

# TETRA BIO-PHARMA INC. (the "Corporation")

## AUDIT COMMITTEE CHARTER

This charter (the "**Charter**") sets forth the purpose, composition, responsibilities, and authority of the Audit Committee (the "**Committee**") of the Board of Directors (the "**Board**") of Tetra Bio-Pharma Inc. ("**Tetra**").

### 1 PURPOSE

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The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to:

- financial reporting and disclosure requirements;
- ensuring that an effective risk management and financial control framework has been implemented and tested by management of Tetra;
- external and internal audit processes;
- Tetra's systems of internal accounting and financial controls; and
- public disclosure items such as quarterly press releases, financial-oriented investor relations materials and other public reporting requirements.

### 2 COMPOSITION AND MEMBERSHIP

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- a) The Board will appoint the members ("**Members**") of the Committee. The Members will be appointed to hold office until the next annual general meeting of shareholders of Tetra or until their successors are appointed. The Board may remove a Member at any time and may fill any vacancy occurring on the Committee. A Member may resign at any time and a Member will automatically cease to be a Member upon ceasing to be a director. The Board will fill vacancies on the Committee by appointment from among qualified directors of the Board. Members must have suitable experience and must be familiar with auditing and financial matters.
- b) The Committee will consist of at least three directors. Each Member will meet the criteria for independence and financial literacy established by applicable laws and the rules of any stock exchanges upon which Tetra's securities are listed, including National Instrument 52-110 – *Audit Committees* (as it may be amended or replaced from time to time, "**NI 52-110**"), subject to any exceptions permitted under NI 52-110. All Members will meet the criteria for independence established by the aforementioned laws and rules. In addition, each director will be free of any relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a Member's independent judgment. In order to ensure independence requirements as prescribed by NI 52-110, Tetra shall not enter into any arrangement with any Member under which a Member is entitled to receive, directly or indirectly, any consulting, advisory or other compensatory fee from Tetra or any of its related parties or subsidiaries, other than as remuneration for acting in his or her capacity as a member of the Board or any Board committee, or as a part-time chair or vice-chair of the Board or any Board committee.

- c) The Board will appoint one of the Members to act as the chairman of the Committee (the "**Chairman**"). The Members shall elect a secretary of the Committee (the "**Secretary**") who will be the secretary of all meetings and will maintain minutes of all meetings and deliberations of the Committee. If the Members so decide, the Committee may appoint another person who may, but need not, be a Member to act as the secretary of that meeting.
- d) Subject to applicable law, the Committee may delegate any or all of its functions to any of its independent Members or any independent sub-set thereof, from time to time as it sees fit. Between meetings, the Chairman, or any Member designated for such purpose by the Committee, may, if required in the circumstance, exercise any power delegated by the Committee on an interim basis. The Chairman or other designated Member will promptly report to the other Members in any case in which this interim power is exercised.

### **3 MEETINGS**

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- a) Meetings of the Committee will be held at such times and places as the Chairman may determine, but in any event not less than four (4) times per year, and such meetings shall correspond with the Corporation's reporting cycle or more frequently as circumstances require. Twenty-four (24) hours advance notice of each meeting will be given to each Member orally, by telephone, by facsimile or email, unless all Members are present and waive notice, or if those absent waive notice before or after a meeting. Members may attend all meetings either in person or by telephone, video, or other electronic means.
- b) At the request of the external auditors of Tetra, the Chief Executive Officer or the Chief Financial Officer of Tetra or any Member, the Chairman will convene a meeting of the Committee. Any such request will set out in reasonable detail the business proposed to be conducted at the meeting so requested.
- c) The Chairman, if present, will act as the chairman of meetings of the Committee. If the Chairman is not present at a meeting of the Committee, the Members in attendance may select one of the Members to act as chairman of the meeting.
- d) A majority of Members will constitute a quorum for a meeting of the Committee. If a vacancy exists on the Committee, the remaining Members may exercise all of their powers so long as there is a quorum. Each Member will have one vote and decisions of the Committee will be made by an affirmative vote of the majority. The Chairman will not have a deciding or casting vote in the case of an equality of votes. Powers of the Committee may also be exercised by written resolutions signed by all Members.
- e) The Committee may invite from time to time such persons as it sees fit to attend its meetings and to take part in the discussion and consideration of the affairs of the Committee. The Committee may meet in camera without members of management in attendance for a portion of each meeting of the Committee, as the Committee deems appropriate.
- f) In advance of every regular meeting of the Committee, the Chairman, with the assistance of the Secretary, will prepare and distribute to the Members and others as deemed appropriate by the Chairman, an agenda of matters to be addressed at the meeting together with appropriate briefing materials. The Committee may require officers and employees of Tetra to produce such information and reports as the Committee may deem appropriate in order for it to fulfill its duties.
- g) Minutes of meetings of the Committee must accurately reflect the significant discussions and the decisions of the Committee. Minutes of Committee meetings shall be recorded and maintained by the Secretary, or any other person acting in such capacity, and subsequently presented to the Committee for approval.

## 4 DUTIES AND RESPONSIBILITIES

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The duties and responsibilities of the Committee as they relate to the following matters, are as follows:

### 4.1 FINANCIAL REPORTING AND DISCLOSURE

- a) review and recommend to the Board for approval, the audited annual financial statements, including the auditors' report thereon, the quarterly financial statements, management discussion and analysis, annual and interim press releases announcing financial results (if any), financial reports, and any guidance with respect to earnings per share to be given, prior to the public disclosure of such information, with such documents to indicate whether such information has been reviewed by the Board or the Committee;
- b) review and recommend to the Board for approval, where appropriate, financial information contained in any prospectuses, annual information forms, annual report to shareholders, management proxy circular, material change disclosures of a financial nature and similar disclosure documents prior to the public disclosure of such information;
- c) review with management of Tetra, and with external auditors, significant accounting principles and disclosure issues and alternative treatments under International Financial Reporting Standards ("IFRS"), with a view to gaining reasonable assurance that financial statements are accurate, complete, and present fairly Tetra's financial position and the results of its operations in accordance with IFRS, as applicable;
- d) seek to ensure that adequate procedures are in place for the review of Tetra's public disclosure of financial information extracted or derived from Tetra's financial statements, Tetra's disclosure controls and procedures and periodically assess the adequacy of those procedures and recommend any proposed changes to the Board for consideration;

### 4.2 INTERNAL CONTROLS AND AUDIT

- a) review the adequacy and effectiveness of Tetra's system of internal control and management information systems through discussions with management and the external auditor to ensure that Tetra maintains (i) the necessary books, records and accounts in sufficient detail to accurately and fairly reflect Tetra's transactions, (ii) effective internal control over financial reporting, and (iii) adequate processes for assessing the risk of material misstatement of the financial statement and for detecting control weaknesses or fraud. From time to time the Committee shall assess whether it is necessary or desirable to establish a formal internal audit department having regard to the size and stage of development of Tetra at any particular time;
- b) satisfy itself that management has established adequate procedures for the review of Tetra's disclosure of financial information extracted or derived directly from Tetra's financial statements;
- c) satisfy itself, through discussions with management, that the adequacy of internal controls, systems and procedures has been periodically assessed in order to ensure compliance with regulatory requirements and recommendations;
- d) review and discuss Tetra's major financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities;
- e) review, and in the Committee's discretion make recommendations to the Board regarding, the adequacy of Tetra's risk management policies and procedures with regard to identification of Tetra's principal risks

and implementation of appropriate systems and controls to manage such risks including an assessment of the adequacy of insurance coverage maintained by Tetra;

- f) recommend the appointment, or if necessary, the dismissal of the head of Tetra's internal audit process;
- g) periodically review Tetra's policies and procedures for reviewing and approving or ratifying related-party transactions.

### **4.3 EXTERNAL AUDIT**

- a) recommend to the Board a firm of external auditors to be nominated for appointment as the external auditor of Tetra;
- b) ensure the external auditors report directly to the Committee on a regular basis;
- c) review the independence, qualifications and performance of the external auditors, including a written report from the external auditors respecting their independence and consideration of applicable auditor independence standards;
- d) review and recommend to the Board the fee, scope and timing of the audit and other related services rendered by the external auditors;
- e) review the audit plan of the external auditors prior to the commencement of the audit;
- f) establish and maintain a direct line of communication with Tetra's external and internal auditors;
- g) meet in camera with only the auditors, with only management, and with only the Members of the Committee at every Committee meeting where, and to the extent that, such parties are present and the Committee deems appropriate;
- h) oversee the performance of the external auditors who are accountable to the Committee and the Board as representatives of the shareholders, including the lead partner of the independent auditors' team;
- i) oversee the work of the external auditors appointed by the shareholders of Tetra with respect to preparing and issuing an audit report or performing other audit, review or attest services for Tetra, including the resolution of issues between management of Tetra and the external auditors regarding financial disclosure;
- j) review the results of the external audit and the report thereon including, without limitation, a discussion with the external auditors as to the quality of accounting principles used, any alternative treatments of financial information that have been discussed with management of Tetra, the ramifications of their use as well as any other material changes. Review a report describing all material written communication between management and the auditors such as management letters and schedule of unadjusted differences;
- k) review any material written communications between senior executives of Tetra and the external auditors and any significant disagreements between the senior executives and the external auditors.
- l) discuss with the external auditors their perception of Tetra's financial and accounting personnel, records and systems, the cooperation which the external auditors received during their course of their review and availability of records, data and other requested information and any recommendations with respect thereto;

- m) discuss with the external auditors their perception of Tetra's identification and management of risks, including the adequacy or effectiveness of policies and procedures implemented to mitigate such risks;
- n) review the reasons for any proposed change in the external auditors which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed auditors before making its recommendations to the Board;
- o) review annually a report from the external auditors in respect of their internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues;

#### **4.4 ASSOCIATED RESPONSIBILITIES**

- a) monitor and periodically review Tetra's Whistleblower Policy and associated procedures for:
  - i. the receipt, retention and treatment of complaints received by Tetra's regarding accounting, internal accounting controls or auditing matters;
  - ii. the confidential, anonymous submission by directors, officers and employees of Tetra of concerns regarding questionable accounting or auditing matters;
  - iii. any violations of any applicable law, rule or regulation that relates to corporate reporting and disclosure, or violations of Tetra's Code of Business Conduct & Ethics;
- b) review the public disclosure regarding the Committee required from time to time by National Instrument 52-110 – *Audit Committees*;
- c) inform the Board of matters that may significantly impact the financial condition or affairs of the business of Tetra;
- d) review and approve Tetra's hiring policies regarding employees and partners, and former employees and partners, of the present and former external auditors of Tetra; and
- e) review and monitor the implementation of Tetra's Code of Business Conduct and Ethics.

#### **4.5 NON-AUDIT SERVICES**

- a) pre-approve all non-audit services to be provided to Tetra or any subsidiary entities by its external auditors or by the external auditors of such subsidiary entities. The Committee may delegate to one or more of its Members the authority to pre-approve non-audit services but pre-approval by such Member or Members so delegated shall be presented to the full Committee at its first scheduled meeting following such pre-approval.

#### **4.6 OVERSIGHT FUNCTION**

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 Tetra's financial statements are complete and accurate or comply with IFRS and other applicable requirements. These are the responsibilities of management and the external auditors. The Committee, the Chairman and any Members identified as having accounting or related

financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of Tetra, and are specifically not accountable or responsible for the day to day operation or performance of such activities. Although the designation of a Member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Member who is identified as having accounting or related financial expertise, like the role of all Members, is to oversee the process, not to certify or guarantee the internal or external audit of Tetra's financial information or public disclosure. This Charter is not intended to change or interpret the constating documents of Tetra or applicable law or stock exchange rule to which Tetra is subject, and this Charter should be interpreted in a manner consistent with all such applicable laws and rules. The Board may, from time to time, permit departures from the terms of this Charter, either prospectively or retrospectively to the extent permitted under applicable law and listing standards. This Charter is not intended to give rise to civil liability on the part of Tetra or its directors or officers to shareholders, security holders, customers, suppliers, competitors, employees or other persons, or to any other liability whatsoever on their part.

## **5 REPORTING**

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The Chairman will report to the Board at each Board meeting on the Committee's activities since the last Board meeting. The Committee will annually review and approve the Committee's report to the Board. The minutes of each meeting of the Committee will be available to the members of the Board, at their request.

## **6 ACCESS TO INFORMATION AND AUTHORITY**

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The Committee will be granted unrestricted access to all information regarding Tetra that is necessary or desirable to fulfill its duties and all directors, officers and employees will be directed to cooperate as requested by the Members. The Committee has the authority to retain, at Tetra's expense, independent legal, financial and other advisors, consultants and experts, to assist the Committee in fulfilling its duties and responsibilities, including sole authority to retain and to approve any such firm's fees and other retention terms without prior approval of the Board. The Committee also has the authority to communicate directly with internal and external auditors.

The Committee shall at least annually evaluate its own performance and report to the Board on such evaluation.

## **7 REVIEW OF CHARTER**

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The Committee will annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration.

Dated: February 22, 2021  
Approved by: Board of Directors