

PALATIN TECHNOLOGIES, INC.

Audit Committee Charter

Purpose

The audit committee is appointed by the board of directors of Palatin Technologies, Inc. to assist the board in fulfilling its oversight responsibilities by performing the following:

- Discuss with management and the independent auditors the integrity of the company's accounting policies, internal controls, corporate governance, financial statements, financial reporting practices and significant corporate risk exposures, and steps management has taken to monitor, control and report such exposures.
- Monitor the qualifications, independence and performance of the company's independent auditors.
- Monitor the company's overall direction and compliance with legal and regulatory requirements and corporate governance including its code of business conduct and ethics.
- Maintain open and direct lines of communication with the board and company's management and independent auditors.

Authority

The committee has the authority to retain special legal, accounting or other experts for advice, consultation or special investigation. The committee may request any officer or employee of the company, the company's outside legal counsel, or the independent auditor to attend a meeting of the committee or to meet with any member of, or consultants to, the committee. The committee may also, to the extent it deems necessary or appropriate, meet with the company's investment bankers or financial analysts who follow the company. The committee will have full access to the books, records and facilities of the company.

Responsibilities

In carrying out its oversight responsibilities, the committee will:

Financial Statement and Disclosure Matters

1. Review and discuss the annual audited financial statements, including disclosures made in Management's Discussion and Analysis, with management and the independent auditors, and make its recommendation to the board as to the inclusion of the company's audited financial statements in the company's annual report on Form 10-K.

2. Review and discuss with management and the independent auditors the company's quarterly financial results prior to the filing of the Form 10-Q, including disclosures made in Management's Discussion and Analysis, the results of the independent auditors' review of the quarterly financial statements.

3. Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the company's financial statements, including any significant changes in the company's selection or application of accounting principles, any major issues as to the adequacy of the company's internal controls, the development, selection and disclosure of critical accounting estimates, and analyses of the effect of alternative assumptions, estimates or Generally Accepted Accounting Principles (GAAP) methods on the company's financial statements.

4. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures related to the company's financial statements.

5. Discuss with management the company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies.

6. Discuss with the independent auditors the matters required to be discussed by American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards No. 61 (Communication with Audit Committees). In particular, discuss:

- The adoption of, or changes to, the company's significant auditing and accounting principles and practices as suggested by the independent auditor or management.
- The management letter provided by the independent auditor and the company's response to that letter.
- Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

Independent Auditor Matters

7. Approve the appointment of the independent auditor, which firm is ultimately accountable to the audit committee of the board, as the shareholders' representatives. Determine and approve audit engagement fees and other compensation to be paid to independent auditors.

8. Review the experience and qualifications of the senior members of the independent auditor's team.

9. Obtain and review a report from the independent auditor at least annually regarding (a) the auditor's internal quality-control procedures, (b) any material issues raised by the most recent quality-control review, or peer review, of the auditor, 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, (c) any steps taken to deal with any such issues, and (d) all relationships between the independent auditor and the company. Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of non-audit services is compatible with maintaining the auditor's independence, taking into account the opinions of management.

10. Ensure that neither the lead audit partner nor the reviewing audit partner perform audit services for the company for more than five (5) consecutive fiscal years.

11. Ensure that the independent auditors submit on a periodic basis to the committee a formal written statement delineating all relationships between the independent auditors and the company, and actively engage in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors.

12. Set policies for the company's hiring of employees or former employees of the independent auditor who were engaged on the company's account during the preceding five-year period and ensure that no person employed by the independent auditor during the preceding one-year period is hired as a chief executive officer, controller, chief financial officer, chief accounting officer, or any equivalent position for the company.

13. Discuss with the engagement partner of the independent auditor issues on which he or she was consulted by the company's audit team and matters of audit quality and consistency.

14. Determine whether to retain or terminate the independent auditor and inform the board of its decision.

15. Approve, and discuss the scope and approach of, all auditing services (including comfort letters and statutory audits) and any non-audit work to be undertaken by the independent auditor prior to the performance of such work and disclose any such approvals in the company's periodic filings.

Internal Controls

16. Discuss with the independent auditors:
 - The adequacy and effectiveness of the company's internal controls, including computerized information system controls and security, and consider any recommendations for improvement of such controls.
 - Any related significant findings and recommendations of the independent auditors together with management's responses.

Legal and Tax Matters

17. Discuss with management (including the General Counsel) the status of significant legal and tax matters that could have a material impact on the company's financial statements.

Compliance Matters

18. Obtain from the independent auditor assurance that Section 10A (a) through (f) of the Securities and Exchange Act of 1934, as amended, has not been implicated.
19. Discuss with management and the independent auditor the company's compliance with applicable laws and regulations and any material reports, correspondence or inquiries from regulatory or government agencies and any employee complaints or published reports which raise material issues regarding the company's financial statements or accounting policies.
20. Obtain reports from management and the independent auditor that the company and its subsidiary entities are in conformity with applicable legal requirements, legal business policies, regulatory requirements and the company's Code of Business Conduct and Ethics. Review reports and disclosures of insider and affiliated party transactions. Advise the board with respect to the company's policies and procedures regarding compliance with applicable laws and regulations and with the company's Code of Business Conduct and Ethics.
21. Establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matters, and the confidential anonymous submissions by employees of concerns regarding questionable accounting or auditing matters.
22. Review any report of evidence of a "material violation" made to the committee by any of the company's in-house or outside attorneys and take all necessary and appropriate action in response thereto.

Risk Management

23. Meet periodically with management to discuss the company's major risk exposures and the steps taken to insure appropriate processes are in place to identify, manage, and control business risks associated with the company's business objectives.

24. Discuss with management significant risk management failures, if any, including management's response.

Membership

The committee will consist of three or more directors appointed by the board. The composition of the committee will comply with the independence and experience requirements of the American Stock Exchange, the Securities and Exchange Commission and any applicable laws.

In fulfilling their responsibilities, it is recognized that members of the committee are not full-time employees of the company. It is not the duty or responsibility of the committee or its members to conduct "field work" or other types of auditing, legal, or accounting reviews or procedures. The company's management is responsible for preparing the company's financial statements and the independent auditors are responsible for auditing those financial statements.

Unless he or she believes to the contrary (in which case, he or she will advise the committee of such belief), each member of the committee will be entitled to assume and rely on (1) the integrity of those persons and organizations within and outside the company that it receives information from and (2) the accuracy of the financial, legal, safety, health and environment, and other information provided to the committee by such persons or organizations.

Meetings

Except as otherwise required by the company's certificate of incorporation or bylaws, a majority of the members of the committee will constitute a quorum for the transaction of business and the act of a majority of the members present at any meeting at which there is a quorum will be the act of the committee.

The chairperson of the committee will be responsible for scheduling all meetings of the committee and providing the committee with a written agenda for each meeting. The chairperson will preside at the meetings of the committee. In the absence of the chairperson, the majority of the members of the committee present at a meeting will appoint a member to preside at the meeting.

The committee will make regular reports to the board, and all actions of the committee will be reported to the board at the next regular meeting of the board. The Secretary or an Assistant Secretary of the company, or a member of the committee, will keep the minutes of the committee, which will be distributed to all board members.

The committee will meet at least quarterly with management and the independent auditors in separate executive sessions.

Compensation

The company will compensate committee members solely in the form of directors' fees. The committee members may, however, receive higher fees than basic board service by other board members, in light of their heightened responsibilities to the company.

Miscellaneous

The committee will review and reassess the adequacy of this charter and the composition of the committee annually and recommend any proposed changes to the board for approval.

The committee will annually review its own performance.

The committee will prepare the report of the committee required by the rules of the Securities and Exchange Commission to be included in the company's annual proxy statement. The committee will also perform such other duties as the board may assign to it from time to time.

This charter does not amend the provisions of the bylaws with respect to the audit committee or other committees of the board absent a separate resolution of the board expressly amending the bylaws.

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