

Cadence Resources Corporation
AUDIT COMMITTEE CHARTER

ARTICLE I

PURPOSES

The Audit Committee (the “Committee”) will oversee the accounting and financial reporting processes of the Corporation and the audits of the financial condition of the Corporation. The Committee will assist the Board in fulfilling its oversight responsibilities with respect to:

- The accounting, reporting, and financial practices of the Corporation and its subsidiaries, including the integrity of the Corporation’s financial statements;
- The surveillance of administration and financial controls and the Corporation’s compliance with legal and regulatory requirements;
- The outside auditing firm’s qualifications and independence;
- The performance of the Corporation’s internal audit function; and
- The performance of the Corporation’s independent auditor.

ARTICLE II

COMPOSITION OF THE COMMITTEE

Section 1. Number. The Committee shall consist of three or more directors of the Corporation.

Section 2. Appointment and Removal. The Board of Directors shall appoint the members of the Committee. Except for the initial members of the Committee appointed by Board resolution on December 5, 2005, nominations for the members of the Committee shall be submitted by the Nominating Committee to the Board of Directors.

Each Committee member shall serve until the Committee member’s successor is duly elected and qualified, or until the member’s earlier resignation or removal.

The members of the Committee may be removed with or without cause by a majority vote of the Board of Directors.

Section 3. Qualifications. Each Committee member shall be a member of the Board of Directors in good standing, shall serve at the pleasure of the Board of Directors, and shall have all of the following qualifications:

(a) Each Committee member shall be an independent director as defined under Section 121A of the American Stock Exchange (“AMEX”) Corporate Governance Rules;

(b) Each Committee member shall meet the independence criteria established by the rules and regulations of the Securities and Exchange Commission (“SEC”) pursuant to Section 10A(m)(3) of the Securities Exchange Act of 1934 (the “Exchange Act”);

(c) All members of the Committee must be able to read and understand financial statements (including a balance sheet, income statement, and cash flow statement) at the time of their appointment;

(d) At least one member of the Committee must be a “financial expert” as that term is defined in Item 401(h) of SEC Regulation S-K or Item 401(e) of SEC Regulation S-B if the Corporation is reporting as a small business issuer at the time. The designation or identification of a person as a financial expert shall not (i) impose on such person any duties, obligations or liability greater than the duties, obligations and liability imposed on other members of the Committee and the Board in the absence of such a designation or identification; or (ii) affect the duties, obligations or liability of any other member of the Committee or the Board of Directors.

Section 4. Chairperson. The Chairperson of the Committee shall be appointed by the Board of Directors. The chairperson is responsible for leadership of the Committee, including scheduling meetings, overseeing the agenda, presiding over the meetings, and reporting to the Board of Directors.

ARTICLE III

MEETINGS OF THE COMMITTEE

Section 1. Frequency. The Committee shall meet in person or telephonically at least quarterly, or more frequently as it may determine necessary to perform its duties and responsibilities as set forth in this Charter.

Section 2. Quorum and Voting. A majority of the members of the Committee shall constitute a quorum of the Committee. A majority of the members in attendance shall decide any question brought before any meeting of the Committee.

Section 3. Guests/Executive Session. The Committee should meet from time to time with each of management, the controller, and the Corporation’s outside auditing firm in separate executive sessions to discuss any matters that the Committee or any of these groups or persons believe should be discussed privately. In addition, the Committee should meet with the independent auditors and management at least quarterly to review the Corporation’s financial statements. All non-management directors who are not members of the Committee may attend meetings of the Committee, but may not vote. In addition, the Committee may invite to its meetings any director, member of management, and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

Section 4. Agenda Items. Although the Chairperson is generally responsible for establishing an agenda at meetings, any Committee member may submit items to be included on the agenda. Committee members may also raise subjects that are not on the agenda at any meeting.

ARTICLE IV

DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

Section 1. Allocation of Duties. The Committee is responsible for overseeing the Corporation’s financial reporting process on behalf of the Board of Directors. The Corporation’s management is responsible for the preparation, presentation and integrity of the Corporation’s financial statements and for the appropriateness of the accounting and reporting policies that are used by the Corporation. The independent auditors are responsible for auditing the Corporation’s financial statements and for reviewing the Corporation’s interim financial statements. The independent auditors are ultimately accountable to the Board of Directors and the Committee, as representatives of the Corporation’s stockholders. As used in this Charter, the term “independent auditor” means any independent auditor, including one constituting a “registered public accounting firm” (as defined in Section 2(a)(12) of the Sarbanes-Oxley Act of 2002) engaged for the purpose of preparing or issuing an audit report or performing other audit review or attest services for the Corporation.

Section 2. Retain the Independent Auditors. The Committee is directly responsible, in its capacity as a Committee of the Board of Directors, for the appointment, compensation and oversight of the Corporation’s independent auditors. In this regard, the Committee shall have the sole authority to: (i) appoint and retain; (ii) determine the funding for; and (iii) when appropriate, terminate, the independent

auditors. The independent auditors shall report directly to the Committee. The Committee is responsible for resolving any disputes between the independent auditor and the Corporation's management.

The Committee shall pre-approve all audit services provided by the independent auditors, and shall pre-approve any non-audit services provided by the independent auditors, subject to the *diminimus* exception contained in Section 10A of the Exchange Act. The Committee may delegate the authority to grant pre-approvals and approvals required by Section 10A of the Exchange Act for services provided by independent auditors to one or more members of the Committee, subject to the delegated member or members reporting any such pre-approvals to the Committee at its next scheduled meeting.

Section 3. Review and Discuss the Auditor's Quality Control. The Committee shall, at least annually, receive from the Corporation's independent auditors: (i) a summary of the results of the most recent internal quality control review, or peer review, of the firm; (ii) a summary of significant inquiries or investigations by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm; (iii) a summary of any steps taken by the firm to deal with any such issues; and (iv) a description of the five-year rotation of lead and concurring audit partners.

Section 4. Review and Discuss the Independence of the Auditors. In connection with the retention of the Corporation's independent auditors, the Committee shall, at least annually, review and discuss the information provided by management and the independent auditors relating to the independence of the audit firm including, among other things, information related to the non-audit services provided and expected to be provided by the auditors, rotation of lead and concurring audit partners, and restrictions on hiring of employees or partners of the independent auditors. The Committee shall be responsible for: (i) insuring that the independent auditors submit at least annually to the Committee a formal written statement delineating all relationships between the auditors and the Corporation consistent with Independence Standards Board Standard 1; (ii) actively engaging in a dialog with the auditors with respect to any disclosed relationship or service that may impact the objectivity and independence of the auditors; and (iii) taking appropriate action or recommending that the full Board of Directors take appropriate action in response to the auditor's report to satisfy itself of the auditor's independence.

Section 5. Review and Discuss the Audit Plan. The Committee shall review and discuss with the independent auditors, the plans for and the scope of, the annual audit and other examinations, including the adequacy of staffing and compensation.

Section 6. Review and Discuss Conduct of the Audit. The Committee shall review and discuss with the independent auditors the matters required to be discussed by statement on Auditing Standards No. 61 relating to the conduct of the annual audited and quarterly financial statements and press releases containing earnings information of the Corporation, as well as any problems or difficulties and management's response: including: (i) any restriction on audit scope or on access to requested information; (ii) any significant disagreements with management; and (iii) significant issues discussed with the independent auditor's national office. The Committee shall seek to resolve all disagreements between management and the independent auditors regarding financial reporting.

Section 7. Review and Discuss Financial Statements and Disclosures. The Committee shall review and discuss with appropriate officers of the Corporation and the independent auditors the annual audited and quarterly financial statements of the Corporation, including: (i) the Corporation's disclosures under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations", including the development, selection and reporting of accounting policies that may be regarded as critical; and (ii) the disclosures regarding internal controls and other matters required to be reported to the Committee by Section 302 of the Sarbanes-Oxley Act of 2002, and all rules promulgated thereunder by the SEC.

Section 8. Review and Discuss the Systems of Internal Accounting Controls. The Committee shall review and discuss with the independent auditors the adequacy of the Corporation's internal accounting controls, the Corporation's financial, auditing and accounting organizations and personnel, and the Corporation's policies and compliance procedures with respect to business practices

which should include the disclosures regarding internal controls and matters required to be reported to the Committee by Section 302 of the Sarbanes-Oxley Act of 2002, and all rules promulgated thereunder by the SEC.

Section 9. Review and Discuss the Audit Results. The Committee shall review and discuss with the independent auditors: (i) the report of the annual audit, or proposed report of the annual audit; (ii) the accompanying management letter, if any; (iii) the report of their reviews of the Corporation's interim financial statements conducted in accordance with Statement on Auditing Standards No. 100; and (iv) the reports of the results of such other examinations outside of the course of the independent auditor's normal audit procedures that the independent auditors may from time to time take. The foregoing shall include the reports required by Section 204 of the Sarbanes-Oxley Act of 2002, and as appropriate: (x) a review of major issues regarding (A) accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles; and (B) the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies; (y) a review of analyses prepared by management or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the affects of alternative generally accepted accounting principles on the financial statements; and (z) a review of regulatory and accounting initiatives, as well as off-balance sheet structures on the financial statements of the Corporation.

Section 10. Discuss Risk Management Policies. The Committee shall discuss policies with respect to risk assessment and risk management to assess and manage the Corporation's exposure to risk, including the Corporation's major financial risk exposures and the steps management has taken to monitor and control these exposures, and shall make recommendations about these matters to the Board of Directors, as appropriate.

Section 11. Preview SEC Filings. The Committee shall review with financial management and the independent accountants, the Corporation's filings with the SEC that include earnings reports prior to the release of the earnings reports. The chairperson of the Audit Committee may represent the entire Audit Committee for purposes of this review.

Section 12. Selection of Financial Officer. The Committee shall review and concur in the appointment, replacement, reassignment or dismissal of the Chief Financial Officer or other chief audit executive.

Section 13. Management Perquisites. The Committee shall review with management the policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the internal auditor or the independent auditors.

Section 14. Internal Audit Function. The Committee shall review with management the process and findings of the internal audit function during the year.

Section 15. Establish Procedures for Complaints Regarding Financial Statements or Accounting Policies. The Committee shall establish procedures for: (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters. The Committee shall discuss with management and the independent auditors any correspondence with regulators or governmental agencies and any complaints or concerns regarding the Corporation's financial statements or accounting policies.

Section 16. Review and Discuss Other Matters. The Committee shall: (i) review and discuss with management or the independent auditors such other matters that relate to the accounting, auditing and financial reporting practices and procedures of the Corporation as the Committee may, in its own discretion, deem desirable in connection with the review functions described above; and (ii) conduct executive sessions with the Corporation's outside auditors, CEO, CFO, general counsel, controller or anyone else the Committee deems necessary to fulfill its duties.

Section 17. Proxy Statement. The Committee, with the assistance of management and advice from the independent auditors and outside legal counsel, shall prepare the Committee report to be included in the Corporation's proxy statement relating to the Corporation's annual meeting of stockholders.

Section 18. Other Duties. The Committee shall perform any other duties or responsibilities delegated to the Committee by the Board of Directors from time to time.

ARTICLE V

COMMITTEE RESOURCES AND AUTHORITY

Section 1. Resources. The Committee has the authority to the extent it deems necessary or appropriate, or as directed by the Board of Directors, to obtain advice and seek assistance from outside counsel, accountants, experts and other advisors as it determines appropriate to assist the Committee in the performance of its functions, including the authority to approve any fees and other retention terms. The Committee has the authority to engage outside auditors for special audit reviews and other procedures. By adoption of this Charter, the Board of Directors authorizes funding for the Committee appropriate, in the Committee's discretion, for the discharge of the Committee's functions and responsibilities, including the compensation to be paid to the independent auditors, the compensation of any advisors hired by the Committee, and the ordinary administrative expenses of the Committee.

Section 2. Authority. The Committee shall have the authority appropriate, in the Committee's discretion, to discharge its responsibilities and carry out its duties as required by law, including access to all books, records, facilities, and personnel of the Corporation.

ARTICLE VI

REPORTS AND PERFORMANCE REVIEW

The Committee shall report its actions and any recommendations to the Board of Directors after each Committee meeting. It shall also at least annually, conduct an evaluation of the independent auditors and present a report of this evaluation to the Board of Directors. The Committee shall review at least annually the adequacy of this Charter and recommend any proposed changes to the Board of Directors for approval.

ARTICLE VII

DISCLOSURE OF CHARTER

This Charter will be made available on the Corporation's website, in its annual report, or other public medium as appropriate.

Adopted by resolution of the Board of Directors of Cadence Resources Corporation
Date: February 10, 2006