

## **MEDEXUS PHARMACEUTICALS INC.**

### **AUDIT COMMITTEE CHARTER**

**Effective Date: June 9, 2021**

#### **1. Purpose and Scope**

The Audit Committee (the “**Committee**”) of Medexus Pharmaceuticals Inc. (the “**Corporation**”) is a committee of the Board of Directors (the “**Board**”). As delegated by the Board, the Committee shall attend to the responsibilities set out in this Charter.

#### **2. Membership**

##### ***Number of Members***

The Committee shall be composed of three or more members of the Board.

##### ***Independence of Members***

Subject to any exceptions permitted by National Instrument 52-110 – *Audit Committees*, as may be amended from time to time (“**NI 52-110**”) that are applicable to the Corporation, each member of the Committee must be independent within the meaning of the provisions of NI 52-110, and in compliance with the listing standards of any exchange on which the Corporation’s securities are listed for trading. Members may not (i) accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the Corporation or any subsidiary thereof, provided that compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation (provided that such compensation is not contingent in any way on continued service; or (ii) be an affiliated person of the issuer or any subsidiary thereof.

##### ***Term of Members***

The members of the Committee shall be appointed annually by the Board, provided that if the composition of the Committee is not so determined, each director who was then serving as a member of the Committee shall continue as a member of the Committee until their successor is appointed. Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a member of the Board.

##### ***Committee Chair***

At the time of the annual appointment of the members of the Committee, the Board may appoint a Chair of the Committee. If a Committee Chair is not appointed by the Board, the members of the Committee shall designate a Committee Chair by majority vote of the full Committee membership, provided that if the designation of the Committee Chair is not made, then the director who was then serving as Committee Chair shall continue as Committee Chair until their successor is appointed. Notwithstanding any of the foregoing, the Committee Chair must be a member of the Committee.

In the absence of the Committee Chair at a meeting of the Committee, the members of the Committee present may appoint a chair from their number for such meeting.

### ***Financial Literacy of Members***

At the time of their appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

### **3. Meetings**

#### ***Frequency of Meetings***

The Committee shall meet as often as the Committee considers appropriate to fulfill its responsibilities.

#### ***Quorum***

No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. A majority of members of the Committee shall constitute a quorum.

#### ***Calling of Meetings***

The Committee Chair, any member of the Committee, the Chair of the Board, the Chief Executive Officer or, if applicable, the Lead Director may call a meeting of the Committee by notifying the Corporation's Corporate Secretary, or, if no Corporate Secretary is currently employed or appointed, the Corporation's General Counsel or Chief Legal Officer, or, if none are currently employed, the Chief Financial Officer, who will notify the members of the Committee.

#### ***Minutes; Reporting to the Board***

The Committee shall maintain minutes or other records of meetings and activities of the Committee in sufficient detail to convey the substance of all discussions held. Upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board. However, the Committee Chair may report orally to the Board on any matter in their view requiring the immediate attention of the Board.

#### ***Attendance of Non-Members***

The external auditors are entitled to receive notice of, attend and be heard at each Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the Corporation, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities. At least once per year, the Committee shall meet with management in separate sessions to discuss any matters that the Committee or such individuals consider appropriate.

#### ***Meetings Without Management and Executive Sessions***

As part of each meeting of the Committee, the Committee shall hold a meeting with the external auditor of the Corporation without members of management present and an *in camera* session, at which management and non-independent directors of the Board are not present, and the agenda for each Committee meeting will afford an opportunity for such a session.

The Committee shall also periodically meet separately, at unscheduled or regularly scheduled meetings or portions of meetings, in executive session or otherwise with each of the Corporation's external auditors and various members of management, as the Committee deems appropriate.

#### ***Access to Management and Books and Records***

The Committee shall have free and unrestricted access at all times, either directly or through its duly appointed representatives, to the Corporation's management and employees and the books and records of the Corporation.

#### **4. Responsibilities**

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the functions and responsibilities required of an audit committee by any exchange upon which securities of the Corporation are traded, or any governmental or regulatory body exercising authority over the Corporation, as are in effect from time to time (collectively, the "**Applicable Requirements**") or as the Board otherwise deems necessary or appropriate.

#### ***Financial Reports***

##### **(a) General**

The Committee is responsible for overseeing the Corporation's accounting and financial reporting processes and audits of the Corporation's financial statements. Management is responsible for the preparation, presentation and integrity of the Corporation's financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Corporation. The external auditors are responsible for auditing the Corporation's annual financial statements and for reviewing the Corporation's unaudited interim financial statements.

##### **(b) Review of Annual Financial Reports**

The Committee shall review the annual audited financial statements of the Corporation, the auditors' report thereon and the related management's discussion and analysis of the Corporation's financial condition and financial performance ("**MD&A**"). After completing its review, if advisable, the Committee shall approve and recommend the annual financial statements and the related MD&A for Board approval.

##### **(c) Review of Interim Financial Reports**

The Committee shall review the interim financial statements of the Corporation, the auditors' review report thereon, if any, and the related MD&A. After completing its review, if advisable, the Committee shall approve and recommend the interim financial statements and the related MD&A for Board approval.

(d) **Review Considerations**

In conducting its review of the annual financial statements or the interim financial statements, the Committee shall:

- (i) meet with management and the auditors to discuss the financial statements and MD&A;
- (ii) review the disclosures in the financial statements;
- (iii) review the audit report or review report, if any, prepared by the external auditors;
- (iv) discuss with management, the auditors and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the Corporation's financial statements;
- (v) regularly review the Corporation's critical accounting policies followed and critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;
- (vi) consider the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;
- (vii) review management's process for formulating sensitive accounting estimates and the reasonableness of these estimates;
- (viii) review significant recorded and unrecorded audit adjustments;
- (ix) review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under applicable generally accepted accounting principles ("**GAAP**");
- (x) review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;
- (xi) inquire at least annually of both the Corporation's management, accounting group and the Corporation's auditors as to whether either has any concerns relative to the quality or aggressiveness of management's accounting policies;
- (xii) review with the auditors alternative accounting treatments that have been discussed with management;
- (xiii) review with management any significant changes in GAAP, as well as emerging accounting and auditing issues, and their potential effects;

- (xiv) review with management matters that may have a material effect on the financial statements;
- (xv) review management's report on the effectiveness of internal control over financial reporting;
- (xvi) review the factors identified by management as factors that may affect future financial results;
- (xvii) review results of the Corporation's audit committee whistleblower program; and
- (xviii) review any other matters, related to the financial statements, that are brought forward by the auditors, management or which are required to be communicated to the Committee under accounting policies, auditing standards or Applicable Requirements.

**(e) Approval of Other Financial Disclosures**

The Committee is responsible for reviewing financial disclosure in a prospectus or other securities offering document of the Corporation, as well as press releases disclosing, or based upon, financial results of the Corporation and any other publicly disseminated material financial disclosure including, in accordance with the Corporation's Disclosure Policy, material financial outlook (e.g., earnings guidance) and forward-oriented financial information (e.g., forecasted financial statements) provided to analysts, rating agencies or otherwise publicly disseminated, and material non-GAAP financial measures.

The Committee is responsible for ensuring that satisfactory procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assessing those procedures.

***External Auditors***

**(a) General**

The Committee shall be directly responsible for oversight of the work of the auditors, including the auditors' work in preparing or issuing an audit report, performing other audit, review or attest services or any other related work. When a change of auditors is proposed, the Committee shall review all issues related to the change, including the information required to be disclosed by applicable legal requirements and the planned steps for an orderly transition.

**(b) Appointment and Compensation**

Subject to applicable corporate law, the Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of the Corporation's external auditors. The Committee shall receive appropriate funding from the Corporation, as determined by the Committee, for payment of compensation to the external auditors engaged by the Committee.

(c) **Resolution of Disagreements**

The Committee shall assess the effectiveness of the working relationship of the Corporation's external auditors with management and resolve any disagreements between management and the external auditors as to financial reporting matters brought to its attention.

The Committee shall review all reportable events, including disagreements, unresolved issues and consultations with the Corporation's auditors, whether or not there is to be a change of auditors, and receive and review all reports prepared by the auditors.

(d) **Discussions with Auditors**

The Committee shall periodically discuss with the auditors such matters as are required by applicable auditing standards to be discussed by the auditors with the Committee.

(e) **Audit Plan**

At least annually, the Committee shall review and approve the auditors' annual audit plan. The Committee shall consider and review with the auditors any material changes to the scope of the plan.

(f) **Independence of Auditors**

At least annually, and before the auditors issue their report on the annual financial statements, the Committee shall obtain from the auditors a formal written statement delineating all relationships between the auditors and the Corporation; actively engage in dialogue with the auditors about any disclosed relationships or services that may affect the objectivity and independence of the auditors; and obtain written confirmation from the auditors that they are objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which the auditors belong and other Applicable Requirements. The Committee shall take appropriate action to oversee the independence of the auditors.

(g) **Evaluation and Rotation of Lead Partner**

The Committee shall periodically review the qualifications and performance of the lead partner(s) of the auditors and determine whether it is appropriate to adopt a policy of rotating lead partners of the Corporation's external auditors.

(h) **Requirement for Pre-Approval of Non-Audit Services**

The Committee shall approve in advance any and all audit services and permissible non-audit services to be performed by the auditors for the Corporation or its subsidiary entities that it deems advisable in accordance with Applicable Requirements and Board approved policies and procedures, and adopt and implement policies for such pre-approval. The Committee shall consider the impact of such service and fees on the independence of the auditor. The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any member of the Committee to whom this authority has been delegated must be presented to the full Committee at its next scheduled Committee meeting.

(i) **Approval of Hiring Policies**

The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

(j) **Financial Executives**

The Committee shall review and discuss with management the appointment of key financial executives and recommend qualified candidates to the Board, as appropriate.

***Internal Controls***

(a) **General**

The Committee shall review the Corporation's system of internal controls.

(b) **Establishment, Review and Approval**

The Committee shall require management to implement and maintain appropriate and adequate systems of internal controls in accordance with Applicable Requirements, including internal control over financial reporting and disclosure and to review, evaluate and approve these procedures. The Committee shall periodically consider and review with management and the auditors:

- (i) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Corporation's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, internal control over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;
- (ii) any significant changes in internal control over financial reporting that are disclosed, or considered for disclosure, including those in the Corporation's periodic regulatory filings;
- (iii) any material issues raised by any inquiry or investigation by the Corporation's regulators;
- (iv) the Corporation's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Corporation to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and
- (v) any related significant issues and recommendations of the auditors together with management's responses thereto, including the timetable for

implementation of recommendations to correct weaknesses in internal control over financial reporting and disclosure controls.

### ***Risk Management***

The Committee shall be responsible for overseeing management's identification and assessment of the principal risks to the operations of the Corporation and the establishment and management of appropriate systems to manage such risks with a view to achieving a proper balance between risks incurred and potential return to holders of securities of the Corporation and to the long-term viability of the Corporation. In this regard, the Committee shall require management to report periodically to the Committee and the Committee shall review such reports provided by management, on the risks inherent in the business of the Corporation (including appropriate crisis preparedness, business continuity, information system controls, cybersecurity and disaster recovery plans), the appropriate degree of risk mitigation and risk control, overall compliance with and the effectiveness of the Corporation's risk management policies, and residual risks remaining after implementation of risk controls. The Committee shall report periodically to the Board, on the principal risks faced by the Corporation and the steps implemented by management to manage these risks.

### ***Compliance with Legal and Regulatory Requirements***

The Committee shall review reports from the Corporation's General Counsel or Chief Legal Officer, if applicable, and other management members on: (a) legal or compliance matters that may have a material impact on the Corporation; (b) the effectiveness of the Corporation's compliance policies; and (c) any material communications received from regulators. The Committee shall review management's evaluation of and representations relating to compliance with specific applicable law and guidance, and management's plans to remediate any deficiencies identified.

### ***Whistleblower Procedures***

The Committee shall establish a policy and procedure for (a) the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters. Any such complaints or concerns that are received shall be reviewed by the Committee and, if the Committee determines that the matter requires further investigation, it will direct the Chair of the Committee to engage outside advisors, as necessary or appropriate, to investigate the matter and will work with management and the Corporation's legal counsel to reach a satisfactory conclusion.

The Committee shall review the Corporation's whistleblower policy on a periodic basis to determine whether the procedures established under the policy operate effectively in respect of the receipt, retention and treatment of reports and in providing a confidential and anonymous procedure as may be required by applicable laws.

### ***Audit Committee Disclosure***

The Committee shall prepare, review and recommend to the Board for approval any audit committee disclosures required by Applicable Requirements in the Corporation's disclosure documents.



***Delegation***

The Committee may, to the extent permissible by Applicable Requirements, designate a sub-committee to review any matter within this Charter as the Committee deems appropriate.

**5. Outside Advisors**

The Committee shall have the authority to retain and terminate external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective compensation for these advisors. The Corporation shall provide appropriate funding, as determined by the Committee, for payment of compensation of these advisors and for the payment of ordinary administrative expenses of the committee that are necessary or appropriate in carrying out its duties.

**6. No Rights Created**

This Charter is a statement of broad policies and is intended as a component of the flexible governance framework within which the Committee functions. While it should be interpreted in the context of all Applicable Requirements, as well as in the context of the Corporation's Articles and By-laws, it is not intended to establish any legally binding obligations.

**7. Charter Review & Committee Self-Evaluation**

The Committee shall annually review and update this Charter to ensure compliance with the Applicable Requirements and recommend it to the Board for approval of any applicable modifications. The Committee shall also periodically conduct a self-evaluation to evaluate its effectiveness and no less than once every two years.

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As adopted by the Board of Directors on June 9, 2021.