

# CHARTER OF THE AUDIT COMMITTEE OF METABASIS THERAPEUTICS, INC.

## PURPOSE AND POLICY

The primary purpose of the Audit Committee (the “*Committee*”) of Metabasis Therapeutics, Inc. (the “*Company*”) shall be to act on behalf of the Company’s Board of Directors (the “*Board*”) in fulfilling the Board’s oversight responsibilities with respect to the Company’s corporate accounting and financial reporting practices, the Company’s systems of internal accounting and financial controls, audits of the Company’s financial statements, the quality and integrity of the Company’s financial statements and reports, and the qualifications, independence and performance of the certified public accountants engaged as the Company’s independent outside auditors (the “*Auditors*”). The Committee shall also provide oversight assistance in connection with the Company’s legal and ethical compliance programs as established by management and the Board.

The policy of the Committee, in discharging these responsibilities, shall be to maintain and foster an open avenue of communication between the Committee, the Auditors and management.

## COMPOSITION

The Committee shall consist of at least three members of the Board. All members of the Committee shall satisfy the independence and financial literacy requirements of The Nasdaq National Market (“*Nasdaq*”) applicable to the Committee as in effect from time to time, when and as required by Nasdaq, including any exceptions permitted by these requirements. At least one member shall satisfy the applicable Nasdaq financial experience requirements applicable to the Committee as in effect from time to time, when and as required by Nasdaq, including any exceptions permitted by these requirements. The members of the Committee shall be appointed by and serve at the discretion of the Board. Vacancies occurring on the Committee shall be filled by the Board.

## ORGANIZATION, MEETINGS AND MINUTES

The Committee’s chairperson shall be designated by the Board or, if it does not do so, the Committee members shall elect a chairperson by vote of a majority of the full Committee. The Chair (or in his or her absence, a member designated by the Chair) shall preside at all meetings of the Committee.

The Committee shall hold such regular or special meetings as its members deem necessary or appropriate. Minutes of each meeting of the Committee shall be prepared and distributed to each director of the Company and the Secretary of the Company promptly after each meeting. The Committee shall report to the Board from time to time and whenever requested to do so by the Board.

#### **AUTHORITY**

The Committee shall have authority to appoint, determine compensation for and oversee the Auditors as set forth in Section 10A(m)(2) under the Securities Exchange Act of 1934, as amended. The Committee shall have authority to retain and determine compensation for special legal, accounting or other advisors or consultants as it deems necessary or appropriate in the performance of its duties. The Committee shall also have authority to pay ordinary administrative expenses that, as determined by the Committee, are necessary or appropriate in carrying out its duties. The Committee shall have full access to all books, records, facilities and personnel of the Company as deemed necessary or appropriate by the Chair of the Committee to discharge the Committee's responsibilities hereunder. The Committee shall have authority to require that the Auditors, management and legal counsel, or any other consultant or advisor to the Company attend any meeting of the Committee or meet with any member of the Committee or any of its special legal, accounting or other advisors and consultants.

The operation of the Committee shall be subject to (i) the Bylaws of the Company and (ii) Section 141 of the Delaware General Corporation Law, each as may be in effect from time to time. The approval of this Audit Committee Charter shall be construed as a delegation of authority to the Committee with respect to the responsibilities set forth herein.

#### **RESPONSIBILITIES**

The primary responsibility of the Committee shall be to oversee the Company's financial reporting process on behalf of the Board, including the appointment, compensation and oversight of the Auditors, who shall report directly and be accountable to the Committee. The Committee shall report the results of these activities to the Board. The Committee's functions and procedures should remain flexible to address changing circumstances most effectively.

It shall be the responsibility of management to prepare the Company's financial statements and periodic reports and the responsibility of the Auditors to audit those financial statements. These functions shall not be the responsibility of the Committee, nor shall it be the Committee's responsibility to ensure that the financial statements or, if applicable, periodic reports are complete and accurate, conform to generally accepted accounting principles ("**GAAP**") or otherwise comply with applicable laws.

To implement the Committee's purpose and policy, the Committee shall be charged with the following functions and processes, with the understanding, however, that the Committee may supplement or deviate from these activities as appropriate under the circumstances, except as otherwise required by law or the applicable rules of Nasdaq:

1. To evaluate the performance of the Auditors, to assess their qualifications (including their internal quality control procedures and any material issues raised by the

Auditors' most recent internal quality control or peer review or any investigations by regulatory authorities) and to determine whether to retain or to terminate the existing Auditors or to appoint and engage new Auditors for the ensuing year.

2. To review, determine and approve the engagement of the Auditors, prior to the commencement of such engagement, to perform all proposed audit, review and attest services, including the scope of and plans for the audit, the adequacy of staffing and the compensation to be paid to the Auditors, which approval may be pursuant to preapproval policies and procedures, including the delegation of preapproval authority to one or more Committee members, provided that all approvals of audit, review and attest services pursuant to such policies and procedures shall be presented to the full Committee at its next meeting.

3. To review, determine and approve the engagement of the Auditors, prior to commencement of such engagement (unless in compliance with exceptions available under applicable laws and rules related to immaterial aggregate amounts of services), to perform any proposed permissible non-audit services, including the scope of the service and the compensation to be paid therefor, which approval may be pursuant to preapproval policies and procedures, including the delegation of preapproval authority to one or more Committee members, provided that all approvals of non-audit services pursuant to such policies and procedures shall be presented to the full Committee at its next meeting.

4. To monitor the rotation of the partners of the Auditors on the Company's audit engagement team as required by law or the applicable rules of Nasdaq.

5. At least annually, to receive and review written statements from the Auditors delineating all relationships between the Auditors and the Company consistent with Independence Standards Board Standard No. 1, to consider and discuss with the Auditors any disclosed relationships and any compensation or services that could affect the Auditors' objectivity and independence, and to assess and otherwise take appropriate action to oversee the independence of the Auditors.

6. To consider and, if deemed appropriate, adopt a policy regarding Committee preapproval of employment by the Company of individuals formerly employed by the Auditors and engaged on the Company's account. Such policy would be restricted to requiring Committee pre-approval only of those individuals who, by their employment, would impact the ability of their former audit firm to continue to provide audit services.

7. To review, upon completion of the annual audit, the financial statements proposed to be included in the Company's Annual Report on Form 10-K to be filed with the Securities and Exchange Commission (the "**SEC**") and to recommend whether or not such financial statements should be so included.

8. To discuss with the Auditors and management the results of the annual audit, including the Auditors' assessment of the quality (not just acceptability) of accounting principles, the reasonableness of significant judgments and estimates (including material changes in estimates), any audit adjustments noted or proposed by the Auditors (whether "passed" or implemented in the financial statements), the adequacy of the disclosures in the financial

statements and any other matters required to be communicated to the Committee by the Auditors under generally accepted auditing standards.

**9.** To review and discuss with the Auditors and management the results of the Auditors' review of the Company's quarterly financial statements, prior to public disclosure of quarterly financial information, if practicable, or filing with the SEC of the Company's Quarterly Report on Form 10-Q, and any other matters required to be communicated to the Committee by the Auditors under generally accepted auditing standards. The Chair of the Committee may represent the entire Committee for purposes of this discussion.

**10.** To review and discuss with management and the Auditors, as appropriate, the Company's disclosures contained under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in its periodic reports to be filed with the SEC.

**11.** To review and discuss with management and the Auditors, as appropriate, earnings press releases as well as the substance of financial information and earnings guidance provided to analysts and ratings agencies, which discussions may be general discussions of the type of information (including the use of pro forma information) to be disclosed or the type of presentation to be made.

**12.** To review and discuss with management and the Auditors significant issues that arise regarding accounting principles and financial statement presentation, including critical accounting policies and practices or the application of those policies and practices, the potential effect of alternative accounting policies and practices available under GAAP related to material items that have been discussed with management, the potential impact of regulatory and accounting initiatives and any other significant reporting issues and judgments.

**13.** To review and discuss with management and the Auditors, as appropriate, the Company's guidelines and policies with respect to risk assessment and risk management, including the Company's major financial risk exposures and the steps taken by management to monitor and control these exposures.

**14.** To evaluate the cooperation received by the Auditors during their audit examination, including any significant difficulties with the audit or any restrictions on the scope of their activities or access to required records, data and information.

**15.** To review and discuss with the Auditors any management or internal control letter issued or, to the extent practicable, proposed to be issued by the Auditors and management's response, if any, to such letter, as well as any additional material written communications between the Auditors and management.

**16.** To review and discuss with the Auditors communications between the audit team and the Auditors' national office with respect to accounting or auditing issues presented by the engagement.

**17.** To review and discuss with the Auditors and management any conflicts or disagreements between management and the Auditors regarding financial reporting, accounting practices or policies and to resolve any conflicts regarding financial reporting.

**18.** To confer with the Auditors and management regarding the scope, adequacy and effectiveness of financial controls in effect, including any special audit steps taken in the event of material control deficiencies.

**19.** Periodically, to meet in separate sessions with the Auditors and management to discuss any matters that the Committee, the Auditors or management believe should be discussed privately with the Committee.

**20.** To consider and review with management, the Auditors and legal counsel, as appropriate, and, in the judgment of the Committee, such special counsel, separate accounting firm and other consultants and advisors as the Committee deems appropriate, any correspondence with regulators or governmental agencies and any published reports, or any other externally distributed documents that incorporate audited or unaudited financial data or that raise material issues regarding the Company's financial statements or accounting policies.

**21.** To establish procedures for the receipt, retention and treatment of complaints received by the Company regarding financial controls, accounting or auditing matters, including the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

**22.** To review with counsel, the Auditors and management, as appropriate, any significant regulatory or other legal or accounting matters that could have a material impact on the Company's financial statements, compliance programs and policies if, in the judgment of the Committee, such review is necessary or appropriate.

**23.** To review the results of management's efforts to monitor compliance with the Company's programs and policies designed to ensure adherence to applicable laws and regulations, as well as to its Code of Business Conduct and Ethics, including review and approval of related party transactions to the extent required by Nasdaq rules.

**24.** To investigate any matter brought to the attention of the Committee within the scope of its duties if, in the judgment of the Committee, such investigation is necessary or appropriate.

**25.** To prepare the report required by the rules of the SEC to be included in the Company's annual proxy statement.

**26.** To review and assess the adequacy of this charter annually and recommend any proposed changes to the Board for approval.

**27.** To report to the Board with respect to material issues that arise regarding the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance or independence of the Auditors or such other matters as the Committee deems appropriate from time to time or whenever it shall be called upon to do so.

**28.** To review and discuss with management and the Auditors: (i) any material off-balance sheet arrangements or other material financial arrangements of the Company that do not

appear on the financial statements of the Company and (ii) any transactions with parties related to or affiliated with the Company which are material in size or involve terms different from those reasonably likely to be negotiated with independent third parties and which transactions are relevant to the understanding of the Company's financial statements.

**29.** To perform such other functions and to have such powers as may be necessary or appropriate in the efficient and lawful discharge of the foregoing.