

UNIGENE LABORATORIES, INC.

CHARTER OF THE AUDIT COMMITTEE

October 26, 2007

Statement of Policy

The primary function of the Audit Committee (the "**Committee**") of Unigene Laboratories, Inc. (the "**Company**") is to assist the Board of Directors (the "**Board**") in fulfilling its responsibility to oversee (i) the integrity of the Company's financial statements, (ii) management's conduct of the Company's financial reporting process, including monitoring the participation of management and the Company's independent outside auditors (the "**Outside Auditors**") in the financial reporting process, (iii) the Company's systems of internal accounting and financial controls, (iv) the Outside Auditors' qualifications, independence and performance, (v) the Company's compliance with legal and regulatory requirements, and (vi) and the annual independent audit of the Company's financial statements.

Composition and Organization

The Committee shall consist of no fewer than three members, subject to any exceptions set forth in the rules of the stock exchange or trading market on which the Company's securities may be listed or approved for quotation. Each member of the Committee shall satisfy the independence and financial literacy requirements of The American Stock Exchange or of any other stock exchange or trading market on which the Company's securities may be listed or approved for quotation (the "**Stock Exchange**") and the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"); provided, that if a member of the Committee ceases to be independent for reasons outside the member's reasonable control, then the member may remain on the Committee until the earlier of the Company's next annual stockholders meeting or one year from the occurrence of the event that caused the member to cease to be independent. All Committee members shall be financially literate and at least one member shall have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. At least one member of the Committee shall be, in the judgment of the Board, an "audit committee financial expert," as defined by the rules and regulations of the U.S. Securities and Exchange Commission (the "**SEC**") or the Company shall disclose in its periodic reports required pursuant to the Exchange Act the reasons why at least one member of the Committee is not an "audit committee financial expert."

The members of the Committee shall be appointed by the Board at the Company's annual organizational meeting or at any regular or special meeting of the Board, and each member shall serve until his or her successor shall be duly elected and qualified, until such member's removal from the Committee by the Board or until such member ceases to be a member of the Board or to meet the independence or other membership requirements set forth in this Charter. Vacancies on the Committee shall be filled by the Board, and any member of the Committee may be removed, with or without cause, by the action of a majority of the whole Board. The Board shall designate one member of the Committee to serve as its Chairman. The Committee shall have the authority

to delegate any of its responsibilities to subcommittees as the Committee may deem appropriate, provided the subcommittees are composed entirely of independent directors.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company, including, without limitation, the Company's outside counsel, and the power to retain, at the Company's expense, independent outside counsel, or other experts or advisers as it determines necessary to carry out its duties.

Compensation

Unless otherwise approved by the Board, members of the Committee shall not receive any compensation from the Company other than director fees (including equity-based awards), which may include amounts paid to directors for service on committees and as chairs of committees of the Board, and other compensation allowed pursuant to the rules and regulations of the SEC and the Stock Exchange.

Meetings

The Committee shall meet at least once during each fiscal quarter and more frequently as the Committee deems desirable. The Committee meets at the call of the Chairman of the Committee or of any two members of the Committee (or if there shall be only one other member, then at the call of that member). A majority of the Committee membership shall constitute a quorum for the transaction of business (or if there shall be only two members, then both must be present), and the act of a majority of those present at any meeting at which a quorum is present (or if there shall be only two members, then they must act unanimously) shall be the act of the Committee. Those Committee members present in person or by means of telephone conference or other communications equipment through which all persons participating in the meeting can hear each other shall be counted to determine whether a quorum is present.

The Committee may request members of management or others (including the Company's investment bankers or financial analysts who follow the Company) to attend meetings and to provide pertinent information as necessary. The Committee shall meet with Company management (including the Company's Chief Financial Officer (the "CFO") and Chief Accounting Officer) and the Outside Auditors in separate private sessions periodically but not less than quarterly.

The Committee shall keep regular minutes of its proceedings, which minutes shall be recorded in the Minute Book of the Company. The Secretary or Assistant Secretary of the Company may act as Secretary of the Committee, if requested, or the Committee may appoint one of its members to act as Secretary of a meeting. The Committee may also act by unanimous written consent without a meeting in accordance with the Company's Bylaws and applicable law, and any such action taken by written consent also shall be recorded in the Minute Book of the Company.

Committee Authority and Responsibilities

The primary responsibility of the Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of its activities to the Board. Management is responsible for the preparation, presentation, and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company therein. For their part, the Outside Auditors are responsible for auditing the Company's annual financial statements and for reviewing the Company's unaudited interim financial statements. The Committee in carrying out its responsibilities believes its policies and procedures should remain flexible, in order to best react to the changing conditions and circumstances. The Committee should take the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices and ethical behavior.

The following responsibilities and duties shall be the common recurring activities of the Committee in carrying out its oversight function. These responsibilities and duties are set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate given the circumstances.

1. The Committee shall have the sole authority to select, retain and replace the Outside Auditors, and shall be directly responsible for the compensation and oversight of the work of the Outside Auditors, including resolution of disagreements between the Company's management and the Outside Auditors regarding financial reporting, for the purpose of preparing its audit report or related work. The Outside Auditors are ultimately accountable to, and the selection, evaluation and replacement of such auditors are the responsibility of, the Committee. The Outside Auditors shall report directly to the Committee.
2. The Committee shall review and determine the scope of independent auditing services in advance of each annual audit.
3. The Committee shall review, based upon the recommendation of the Outside Auditors and Company management, the scope and plan of work to be done by the Outside Auditors each fiscal year, including, staffing, locations, reliance upon management and internal audit and general audit approach.
4. The Committee shall review in advance, and grant any appropriate pre-approvals on (i) all auditing services to be provided by the Outside Auditors and (ii) all non-audit services to be provided by the Outside Auditors as permitted by Section 10A of the Exchange Act or other applicable law and (iii) in connection with services approved under clauses (i) and (ii), above, all fees and other terms of engagement, including the terms of any engagement letter or similar agreement with the Outside Auditors. The foregoing pre-approval requirement shall be subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act that are approved by the Committee prior to completion of the audit. The Committee may delegate to one or more members of the Committee who are independent the authority to grant pre-approvals required by this Section 4, provided that any pre-approval by such member or members shall be presented to the full Committee at its next scheduled meeting.
5. The Committee shall, at least annually, review a report from the Outside Auditors describing: (i) the Outside Auditors' internal quality control procedures and (ii) any

material issues raised by the most recent internal quality-control review, or peer review, of the Outside 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 Outside Auditors, and any steps taken to deal with any such issues.

6. The Committee shall review with the auditors their independence from Company management, including (i) annually requesting from the Outside Auditors a formal written statement delineating all relationships between the auditors and the Company consistent with Independence Standards Board Standard Number 1 and the Stock Exchange rules, and (ii) discussing with the Outside Auditors any such disclosed relationships and their impact on the Outside Auditors' independence.
7. The Committee shall confirm that the lead audit partner, or the lead audit partner responsible for reviewing the audit, for the Outside Auditors complies with applicable partner rotation requirements.
8. The Committee shall review with management and the Outside Auditors the audited financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Conditions and Results of Operations," and recommend to the Board whether the audited financial statements should be included in the Company's Annual Report on Form 10-K (or the Annual Report to Stockholders if distributed prior to the filing of the Form 10-K filed with the SEC).
9. The Committee shall review and discuss all reports required by law or regulation provided to the Committee by the Outside Auditors of (i) all critical accounting policies and practices used by the Company; (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed by the Outside Auditors with Company management, the ramifications of the use of such alternative treatments, and the treatment preferred by the Outside Auditors; and (iii) other material written communications between the Outside Auditors and Company management, such as any management letter or schedule of unadjusted differences.
10. The Committee shall discuss with the Outside Auditors the matters required to be discussed by Statement of Auditing Standards No. 61.
11. Based on reports provided to the Committee by the Outside Auditors, the Committee shall discuss with Company management and the Outside Auditors such accounting policies (and changes therein) of the Company, including any financial reporting issues, which could have a material impact on the Company's financial statements (including but not limited to the use of alternative GAAP methods and off-balance sheet structures), as are deemed appropriate for review by the Committee prior to any interim or year-end filing with the SEC or other regulators.
12. The Committee shall review with management and the Outside Auditors the Company's interim financial results to be included in the Company's quarterly reports on Form 10-Q to be filed with the SEC, including the Company's disclosures under "Management's Discussion and Analysis of Financial Conditions and Results of Operation," prior to submission to stockholders, the SEC or any other governmental body, any stock exchange or the public.

13. The Committee shall review disclosures made by the Company's Chief Executive Officer (or principal executive officer) or CFO (or principal financial or accounting officer) in connection with the applicable Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of disclosure controls or internal financial controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's disclosure or internal controls.
14. The Committee shall periodically and prior to releasing the year-end earnings consult with the Outside Auditors, without the presence of management, about internal controls and the completeness and accuracy of the Company's financial statements.
15. The Committee shall discuss with management and the Outside Auditors the quality and adequacy of the Company's internal controls and any material accounting issues identified by management or the Outside Auditors.
16. The Committee shall establish procedures for: (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal audit controls or auditing matters, and (ii) confidential, anonymous submissions by employees of the Company of concerns regarding questionable accounting or auditing matters.
17. The Committee shall review any complaints regarding accounting, internal controls, auditing matters or the compliance office.
18. Based on reports provide to the Company by the Outside Auditors or management, the Committee shall discuss with management and the Outside Auditors any correspondence from or with regulators or governmental agencies, any employee complaints or any published reports that raise material issues regarding the Company's financial statements, financial reporting process, accounting policies or finance and accounting group.
19. The Committee shall review all reports submitted by the Outside Auditors to the Committee pursuant to Section 10A(b) of the Exchange Act.
20. The Committee shall prepare with outside legal advisors the report required by the SEC to be included in the Company's annual proxy statement and any other SEC reports required by applicable securities laws or the Stock Exchange rules.
21. The Committee shall discuss with Company management earnings press releases, including the use of "pro-forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance, if any, provided to analysts and rating agencies.
22. The Committee shall review and approve in advance or ratify all of the Company's related-party transactions. The Committee shall approve or ratify a related-party transaction if the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party. In addition, the Committee shall prepare any related disclosure required by the SEC to be included in the Company's annual proxy statement and any other SEC reports required by applicable securities laws. For the purposes of this Charter, "related-party transactions" shall refer to transactions as defined in Annex A hereto.

23. The Committee shall review and evaluate the performance of the Outside Auditors on at least an annual basis.
24. The Committee shall monitor and review executive officer and director indemnification and related insurance matters.
25. The Committee shall have this Charter posted on the Company's website and/or published in accordance with applicable SEC regulations.

The Company shall provide for appropriate funding, as determined by the Committee, to cover the costs of all of the services and activities set forth in this Charter as well as for any other ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

Evaluation

As approved by the Board, the Committee shall, at least annually, conduct a self-evaluation of the performance of the Committee and its members, including a review of the Committee's compliance with this Charter. The Committee shall also review and assess the adequacy of this Charter at least annually and recommend any proposed changes to the Board for approval.

Reporting Responsibility

The proceedings of each Committee meeting shall be reported to the Board at the Board meeting immediately following such Committee meeting. In addition, matters within the responsibility of the Committee may be discussed by the full Board from time to time during the course of the year.

Annex A

For these purposes, a “**Related Party**” is:

1. any officer who is considered an officer under Section 16 of the Exchange Act) or director of the Company;
2. a stockholder owning in excess of five percent of the Company (or its controlled affiliates);
3. a person who is an immediate family member of a senior officer or director; or
4. an entity which is owned or controlled by someone listed in 1, 2 or 3 above, or an entity in which someone listed in 1, 2 or 3 above has a substantial ownership interest or control of such entity.

For these purposes, a “**Related Party Transaction**” is a transaction between the Company and any Related Party (including any transactions requiring disclosure under SEC Regulation S-K, Item 404), other than:

1. transactions available to all employees generally; or
2. transactions involving less than \$5,000 when aggregated with all similar transactions.