

MEDTOX SCIENTIFIC, INC.  
CORPORATE GOVERNANCE PRINCIPLES  
Approved December 2007

MEDTOX Scientific, Inc., (the “Company”) is committed to sound principles of corporate governance. These principles provide an important framework within which the Board of Directors (the “Board”) and management can pursue the strategic objectives of the Company and ensure its long-term vitality for the benefit of all shareholders. These principles will evolve and be supplemented as appropriate to ensure continued alignment with good governance practices. The unchanging, fundamental premise of these principles is the independence of the Board and its overarching responsibility to the Company’s shareholders.

A. BOARD AND COMMITTEE MEMBERSHIP

- Independence. A majority of the members of the Board should be independent, non-employee Directors. It is the responsibility of the Board to establish the standards for independence. The Board will at a minimum, however, conform with the independence requirements applicable to SEC reporting issuers and the exchange on which it is listed. The Board will determine whether a Director or a candidate for Director is independent based on all relevant information and a recommendation of the Corporate Governance and Nominating Committee.

All Committees of the Board except the Executive Committee shall be composed entirely of independent Directors.

- Chairman and CEO Positions. One individual currently holds the positions of Chairman of the Board and Chief Executive Officer. There is no requirement, however, in the Company’s Bylaws or otherwise, mandating that separate individuals hold these positions. The Board retains the right to review this determination and to either continue to maintain these positions as one or to separate the positions, as the Board determines to be in the best interests of the Company at the time. The Board has named a Lead Director, who approves all agendas for Board Meetings and Chairs meetings of the independent directors.

- Number of Directors. The Board believes that the proper number of Directors to maximize effectiveness of the Board is between 5 and 7 Directors. Directors who are added by the Board will stand for election at the next annual meeting subsequent to their appointment.

- Other Directorships. A Director should not serve on more than five other boards of public companies in addition to the Company Board.

- Frequency of Election and Term. The Company's Articles of Incorporation provide for a classified Board serving staggered terms of three years each. The Board will periodically review its classified Board structure in the context of other provisions and measures applicable to unsolicited takeover proposals with the objective of positioning the Board and the Company to maximize the long-term value of the Company for all shareholders.
- Selection Criteria. The criteria for selection and nomination of individual Directors to be applied by the Corporate Governance and Nominating Committee and by the Board shall stress: (i) independence; (ii) integrity; (iii) experience and sound judgment in areas relevant to the Company's business; (iv) a proven record of accomplishment; (v) willingness to speak one's mind; (vi) the ability to commit sufficient time to Board responsibilities; (vii) the ability to challenge and stimulate management; and (viii) belief in and passion for the Company's mission and vision. The Corporate Governance and Nominating Committee are responsible for reviewing periodically with the Board the appropriate skills and characteristics required of Board members in the context of the current membership of the Board. This assessment should include issues of diversity, age and functional skills—all in the context of an assessment of the perceived needs of the Board at that point in time. The Corporate Governance and Nominating Committee are responsible for recommending Director candidates to the full Board.
- Continuing Education. To assist the Directors in fulfilling their responsibilities, the Corporate Governance and Nominating Committee will undertake to determine the most effective and efficient means of continuing education for members of the Board to promote effective contributions from the Board and best practices in corporate governance.
- Change in Responsibilities. The Board, through the Corporate Governance and Nominating Committee, will review the qualifications of the Director for continued Board membership if there is a change in principal employment or affiliations, and reserves the right to ask for a Directors resignation.

## B. CONDUCT OF BOARD MEETINGS AND BOARD BUSINESS

- Frequency of Board Meetings. The Board currently has at a minimum, four scheduled meetings per year. The Board believes that four to six meetings per year are sufficient to effectively conduct Board business based on the size and complexity of the Company's business at this time. The Board will periodically review the frequency of scheduled meetings and make such changes as may be necessary to meet the needs of the business. Additional meetings may be held in person or by telephone conference as the need may arise. In addition, Board business of a routine nature may be conducted through the circulation of written consent resolutions.

- Agendas for Board Meetings. Agendas for Board meetings shall be established by the Chairman of the Board/CEO and the Chairman of the Corporate Governance and Nominating Committee, who is the Lead Director, and who shall endeavor to include agenda items necessary for Board consideration consistent with sound principles of corporate governance and operational oversight, such as strategic plans and budgets. Agenda items that fall within the scope of responsibilities of a Board committee shall be reviewed with the chair of that committee. Any member of the Board may request that an item be included on the agenda for any Board meeting.
- Distribution of Information and Materials. Information and materials that are important to the Board's understanding of the agenda items and business related topics will be distributed sufficiently in advance of the meeting to permit prior review. Highly confidential or sensitive matters may be presented and discussed without prior distribution of background material. Management will keep Board members informed of significant developments between Board meetings.
- Management Presentations and Participation. Management presentations and participation are encouraged to allow Directors to gain additional understanding and insight into the Company's business and related issues, and to obtain exposure to high potential senior managers. In addition, selected management representatives will function as liaisons for each of the Board committees for which they have subject matter expertise. Board members shall have free and open access to all members of management and all employees of the Company. Board contacts with management and employees shall generally occur with the knowledge of the CEO and the member of senior management with responsibility for the applicable functional department.
- Mergers and Acquisitions. The Company may, on occasion, determine that it is in the Company's best interest to buy or sell divisions, operations or material assets. There may be bona fide indications of interest to acquire the Company. In any such case, the CEO will promptly schedule a Board meeting to review any material proposed transaction.
- Board Evaluation. The Board believes that the Company's governance and the Board's effectiveness can be continually improved through evaluation. The Corporate Governance and Nominating Committee are responsible for annually evaluating effectiveness in these areas and reviewing the results and recommendations for improvement with the full Board.
- Board Executive Sessions. Executive sessions or meetings of outside Directors without management present will be held at least annually. Meetings will be chaired by the Chairman of the Corporate Governance and Nominating Committee, who is the Lead Director. At least one session will be to review the performance criteria applicable to the CEO and other senior managers, the performance of the CEO against such criteria, and the compensation of the CEO and other senior managers. Additional executive sessions or meetings of outside Directors may be held from time to time as required. Any member of the Board may request at any time an executive session without the presence of

management. Executive sessions or meetings with the CEO shall be held from time to time for a general discussion of relevant topics.

- Communications. Under ordinary circumstances, management speaks for the Company and the Chairman speaks for the Board. Individual Board members may, from time to time, meet with or communicate with various constituencies that are involved with the Company. It is expected that Board members would do this with the knowledge of management and, in most instances, at the request of management, however this principle shall not be construed to restrict in any way the access to and communication with the outside auditors and outside legal counsel to the Company by any members of the Board.
- Confidentiality. In order to facilitate open discussion and to avoid the possibility of inadvertent release of material, non-public information, Board members are expected to maintain the confidentiality of information presented to the Board and of Board deliberations.

#### C. BOARD COMPENSATION, STOCK OWNERSHIP AND CONFLICTS OF INTEREST

- Paid Consulting Arrangements. The Board believes that the Company should not enter into paid consulting arrangements with independent Directors.
- Board Compensation. Board compensation should encourage alignment with shareholders' interests and should be at a level equitable to comparable companies. The Compensation Committee is responsible for periodic assessments to assure these standards are being met.
- Share Ownership. The Board strongly supports the position that Directors should own a meaningful number of shares in the Company. It has therefore agreed the Directors will acquire and hold \$100,000 of MEDTOX stock by the anniversary of their fifth year on the Board.
- Conflicts of Interest. Directors are expected to avoid any action, position or interest that conflict with an interest of the Company, or that gives the appearance of a conflict. If any member of the Board becomes aware of any such conflicting or potentially conflicting interest involving any member of the Board, the Director should immediately bring such information to the attention of the Chairman of the Board/CEO and the General Counsel of the Company.

#### D. BOARD COMMITTEES

- Standing Committees. The standing committees of the Board are the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee and the Executive Committee. Committee responsibilities are detailed in the respective committee charters. Reports of committee meetings shall be given to the full

Board, which shall act on the committee recommendations, as appropriate. The Board and its committees are free to engage independent outside advisors, as they deem necessary, to provide advice and counsel on various topics or issues.

- Committee Assignments. Committee and committee chair assignments shall be reviewed regularly.
- Committee Meetings. The chair of the committee shall determine the frequency, length and agenda of meetings of the committee in consultation with any member of the senior management team with relevant subject matter expertise.
- Distribution of Information. Information and materials that are important to the committee's understanding of the committee's agenda items will be distributed sufficiently in advance of the meeting to permit prior review. Highly confidential or sensitive matters may be presented and discussed without prior distribution of background material.

#### E. CHIEF EXECUTIVE OFFICER AND SENIOR MANAGEMENT

- Performance Goals and Evaluation. The Compensation Committee is responsible for establishing the procedures for setting annual and long-term performance goals for the CEO and for the evaluation by the full Board of his or her performance against such goals. The Committee shall meet at least annually with the CEO to receive his or her recommendations concerning such goals. Both the annual goals and the annual performance evaluation of the CEO shall be reviewed and discussed by the outside Directors at a meeting or executive session of that group. The Compensation Committee shall also be responsible for approving annual and long-term performance goals and compensation for the direct reports to the CEO. These decisions shall be approved or ratified by action of the outside Directors at a meeting or executive session of that group.
- Compensation Philosophy. The Board supports and, through the Compensation Committee, oversees employee compensation programs that are closely linked to business performance and emphasize equity ownership.
- Share Ownership. The Board strongly supports the position that the Named Executive Officers should own a meaningful number of shares in the Company. It has therefore agreed that the Named Executive Officers will acquire and hold Company stock in the amount of one times their annual salary by their fifth year of employment.
- Senior Management Depth and Development. The CEO will report, at least annually, to the Board on senior management depth and development, including a discussion of assessments, leadership development plans and other relevant factors.

## F. SHAREHOLDER RIGHTS

- Provisions Applicable to Unsolicited Takeover Attempts or Proposals. The Board will periodically review (not less often than every three years) the Company's Articles of Incorporation and Bylaws and various provisions that are designed to maximize shareholder value in the event of an unsolicited takeover attempt or proposal. Such review shall include consideration of matters such as the Company's State of Incorporation, whether the Company should opt in or out of applicable control share acquisition or business combination statutes, and provisions such as the Company's classified Board structure. The objective of such review will be to maintain a proper balance of provisions that will not deter bona fide proposals from coming before the Board, and that will position the Board and the Company to maximize the long-term value of the Company for all shareholders.
- Shareholder Approval of Option-Based Compensation Plans. Shareholder approval will be sought for all equity compensation plans as defined by the NASDAQ.