

NEW RIVER PHARMACEUTICALS INC.

Audit Committee Charter

Introduction

The Board of Directors of New River Pharmaceuticals Inc. (the “Company”) has constituted an Audit Committee (the “Committee”) that shall have responsibility for overseeing:

- the accounting and financial reporting processes of the Company;
- reliability of the Company’s financial statements;
- effective evaluation and management of the Company’s financial risks;
- the Company’s compliance with laws and regulations; and
- maintenance of an effective and efficient audit of the Company’s annual financial statements by a qualified and independent auditor.

The Committee shall preserve open avenues of communication among the external auditors, internal auditors, financial management, senior management, the Committee and the Board of Directors.

This Charter sets out the specific responsibilities delegated by the Board to the Committee and details the manner in which the Committee shall operate.

Responsibilities

Effective Management of Financial Risks

The Committee shall be aware of the current areas of greatest financial risk to the Company and ensure that management is effectively assessing and managing the risks.

The Committee shall satisfy itself that effective systems of accounting and internal control are established and maintained to manage financial risk. The Committee shall periodically consult with the independent auditor out of the presence of the Company’s management regarding internal controls and the fullness and accuracy of the Company’s financial statements.

The Committee shall satisfy itself as regards the integrity and prudence of the Company’s internal control systems, including periodic review of policies and/or practices.

The Committee shall satisfy itself that effective disclosure controls are established and maintained to promote timely, accurate, compliant and meaningful disclosure in the Company’s periodic reports to the Securities and Exchange Commission (the “SEC”).

The Committee shall make the Board of Directors aware of any matters that have come to its attention that may significantly impact the financial condition or affairs of the Company, and help assess the related risks and planned actions to manage those risks.

The Reliability of the Company's Financial Statements

Management and the independent auditors shall review with the Committee a draft of the Company's annual financial statements and drafts of the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. Such reviews shall include the Company's disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations." Quarterly, the independent auditors shall provide to the Committee a review letter or communicate orally with the Committee as contemplated by Statement on Auditing Standards No. 100. Periodically during the fiscal year, the independent auditors shall review with the Committee their assessment as to the adequacy of the Company's structure of internal controls over financial accounting and reporting, and their qualitative judgments as to accounting principles employed and related disclosures by the Company and the conclusions expressed in the Company's financial reports. The independent auditors shall review with the Committee significant judgments made by management in the preparation of the financial statements.

The independent auditors and the Company's management shall identify to the Committee business and financial issues that may significantly impact the Company's financial statements and internal control systems. Legal counsel shall identify to the Committee legal issues that may significantly impact such financial statements and systems. At least annually, legal counsel shall report to the Committee as to all significant litigation, threatened litigation or potential litigation in which the Company and its subsidiaries are or may be engaged, as well as the anticipated or potential impact of such litigation, threatened litigation or potential litigation on the Company.

Both management and the independent auditors shall report promptly to the Committee any material weaknesses in internal control systems. The independent auditors shall promptly identify to the Committee any audit problems or difficulties, including any areas of disagreement with management in the preparation of financial statements. The Committee shall also consider any response by management.

The Committee shall review the Company's accounting policies and practices in the light of the requirements of the Financial Accounting Standards Board (FASB), the SEC, the Public Company Accounting Oversight Board (PCAOB) and the American Institute of Certified Public Accountants (AICPA). The Committee shall review at least annually the Company's description of its critical accounting policies. Any significant changes in those policies must be approved in advance by the Committee.

Compliance with Laws and Regulations

Legal counsel shall periodically update the Committee regarding (i) developments in the law relating to the responsibilities and liabilities of directors, and (ii) any significant changes in the

various rules, regulations and laws that relate generally to the Company's business operations and the extent to which the Company is complying with such laws.

Management shall report as soon as possible to the Chairman of the Committee any material violation of laws or governmental regulations. At least annually, management shall review with the Committee the Company's monitoring efforts and procedures to ensure compliance with laws and governmental regulations.

Maintenance of Effective and Efficient Audit Processes

The Committee, as the Board of Directors' representative, shall have the sole authority to appoint, determine funding for and oversee the independent auditors. Each year the Committee shall appoint the independent auditors subject to shareholder ratification at the annual meeting. The Committee shall require the independent auditors to submit at least annually a formal written statement (i) describing the firm's internal quality control procedures, (ii) identifying any material issues raised by the most recent internal quality control review, or peer review, of the firm, and (iii) delineating all relationships between the independent auditors and the Company, including audit and non-audit assignments and the fees and any other compensation paid to the independent auditors therefor. The Committee shall pre-approve all audit services and all permissible non-audit services to be provided by the independent auditor. The Committee is responsible for actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity or independence of the independent auditors.

With respect to each fiscal year, the Committee shall meet with the independent auditors, the internal auditors and the senior management to review the scope and methodology of the proposed audits for such fiscal year. The independent auditors and the internal auditors shall provide regular reports to the Committee during the fiscal year on the underlying process and status of their audits and any findings or preliminary conclusions that have been reached.

The Committee shall evaluate the qualifications, experience, performance and independence of the senior members of the independent auditor team, including that of the independent auditor's lead and concurring partners, taking into consideration the opinions of management and the internal auditors and present its conclusions with respect to such evaluations to the Board of Directors.

The Committee shall assure the regular rotation of the lead and concurring audit partners as required by the rules and regulations of the SEC and The Nasdaq Stock Market ("Nasdaq") in order to assure continuing independence of the independent auditor.

The Committee shall review with the independent auditor any audit problems or difficulties raised by the independent auditor and management's response. Such review shall include any accounting adjustments that were noted or proposed by the auditor but were "passed" (as immaterial or otherwise). Both management and the independent auditor shall report promptly to the Committee any material weaknesses in internal control systems. The Committee shall review any "management" or "internal control" letters issued, or proposed to be issued, by the audit firm to the Company and any discussions with the independent auditor's national office respecting auditing or accounting issues presented by the engagement.

Other Responsibilities

Management shall report to the Committee any proposed related party transaction that might be considered material to the Company or the related party, or required to be disclosed pursuant to SEC Regulation S-K, Item 404, and the Committee shall be responsible for the review and oversight contemplated by Nasdaq with respect to any such reported transactions.

The Committee shall establish procedures to ensure timely and current disclosures of material changes in financial condition or operations.

The Committee shall discuss with management the Company's policies and practices regarding earnings press releases, as well as any financial information and earnings guidelines provided to analysts and rating agencies.

The Committee or a designated member of the Committee shall review and discuss with the Company's financial management and its independent auditor, prior to filing with the SEC, all audited and unaudited financial statements, management's discussion and analysis, and other disclosures to be included in the Company's 10-Q Quarterly Reports, 10-K Annual Reports and other reports that contain financial information.

The Committee shall set clear hiring policies with respect to any current or former employees of the independent auditors in accordance with rules and regulations of the SEC and Nasdaq.

The Committee shall have the exclusive authority to oversee, investigate and take remedial action with respect to any and all complaints regarding accounting, internal accounting controls or auditing matters. The Committee shall 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 concerns regarding questionable accounting or auditing matters. In addition, at least annually, the Committee shall report to the Board as to the status of all complaints relating to material accounting, internal accounting controls or auditing matters of which the Committee is aware.

The Committee shall perform or undertake on behalf of the Board any such other tasks or actions as the Board may from time to time authorize.

Composition of the Committee

On recommendation of the Nominating and Governance Committee, the Board of Directors shall appoint the members of the Committee and shall designate the Chairman of the Committee. The Committee shall be composed of no fewer than three directors, each of whom shall be able to read and understand fundamental financial statements, including balance sheets, income statements and cash flow statements. In addition, at least one member of the Committee shall be an "audit committee financial expert" as defined by the rules of the SEC. Furthermore, the composition of the Committee shall satisfy the independence requirements of Nasdaq within the time requirements

established by Nasdaq, all as determined by the Board of Directors. No member of the Committee shall own directly or indirectly more than ten percent of the Company's common stock. Any member of the Committee may be replaced by the Board of Directors.

Administration of the Committee

The Secretary of the Committee shall be the Corporate Secretary or his designee. The proceedings of all Committee meetings shall be documented in minutes.

Regular meetings of the Committee shall be held at least four times a year. Special meetings of the Committee may be convened by the Chairman or a majority of the Committee members. The internal or external auditors may request a meeting if they consider that one is necessary.

As an element of its duties to encourage and facilitate open communication, the Committee should meet as often as it deems advisable with representatives from the Company's executive management, internal auditing department and its independent auditor in separate sessions to discuss any matters that the Committee or any of these groups believe should be discussed. In addition, the Committee should meet with the Company's independent auditor and a representative(s) of the Company's management at least quarterly to review the Company's financial statements

The Committee shall have the authority to engage independent counsel and other advisors, as it deems necessary to carry out its duties. The Committee shall have sole authority to agree to fees and other terms of engagement of any such independent counsel and other advisors.

Board Reporting

The Chairman of the Committee shall report the results of each Committee meeting at the next regular meeting of the Board of Directors.

Other Matters

Each year the Chairman of the Committee shall discuss the Committee's performance with each Committee member, following which discussions the Chairman shall lead the Committee in a review of its performance. The annual evaluation shall include a review of the Committee's charter.

The Committee shall cause to be provided to Nasdaq appropriate written confirmation of any of the foregoing matters as Nasdaq may from time to time require.

This Audit Committee Charter was duly approved and adopted by the Board of the Company on the 6th day of July, 2004, and was duly amended on 4th day of November, 2004.

/s/ Krish S. Krishnan
Krish S. Krishnan, Secretary