

ACERUS PHARMACEUTICALS CORPORATION
("Acerus")

AUDIT COMMITTEE CHARTER

Organization

This Charter governs the operations of the Audit Committee of Acerus (the "Committee"). The board of directors will appoint a Committee of at least three members and will designate one member as chair or delegate the authority to designate a chair to the Committee. All of the members will be directors who are "independent", as defined by National Instrument 52-110 - *Audit Committees*.

Each member of the Committee will be financially literate, or become financially literate within a reasonable period of time.

The Committee will meet at least quarterly. The Committee will meet separately and periodically with management, internal audit and with the independent auditors. The Committee will report regularly to the board with respect to its activities.

Purpose

The purpose of the Committee will be to provide assistance to the board in fulfilling its oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to: (i) the integrity of Acerus' financial statements; (ii) Acerus' compliance with legal and regulatory requirements; and (iii) the independent auditors' qualifications and independence.

The Committee may retain (and set and pay the compensation) of such outside legal, accounting or other advisors as it considers necessary to carry out its duties.

In fulfilling its purpose, it is the responsibility of the Committee to maintain free and open communication between the Committee, independent auditors and management, and to determine that all parties are aware of their responsibilities.

Duties and Responsibilities

The Committee has the responsibilities and powers set forth in this Charter. Management is responsible for the preparation, presentation, and integrity of Acerus' financial statements, for the appropriateness of the accounting principles and reporting policies that are used and for implementing and maintaining internal control over financial reporting. The independent auditors are responsible for auditing Acerus' annual financial statements and for reviewing Acerus' unaudited interim financial statements.

The following will be the principal duties and responsibilities of the Committee. These are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

- The Committee will be responsible to advise the board, for the board's recommendation to shareholders, in respect of the appointment, compensation and retention of the independent auditors.

- The Committee will be directly responsible for the oversight of the work of the independent auditors (including resolution of disagreements between management and the auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for Acerus, and the independent auditors report directly to the Committee.
- Annually, the Committee will obtain and review a report by the independent auditors describing: (i) the firm's internal quality control processes; (ii) all relationships between the independent auditors and Acerus (to assess the auditors' independence); and (iii) such other matters as are required by law or regulation.
- The Committee will determine that the independent audit firm has a process in place to address the rotation of the lead audit partner and other audit partners serving the account as required under Canadian independence standards.
- The Committee will pre-approve all audit and non-audit services provided by the independent auditors and will only engage the independent auditors to perform non-audit services permitted by law or regulation. The Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any Committee member to whom pre-approval authority is delegated must be presented to the full Committee at its next scheduled meeting.
- The Committee will discuss with the independent auditors the overall scope and plans for their audits.
- The Committee will review with the independent auditors any audit problems or difficulties encountered during the course of the audit work, including any restrictions on the scope of the independent auditors' activities or access to requested information, and management's response. The Committee will review any accounting adjustments that were noted or proposed by the auditors but were not recorded (as immaterial or otherwise) and any "management" or "internal control" letter issued, or proposed to be issued, by the audit firm.
- The Committee will review and recommend approval of the quarterly and annual audited financial statements to the board, including Management's Discussion and Analysis, with management and the independent auditors prior to the issuance and/or filing of same. (References in this paragraph to the external auditors apply to the annual financial statements only.) The Committee's review of the financial statements will include: (i) major issues regarding accounting principles and financial statement presentation, including any significant changes in Acerus' selection or application of accounting principles, and major issues as to the adequacy of Acerus' internal controls and any specific remedial actions adopted in light of material control deficiencies; (ii) discussions with management and the independent auditors regarding significant financial reporting issues and judgments made in connection with the preparation of the financial statements and the reasonableness of those judgments; (iii) consideration of the judgment of both management and the independent auditors about the quality of accounting principles; and (iv) the clarity of the disclosures in the financial statements. Also, the Committee will discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under professional standards.

- The Committee will review and approve all related party transactions not in the ordinary course of business in the absence of a special committee of the board designated for such function.
- The Committee will review earnings press releases for recommendation to the board.
- The Committee will discuss with management and the independent auditors the adequacy and effectiveness of internal control over financial reporting, including any significant deficiencies or material weaknesses identified by management in respect of Canadian securities laws requirements.
- The Committee will review with management Acerus' compliance systems with respect to legal and regulatory requirements.
- As requested by the board, discuss with management and, where appropriate, the external auditors of Acerus, Acerus' major risk exposures (whether financial, operational or otherwise) and the steps management has taken to monitor and control such exposures.
- The Committee will ensure that Acerus establishes appropriate policies and procedures for the receipt, retention, and treatment of complaints received by Acerus regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of Acerus of concerns regarding questionable accounting or auditing matters.
- The Committee will ensure that Acerus has in effect clear hiring policies for employees or former employees of the independent auditors that meet Canadian independence standards and applicable stock exchange listing standards.
- The Committee will perform an evaluation of its performance at least annually to determine whether it is functioning effectively.
- The Committee will review and reassess this Charter at least annually.