

NATURALNANO, INC.
CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
(Approved on December 30, 2005)

The Audit Committee is appointed by the Board of Directors (the “Board”) to assist the Board in its oversight responsibilities to the shareholders, potential shareholders and the investment community by reviewing: financial reports and other financial information provided by the Company to governmental bodies or the public; the Company’s system of internal controls and the Company’s auditing, accounting and financial reporting processes. The Audit Committee should encourage continuous improvement of, and should foster adherence to, the Company’s policies, procedures and practices at all levels. The Audit Committee shall through regular reports to the Board monitor the integrity of the Company’s financial statements, monitor the Company’s compliance with legal and regulatory requirements and monitor the independence and performance of the Company’s independent auditors.

The Audit Committee shall have the authority to retain any special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties. The Audit Committee may conduct any investigation necessary to fulfilling its responsibilities and may request any officer or employee of the Company or the Company’s outside counsel or independent auditor to meet with any members of, or consultants to, the Committee.

The Audit Committee shall meet at least four times each fiscal year and more frequently if circumstances dictate. Participation in these meetings can be in person or telephonic. There will be a pre-clearance Audit Committee meeting held prior to each quarterly earnings release.

Membership of the Committee

The members of the Audit Committee shall be appointed by the Board. The Audit Committee shall be comprised of two members of the Board, at least one of whom shall meet the independence requirements (as stated in NASD Rule 4200(a) (15), and the experience and all other requirements of the NASDAQ National Market. The Board will designate a Chairman who will also be the primary contact to management and the independent accountants during the time periods between formal Audit Committee meetings.

Responsibilities and Duties

The Audit Committee shall:

1. Review and reassess the adequacy of this Charter at least annually and submit the charter to the Board with any recommended changes for approval.
2. Appoint the Company’s independent registered public accounting firm, evaluate with the Board the performance of that firm, and approve any discharge of any independent registered public accounting firm when circumstances warrant.

3. Approve the fees and any other significant compensation to be paid to the independent auditor, who is ultimately accountable to the Audit Committee and the Board.
4. Review and discuss with the independent auditor the auditor's independence consistent with Independence Standards Board Standard 1, and, if it so determines, recommend that the full Board take appropriate action to oversee the independence of the auditor.
5. Review the independent auditor's audit plan regarding the planning, scope and staffing of the audit.
6. Review with management and the independent auditor the Company's financial reporting processes and controls, including significant financial risk exposures and the steps management has taken to monitor and control such exposures.
7. Review with management and the independent auditor significant financial reporting findings and judgments made during, or in connection with, preparation of the Company's financial statements.
8. Review the Company's annual audited financial statements to be included in the Company's Annual Report on Form 10-KSB with management and the independent auditor prior to filing or distribution. Such review shall include any significant issues regarding accounting and auditing principles, practices, and judgments as well as the adequacy of internal controls that could significantly affect the Company's financial statements.
9. Review with management and the independent auditor the Company's quarterly financial results prior to the release of earnings and filing and distribution of its Form 10-QSB.
10. Review significant changes to the Company's auditing and accounting principles and practices recommended by management or the independent auditor.
11. Prepare an annual report to shareholders to be included in the Company's proxy statement as required by the Securities and Exchange Commission
12. Review with Company counsel any legal matters that may have a significant impact on the Company's financial statements, the Company's compliance with applicable laws, and any significant reports or inquiries received from governmental and regulatory agencies.
13. Obtain reports from management and the independent auditor that the Company's subsidiary is in compliance with any applicable legal requirements.
14. Review self-assessment of audit committee performance and report to the Board on significant results of foregoing activities.

15. Meet during annual and separate executive meetings with the independent auditor and the chief financial officer.
16. Establish, review and update periodically a code of ethics and ensure that management has established a system to enforce this code.
17. Perform any other activities deemed appropriate by the Board and consistent with this Charter, the Company's by-laws, and governing laws.

The Audit Committee has the responsibilities established in this Charter and is not responsible to plan or conduct audits or to verify that the Company's financial statements are complete, accurate, and in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. It is not the sole responsibility of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations and the Company's code of ethics.