

**XTL BIOPHARMACEUTICALS LTD.  
AUDIT COMMITTEE CHARTER**

**PURPOSE**

The Audit Committee (the "Committee") is appointed by the Board of Directors of XTL Biopharmaceuticals, Ltd. (the "Company") to assist the Board of Directors in overseeing (1) the accounting and financial reporting processes of the Company and (2) the audits of the financial statements of the Company.

In furtherance of this purpose, the Committee shall maintain direct communication with each of the Company's independent auditors and the Board of Directors. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and has the authority to retain at the Company's expense outside legal, accounting or other advisors to advise the Committee and to receive appropriate funding, as determined by the Committee, from the Company for the payment of the compensation of such advisors. The independent auditors shall report directly to the Committee and are ultimately accountable to the Committee and the Board of Directors of the Company.

The Committee's job is one of oversight and it recognizes that the Company's management is responsible for preparing the Company's financial statements and that the outside auditors are responsible for auditing those financial statements. Additionally, the Committee recognizes that management of the Company, as well as the independent auditors, have more time and more detailed information about the Company than do Committee members; consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the independent auditors' work.

**COMPOSITION OF THE COMMITTEE**

The Committee shall be composed of at least three members, who shall be independent directors meeting the requirements of Rule 4200(a)(15) of the NASD Manual and the rules of the U.S. Securities and Exchange Commission (the "SEC"), and appointed by the Board of Directors on the recommendation of the Nominating Committee. The members shall be appointed from among the Board of Directors members and all Outside Directors (according to the Israeli's Companies Law 5759-1999) shall be members of it. In addition, the Chairman of the Board of Directors and any Director who is employed by the Company or regularly gives it services shall not be members of the committee. Each member must not accept directly or indirectly any consulting, advisory or other compensatory fees from the Company, other than (a) fixed amounts of compensation under a retirement plan for prior service with the company, or (b) compensation for service as a director or member of any committee of the Board of Directors. In addition, each member must not have participated in the preparation of the financial statements of the Company (or any subsidiary of the Company) at any time during the three years prior to appointment on the Committee. Additionally, the members of the Committee must be able to read and understand fundamental financial

statements, and one member must qualify as an “audit committee financial expert” as such term is defined by Item 401(h)(2) of Regulation S-K under the rules and regulations of the SEC.

The Chairman of the Committee shall be designated by the Board of Directors. In the absence of the Chairman, the members of the Committee may designate a chairman by majority vote. The Board of Directors may, at any time, remove one or more directors as members of the Committee, subject limitations imposed by the Israeli Companies Act.

#### **AUTHORITY AND RESPONSIBILITIES**

The Committee shall:

- At least annually, review and reassess the adequacy of this Charter and evaluate the performance of the Committee and report the results thereof to the Board of Directors.
- In consultation with corporate management, the independent auditors, and the internal auditors, consider the integrity of the Company’s financial reporting processes and controls.
- Annually obtain and review a report from the independent auditors, which shall be delivered prior to and within 90 days of the filing of the audit report with the SEC, which sets forth:
  - All critical accounting policies and practices used by the Company,
  - All alternative accounting treatments of financial information within GAAP related to material items that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the accounting firm, and
  - Other material written communication between the accounting firm and management.
- In conjunction with the full Board of Directors, appoint (subject to annual ratification of the Company’s stockholders), retain, compensate, evaluate, and oversee the Company’s independent auditors; oversee and confirm the regular rotation of the lead audit partner of the independent auditors.
- Pre-approve, to the extent required by applicable law, all audit and non-audit engagements and the related fees and terms with the independent auditors. In accordance with applicable law, the Committee may delegate this authority to one or more designated members of the Committee; provided that any such decision made pursuant to the foregoing delegation of authority shall be presented to the Committee at its next regularly-scheduled meeting.

- Review annually the Company's internal auditing program and significant reports with the director of internal audit and corporate management's response and follow-up to those reports.
- Review with the independent auditors, on completion of the annual audit, their experience, any difficulties encountered, any restrictions on their work, cooperation received, significant disagreements with corporate management, their findings and their recommendations. Oversee the resolution of any disagreements between management and the independent auditors.
- Review the application of significant regulatory, accounting and auditing initiatives, including new pronouncements, as well as off-balance sheet structures on the Company's financial statements.
- Review and assess the adequacy of internal accounting procedures and controls, and any programs that the Company has instituted to correct any control deficiencies noted by the director of internal audit in his periodic review or the independent auditors in their annual review. Discuss with management the results of the foregoing reviews, including significant items and potential ways to improve the accounting procedures and controls.
- 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.
- Establish, in conjunction with the Remuneration Committee, clear hiring policies for current or former employees of the independent auditors.
- Report annually to the Board of Directors, after the close of each fiscal year but prior to the Company's annual meeting of stockholders, as well as on any other occasion, any issues that arise with respect to the quality or integrity of the Company's publicly reported financial statements, the Company's compliance with legal or regulatory financial disclosure requirements, the performance and independence of the independent auditors, the performance of the internal audit function or whatever it deems appropriate concerning the activities of the Committee.
- Perform any other activities consistent with this Charter, the Company's other governing documents, and governing law as the Committee or the Board of Directors deems necessary or appropriate.
- The Company's Internal Auditor shall be given notice of the committee meetings and may participate in them.

## **COMMITTEE MEETINGS**

The Committee shall meet at least 4 times per year. Minutes of each of these meetings shall be kept and the Chief Financial Officer will function as the management liaison officer to this Committee.