



AUDIT COMMITTEE CHARTER

Amended and Restated as of August 11, 2019

MEDIPHARM LABS CORP.
(the “Corporation”)

AUDIT COMMITTEE CHARTER

(Implemented pursuant to National Instrument 52-110 – *Audit Committees*)

National Instrument 52-110 – *Audit Committees* (the “**Instrument**”) relating to the composition and function of audit committees was implemented for reporting issuers and, accordingly, applies to every Toronto Stock Exchange (“**TSX**”) listed company, including the Corporation. The Instrument requires all affected issuers to have a written audit committee charter which must be disclosed, as stipulated by Form 52-110F1 – *Audit Committee Information Required in an AIF*, in the management information circular of the Corporation wherein management solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors.

This Charter has been adopted by the board of directors of the Corporation (the “**Board**”) in order to comply with the Instrument, and the applicable laws, the rules and regulations of all exchanges on which the securities of the Corporation are listed for trading and to more properly define the role of the Committee in the oversight of the accounting and financial reporting process of the Corporation. Nothing in this Charter is intended to restrict the ability of the Board or the Committee to alter or vary procedures in order to comply more fully with the Instrument or any other such requirement of the TSX, or any exchange the corporation is traded on, as applicable from time to time.

PART 1

Purpose:

The purpose of the Committee is to:

- (a) oversee the accounting and financial reporting processes of the Corporation and the audits of the financial statements of the Corporation;
- (b) improve the quality of the Corporation’s financial reporting;
- (c) assist the Board to properly and fully discharge its responsibilities;
- (d) provide an avenue of enhanced communication between the directors and external auditors;
- (e) enhance the external auditor’s independence;
- (f) ensure the credibility and objectivity of financial reports; and
- (g) strengthen the role of the directors by facilitating in depth discussions between directors, management and external auditors.

1.1 Definitions

“**accounting principles**” has the meaning ascribed to it in National Instrument 52-107 – *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*;

“**Affiliate**” means a Corporation that is a subsidiary of another Corporation or companies that are controlled by the same entity;

“**audit services**” means the professional services rendered by the Corporation's external auditor for the audit and review of the Corporation's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements;

“**Charter**” means this audit committee charter;

“**Committee**” means the Audit Committee established by and among certain members of the Board for the purpose of overseeing the accounting and financial reporting processes of the Corporation and audits of the financial statements of the Corporation;

“**Control Person**” means any individual or company that holds or is one of a combination of individuals or companies that holds a sufficient number of any of the securities of the Corporation so as to affect materially the control of the Corporation, or that holds more than 20% of the outstanding voting shares of the Corporation except where there is evidence showing that the holder of those securities does not materially affect the control of the Corporation;

“**financially literate**” has the meaning set forth in Section 1.2;

“**immediate family member**” means a person's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the person or the person's immediate family member) who shares the individual's home;

“**Instrument**” means National Instrument 52-110 – *Audit Committees*;

“**MD&A**” has the meaning ascribed to it in National Instrument 51-102;

“**Member**” means a member of the Committee;

“**National Instrument 51-102**” means National Instrument 51-102 – *Continuous Disclosure Obligations*; and

“**non-audit services**” means services other than audit services.

1.2 Meaning of Financially Literate

For the purposes of this Charter, an individual is financially literate if he or she (i) has 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 and (ii)

meets the definition of “financially literate”, or similar term, as defined under applicable laws and the rules and regulations of all exchanges on which the securities of the Corporation are listed for trading.

PART 2

2.1 Audit Committee

The Board has hereby established the Committee for, among other purposes, compliance with the Instrument and the rules and regulations of all exchanges on which the securities of the Corporation are listed for trading.

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities.

2.2 Relationship with External Auditors and Other Parties

The Corporation will require its external auditor to report directly to the Committee and its Members shall ensure that such is the case.

Each Member shall be entitled, to the fullest extent permitted by law, to rely on the integrity of those persons and organizations within and outside the Corporation from whom he or she receives information, and the accuracy of the information provided to the Corporation by such other persons or organizations.

2.3 Committee Responsibilities

1. The Committee shall be responsible for:
 - (a) the selection of the external auditor; and
 - (b) the compensation of the external auditor.
2. The Committee shall be directly responsible for appointing, terminating, compensating, retaining and overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. This responsibility shall include:
 - (a) ensuring receipt from the external auditors of a formal written statement delineating all relationships between the external auditors and the Corporation and actively engaging in a dialogue with the external auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the external auditors;
 - (b) reviewing the audit plan with management and the external auditor;

- (c) making appropriate inquiries of management and the head of internal audit, if applicable, whether there is inappropriate scope or resource limitations;
- (d) reviewing with management and the external auditor before the filing of financial statements, all critical accounting policies and any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates, alternative treatments and judgements of management that may be material to financial reporting;
- (e) questioning management and the external auditor regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
- (f) reviewing any problems experienced by the external auditor in performing the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
- (g) reviewing audited financial statements, in conjunction with the report of the external auditor, and obtaining and reviewing an explanation from management of all significant variances between comparative reporting periods;
- (h) reviewing the differences that were noted or proposed by the auditors but were passed as immaterial or otherwise and any management or internal control letter, containing the recommendations of the external auditor, and management's response and subsequent follow up to any identified weakness;
- (i) reviewing interim unaudited financial statements before release to the public;
- (j) reviewing all public disclosure documents containing audited or unaudited financial information before release, including any prospectus, the annual report and management's discussion and analysis;
- (k) reviewing the evaluation of internal controls by the external auditor, together with management's response;
- (l) reviewing the terms of reference of the internal auditor, if any;
- (m) reviewing the reports issued by the internal auditor, if any, and management's response and subsequent follow up to any identified weaknesses; and
- (n) reviewing the appointments of the chief financial officer, the Corporation's head of internal audit, if any, and any key financial executives involved in the financial reporting process, as applicable;
- (o) reviewing and reassessing annually the Charter and annually obtain approval from the Board; and
- (p) if an internal auditor is appointed, reviewing and annually approving the internal audit charter and the risk based internal audit plan.

3. The Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the issuer's external auditor.
4. The Committee shall review the Corporation's financial statements, MD&A, and annual and interim earnings press releases before the Corporation publicly discloses this information.
5. The Committee shall review and discuss the quality of the Corporation's accounting principles, internal controls, and financial statements.
6. The Committee shall review and assess the adequacy of risk management policies, procedures, and processes and review updates on risks.
7. The Committee shall ensure that adequate 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 shall periodically assess the adequacy of those procedures.
8. When there is to be a change of auditor, the Committee shall review all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 and all applicable laws, and the planned steps for an orderly transition.
9. The Committee shall review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Instrument 51-102 and as such terms or similar terms are defined under all applicable laws, on a routine basis, whether or not there is to be a change of auditor.
10. The Committee shall, as applicable, establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.
11. The Committee shall review and oversee potential conflict of interest of situations on an ongoing basis.
12. The Committee shall review and oversee all related party transactions, as such term or similar term is defined under all applicable laws, for potential conflict of interest situations on an ongoing basis.
13. The responsibilities outlined in this Charter are not intended to be exhaustive. Members should consider any additional areas which may require oversight when discharging their responsibilities.

14. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and in accordance with generally accepted accounting principles and applicable rules and regulations, each of which is the responsibility of management and the Corporation's external auditors.

2.4 *De Minimis* Non-Audit Services

The Committee shall satisfy the pre-approval requirement in subsection 2.3(3) if:

- (a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent (5%) of the total amount of fees paid by the issuer and its subsidiary entities to the issuer's external auditor during the financial year in which the services are provided;
- (b) the Corporation or the subsidiary of the Corporation, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
- (c) the services are promptly brought to the attention of the Committee and approved by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee, prior to the completion of the audit.

2.5 Delegation of Pre-Approval Function

1. The Committee may delegate to one or more independent Members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2.3(3).
2. The pre-approval of non-audit services by any Member to whom authority has been delegated pursuant to subsection 2.5(1) must be presented to the Committee at its first scheduled meeting following such pre-approval.

PART 3

3.1 Composition

1. The Committee shall be composed of a minimum of three Members.
2. Every Member shall be a director of the issuer.
3. All Members shall not be employees, Control Persons or executive officers of the Corporation or any affiliate of the Corporation.
4. No Member can have participated in the preparation of the Corporation's or any of its subsidiaries' financial statements at any time during the past three years.
5. Every Member shall be financially literate.

6. At least one member of the Committee must have accounting or related financial management expertise, and, if applicable, meet any elevated financial expert criteria in the rules and regulations of all exchanges on which the securities of the Corporation are listed for trading.
7. Every Member shall be “independent” (as such term is defined under applicable laws and in the rules and regulations of all exchanges on which the securities of the Corporation are listed for trading).
8. The Board shall appoint or re-appoint the Members after each annual meeting of shareholders of the Corporation.
9. The composition of the Committee shall, at all times, comply with applicable laws and the rules and regulations of all exchanges on which the securities of the Corporation are listed for trading.

PART 4

4.1 Authority

Until the replacement of this Charter, the Committee shall have the authority, and resources necessary, to:

- (a) engage independent legal counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the Committee;
- (c) communicate directly with the internal and external auditors; and
- (d) recommend the amendment or approval of audited and interim financial statements to the Board.

PART 5

5.1 Disclosure in Information Circular

If management of the Corporation solicits proxies from the security holders of the Corporation for the purpose of electing directors to the Board, the Corporation shall include in its management information circular the disclosure required by Form 52-110F2 (Disclosure by Venture Issuers).

PART 6

6.1 Meetings

1. Meetings of the Committee shall be scheduled to take place at regular intervals and, in any event, not less frequently than quarterly.
2. Opportunities shall be afforded periodically to the external auditor, the internal auditor and to members of senior management to meet separately with the Members.
3. Minutes shall be kept of all meetings of the Committee.
4. The quorum for meetings shall be a majority of the Members, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to and to hear each other. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present.

Currency of this Charter

This Charter was last approved by the Board on August 11, 2019.