a conflict or potential conflict should bring it to the attention of a supervisor or department head and consult the procedures described below under “Compliance Procedures”.

Confidentiality

Personnel must maintain the confidentiality of confidential information entrusted to them by any Cipher Entity and persons with whom the Cipher Entities do business. Confidential information includes all non-public information that might be of use to competitors or harmful to any Cipher Entity or the person to whom it relates if disclosed. The obligation to preserve confidential information continues even after Personnel cease to have a relationship with any of the Cipher Entities.

Personnel who have access to confidential information are not permitted to use or share that information for the purpose of trading securities of Cipher (which for purposes of this Code include securities exchangeable for securities of Cipher) or for any other purpose except the conduct of the Cipher Entities’ business. All Personnel should read and abide by Cipher’s **Insider Trading and Confidential Information Policy**.

Corporate Opportunities

Personnel are prohibited from taking for themselves personally opportunities that are discovered through the use of the Cipher Entities’ property, information or positions without the consent of the Board of Directors and from using the Cipher Entities’ property, information, or position for improper personal gain. No Personnel may compete with any of the Cipher Entities directly or indirectly. Personnel owe a duty to each Cipher Entity to advance its legitimate interests when the opportunity to do so arises.

Protection and Proper Use of Cipher Entity Assets

All Personnel should endeavor to protect Cipher Entity assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on the profitability of the Cipher Entities. Any suspected incident of fraud or theft should be reported immediately to your superior or department head for investigation.

The obligation of Personnel to protect the assets of the Cipher Entities includes the Cipher Entities’ proprietary information. Proprietary information includes any information that is not known generally to the public or would be helpful to competitors of any of the Cipher Entities. Examples of proprietary information include intellectual property (such as trade secrets, patents,

trademarks, and copyrights), business, marketing and service plans, designs, databases, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information would violate Cipher Entity policy and could be illegal and result in civil or criminal penalties. The obligation to preserve the confidentiality of proprietary information continues even after Personnel cease to have a relationship with the Cipher Entities.

Cipher Entity assets may never be used for illegal purposes.

Competition and Fair Dealing

The Cipher Entities seek to excel and to outperform any competitors fairly and honestly through superior performance and not through unethical or illegal business practices. Taking proprietary information without the owner's consent, inducing disclosure of that information by past or present employees of other persons or using that information is prohibited. Personnel should respect the rights of, and deal fairly with, the Cipher Entities' competitors and persons with whom the Cipher Entities have a business relationship. Personnel should not take unfair advantage of anyone through illegal conduct, manipulation, concealment, abuse of proprietary information, misrepresentation of material facts, or any other intentional unfair-dealing practice. Personnel must not act in a manner that may be anti-competitive under anti-trust laws. The President of Cipher is available to assist Personnel in determining the application of those laws and to seek the advice of legal counsel where appropriate.

Gifts and Entertainment

Business gifts and entertainment are customary courtesies designed to build goodwill and constructive relationship among business partners. These courtesies may include such things as meals and beverages, tickets to sporting or cultural events, discounts not available to the general public, accommodation and other merchandise or services. In some cultures, they play an important role in business relationships. However, a problem may arise when these courtesies compromise, or appear to compromise, a Cipher Entity's ability to make fair and objective business decisions or to gain an unfair advantage.

Social amenities customarily associated with legitimate business relationships are permissible. These include the usual forms of entertainment, such as lunches or dinners, as well as occasional gifts of modest value. While it is difficult to define "customary" or "modest" by stating a specific dollar amount, common sense should dictate what would be considered extravagant or excessive. If a disinterested third party would be likely to believe that the gift affected your judgment, then it is too much. All business dealings must be on arm's-length terms and free from any favourable treatment resulting from the personal interests of Personnel.

No gift or entertainment should ever be offered, given, provided, authorized or accepted by any Personnel or their family members unless it is not a cash gift, is consistent with customary business practices, is not excessive in value, cannot be construed as a bribe or payoff, and does not violate any laws. Strict rules apply when a Cipher Entity does business with governmental agencies and officials, as discussed in more detail in the next section below. Personnel should discuss with their department head any gifts or proposed gifts about which they have any questions.

Payments to Government Personnel

All Personnel must comply with all laws prohibiting improper payments to domestic and foreign officials. Other governments have laws regarding business gifts that may be accepted by government personnel. The promise, offer or delivery to an official or employee of various governments of a gift, favor or other gratuity in violation of these laws would not only violate the Cipher Entities' policies but could also be a criminal offense. Illegal payments should not be made to government officials of any country. The President of Cipher can provide guidance to Personnel in this area.

Lobbying

Any contact with government personnel for the purpose of influencing legislation or rule making, including such activity in connection with marketing or procurement matters, is considered lobbying. You are responsible for knowing and adhering to all relevant lobbying laws and associated gift laws, if applicable and for compliance with all reporting requirements. You must obtain the prior approval of the President of Cipher to lobby or authorize anyone else (for example, a consultant or agent) to lobby on behalf of the Cipher Entities, except when lobbying involves only normal marketing activities and not influencing legislation or rule making.

Discrimination and Harassment

The diversity of Personnel is a tremendous asset. The Cipher Entities are firmly committed to providing equal opportunity in all aspects of employment and shall not tolerate any illegal discrimination or harassment of any kind. Examples include derogatory comments based on racial or ethnic characteristics and unwelcome sexual advances. Violence and threatening behavior are not permitted. Personnel are encouraged to speak with the President of Cipher when a co-worker's conduct makes them uncomfortable and to report harassment when it occurs.

Please also refer to the Discrimination and Harassment section of the Employee Handbook.

Health and Safety

The Cipher Entities strive to provide all Personnel with a safe and healthy work environment. All Personnel have responsibility for maintaining a safe and healthy workplace by following safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions to a supervisor or department head. Being under the influence of and the possession of illegal drugs in the workplace shall not be tolerated. Personnel should report to work in condition to perform their duties, free from the influence of illegal drugs or alcohol.

Please also refer to the Alcohol and Drugs in the Workplace and the Environmental Health and Safety sections of the Employee Handbook.

Accuracy of Records and Reporting

The Cipher Entities require honest and accurate recording and reporting of information to make responsible business decisions. Each Cipher Entity's accounting records are relied upon to produce reports for our management, directors, shareholders, governmental agencies and persons

with whom the applicable Cipher Entity does business. All of each Cipher Entity's financial statements and the books, records and accounts on which they are based must appropriately reflect such Cipher Entity's activities and conform to applicable legal and accounting requirements and to the Cipher Entity's system of internal controls. Unrecorded or "off the books" funds or assets should not be maintained unless required by applicable law or regulation.

All Personnel have a responsibility, within the scope of their positions, to ensure that each Cipher Entity's accounting records do not contain any false or intentionally misleading entries. The Cipher Entities do not permit intentional misclassification of transaction as to accounts, departments or accounting records. All transactions must be supported by accurate documentation in reasonable detail and recorded in the proper accounts and in the proper accounting period. Personnel should read Cipher's **Whistleblowing Policy** with respect to the confidential reporting of concerns regarding accounting, internal controls and auditing matters.

Many Personnel use business expense accounts, which must be documented and recorded accurately. If Personnel are not sure whether a certain expense is legitimate, a supervisor or department head can provide advice. General rules and guidelines are available from the President of Cipher.

Business records and communications often become public through legal or regulatory proceedings or the media. Personnel should avoid exaggeration, derogatory remarks, guesswork or inappropriate characterizations that can be misunderstood. This requirement applies equally to communications of all kinds, including e-mail, informal notes, internal memos, and formal reports.

Use of E-mail and Internet Services

E-mail and internet services are provided to assist Personnel in carrying out their work. Incidental and occasional personal use is permitted, but never for personal gain or any improper purpose. Personnel may not access, send or download any information that could be insulting or offensive to another person, such as sexually explicit messages, cartoons, jokes, unwelcome propositions, derogatory comments based on racial or ethnic characteristics, or any other message that could reasonably be viewed as harassment. Flooding the Cipher Entities' system with junk mail and trivia hampers the ability of the system to handle legitimate business and is prohibited.

Messages (including voice-mail) and computer information sent, received or created by Personnel are considered property of the Cipher Entities and Personnel should recognize that these messages and information are not "private". Unless prohibited by law, the Cipher Entities reserve the right to access and disclose those messages and information as necessary for business purposes. Personnel should use good judgment and not access, send messages or store any information that they would not want to be seen or heard by others.

Please also refer to the Use of Internet/E-mail section of the Employee Handbook.

WAIVERS OF THE CODE

Any waiver of this Code for executive officers or directors may be made only by the Directors of Cipher (or a committee of the Board of Directors to whom that authority has been delegated) and shall be subject to disclosure as required by law or stock exchange regulation.

REPORTING ANY ILLEGAL OR UNETHICAL BEHAVIOR

The Cipher Entities have a strong commitment to the conduct of business in a lawful and ethical manner. Personnel are encouraged to talk to executive officers or other appropriate personnel about observed illegal or unethical behavior and when in doubt about the best course of action in a particular situation. It is the policy of the Cipher Entities not to allow retaliation for reports of misconduct by others made in good faith. It is, at the same time, unacceptable to file a report knowing that it is false. All Personnel are expected to cooperate in internal investigations of misconduct. See “Confidential Reporting Procedures” below for confidential reporting of Code violations.

COMPLIANCE PROCEDURES

All Personnel must work to ensure prompt and consistent action against violations of this Code or related policies and guidelines. However, in some situations it is difficult to know right from wrong. Since we cannot anticipate every situation that shall arise, it is important that the Cipher Entities have a way to approach a new question or problem. These are the steps to keep in mind:

- Make sure you have all the facts. In order to reach the right solutions, we must be as fully informed as possible.
- Ask yourself: What specifically am I being asked to do? Does it seem unethical or improper? This shall help you to focus on the specific question you are faced with and the alternatives you have. Use your judgment and common sense - if something seems like it might possibly be unethical or improper, it probably is.
- Clarify your responsibility and role. In most situations, there is shared responsibility. Are your colleagues informed? It may help to get others involved and discuss the problem.
- Discuss the problem with your supervisor. This is the basic guidance for all situations. In many cases, your supervisor shall be more knowledgeable about the question, and shall appreciate being brought into the decision-making process. Remember that it is your supervisor’s responsibility to help solve problems.
- Seek help from Cipher resources. In the rare case where it may not be appropriate to discuss an issue with your supervisor, or where you do not feel comfortable approaching your supervisor with your question, discuss it locally with your “two-up”. If that is not appropriate for any reason, contact, the President of Cipher.
- You may report ethical violations in confidence and without fear of retaliation. If your situation requires that your identity be kept secret, your anonymity shall be protected. The Cipher Entities do not permit retaliation of any kind against employees for good faith reports of ethical violations.

CONFIDENTIAL REPORTING PROCEDURE

Any employee with a good faith concern about any violation of this Code or related policies and guidelines can report those concerns directly to the Chairman of the Nominating and Governance Committee of Cipher (currently Gerald McDole).

- Confidentiality of reports received by the Chairman shall be maintained to the fullest extent possible, consistent with the need to conduct an appropriate review. When possible, the Chairman shall acknowledge receipt of a report, although it is not the intention to communicate to the person making that report the status of its review or resolution.

The Chairman shall maintain a log of all reports that are received, tracking their receipt, investigation and resolution.

The following Code of Business Conduct and Ethics was adopted by the Board of Directors of Cipher Pharmaceuticals Inc. on December 28, 2005 and amended August 3, 2006.

ACKNOWLEDGEMENT FORM

I acknowledge that I have received and read the Code of Business Conduct and Ethics of Cipher Pharmaceuticals Inc. and understand my obligations to comply with the principles and policies outlined in the Code and with related policies and guidelines of Cipher Entities.

Name (printed):

Position:

Signature:

Date:

This signed and completed form should be returned to the President of Cipher Pharmaceuticals Inc. within 30 days of receiving a copy of the Code.