

INNOVATE BIOPHARMACEUTICALS, INC.

AUDIT COMMITTEE CHARTER

I. PURPOSE

The primary purposes of the Audit Committee are to assist the Board of Directors (the “**Board**”) of Innovate Biopharmaceuticals, Inc. (the “**Company**”) in fulfilling its oversight responsibilities with respect to (i) the preparation of the Company’s financial statements, (ii) the Company’s systems of disclosure controls and procedures and internal control over financial reporting, (iii) the Company’s accounting and financial reporting processes and (iv) audits of Company’s financial statements. The Audit Committee shall primarily fulfill these purposes by carrying out the activities enumerated in Section IV of this Charter.

II. COMPOSITION

Except as otherwise permitted by applicable rules of the Nasdaq Stock Market (“**Nasdaq**”), the Audit Committee shall consist of three or more directors, each of whom is an “independent director” as defined in the applicable Nasdaq rules and meets the requirements for independence under the applicable rules and regulations of the Securities Exchange Act of 1934, as amended.

Members of the Audit Committee shall be appointed by the Board. The Board may remove members of the Audit Committee with or without cause. Each member of the Audit Committee shall have a working familiarity with basic finance and accounting practices, including the ability to read and understand the Company’s financial statements. At least one member of the Audit Committee must have past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background that leads to financial sophistication. Unless otherwise determined by the Board (in which case disclosure of such determination shall be made in the Company’s annual report filed with the U.S. Securities and Exchange Commission (the “**SEC**”), at least one member of the Audit Committee must be an “audit committee financial expert” as defined in Item 407(d)(5)(ii) of Regulation S-K. No member of the Audit Committee shall have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years. No member of the Audit Committee may receive, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries, other than for service on the Board or a committee thereof.

III. STRUCTURE AND OPERATIONS

The Board shall designate a member of the Audit Committee as the chairperson. The Audit Committee shall meet as often as it deems necessary in order to perform its responsibilities. The Audit Committee may also act by unanimous written consent in lieu of a meeting. The Audit Committee shall be governed by the same rules regarding meetings (including meetings in person or by telephone or similar method of communication), action without meetings, notice, waiver of notice, quorum and voting as may be applicable to the Board. The Audit Committee shall

periodically meet separately with (i) the Company's independent auditor, (ii) Company management and (iii) the Company's internal auditors, if any. The Audit Committee shall have the authority to delegate any of its responsibilities, along with the authority to take action in relation to such responsibilities, to one or more subcommittees as the Audit Committee may deem appropriate in its sole discretion. Any decision of a subcommittee to pre-approve audit, review, attest or non-audit services shall be presented to the full Audit Committee at its next scheduled meeting.

IV. RESPONSIBILITIES AND DUTIES

The Audit Committee shall have the following responsibilities:

A. To be solely and directly responsible to (i) select and retain any independent registered public accounting firm to act as the Company's independent auditor for the purpose of preparing or issuing an audit report on the Company's annual financial statements or performing other audit, review or attest services for the Company, (ii) set the compensation of the Company's independent auditors, (iii) oversee the work done by the Company's independent auditors, including resolution of disagreements between management and the independent auditors regarding financial reporting and (iv) terminate the Company's independent auditors, if necessary.

B. To pre-approve all audit and permitted non-audit and tax services that may be provided by the Company's independent auditors or other registered public accounting firms (provided that de minimis non-audit services may instead be approved in accordance with applicable SEC rules), and establish policies and procedures for the Audit Committee's pre-approval of permitted services by the Company's independent auditors or other registered public accounting firms on an on-going basis.

C. To review and discuss with the Company's independent auditors (i) all critical accounting policies and practices to be used in the audit, (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications of the use of such alternative treatments and the treatment preferred by the independent auditors and (iii) other material written communications between the independent auditors and management, including (a) receiving formal written statements delineating all relationships between the independent auditors and the Company, actively engaging in dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and for taking, or recommending that the Board take, appropriate action to oversee the independence of the independent auditor and (b) receiving and considering communications regarding other matters addressed in PCAOB Auditing Standard No. 16, Communications with Audit Committees.

D. To review and discuss with the independent auditors and management the Company's annual financial statements.

E. Following completion of the annual audit, to review separately with the independent auditors and management any problems or difficulties encountered during the course of the audit.

F. To recommend to the Board that the audited financial statements be included in the Company's Form 10-K and produce the audit committee report required to be included in the Company's proxy statement.

G. To review any other relevant reports or other financial information and regular internal financial reports prepared by management.

H. To direct the independent auditors to use their best efforts to perform all reviews of interim financial information prior to disclosure by the Company of such financial information.

I. To coordinate the Board's oversight of the Company's internal control over financial reporting and disclosure controls and procedures.

J. To discuss the Company's policies with respect to risk assessment and risk management, including guidelines and policies to govern the process by which the Company's exposure to risk is handled.

K. To establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

L. To (i) review and approve, or make recommendations to the Board regarding, the Company's policies and procedures for reviewing and approving or ratifying transactions with related persons (as defined in Item 404 of Regulation S-K) and (ii) review, approve and oversee any transaction between the Company and any related person (as defined in Item 404 of Regulation S-K) on an ongoing basis.

M. To (i) monitor compliance with the Company's Code of Business Conduct and Ethics (the "**Code**"), (ii) investigate any alleged breach or violation of the Code, (iii) enforce the provisions of the Code and (iv) review the Code periodically and recommend any changes to the Board.

N. To periodically review the Company's Investment Policy for compliance with the Investment Company Act of 1940 and recommend any changes to the Board.

O. To periodically perform a review and evaluation of the performance of the Audit Committee, including a review of the compliance by the Audit Committee with this Charter.

P. To perform any other activities consistent with this Charter, the Company's Amended and Restated Bylaws and governing law, as the Audit Committee or the Board deems necessary or appropriate.

Q. To review and reassess the adequacy of this Charter at least annually and recommend any changes to the Board.

V. RESOURCES AND AUTHORITY

The Audit Committee shall have the resources and authority to discharge its responsibilities, including the authority, to the extent it deems necessary or appropriate, to retain and terminate independent legal, accounting or other advisors. The Company shall provide appropriate funding, as determined by the Audit Committee, for payment of (i) compensation to the independent auditors, (ii) compensation to any advisers employed by the Audit Committee and (iii) ordinary administrative expenses of the Audit Committee.