

VerifyMe, Inc.

Audit Committee Charter

1. Purpose

The purpose of the Audit Committee (the “Committee”) of the board of directors (the “Board”) of VerifyMe, Inc. (the “Company”) is to assist the Board in:

- monitoring the integrity of the financial statements of the Company,
- monitoring the independent registered public accounting firm’s (the “Auditors”) performance, qualifications and independence,
- monitoring the effectiveness of the Company’s internal audit function, if applicable, and
- to perform such other duties and responsibilities enumerated in and consistent with this Charter.

The Committee has the sole authority and responsibility to select, evaluate, and where appropriate, replace the Company’s Auditors.

By adopting this Charter, the Board delegates to the Committee full and exclusive authority to perform each of the responsibilities of the Committee as described below and to appoint a Chair of the Committee, unless a Chair is appointed by the Board.

The Committee shall fulfill its oversight responsibility to the shareholders relating to the annual independent audit of the Company’s financial statements, and, when the rules of the Nasdaq Stock Market (“Nasdaq”), the Securities and Exchange Commission (“SEC”) or any applicable statute requires, the internal controls audit, and any special audits. In addition, the Committee shall oversee the systems of internal accounting and financial controls, disclosure controls, and the legal compliance and ethics programs as established by management. In so doing, it is the responsibility of the Committee to maintain free and open means of communication between the Board, the Auditors, and the financial management of the Company.

2. Organization

The Committee shall be a standing committee of the Board and shall consist of at least three members, each of whom shall be independent under the applicable rules of Nasdaq and shall meet the additional independence standards for members of the Committee, including the additional requirements set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended. The Board shall affirmatively determine the independence of any director who will serve on the Committee, and shall consider all factors specifically relevant to determining whether a director has a relationship to the Company or any subsidiary of the Company which is material to that director's ability to be independent from management in connection with the duties of a Committee member, including, but not limited to, determining that a member:

- (i) has not participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the current year or any of the past three completed fiscal years;

(ii) is not an affiliated person of the Company or any subsidiary of the Company; and

(iii) is 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 be an Audit Committee Financial Expert (as defined under the federal securities laws) and satisfy the applicable Nasdaq financial sophistication requirements in effect from time to time.

In addition, no member of the Committee may accept any consulting, advisory, or other compensatory fee from the Company or any subsidiary of the Company other than for Board service or for fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company (provided that such compensation is not contingent in any way on continued service).

3. Responsibilities

In carrying out its responsibilities hereunder, the Committee's policies and procedures should remain flexible, in order to best react to changing conditions and to ensure to the directors and shareholders that the corporate accounting and reporting practices of the Company are in accordance with all current requirements and are of the highest quality.

In carrying out these responsibilities, the Committee shall:

1. Ascertain that the lead (or concurring) audit partner from any Auditors performing audit services, serves in that capacity for no more than five fiscal years of the Company. In addition, the Committee make certain that any partner other than the lead or concurring partner serves no more than seven years at the partner level on the Company's audit;
2. Appoint, determine the compensation of, retain or dismiss, and oversee the work of the Auditors of the Company;
3. Approve, in advance, the provision by the Auditors of any and all permissible non-audit services, and require the provision of any such non-audit services be disclosed in periodic reports filed by the Company with the SEC subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934, as amended;
4. Meet with the Auditors and financial management of the Company to review the scope of the proposed audit for the current year and the audit procedures to be utilized, and at the conclusion thereof review such audit, including any comments or recommendations of the Auditors;
5. Review with the Auditors the Company's financial and accounting management, the adequacy and effectiveness of the accounting and financial controls of the Company, and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable;
6. Review management's assessment of internal controls;

7. 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 Auditors;
8. Inquire of management and the Auditors about significant risks or exposures facing the Company; assess the steps management has taken or proposes to take to address such risks; and periodically review compliance with such steps;
9. Establish procedures for the receipt, retention, and treatment of complaints regarding accounting, internal controls, auditing and Committee matters, including providing for the confidential and anonymous submission of complaints;
10. Require the Auditors to report to the Committee the critical accounting policies and practices to be used, all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications of the use of such alternative disclosures and treatments, the treatment preferred by the independent auditor, any accounting disagreements between the Auditors and management, and all other material written communications between the Auditors and management;
11. Review the financial statements to be included in the Annual Report on Form 10-K, and the disclosures made in management's discussion and analysis, with management and the Auditors to determine that the Auditors are satisfied with the disclosure and content of the financial statements, and to recommend to the Board whether the audited financial statements should be included in the Annual Report;
12. Review the interim financial statements, management's discussion and analysis, and earnings releases with management and the Auditors prior to the filing of the Company's Quarterly Report on Form 10-Q. The Committee shall discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the Auditors under generally accepted auditing standards;
13. Prepare the report required by the SEC rules to be included in the Corporation's proxy statement for the annual meeting of stockholders;
14. Provide sufficient opportunity for the Auditors to meet with the members of the Committee without members of management present. Among the items to be discussed in these meetings are the Auditor's evaluation of the Company's financial and accounting personnel, the adequacy of the Company's internal controls, and the cooperation that the Auditors received during the course of the audit;
15. Assist with the resolution of all disagreements between the Company's management and the Auditors regarding financial reporting;
16. Review all earning releases and other communications which contain a reference to the Company's earnings guidance;
17. Ensure receipt from the Auditors of a formal written statement delineating all relationships between the Auditors and the Company;

18. Engage in a dialogue with the Auditors with respect to any disclosed relationships or services that may impact the objectivity of the Auditors;
19. Inquire about the Auditors' past and continuing compliance with auditor independence rules and about their program for enhancing safeguards to ensure that conflicts do not arise in the future;
20. Take or recommend that the full Board take appropriate action to oversee the independence of the Auditors;
21. Submit the minutes of all meetings of the Committee to, or discuss the matters discussed at each committee meeting with, the Board;
22. Investigate any matter brought to its attention within the scope of its duties, with the power to retain outside counsel for this purpose if, in its judgment, that is appropriate;
23. Review and discuss with management all certifications that are required;
24. Recommend to the Board policies for the Company's hiring of employees or former employees of the Auditors who were engaged on the Company's account (recognizing that the Sarbanes-Oxley Act of 2002 does not permit any person in a financial reporting oversight role to have participated in the Company's audit as an employee of the Auditors during the one-year period preceding the audit and professional engagement period);
25. Review any reports of the Auditors mandated by the Securities Exchange Act of 1934, as amended, and obtain from the Auditors any information with respect to illegal acts in accordance with such mandates;
26. Discuss with management any opinions sought from an accounting firm other than the Auditors, including the substance and reasons for seeking any such opinion;
27. Review the appointment, reassignment or dismissal of the Chief Financial Officer and the Chief Accounting Officer;
28. On at least an annual basis, review with the Company's counsel, any legal matters that could have a significant impact on the Company's financial statements, the Company's compliance with applicable laws and regulations related to accounting and financial reporting, inquiries received from regulators or governmental agencies related to accounting and financial reporting; and
29. Perform any other activities consistent with this Charter, the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.
30. Review this Charter on a periodic basis to assess its adequacy and make recommendations to the Board accordingly.

4. Meetings

The Committee shall meet at least quarterly to discuss with management the annual audited financial statements and quarterly financial statements and shall otherwise meet from time to time. Meetings of the Committee shall be held at such times and places as the Committee

shall determine, including by written consent. The Chair of the Committee (or in the absence of the Chair, a member designated by the Chair) shall preside at each meeting of the Committee, set the agendas for Committee meetings and report on activities of the Committee to the full Board.

The Committee shall have the authority to establish its own rules and procedures for notice and conduct of its meetings, including special meetings, so long as they are not inconsistent with the provisions of the Company's bylaws that are applicable to a committee of the Board.

5. Resources and Authority; Consultants and Other Advisors

The Committee shall have the resources and authority appropriate to discharge its responsibilities, including the exclusive authority to engage outside auditors for regular and special audits, reviews and other procedures, and to retain independent legal counsel and other advisors, as it determines necessary to carry out its duties. In furtherance of this responsibility, the Company shall provide the appropriate funding for any such auditor or advisor.

6. Limitation of the Committee's Role

The Committee's function is one of oversight, recognizing that the Company's management is responsible for preparing the Company's financial statements, and the independent auditor is responsible for auditing those statements. In adopting this Charter, the Board acknowledges that the Committee members are not employees of the Company and are not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the independent auditor's work or auditing standards. Each member of the Committee shall be entitled to rely on the integrity of those persons and organizations within and outside the Company that provide information to the Committee and the accuracy and completeness of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary.

Approved: Board of Directors

Date: December 16, 2020