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XBIOTECH INC.

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS[1]

I. PURPOSE

The purpose of the Audit Committee (the "Committee") of the Board of Directors of XBiotech Inc. (the "Company") is to oversee the Company's accounting and financial reporting processes, the audit of the Company's financial statements, and the other compliance, risk oversight and matters provided herein.

II. COMPOSITION

The Audit Committee shall consist of three or more directors. Each member of the Committee shall be independent in accordance with the requirements of Rule 10A-3 of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules of the Nasdaq Stock Market Inc., for companies listed on the Nasdaq Stock Market, subject to certain transition rules set forth in the Nasdaq and SEC rules. Each member of the Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement. At least one member of the Committee must be an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K. A person who satisfies this definition of audit committee financial expert may also be presumed to have financial sophistication.

The members of the Committee shall be appointed by the Board based on recommendations from the Nominating and Corporate Governance Committee of the Board. The members of the Committee shall be appointed for one-year terms and shall serve for such term or terms as the Board may determine or until earlier resignation or death. The Board may remove any member from the Committee at any time with or without cause.

III. DUTIES AND RESPONSIBILITIES

The principal responsibilities and duties of the Committee are set forth below. These duties are set forth as a guide with the understanding that the Committee will carry them out in a manner that is appropriate given the Company's needs and circumstances. The Committee may supplement them as appropriate and may establish policies and procedures from time to time that it deems necessary or advisable in fulfilling its responsibilities.

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[1] Most recently reviewed and approved by the Compensation Committee on March 19, 2015

A. Independent Auditors

1. *Appointment and Oversight of Independent Auditors.* The Committee will appoint the independent auditor to examine the Company's accounts, controls and financial statements. The Committee has sole responsibility for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between the Company's management and the firm regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, and the independent auditor and each such registered public accounting firm will report directly to the Committee.

2. *Auditor Independence and Qualifications*

   a. The Committee is responsible for assessing the independent auditor's qualifications, performance and independence annually. In connection with this assessment, the Committee will make sure it reviews, on an annual basis, all relationships between the independent auditor and the Company, including those described in the formal written statement that the Committee obtains annually from the independent auditor under applicable requirements of the Public Company Accounting Oversight Board (the "PCAOB").

   b. The Committee will obtain and review an annual report from the independent auditors describing (i) the independent auditors' internal quality control procedures and (ii) any material issues raised by any recent internal quality control review, peer review, or PCAOB review, of the independent auditors, and steps taken to deal with any such issues.

3. *Approval of Audit and Non-Audit Services*

   a. The Committee will review the independent auditor's audit planning, scope and staffing.

   b. The Committee will pre approve all audit related and non-audit related services provided to the Company by the independent auditor. The Committee may establish pre-approval policies and

procedures, as permitted by the Nasdaq Rules, the SEC Rules and applicable law.

4. *Interaction with Independent Auditor*

a. The Committee will obtain, at least annually, required reports from the independent auditor, including (i) such firm's internal quality control procedures, (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the 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 firm, and (iii) any steps taken to deal with any such issues. In addition, the Committee will review and, to the extent warranted, discuss with the independent auditor such reports and any other matters required to be reviewed under applicable legal or regulatory requirements or Nasdaq Rules.

b. The Committee will periodically consult with the independent auditor out of the presence of the Company's management about the Company's internal controls, the fullness and accuracy of the Company's financial statements, any audit problems or difficulties and management's response, and any other matters that the Committee or independent auditor believes should be discussed privately with the Committee.

c. The Committee will review and concur with any Company hiring of employees or former employees of the independent auditor who were engaged on the Company's account or otherwise, as required by applicable legal or regulatory requirements or Nasdaq Rules.

B. **Financial Statements and Disclosures**

1. *Financial Statements and Disclosures*

a. The Committee will meet to review and discuss with the independent auditor and the Company's management the Company's quarterly financial statements and annual audited financial statements, including the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

b. The Committee will be responsible for recommending to the Board whether the annual audited financial statements should be included in the Company's annual report on Form 10 K.

c. The Committee will cause to be prepared and review a report to the Company's stockholders for inclusion in the Company's proxy statement as required by the Commission Rules.

d. The Committee will discuss with the independent auditors and the Company's management any items appropriate or required to be discussed in accordance with applicable PCAOB standards in connection with the preparation of financial statements of the Company.

2. *Earnings Announcements and Other Financial Information.* The Committee will discuss generally with the Company's management and the independent auditor, as appropriate, the type of information to be disclosed and type of presentation to be made regarding the Company's earnings press releases and other financial information released to analysts and rating agencies.

3. *On-going Reviews.* In connection with the foregoing, the Committee will review the Company's financial reporting and accounting standards and principles, significant changes in such standards or principles or in their application and the key accounting decisions affecting the Company's financial statements.

C. Controls and Procedures

1. *Review of Processes, Systems, Controls and Procedures.* The Committee will review and discuss with the independent auditor and the Company's management their periodic reviews of the Company's accounting and financial reporting processes, systems of internal control (including any significant deficiencies and material weaknesses identified in their design or operation), and disclosure controls and procedures (and management's reports thereon).

2. *Review of Legal and Compliance Matters.* Review with management, at least annually, (i) the Company's program for promoting and monitoring

compliance with applicable legal and regulatory requirements, and (ii) the Company's major legal compliance risk exposures and the steps management has taken to monitor or mitigate such exposures, including the Company's procedures and any related policies with respect to risk assessment and risk management.

3. *Oversight of Risk Assessment and Risk Management.* The Committee will discuss with the Company's management the Company's major financial risk and enterprise exposures and the steps management has taken to monitor and control such exposures, including the Company's procedures and any related policies with respect to risk assessment and risk management.

4. *Whistleblower Procedures.* The Committee is responsible for establishing and overseeing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and for the confidential anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

D. General

1. *Related Party Transactions.* The Committee will review and approve, in accordance with the Company's Related Party Transactions Policy, any proposed transaction between the Company and any related party, as defined by applicable law, the SEC Rules, and the Nasdaq Rules.

2. *Ethics Waivers.* The Committee will consider requested waivers of the Company's Code of Business Conduct and Ethics involving a member of the Nominating and Corporate Governance Committee and retain authority to grant any such waivers.

3. *Legal and Regulatory Oversight.* The Committee will periodically review with the Company's management the status of any legal or regulatory matters that could have a significant impact on the Company's financial statements.

4. *Other Activities.* The Committee will perform any other activities required by applicable law, rules or regulations, including the SEC Rules and Nasdaq Rules, and take such other actions and perform and carry out any other responsibilities and duties delegated to it by the Board or as the Committee deems necessary or appropriate consistent with its purpose.

IV. STUDIES AND OUTSIDE ADVISORS

The Committee, in discharging its responsibilities, may conduct, direct, supervise or authorize studies of, or investigations into, any matter that the Committee deems appropriate, with full and unrestricted access to all books, records, documents, facilities and personnel of the Company. The Committee has the sole authority and right, at the expense of the Company, to retain legal and other consultants, accountants, experts and advisers of its choice to assist the Committee in connection with its functions, including any studies or investigations. The Committee will have the sole authority to approve the fees and other retention terms of such advisers. The Company will provide for appropriate funding, as determined by the Committee, for (a) the payment of compensation to any legal and other consultants, accountants, experts and advisers retained by the Committee and (b) ordinary administrative expenses of the Committee that are necessary and appropriate in carrying out its functions.

V. STRUCTURE AND OPERATIONS

The Board shall designate a member of the Committee as the chairperson. The Committee shall meet at least four times a year at such times and places as it deems necessary to fulfill its responsibilities. The Committee shall report regularly to the Board on its discussions and actions, including any significant issues or concerns that arise at its meetings, and shall make recommendations to the Board as appropriate. The Committee is governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board.

The Committee shall meet separately, and periodically, with management and representatives of the Company's independent auditors, and shall invite such individuals to its meetings as it deems appropriate, to assist in carrying out its duties and responsibilities. However, the Committee shall meet regularly without such individuals present.

VI. DELEGATION OF AUTHORITY

The 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 Committee may deem appropriate in its sole discretion.

VII. REVIEW OF COMMITTEE COMPOSITION AND CHARTER

The Committee will evaluate the Committee's composition on an annual basis. The Committee will review and reassess the adequacy of this Charter on an annual basis, and recommend to the Board any changes the Committee determines are appropriate.