

TARGANTA THERAPEUTICS CORPORATION
AUDIT COMMITTEE CHARTER

A. PURPOSE AND SCOPE

The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) to oversee the accounting and financial reporting processes of Targanta Therapeutics Corporation (the “Company”) and the audits of the Company’s financial statements. The primary purpose of the Audit Committee is to assist the Board in fulfilling its responsibilities with respect to: (i) the integrity of the Company’s financial statements; (ii) the independence, qualifications and performance of the Company’s internal and external auditors; (iii) the Company’s compliance with legal and regulatory requirements; and (iv) the preparation of the Committee report for the inclusion in the annual proxy statement. The Audit Committee has the authority to obtain advice and assistance from outside legal, accounting, or other advisors as deemed appropriate to perform its duties and responsibilities. The Company shall provide appropriate funding, as determined by the Audit Committee, for compensation to the independent auditor and to any advisers that the audit committee chooses to engage.

B. COMPOSITION AND QUALIFICATIONS

The Committee shall be comprised of a minimum of three directors as appointed by the Board, considering the recommendations of the Nominating and Corporate Governance Committee. They shall meet the independence and audit committee composition requirements under any rules or regulations of the Financial Industry Regulatory Authority, the Securities and Exchange Commission (“SEC”), any applicable exchange, quotation system or market upon which securities of the Company are traded, or any governmental or regulatory body exercising authority over the Company (each a “Regulatory Body” and, collectively, the “Regulatory Bodies”), as in effect from time to time. In addition, in order to be a member of the Committee, the Board must have affirmatively determined that each such member is independent and has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) that would interfere with such member’s exercise of independent judgment in carrying out his other duties as a director and member of the committee.

All members of the Committee shall meet applicable financial literacy requirements under the rules of the Regulatory Bodies, namely to be able to read and understand fundamental financial statements, including a balance sheet, cash flow statement and income statement. At least one member of the Committee shall meet applicable financial sophistication requirements under the rules of the Regulatory Bodies, namely to have had 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 being or having been a chief executive officer, chief financial officer, or other senior officer with financial oversight responsibilities. At least one member of the Committee shall be an “audit committee financial expert” as defined by the SEC.

To the extent permitted by the Regulatory Bodies, the Board may avail itself of cure periods and exemptions from the requirements of the Regulatory Bodies, including the ability to: (i) exempt all but one of the members of the Committee from the independence requirements for up to ninety (90) days following the effectiveness of the Company's registration statement relating to its initial public offering pursuant to Rule 10A-3(b)(iv) of the Securities Exchange Act of 1934 (the "Exchange Act"); (ii) exempt a minority of members from the independence requirements for up to one year from the effectiveness of the Company's registration statement relating to its initial public offering pursuant to Rule 10A-3(b)(iv) of the Exchange Act and (iii) appoint one member (other than the Chairman of the Committee) who does not meet the independence requirements set forth above (other than those set forth by the SEC in Rule 10A-3(b) of the Exchange Act) and who is not a current officer or employee of the Company or a family member of an officer or employee if the Board, under exceptional and limited circumstances, determines that membership on the Committee by the individual is required by the best interests of the Company and its shareholders and the member meets all other requirements. The Board shall disclose in the next proxy statement after such determination the nature of the relationship and the reasons for the determination.

If any member of the Committee simultaneously serves on the audit committees of more than three public companies, then in each case, the Board must determine that such simultaneous service would not impair the ability of such member to serve on the Committee and disclose such determination in the Company's annual proxy statement (or, if the Company does not file a proxy statement, in its Form 10-K).

The members of the Committee shall be elected by the Board at the meeting of the Board following each annual meeting of stockholders and shall serve until their successors shall be duly elected and qualified or until their earlier resignation or removal. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

C. MEETINGS AND MINUTES

The Committee shall meet as often as it deems necessary to fulfill its responsibilities, but no less than four (4) times per year. The Committee shall meet at least quarterly with the independent auditor in separate executive sessions or provide the opportunity for full and frank discussion without members of senior management present. The Committee shall establish its own rules of procedure, which shall be consistent with the Bylaws of the Company and this Charter. The Committee shall report regularly to the Board and shall keep written minutes of its meetings with the books and records of the Company.

D. RESPONSIBILITIES

To fulfill its responsibilities, the Committee shall:

Document Review

1. Review and discuss with management and representatives of the independent accounting firm (a) the Company's audited annual financial statements prior to their filing as part of the Annual Report on Form 10-K; (b) the Company's quarterly financial statements prior

to their inclusion in the Company's quarterly SEC filings on Form 10-Q; and (c) the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in such reports and other reports filed with the SEC.

2. After review and discussion of the Company's audited financial statements, recommend to the Board whether or not such audited financial statements should be published in the Company's Annual Report on Form 10-K.
3. Review and discuss with management, the Company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies. This review and discussion may be general in nature (i.e., review and discussion of the type of information to be disclosed and the types of presentations to be made) and the Committee need not discuss in advance each earnings release or each instance in which the Company may provide earnings guidance. The Committee, however, must pay particular attention to the use of any "pro forma" or "adjusted" non-GAAP information.
4. Take steps designed to ensure that the independent accounting firm reviews the Company's interim financial statements prior to their inclusion in the Company's quarterly reports on Form 10-Q.

Independent Accounting Firm

5. Have sole authority and be directly responsible for the appointment, compensation, retention (including the authority not to retain or to terminate), evaluation, and oversight of any independent accounting firms engaged by the Company for the purpose of preparing or issuing an audit report or performing audit-related work. The authority of the Committee shall include ultimate authority to approve all audit engagement fees and terms. Any independent accounting firm retained by the Company must report directly to the Committee.
6. Approve in advance any and all audit and non-audit services to be performed by the independent accounting firm and adopt and, as applicable, implement policies for such pre-approval.
7. Determine the amount of any funding necessary for compensation of any independent accounting firms retained by the Committee and request the Company provide the anticipated funding needs of the Committee.
8. Regularly review with the independent accounting firm any problems or difficulties the accounting firm encountered in the course of the audit work, including any restrictions on the scope of the independent accounting firm's activities or on access to requested information, management's response and any significant disagreements with management.
9. Be directly responsible for the resolution of any disagreements between management and the independent accounting firm regarding financial reporting matters.

10. On an annual basis, receive from the independent accounting firm a formal written statement identifying all relationships between the independent accounting firm and the Company consistent with Independence Standards Board (“ISB”) Standard No. 1, as it may be modified or supplemented. The Committee shall actively engage in a dialogue with the independent accounting firm as to any disclosed relationships or services that may impact its objectivity and independence. The Committee shall take other actions, as appropriate and necessary, to assist the Board with overseeing the independence of the independent accounting firm.
11. On an annual basis, obtain and review a report by the Company’s independent accounting firm describing: the accounting firm’s internal quality control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the accounting firm, 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 accounting firm, and any steps taken to deal with such issues; and (to assess the auditor’s independence) all relationships between the independent accounting firm and the Company.
12. On an annual basis, discuss with representatives of the independent accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61 and 90, as they may be modified or supplemented.
13. Evaluate the qualifications, independence, and performance of the independent accounting firm (and its lead partner) and consider the discharge of the independent accounting firm when circumstances warrant.
14. Establish clear hiring policies for employees or former employees of the Company’s independent accounting firm.
15. Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit partner responsible for reviewing the audit as required by law.

Financial Reporting Processes

16. In consultation with the independent accounting firm and management, review periodically but at least annually the adequacy and effectiveness of the Company’s internal controls over financial reporting.
17. In consultation with the independent accounting firm and management, regularly review:
 - (a) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company’s selection or application of accounting principles, and major issues as to the adequacy of the Company’s internal controls and any special audit steps adopted in light of significant deficiencies and/or material weaknesses in such controls; (b) analyses prepared by management and/or the independent accounting firm setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and

- (c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
18. Regularly review the Company's critical accounting policies and accounting estimates resulting from the application of these policies and inquire at least annually of both the Company's internal auditors and the independent accounting firm as to whether either has any concerns relative to the quality or aggressiveness of management's accounting policies.
 19. Discuss guidelines and policies with respect to financial risk assessment and management.

Corporate Audit Activities

20. Regularly review the plan and scope of the Company's internal audit activities and the budget and staffing of the Company's internal audit function.
21. Review on a periodic basis, with the Company's internal auditor(s), the progress of the proposed corporate audit plan, including any deviations from the original plan, any difficulties encountered in the course of the audits, and any restrictions on the scope of the internal audit work or access to required information.
22. Review with management any significant findings in the internal audit reports and management's response to such reports.

Compliance

23. Engage outside advisors, including but not limited to independent counsel, independent accounting consultants, and/or other experts, as it determines necessary to carry out its responsibilities.
24. Determine the amount of funding necessary for ordinary administrative expenses of the Committee and for compensation of any outside advisors to be engaged by the Committee and request the Company provide the anticipated funding needs of the Committee.
25. Review the Company's compliance policies, compliance procedures, related reports and training programs, as appropriate.
26. Establish procedures for (a) the receipt, retention, and treatment of complaints by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
27. Conduct or originate an investigation into any matter within the scope of the Committee's responsibilities, including but not limited to any allegations that any officer or director of the Company, or any other person acting under the direction of any such person, took any action to fraudulently influence, coerce, manipulate, or mislead any independent public or

certified accountant engaged in the performance of an audit of the financial statements of the Company for the purpose of rendering such financial statements materially misleading and, if such allegations prove to be correct, take or recommend to the Board appropriate disciplinary action.

28. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.

Reporting

29. Prepare, in accordance with the rules of the SEC as modified or supplemented from time to time, a written report of the Committee to be included in the Company's annual proxy statement for each annual meeting of stockholders.
30. Instruct the Company's management to disclose in its annual proxy statement for each annual meeting of stockholders, in its Form 10-K and in any Form 10-Q, the approval by the Committee of any non-audit services performed by the independent accounting firm, and review the substance of any such disclosure and the considerations relating to the compatibility of such services with maintaining the independence of the accounting firm.

Miscellaneous

31. Review and assess the adequacy of this Charter periodically as conditions dictate, but at least annually (and update this Charter if and when appropriate).
32. Review and assess the performance of the Committee periodically as conditions dictate, but at least annually.
33. Meet separately on a periodic basis with management, the Company's internal auditors (or other personnel responsible for the internal audit function) and with the Company's independent accounting firm.
34. Report regularly to the Board and in particular, 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 accounting firm or the performance of the internal audit function.
35. Review and approve all proposed related party transactions. The Committee will submit any related party transactions to the Board for its approval or implementation of appropriate remedial action.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the responsibility of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management is responsible for preparing the Company's financial statements and the external auditors are responsible for auditing those financial statements. Nor

is it the responsibility of the Committee to assure compliance with laws and regulations. The Committee shall be entitled to rely on (i) the judgment of those persons and organizations internal and external to the Company that it receives information from and (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations.