



## **CHARTER OF THE AUDIT COMMITTEE**

### **GENERAL**

#### **1. Purpose and Responsibilities of the Committee**

##### **1.1 Purpose**

The primary purpose of the Committee is to assist Board oversight of:

- (a) the integrity of the Corporation's financial statements;
- (b) the Corporation's compliance with legal and regulatory requirements;
- (c) the External Auditor's qualifications and independence; and
- (d) the performance of the Corporation's internal audit function and the External Auditor.

#### **2. Definitions and Interpretation**

##### **2.1 Definitions**

In this Charter:

- (a) "Board" means the board of directors of the Corporation;
- (b) "Chair" means the chair of the Committee;
- (c) "Committee" means the audit committee of the Board;
- (d) "Corporation" means XORTX Therapeutics Inc.
- (e) "Director" means a member of the Board; and
- (f) "External Auditor" means the Corporation's independent auditor.

##### **2.2 Interpretation**

The provisions of this Charter are subject to the articles and by-laws of the Corporation and to the applicable provisions of the *British Columbia Business Corporations Act* (the "Act"), and any other applicable legislation.

### **CONSTITUTION AND FUNCTIONING OF THE COMMITTEE**

#### **3. Establishment and Composition of the Committee**

##### **3.1 Establishment of the Audit Committee**

The Committee is hereby continued with the constitution, function and responsibilities herein set forth.

### 3.2 Appointment and Removal of Members of the Committee

- (a) *Board Appoints Members.* The members of the Committee shall be appointed by the Board.
- (b) *Annual Appointments.* The appointment of members of the Committee shall take place annually at the first meeting of the Board after a meeting of the shareholders at which Directors are elected, provided that if the appointment of members of the Committee is not so made, the Directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.
- (c) *Vacancies.* If a vacancy exists on the Committee, the remaining members shall exercise all of their powers so long as a quorum remains in office. If there is a vacancy of the Chair of the Committee, the members of the Committee shall appoint, by a majority vote of the remaining members, one of its members to fill the vacancy. The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Directors, including filling a vacancy in the Chair position of the Committee or confirming a new Chair of the Committee that has been appointed by the Committee.
- (d) *Removal of Member.* Any member of the Committee may be removed from the Committee by a resolution of the Board.

### 3.3 Number of Members

The Committee shall consist of three or more Directors.

### 3.4 Independence of Members

Each of the Committee shall be independent for the purposes of all applicable regulatory and stock exchange requirements. Each member of the Committee must not have participated in the preparation of the financial statements of the Corporation or any current subsidiary of the Corporation at any time during the past three years.

### 3.5 Financial Literacy

- (a) *Financial Literacy Requirement.* Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee, and at least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities, as each such qualification is interpreted by the Board in its business judgment. In addition, at least one member of the Committee shall be an "audit committee financial expert" as such term is defined by the U.S. Securities and Exchange Commission.
- (b) *Definition of Financial Literacy.* "Financially literate" means 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.

#### 4. **Committee Chair**

##### 4.1 Board to Appoint Chair

The Board shall appoint the Chair from the members of the Committee who are unrelated directors (or, if it fails to do so, the members of the Committee shall appoint the Chair from among its members).

##### 4.2 Chair to be Appointed Annually

The designation of the Committee's Chair shall take place annually at the first meeting of the Board after a meeting of the members at which Directors are elected, provided that if the designation of Chair is not so made, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

#### 5. **Committee Meetings**

##### 5.1 Quorum

A quorum of the Committee shall be two members.

##### 5.2 Secretary

The Chair shall designate from time to time a person who may, but need not, be a member of the Committee, to be Secretary of the Committee.

##### 5.3 Time and Place of Meetings

The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; provided, however, the Committee shall meet at least four times per year on a quarterly basis.

##### 5.4 In Camera Meetings

On at least an annual basis, the Committee shall meet separately with each of:

- (a) management; and
- (b) the External Auditor

##### 5.5 Right to Vote

Each member of the Committee shall have the right to vote on matters that come before the Committee.

##### 5.6 Voting

Any matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose; actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose.

## 5.7 Invitees

The Committee may invite Directors, officers, employees and consultants of the Corporation or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee. The External Auditor shall receive notice of each meeting of the Committee and shall be entitled to attend any such meeting at the Corporation's expense.

## 5.8 Regular Reporting

The Committee shall report to the Board at the Board's next meeting the proceedings at the meetings of the Committee and all recommendations made by the Committee at such meetings.

# 6. **Authority of Committee**

## 6.1 Retaining and Compensating Advisors

The Committee shall have the sole authority to engage independent counsel and any other advisors as the Committee may deem appropriate in its sole discretion and to set the compensation for any advisors employed by the audit committee. The Committee shall not be required to obtain the approval of the Board in order to retain or compensate such consultants or advisors.

## 6.2 Funding

The Committee shall have the authority to authorize the payment of:

- (a) compensation to any external auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation (National Instrument 52-110 – *Audit Committees* requires disclosure of fees by category paid to the External Auditor).
- (b) compensation for any advisors employed by the audit committee under Section 6.1 hereof; and
- (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

## 6.3 Subcommittees

The Committee may form and delegate authority to subcommittees if deemed appropriate by the Committee.

## 6.4 Recommendations to the Board

The Committee shall have the authority to make recommendations to the Board, but shall have no decision-making authority other than as specifically contemplated in this Charter.

## 6.5 Communication with Auditors

The Committee has the authority to communicate directly with External Auditors and the internal auditors.

## 7. **Remuneration of Committee Members**

### 7.1 Remuneration of Committee Members

Members of the Committee and the Chair shall receive such remuneration for their service on the Committee as the Board may determine from time to time.

### 7.2 Directors' Fees

No member of the Committee may earn fees from the Corporation or any of its subsidiaries other than directors' fees (which fees may include cash and/or shares or options or other in-kind consideration ordinarily available to directors, as well as all of the regular benefits that other directors receive). For greater certainty, no member of the Committee shall accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation.

## **SPECIFIC DUTIES AND RESPONSIBILITIES**

## 8. **Integrity of Financial Statements**

### 8.1 Review and Approval of Financial Information

- (a) *Annual Financial Statements.* The Committee shall review and discuss with management and the External Auditor the Corporation's audited annual financial statements and related management's discussion and analysis ("MD&A") together with the report of the External Auditor thereon and, if appropriate, recommend to the Board that it approve the audited annual financial statements.
- (b) *Interim Financial Statements.* The Committee shall review and discuss with management and the External Auditor and, if appropriate, approve the Corporation's interim unaudited financial statements and related MD&A.
- (c) *Material Public Financial Disclosure.* The Committee shall discuss with management and the External Auditor:
  - (i) the types of information to be disclosed and the type of presentation to be made in connection with profit or loss or earnings press releases; and
  - (ii) financial information and earnings guidance (if any) provided to analysts and rating agencies.
- (d) *Procedures for Review.* The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements (other than financial statements, MD&A and profit or loss or earnings press releases, which are dealt with elsewhere in this Charter) and shall periodically assess the adequacy of those procedures.
- (e) *General.* To the extent the Committee deems it necessary or appropriate, the Committee may review and discuss with management and the External Auditor:
  - (i) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles;
  - (ii) major issues as to the adequacy of the Corporation's internal controls over financial reporting and any special audit steps adopted in light of material control

deficiencies;

- (iii) analyses prepared by management and/or the External Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative accounting methods on the financial statements;
- (iv) the effect on the financial statements of the Corporation of regulatory and accounting initiatives, as well as off-balance sheet transaction structures, obligations (including contingent obligations) and other relationships of the Corporation with unconsolidated entities or other persons that have a material current or future effect on the financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses of the Corporation;
- (v) the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented;
- (vi) any financial information or financial statements in prospectuses and other offering documents;
- (vii) the management certifications of the financial statements as required under applicable securities laws in Canada or otherwise; and
- (viii) any other relevant reports or financial information submitted by the Corporation to any governmental body or the public.

## 9. **External Auditor**

### 9.1 External Auditor

- (a) *Authority with Respect to External Auditor.* As a representative of the Corporation's shareholders, the Committee shall be directly responsible for the appointment, compensation and oversight of the work of the External Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation. In the discharge of this responsibility, the Committee shall:
  - (i) have sole responsibility for recommending to the Board the person to be proposed to the Corporation's shareholders for appointment as External Auditor for the above-described purposes and recommending such External Auditor's compensation;
  - (ii) determine at any time whether the Board should recommend to the Corporation's shareholders that the incumbent External Auditor should be removed from office;
  - (iii) review the terms of the External Auditor's engagement, discuss the audit fees with the External Auditor and be solely responsible for approving such audit fees; and
  - (iv) require the External Auditor to confirm in its engagement letter each year that the External Auditor is accountable to the Board and the Committee as representatives of shareholders.
- (b) *Independence.* The Committee shall satisfy itself as to the independence of the External Auditor. As part of this process the Committee shall:

- (i) require the External Auditor to submit on a periodic basis to the Committee a formal written statement delineating all relationships between the External Auditor and the Corporation consistent with The Public Company Accounting Oversight Board Rule 3526 and engage in a dialogue with the External Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the External Auditor and recommend that the Board take appropriate action in response to the External Auditor's report to satisfy itself of the External Auditor's independence;
  - (ii) unless the Committee adopts pre-approval policies and procedures, the Committee must approve any non-audit services provided by the External Auditor, provided the Committee may delegate such approval authority to one or more of its independent members who shall report promptly to the Committee concerning their exercise of such delegated authority; and
  - (iii) review and approve the policy setting out the restrictions on the Corporation partners, employees and former partners and employees of the Corporation's current or former External Auditor.
- (c) *Issues Between External Auditor and Management.* The Committee shall:
  - (i) review any problems experienced by the External Auditor in conducting the audit, including any restrictions on the scope of the External Auditor's activities or access to requested information; and
  - (ii) review any significant disagreements with management and, to the extent possible, resolve any disagreements between management and the External Auditor.
- (d) *Non-Audit Services.*
  - (i) The Committee shall either:
    - (A) approve any non-audit services provided by the External Auditor or the external auditor of any subsidiary of the Corporation to the Corporation (including its subsidiaries); or
    - (B) adopt specific policies and procedures for the engagement of non-audit services, provided that such pre-approval policies and procedures are detailed as to the particular service, the audit committee is informed of each non-audit service and the procedures do not include delegation of the audit committee's responsibilities to management.
  - (ii) The Committee may delegate to one or more independent members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in the previous section, provided that such member or members must present any non-audit services so approved to the full Committee at its first scheduled meeting following such pre-approval.
  - (iii) The Committee shall instruct management to promptly bring to its attention any services performed by the External Auditor which were not recognized by the Corporation at the time of the engagement as being non-audit services.

10. **Other**

10.1 Related Party Transactions

The Committee shall review and approve all related party transactions in which the Corporation is involved or which the Corporation proposes to enter into.

10.2 Expense Accounts

The Committee shall review and make recommendations with respect to:

- (a) the expense account summaries submitted by the President and Chief Executive Officer on an annual basis;
- (b) the Corporation's expense account policy, and rules relating to the standardization of the reporting on expense accounts.

10.3 Whistle Blowing

The Committee shall put in place procedures 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.

10.4 Code of Business Conduct and Ethics

The Committee shall receive and report any violations of the Code of Business Conduct and Ethics to the Chairman of the Board and will monitor compliance with the Code of Business Conduct and Ethics and recommend disclosures with respect thereto.

11. **Performance Evaluation**

On a regular basis, the Committee shall follow the process established by the Board for assessing the performance and effectiveness of the Committee.

12. **Charter Review**

The Committee shall review and assess the adequacy of this Charter on an annual basis and recommend to the Board any changes it deems appropriate.

**Approved and adopted by the Board of Directors on October 28, 2021.**