

**INNOVATION PHARMACEUTICALS INC.
AUDIT COMMITTEE CHARTER**

Adopted September 2015

Purpose; Role

The purpose of the Audit Committee (the “Committee”) is to assist the Board of Directors of Innovation Pharmaceuticals Inc. (the “Company”) in its oversight of (i) the Company’s accounting and financial reporting processes, (ii) the audit of the Company’s financial statements, (iii) the Company’s internal controls over financial reporting, and (iv) the integrity of the Company’s financial statements.

While the Committee has the responsibilities and powers set forth in this charter, it is not the duty or responsibility of the Committee to, and the Committee will not, plan or conduct audits, implement internal controls, prepare the Company’s financial statements, or determine or certify that the Company’s financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These matters and tasks are the responsibility of management and the independent auditors. It is the responsibility of management and the independent auditors to bring appropriate matters to the attention of the Committee and to keep the Committee informed of matters that the Company’s management or the independent auditors believe require attention, guidance, resolution or other actions, the basis therefore and other relevant considerations. The Committee is not responsible for assuring compliance with laws and regulations or the Company’s Code of Ethics, internal policies, procedures or controls.

Each member of the Committee shall be entitled to rely, to the maximum extent permitted under applicable law, on (i) the integrity of those persons and organizations within and outside the Company from which he or she receives information and (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board of Directors). Such information shall include, but is not limited to, the certifications of the Company’s principal executive officer and principal financial officer required by the Securities and Exchange Commission, as well as reports to the Committee on the due diligence processes which support such certifications.

Membership

The Committee shall consist of three or more directors. A majority of the members of the Committee shall be independent in accordance with the requirements of Rule 10A-3 of the Securities Exchange Act of 1934 and the Company’s independence guidelines. If the Company’s common stock is at any time listed on a national securities exchange, each member of the Committee shall be independent in accordance with the requirements of such national securities exchange.

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 have past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background that leads to financial sophistication. 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 will also be presumed to have financial sophistication.

The members of the Committee shall be appointed by the Board of Directors. The members of the Committee shall serve for such terms as the Board of Directors may determine or until earlier resignation or death. The Board of Directors may remove any member from the Committee at any time with or without cause.

Duties and Responsibilities

The Committee shall have the following authority and responsibilities:

1. To (a) select and retain an independent registered public accounting firm to act as the Company's independent auditors for the purpose of auditing the Company's annual financial statements, books, records, accounts and internal controls over financial reporting, (b) set the compensation of the Company's independent auditors, (c) oversee the work done by the Company's independent auditors, and (d) terminate the Company's independent auditors, if necessary.
2. To select, retain, compensate, oversee and terminate, if necessary, any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.
3. To pre-approve all audit and permitted non-audit and tax services that may be provided by the Company's independent auditors or other registered public accounting firms, and establish policies and procedures for the Committee's pre-approval of permitted services by the Company's independent auditors or other registered public accounting firms on an on-going basis.
4. At least annually, to obtain and review a report by the Company's independent auditors that describes (a) the accounting firm's internal quality control procedures, (b) any issues raised by the most recent internal quality control review, peer review or Public Company Accounting Oversight Board of Directors review or inspection of the firm or by any other inquiry or investigation by governmental or professional authorities in the past five years regarding one or more audits carried out by the firm and any steps taken to deal with any such issues, and (c) all relationships between the firm and the Company or any of its subsidiaries, and to discuss with the independent auditors this report and any relationships or services that may impact the objectivity and independence of the auditors.
5. At least annually, to evaluate the qualifications, performance and independence of the Company's independent auditors, including an evaluation of the lead audit partner, and to assure the regular rotation of the lead audit partner at the Company's independent auditors and consider regular rotation of the accounting firm serving as the Company's independent auditors.
6. To review and discuss with the Company's independent auditors (a) the auditors' responsibilities under generally accepted auditing standards and the responsibilities of management in the audit process, (b) the overall audit strategy, (c) the scope and timing of the annual audit, (d) any significant risks identified during the auditors' risk assessment procedures and (e) when completed, the results, including significant findings, of the annual audit.

7. To review and discuss with the Company's independent auditors (a) all critical accounting policies and practices to be used in the audit, (b) all alternative treatments of financial information within generally accepted accounting principles ("GAAP") that have been discussed with management, the ramifications of the use of such alternative treatments and the treatment preferred by the auditors, and (c) other material written communications between the auditors and management.
8. To review and discuss with the Company's independent auditors and management (a) any audit problems or difficulties, including difficulties encountered by the Company's independent auditors during their audit work (such as restrictions on the scope of their activities or their access to information), (b) any significant disagreements with management and (c) management's response to these problems, difficulties or disagreements; and to resolve any disagreements between the Company's auditors and management.
9. To review with management and the Company's independent auditors (a) any major issues regarding accounting principles and financial statement presentation, including any significant changes in the Company's selection or application of accounting principles, (b) any significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including the effects of alternative GAAP methods, and (c) the effect of regulatory and accounting initiatives and off-balance sheet structures on the Company's financial statements.
10. To keep the Company's independent auditors informed of the Committee's understanding of the Company's relationships and transactions with related parties that are significant to the Company; and to review and discuss with the Company's independent auditors the auditors' evaluation of the Company's identification of, accounting for, and disclosure of its relationships and transactions with related parties, including any significant matters arising from the audit regarding the Company's relationships and transactions with related parties.
11. To review with management and the Company's independent auditors the adequacy and effectiveness of the Company's financial reporting processes, internal control over financial reporting and disclosure controls and procedures, including any significant deficiencies or material weaknesses in the design or operation of, and any material changes in, the Company's processes, controls and procedures and any special audit steps adopted in light of any material control deficiencies, and any fraud involving management or other employees with a significant role in such processes, controls and procedures.
12. To review and discuss with the Company's independent auditors any other matters required to be discussed by PCAOB Auditing Standards No. 16, *Communications with Audit Committees*.
13. To review and discuss with the Company's independent auditors and management the Company's annual audited financial statements (including the related notes), the form of audit opinion to be issued by the auditors on the financial statements and the disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's Annual Report on Form 10-K before the Form 10-K is filed.
14. To recommend to the Board of Directors that the audited financial statements be included in the Company's Form 10-K and produce the audit committee report required to be included in the Company's proxy statement or Annual Report on Form 10-K.

15. To review and discuss with the Company's independent auditors and management the Company's quarterly financial statements and the disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's Quarterly Reports on Form 10-Q before each Form 10-Q is filed.
16. To review, discuss with the Company's independent auditors, and approve the functions of the Company's internal financial function, including its purpose, organization, responsibilities, budget and performance, and to review the scope, performance and results of such function's internal audit plans, including any reports to management and management's response to those reports.
17. To review and discuss with management and the Company's independent auditors the Company's earnings press releases, including the type of information to be included and its presentation and the use of any pro forma or adjusted non-GAAP information, before their release to the public; and any financial information and earnings guidance provided to analysts and ratings agencies, including the type of information to be disclosed and type of presentation to be made.
18. To set clear Company hiring policies for employees or former employees of the Company's independent auditors.
19. To establish and oversee 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 submission by Company employees of concerns regarding questionable accounting or auditing matters.
20. To review and discuss with management the risks faced by the Company and the policies, guidelines and process by which management assesses and manages the Company's risks, including the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
21. To review the Company's compliance with applicable laws and regulations and to review and oversee the Company's policies, procedures and programs designed to promote and monitor legal, ethical and regulatory compliance.
22. To monitor compliance with the Company's Code of Ethics (the "Code"), to investigate any alleged breach or violation of the Code, and to enforce the provisions of the Code.
23. To review, with counsel as appropriate, legal and regulatory matters, including legal cases against or regulatory investigations of the Company and its subsidiaries that could have a significant impact on the Company's financial statements.
24. To review, approve and oversee any transaction between the Company and any related person (as defined in Item 404 of Regulation S-K) and any other potential conflict of interest situations on an ongoing basis, and to develop policies and procedures for the Committee's approval of related party transactions.
25. To conduct an annual evaluation of the performance of the Committee of its duties under this Charter.

Outside Advisors

The Committee shall have the authority, in its sole discretion, to retain and obtain the advice and assistance of independent outside counsel and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall set the compensation, and oversee the work, of any outside counsel and other advisors.

The Committee shall receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board of Directors, for the payment of compensation to the Company's independent auditors, any other accounting firm engaged to perform services for the Company, any outside counsel and any other advisors to the Committee.

Structure and Operations

The Board of Directors 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 of Directors on its discussions and actions, including any significant issues or concerns that arise at its meetings, and shall make recommendations to the Board of Directors 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 of Directors.

The Committee shall meet separately, and periodically, with management, members of the Company's internal financial function 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.

The Committee shall review this Charter at least annually and recommend any proposed changes to the Board of Directors for approval.

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.

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