

ROSETTA GENOMICS, LTD.
AUDIT COMMITTEE CHARTER

Purpose

The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Rosetta Genomics, Ltd. (the “Company”) is to assist the Board in fulfilling its oversight responsibilities relating to the Company’s (i) financial statements and auditing, accounting and related reporting processes, (ii) systems of internal controls regarding finance, accounting, financial reporting and business practices and conduct established by management and the Board, (iii) compliance with legal and regulatory requirements, and (iv) to fulfill the responsibilities of an audit committee under the Israeli Companies Law, 5759-1999 (the “**Companies Law**”).

Membership and Procedures

Membership and Appointment. The Committee shall consist of at least three members of the Board, with the exact number being determined by the Board. The members of the Committee shall be appointed and replaced from time to time by the Board.

Independence and Qualifications. Each member of the Committee shall meet the independence and experience requirements of the applicable provisions of federal law and the rules and regulations promulgated thereunder and the applicable rules of The NASDAQ Stock Market, provided that the exemptions from the independence requirements set forth in such rules and regulations shall also be applicable to members of the Committee. All members of the Committee shall be financially literate by being familiar with basic finance and accounting practices and able to read and understand fundamental financial statements at the time of their appointment to the Committee. Furthermore, at least one member of the Audit Committee shall be designated as the “financial expert” with financial sophistication as defined by having experience in finance or accounting, professional certification in accounting, or any other comparable experience or background, such as being or having been a CEO or CFO or other senior officer with financial oversight responsibilities. The Company shall disclose, in its annual report, whether or not, and if not, the reasons therefor, the Committee includes at least one “audit committee financial expert,” as defined in Item 16A of Form 20-F.

Meetings and Minutes; Reporting. The Committee shall meet as frequently as circumstances dictate and not less than once every three months. The Committee shall keep minutes of its proceedings. In addition to the specific matters set forth herein requiring reports by the Committee to the full Board, the Committee shall report such other significant matters as it deems necessary concerning its activities to the full Board.

The Company's internal auditor shall be given notice of meetings of the Committee and shall be entitled to participate in these meetings. The internal auditor may request that the Committee's Chairperson convene a meeting of the Committee in order to discuss a certain matter and the Chairperson shall convene the meeting within a reasonable time, if he or she finds such matter appropriate.

The Company's independent auditor shall be given notice of meetings of the Committee in which a matter related to the audit of the financial statements is to be discussed, and the independent auditor shall be entitled to participate in such meetings.

Delegation. The Committee may, by resolution passed by a majority of its members, designate one or more subcommittees, each subcommittee to consist of one or more members of the Committee. Any such subcommittee, to the extent provided in the resolutions of the Committee and to the extent not

limited by applicable law, shall have and may exercise all the powers and authority of the Committee. Each subcommittee shall keep regular minutes of its meetings and report the same to the Committee or the Board when required

Resources. The Committee shall have the authority to retain, at the Company's expense, and terminate special legal, accounting or other consultants to advise the Committee and to authorize or conduct investigations into any matters within the scope of its responsibilities. The Committee shall have the sole authority to approve related fees and retention terms. The Committee shall have full access to all books, records, facilities and personnel of the Company in connection with the discharge of its responsibilities.

Evaluation. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board.

Duties and Responsibilities

The following shall be the common recurring activities and responsibilities of the Committee in carrying out its oversight functions. These activities and responsibilities are set forth below as a guide to the Committee with the understanding that the Committee may alter or supplement them as appropriate under the circumstances to the extent permitted by applicable law, regulation or listing standard:

Documents/Reports Review

- Review and discuss the Company's annual audited financial statements and quarterly financial statements with management and the independent auditors, including the Company's disclosures under the section entitled "Operating and Financial Review and Prospects" in the Company's reports filed with the Securities and Exchange Commission and, with respect to the annual financial statements, the appropriateness and quality of accounting and auditing principles and practices as well as the effectiveness of internal control over financial reporting.
- Review and discuss with management and the independent auditors the matters required to be discussed by applicable Statements of Auditing Standards relating to the conduct of the audit, other significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, and any other matters communicated to the Committee by the independent auditors.
- Review with management and such outside professionals as the Committee considers appropriate important trends and developments in financial reporting practices and requirements and their effect on the Company's financial statements.
- Based on its review and discussions with management and the independent auditors, recommend to the Board whether the Company's audited financial statements should be included in the Company's Annual Report on Form 20-F.

Accounting and Financial Controls Framework

- Review major changes to the Company's auditing and accounting principles and practices as suggested by the independent auditors or management.
- Review and discuss with management and the independent auditors the adequacy and effectiveness of the Company's internal control over financial reporting (including any significant deficiencies, material weaknesses and significant changes in internal controls reported to the Committee by management and any fraud involving management or other employees who have a significant role in the Company's internal controls) and the effectiveness of the Company's disclosure controls and procedures.
- Review with the independent auditors any management letter provided by the independent auditors and the Company's responses to that letter.
- Review and discuss with management and the independent auditors and approve (i) any material financial or non-financial arrangements that do not appear on the Company's financial statements, (ii) any transactions or courses of dealing with parties related to the Company¹ that are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with independent parties, and that are relevant to an understanding of the Company's financial statements, and (iii) material financial risks that are designated as such by management or the independent auditors.
- Periodically meet separately with management and with the independent auditors.
- Establish 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 the Company's employees of concerns regarding accounting or auditing matters and deficiencies in the management of the Company's business.

Independent Auditors

- Be directly responsible for the appointment and removal of the independent auditors (subject to the approval of the Company's shareholders), and for the compensation (subject to approval of the Company's shareholders and/or the Board, as required under applicable law) and oversight of the work of the independent auditors (including the resolution of disagreements between the Company's management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, with the independent auditors reporting directly to the Committee.

¹ "Parties related to the Company" shall include:

- executive officers of the Company;
- members of the Board;
- beneficial holders of more than 5% of the Company's securities;
- immediate family members of any of the foregoing persons; and
- any other persons whom the Board determines may be considered to be related persons as defined by SEC rules.

"Immediate family member" means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, and any person (other than a tenant or employee) sharing the household.

- Have the sole authority to review in advance, and grant any appropriate pre- approvals, of all auditing services to be provided by the independent auditors and all non-audit services (including the fees and other terms of engagement), and, if desired, establish policies and procedures for review and pre-approval by the Committee of such services, including delegation of such pre-approval authority to one or more designated members of the Committee.
- Obtain, review and discuss with the independent auditors at least annually a report by the independent auditors describing (i) the independent auditors' internal quality- control procedures, and (ii) any material issues raised by the most recent internal quality control review or peer review of the independent auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and the steps taken to deal with those issues.
- Review the report by the independent auditors, which is required by Section 10A of the Securities Exchange Act of 1934, concerning: (i) all critical accounting policies and practices to be used; (ii) alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors; and (iii) any other material written communications between the independent auditors and the Company's management.
- Review and discuss with the independent auditors, on an annual basis, all relationships the independent auditors have with the Company in order to evaluate the independent auditors' continued independence, and receive from the independent auditors on an annual basis a written statement (consistent with applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with audit committees regarding independence) regarding the auditors' independence.
- Establish guidelines for the hiring of employees and former employees of the independent auditors.

Compliance

- Review the results of management's efforts to monitor compliance with the Corporation's programs and policies designed to promote adherence to applicable laws and regulations, as well as to its Code of Business Conduct and underlying policies, and receive periodic reports from the Company's chief compliance officer.

Additional Responsibilities under the Companies Law

- Identifying deficiencies in the management of the Company's business, including by consulting with the internal auditor or with the independent auditor, and recommend the Board as to how to correct them; in case the Committee finds a material deficiency, it will hold at least one meeting with respect thereof, with the internal auditor or the external auditor, as shall be appropriate, without the presence of any office holders who are not members of the Committee except that, at the request of the Committee, an office holder may participate in such meeting in order to present his or her position on an issue within his or her responsibilities.

- Review the internal auditor's work program before it is brought for the approval of the board.
- Examine the Company's internal audit system, the performance of the internal auditor and whether the internal auditor has at his or her disposal the tools and resources required to perform his or her duties, considering, inter alia, the special needs of the company and its size.
- Decide for the purpose of the approval of actions involving fiduciary duties of the Company's office holders, whether such actions are material or non-material actions and for the purpose of the approval of certain related party transactions, whether such transactions are extraordinary transactions or non-extraordinary transactions (as such terms are defined in the Companies Law).
- Decide whether to approve related parties transactions and actions involving fiduciary duties of the Company's office holders, as required under the Companies Law.
- With respect to transactions with controlling shareholders - determine the obligation to perform a competitive process that shall be supervised by the Committee.
- Determine the process in which non-negligible transactions (as such term is defined in the Companies Law) with a controlling shareholder shall be approved and to determine the type and kind of such transactions that shall require the approval of the Committee.

Clarification of Audit Committee's Role

While the Committee has the responsibilities and powers set forth in this Charter, the Committee's role is one of oversight. It is not the duty of the Committee to plan or conduct audits or to determine 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 are the responsibilities of management and the independent auditors. It is also management's responsibility to develop, implement and monitor the Company's programs and policies designed to promote compliance with applicable laws and regulations and Company policies.