

CONATUS PHARMACEUTICALS INC.

AUDIT COMMITTEE CHARTER

I. Purpose

1. The purpose of the Audit Committee (the “*Committee*”) of the Board of Directors (the “*Board*”) of Conatus Pharmaceuticals Inc. (the “*Company*”) is to oversee the accounting and financial reporting processes, and the audits of the financial statements of the Company.

2. In addition to the powers and responsibilities expressly delegated to the Committee in this Charter, the Committee may exercise any other powers and carry out any other responsibilities delegated to it by the Board from time to time consistent with the Company’s bylaws. The Committee shall report regularly to, and review with, the Board any issues that arise with respect to the quality or integrity of the Company’s financial statements, the Company’s compliance with legal or regulatory requirements, the performance and independence of the Company’s independent auditor, the performance of the Company’s internal audit function, if any, or any other matter the Committee determines is necessary or advisable to report to the Board. The powers and responsibilities delegated by the Board to the Committee in this Charter or otherwise shall be exercised and carried out by the Committee as it deems appropriate without requirement of Board approval, and any decision made by the Committee (including, but not limited to, any decision to exercise or refrain from exercising any of the powers delegated to the Committee hereunder) shall be at the Committee’s sole discretion. While acting within the scope of the powers and responsibilities delegated to it, the Committee shall have and may exercise all the powers and authority of the Board. To the fullest extent permitted by law and consistent with this Charter, the Committee shall have the power to determine which matters are within the scope of the powers and responsibilities delegated to it.

3. Notwithstanding the foregoing, the Committee’s responsibilities are limited to oversight. Management of the Company is responsible for the preparation, presentation and integrity of the Company’s financial statements as well as the Company’s financial reporting process, accounting policies, internal audit function, internal accounting controls and disclosure controls and procedures. The independent auditor is responsible for performing an audit of the Company’s annual financial statements, expressing an opinion as to the conformity of such annual financial statements with generally accepted accounting principles in the United States (“*GAAP*”) and reviewing the Company’s quarterly financial statements. It is not the responsibility of the Committee to plan or conduct audits or to determine that the Company’s financial statements and disclosure are complete and accurate or that they were prepared in accordance with GAAP and applicable laws, rules and regulations. Absent actual knowledge to the contrary, each member of the Committee shall be entitled to rely on the integrity of those persons within the Company and the integrity of the professionals and experts, if any (including, but not limited to, the Company’s internal auditor, if any (or others responsible for the internal audit function, including, but not limited to, contracted non-employee or audit or accounting firms engaged to provide internal audit services, if any (the “*internal auditor*”)), and the Company’s independent auditor) from which the Committee receives information and, absent actual knowledge to the contrary, the accuracy of the financial and other information provided to the Committee by such persons, professionals or experts.

4. Further, auditing literature, particularly Statement on Auditing Standards No. 100 (AU 722), defines the term “review” to include a particular set of required procedures to be undertaken by independent auditors. The members of the Committee are not independent auditors, and the term “review” as used in this Charter is not intended to have that meaning and should not be interpreted to suggest that the Committee members can or should follow the procedures required of auditors performing reviews of financial statements.

5. The Charter includes requirements for companies subject to (i) the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (as so amended and inclusive of such rules and regulations, the “*Exchange Act*”), and (ii) the listing and other standards of The NASDAQ Stock Market (“*Nasdaq*”). Any such requirements shall only be imposed on the Committee’s composition and/or activities effective as of the date upon which the Company is either subject to such reporting requirements and/or such listing and other standards of Nasdaq.

II. Membership

1. Except as otherwise permitted by the applicable rules of Nasdaq, the Committee shall consist of at least three (3) members of the Board. Each Committee member must be able to read and understand fundamental financial statements, including, but not limited to, a company’s balance sheet, income statement and cash flow statement. Members of the Committee are not required to be engaged in the accounting and auditing profession and, consequently, some members may not be expert in financial matters, or in matters involving auditing or accounting. However, at least one (1) 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, but not limited to, being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. In addition, at least one (1) member of the Committee shall be an “audit committee financial expert” within the definition adopted by the Securities and Exchange Commission (the “*SEC*”) or the Company shall disclose in its periodic reports required pursuant to the Exchange Act the reasons why at least one (1) member of the Committee is not an “audit committee financial expert.” Except as otherwise permitted by the applicable Nasdaq rules, each member of the Committee shall be an “independent director” as defined by Rule 5605(a)(2) of the Nasdaq rules, meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Exchange Act (subject to the exemptions provided in Rule 10A-3(c)), and not 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.

2. The members of the Committee, including, but not limited to, the Chairperson of the Committee (the “*Chair*”), shall be appointed by the Board after considering any recommendation of the Nominating and Corporate Governance Committee of the Board. Committee members may be removed from the Committee, with or without cause, by the Board. Any action duly taken by the Committee shall be valid and effective, whether or not the members of the Committee at the time of such action are later determined not to have satisfied the requirements for membership provided herein.

III. Meetings and Procedures

1. The Chair (or in his or her absence, a member designated by the Chair) shall preside at each meeting of the Committee and set the agendas for Committee meetings. The Committee shall have the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of the Company’s bylaws that are applicable to the Committee.

2. The Committee shall meet as often as the Committee deems necessary or desirable in order to perform its responsibilities. The Committee shall periodically meet separately with management, with the internal auditor and with the independent auditor.

3. The Committee may retain any independent counsel, experts or advisors (accounting, financial or otherwise) that the Committee believes to be necessary or appropriate. The

Committee also may utilize the services of the Company's regular legal counsel or other advisors to the Company. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report or performing other audit, review or attestation services, for payment of compensation to any advisors employed by the Committee and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

4. The Committee may conduct or authorize investigations, including, but not limited to, through the use of independent counsel, experts or advisors, into any matters within the scope of the powers and responsibilities delegated to the Committee, and shall have full access to all books, facilities, records and personnel when necessary or advisable.

IV. Powers and Responsibilities

Interaction with the Independent Auditor

1. *Appointment and Oversight.* The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditor (including, but not limited to, resolution of any disagreements between Company management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attestation services for the Company, and the independent auditor shall report directly to the Committee.

2. *Pre-Approval of Services.* Before the independent auditor is engaged by the Company or its subsidiaries to render audit or non-audit services, the Committee shall pre-approve the engagement. Committee pre-approval of audit and non-audit services will not be required if the engagement for the services is entered into pursuant to pre-approval policies and procedures established by the Committee regarding the Company's engagement of the independent auditor, provided the policies and procedures are detailed as to the particular service, the Committee is informed of each service provided and such policies and procedures do not include delegation of the Committee's responsibilities under the Exchange Act to the Company's management. The Committee may delegate to one (1) or more designated members of the Committee the authority to grant pre-approvals, provided such approvals are presented to the Committee at a subsequent meeting. If the Committee elects to establish pre-approval policies and procedures regarding non-audit services, the Committee must be informed of each non-audit service provided by the independent auditor. Committee pre-approval of non-audit services (other than review and attestation services) also will not be required if such services fall within available exceptions established by the SEC. The Committee shall not engage the independent auditor to perform non-audit services prohibited by law or regulation, including, but not limited to, the prohibition of services set forth under Section 10A(g) of the Exchange Act.

3. *Independence of Independent Auditor.* The Committee shall, at least annually, review the independence and quality control procedures of the independent auditor and the experience and qualifications of the independent auditor's senior personnel that are providing audit services to the Company. In conducting its review:

(a) The Committee shall obtain and review any report that may be prepared by the independent auditor describing the auditing firm's internal quality-control procedures or any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five (5) years, respecting one (1) or more independent audits carried out by the independent auditor and any steps taken to deal with such issues.

(b) The Committee shall ensure that the independent auditor prepare and deliver, at least annually, a written statement delineating all relationships between the independent auditor and the Company, consistent with Rule 3526 of the PCAOB. The Committee shall actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that, in the view of the Committee, may impact the objectivity and independence of the independent auditor. If the Committee determines that further inquiry is advisable, the Committee shall take appropriate action in response to the independent auditor's report to satisfy itself of the auditor's independence.

(c) The Committee shall confirm with the independent auditor that the independent auditor is in compliance with the partner rotation requirements established by the SEC.

(d) The Committee shall, if applicable, consider whether the independent auditor's provision of any permitted information technology services or other non-audit services to the Company is compatible with maintaining the independence of the independent auditor.

Annual Financial Statements and Annual Audit

4. *Meetings with Management, the Independent Auditor and the Internal Auditor.*

(a) The Committee shall meet with management, the independent auditor and the internal auditor, if any, in connection with each annual audit to discuss the scope of the audit, the procedures to be followed and the staffing of the audit.

(b) The Committee shall review and discuss with management and the independent auditor: (i) accounting principles and financial statement presentations, including, but not limited to, any changes in the Company's selection or application of accounting principles, significant estimates and accruals, the reasonableness of significant judgments, and issues as to the adequacy and effectiveness of the Company's internal controls and any special remedial actions adopted in light of significant deficiencies or material control deficiencies, if any (including, but not limited to, a discussion of management's process for assessing the effectiveness of internal controls under Section 404 of the Sarbanes-Oxley Act of 2002 (the "**Sarbanes-Oxley Act**")); (ii) any analyses prepared by management or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including, but not limited to, analyses of the effects of alternative methods under GAAP on the Company's financial statements; and (iii) the effect of regulatory and accounting initiatives on the financial statements.

(c) The Committee shall review and discuss with management and the independent auditor any material off-balance sheet transactions, arrangements, obligations (including, but not limited to, contingent obligations) and other relationships of the Company with unconsolidated entities of which the Committee is made aware that do not appear on the financial statements of the Company and that may have a material current or future effect on the Company's financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components of revenues and expenses.

(d) The Committee shall review and discuss the annual audited financial statements with management and the independent auditor, if any, including, but not limited to, the Company's disclosures in any periodic report or other filing under "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Committee shall also discuss the results of the annual audit and any matters required to be communicated to the Committee by the independent auditor under the standards of the PCAOB.

5. *Separate Meetings with the Independent Auditor.*

(a) The Committee shall review with the independent auditor any problems or difficulties the independent auditor may have encountered during the course of the audit work, including, but not limited to, special audit risks, materiality and any restrictions on the scope of activities or access to required information or any significant disagreements with management and management's responses to such matters. Among the items that the Committee should consider reviewing with the independent auditor are: (i) any accounting adjustments that were noted or proposed by the auditor but were "passed" (as immaterial or otherwise); (ii) any communications between the audit team and the independent auditor's national office respecting auditing or accounting issues presented by the engagement; and (iii) any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditor to the Company. The Committee shall obtain from the independent auditor assurances that Section 10A(b) of the Exchange Act has not been implicated.

(b) The Committee shall discuss with the independent auditor the report that such auditor is required to make to the Committee regarding: (i) all accounting policies and practices to be used that the independent auditor identifies as critical; (ii) all alternative treatments within GAAP for policies and practices related to material items that have been discussed among management and the independent auditor, including, but not limited to, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and (iii) all other material written communications between the independent auditor and management of the Company, such as any management letter, management representation letter, reports on observations and recommendations on internal controls, independent auditor's engagement letter, independent auditor's independence letter, schedule of unadjusted audit differences and a listing of adjustments and reclassifications not recorded, if any.

(c) The Committee shall discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 114, "The Auditor's Communication with Those Charged With Governance," as adopted by the PCAOB in Rule 3200T (including, but not limited to, any successor rule adopted by the PCAOB).

6. *Recommendation to Include Financial Statements in Annual Report.* If applicable, the Committee shall, based on the review and discussions in paragraphs 4(d) and 5 above, and based on the disclosures received from the independent auditor regarding its independence and discussions with the auditor regarding such independence pursuant to paragraph 3(b) above, determine whether to recommend to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year subject to the audit.

Quarterly Financial Statements

7. *Meetings with Management and the Independent Auditor.* The Committee shall receive, review and discuss the quarterly financial statements with management and the independent auditor, including, but not limited to, the Company's disclosures in any periodic report or other filing under "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Committee shall also discuss the results of the quarterly review and any matters required to be communicated to the Committee by the independent auditor under the standards of the PCAOB.

Internal Control over Financial Reporting

8. The Committee shall discuss with management its process for assessing the effectiveness of internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act,

including, but not limited to, any material weaknesses or significant deficiencies identified. The Committee shall review management's report on its assessment of the effectiveness of internal control over financial reporting as of the end of each fiscal year and the independent auditor's report on the effectiveness of internal control over financial reporting. The Committee shall discuss with the independent auditor the characterization of deficiencies in internal control over financial reporting. The Committee shall also discuss with management its remediation plan to address internal control deficiencies. The Committee shall determine that the disclosures describing any identified material weaknesses and management's remediation plans are clear and complete. The Committee shall discuss with management its process for performing its required quarterly certifications under Section 302 of the Sarbanes-Oxley Act, including, but not limited to, the evaluation of the effectiveness of disclosure controls by the Chief Executive Officer and Chief Financial Officer. The Committee shall discuss with management and the independent auditor any (1) changes in internal control over financial reporting that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting that are required to be disclosed and (2) any other changes in internal control over financial reporting that were considered for disclosure in the Company's periodic filings with the SEC.

Internal Audit

9. *Appointment.* The Committee shall appoint an internal auditor if and when it deems it appropriate to do so (including, but not limited to, on account of applicable Nasdaq requirements) and shall thereafter review the appointment and replacement of the internal auditor.

10. *Separate Meetings with the Internal Auditor.* The Committee shall meet periodically in executive session with the Company's internal auditor, if any, to discuss the responsibilities, budget and staffing of the Company's internal audit function and any issues that the internal auditor believes warrant audit committee attention. The Committee shall discuss with the internal auditor, if any, any significant reports to management prepared by the internal auditor and any responses from management.

Other Powers and Responsibilities

11. The Committee shall discuss with management and the independent auditor the Company's earnings press releases, if any (with particular focus on any "pro forma" or "adjusted" non-GAAP financial information), as well as financial information and earnings guidance, if any, provided to analysts and rating agencies. The Committee's discussion in this regard may be general in nature (i.e., discussion of the types of information to be disclosed and the type of presentation to be made). The Committee should be furnished with an advance copy of each earnings release for its review prior to publication.

12. The Committee shall review all related-party transactions which are required to be reported under applicable SEC regulations (other than compensation-related matters) on an ongoing basis and all such transactions must be approved by the Committee. The Committee may adopt and administer a policy regarding the review and approval of such transactions, if and as appropriate.

13. The Committee shall review on a periodic basis, or as appropriate, any investment policy of the Company and recommend to the Board any changes to the investment policy.

14. The Committee shall review and request assurances from management that the Company is complying with the appropriate legal and audit requirements for any Company sponsored retirement plans, including, but not limited to, the Company's 401(k) plan.

15. The Committee shall discuss with management and the independent auditor any correspondence from or with regulators or governmental agencies, any published reports and any employee complaints that, in each case, raise material issues regarding the Company's financial statements, financial reporting process, accounting policies or internal audit function, if any.

16. The Committee shall discuss with the Company's chief legal officer, if any, or outside counsel any legal matters brought to the Committee's attention that could reasonably be expected to have a material impact on the Company's financial statements.

17. The Committee shall request assurances from management and the Company's internal auditors, if any, that the Company's foreign subsidiaries and foreign affiliated entities, if any, are in conformity with applicable legal requirements, including, but not limited to, disclosure of affiliated-party transactions.

18. The Committee shall discuss with management the Company's policies with respect to risk assessment and risk management. The Committee shall discuss with management the Company's significant risk exposures and the actions management has taken to limit, monitor or control such exposures.

19. The Committee shall set clear hiring policies for employees or former employees of the Company's independent auditor that meet applicable SEC regulations and Nasdaq requirements.

20. The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters. The Committee shall also establish procedures for the confidential and anonymous submission by employees regarding questionable accounting or auditing matters. Among other things, the Committee will cause the Company to implement, maintain and monitor an ethics helpline that is designed to receive anonymous reports of any known or suspected violations of the Company's Code of Business Conduct and Ethics, if and when applicable, or any applicable laws and regulations. The Committee will investigate any reports received through the ethics helpline and report to the Board periodically with respect to the information received through the ethics helpline and any related investigations.

21. The Committee shall provide the Company with the report of the Committee with respect to the audited financial statements required by Item 407 of Regulation S-K of the Exchange Act, for inclusion in each of the Company's annual proxy statements, if applicable.

22. The Committee, through its Chair, shall report regularly to, and review with, the Board any issues that the Committee determines are necessary or advisable to report to the Board, such as any issues with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and the independence of the Company's independent auditor, and the performance of the Company's internal auditor, if any.

23. If and when applicable, the Committee shall periodically consider and discuss with management and the independent auditor the Company's Code of Business Conduct and Ethics and the procedures in place to enforce the Code of Business Conduct and Ethics. If and when applicable, the Committee shall also consider and discuss and, as appropriate, grant requested waivers from the Code of Business Conduct and Ethics brought to the attention of the Committee, though the Committee may defer any decision with respect to any waiver to the Board.

24. The Committee shall, at least annually, (a) perform an evaluation of the performance of the Committee and its members, including, but not limited to, a review of the Committee's compliance with this Charter, and (b) provide any written material with respect to such evaluation to the

Board, as appropriate, including, but not limited to, any recommendations for changes in procedures or policies governing the Committee.

25. The Committee shall at least annually review and reassess this Charter and submit any recommended changes to the Board for its consideration.

V. Limitations on Scope

The Committee members shall serve on the Committee subject to the understanding on their part and the part of the Company's management and the independent auditors that:

1. The Committee members are not employees or officers of the Company and are not directly involved in the Company's daily operations, and they will not serve as members of the Committee on a full-time basis.

2. The Committee members expect the Company's management and the independent auditors to provide the Committee with prompt and accurate information, so that the Committee can discharge its duties properly.

3. To the extent permitted by law, the Committee shall be entitled to rely on the information and opinions of the persons and entities noted above in carrying out its responsibilities.

4. The Committee members, in agreeing to serve on the Committee pursuant to this Charter, do so in reliance on, among other things, the indemnification agreements between the Company and each member and the provisions of the Company's certificate of incorporation which (a) together with the bylaws, provide indemnification for their benefit, and (b) to the fullest extent provided by law, provide that no director shall be liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as director.

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