

CADISTA HOLDINGS INC.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

CHARTER

Purpose

The primary functions of the Audit Committee (“Committee”) of the Board of Directors of Cadista Holdings Inc. (“Cadista”) is to assist the Board in fulfilling its oversight responsibilities by reviewing the integrity of the consolidated financial statements of Cadista, reviewing the performance of Cadista’s independent auditors, reviewing the timely compliance by Cadista with all legal and regulatory requirements for audit and related financial functions of Cadista, reviewing Cadista’s auditing, accounting and financial reporting processes and overseeing Cadista’s systems of and compliance with internal financial controls and management’s reporting of internal controls and risk management.

Members

The Committee of the Board of Directors shall consist of at least three directors elected annually by the Board. One member of the Committee shall be designated by the Board as the Chairman of the Committee. Each member of the Committee shall be independent of Cadista management, and shall be able to read and understand fundamental financial statements, including the Cadista’s balance sheet, income statement, and cash flow statement. Without limiting the foregoing, one member of the Committee must 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, without limitation, being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. The determination as to whether any particular member of the Committee satisfies the requirement above shall be made by the Board.

Once appointed, Committee members shall cease to be a member of the Committee only upon:

- (i) Resignation from the Board;
- (ii) Death;
- (iii) Disability, as determined by the independent physician retained by the Board; or
- (iv) Not being re-appointed pursuant to the annual Board appointment process.

Responsibilities

The Committee shall have the following responsibilities:

- Selection, approval, oversight and retention of the independent accountants to be selected by Cadista as its independent auditors (the “Independent Auditors”), subject to ratification by Cadista’s shareholders. Such appointment shall include the review and approval of the proposed fees of the Independent Auditors and require that the Independent Auditors report directly to the Committee.
- Pre-approval of all audit and permissible non-audit services provided by the Independent Auditors. Pre-approval shall be specific to a particular service or category of services, and may be made on a case-by-case basis. In assessing the pre-approval of services by the Independent Auditors, the Committee shall consider whether such services are consistent with the independence of the Independent Auditors, whether the service could enhance Cadista’s ability to manage or control risk or improve audit quality, or such other factors as the Committee shall determine.

- Receipt and review of a formal written statement from the Independent Auditors delineating all relationships between the Independent Auditors and Cadista, consistent with Independence Standards Board, Standard No. 1, and actively engaging in a dialogue with the Independent Auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the Independent Auditors and the taking of appropriate action (or recommending that the full Board take appropriate action) to oversee the independence of the Independent Auditors.
- Meet with the Independent Auditors and Cadista's financial management to review the scope of the proposed audit for the current year and the audit procedures to be utilized, and review the completed audit including any comments or recommendations of the Independent Auditors.
- Review and resolve any disagreements between management and the Independent Auditors regarding financial reporting and the review of any problems experienced by the Independent Auditors in conducting the audit, including any restrictions on the scope of the Independent Auditors' activities or any access to requested information.
- Evaluate with Cadista's financial management and the Independent Auditors, together and separately, the adequacy and effectiveness of Cadista's internal administrative, business process and accounting controls, and elicit any recommendations to correct any material weaknesses in such controls.
- Obtain periodic reports from Cadista's internal audit regarding internal audit findings, including Cadista's internal controls and Cadista's progress in remedying any material control deficiencies.
- With general counsel, appropriate financial management, and the Independent Auditors, review programs being maintained by management with respect to compliance with laws and regulations relating to financial matters.
- Review Cadista's financial management functions including the proposed audit plan for the coming year and the coordination of such plan with the Independent Auditors and ascertain, through discussion with the Independent Auditors whether the scope and procedures of the plan are adequate to meet the objectives set forth in this Charter.
- Satisfy the review of Cadista's unaudited quarterly and audited annual financial statements as provided in Schedule 1 hereto.
- Review with the Independent Auditors those major accounting policy changes that could impact Cadista.
- Establish procedures for (i) the receipt, retention, investigation and treatment of complaints received by Cadista regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of Cadista of concerns regarding questionable accounting or auditing matters.
- Selection and engagement of independent counsel and other advisers, as the Committee determines necessary to carry out its duties.
- Determine the appropriate funding for payment of (i) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for Cadista, (ii) compensation to any advisers employed by the Committee, and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
- Review and reassess the adequacy of this Charter on an annual basis.

Meetings

The Committee will hold meetings on at least a quarterly basis, with such additional meetings as the Chairman of the Committee may deem necessary. In addition to the Committee members, these meetings normally will be attended by representatives of the Independent Auditors and by Cadista's Chief Financial Officer. Cadista's principal financial officers as well as the President and CEO may attend, except for portions of the meetings where their presence would be inappropriate, as determined by the Chairman. Minutes will be kept of all meetings.

In the event that the Chair of the Committee does not attend a meeting of the Committee, the members of the Committee shall elect a temporary Chair for such meeting by majority vote of the members in attendance at the meeting. Greater than 50% of the Committee membership is required for a meeting quorum. Resolution of the Committee shall require approval by a simple majority of members voting on such resolution.

Remuneration

Members of the Committee and the Chairman of the Committee shall receive remuneration for their service on the Committee as the Board may from time to time determine. No member of the Committee may earn fees from Cadista for any of its subsidiaries other than for fees for acting as a member of the Board or of any Board committee (which may include cash and/or shares or options or other in-kind consideration). For greater certainty no member of the Committee shall accept, directly or indirectly, any consulting, advisory or other compensatory fees from Cadista.

Limitations

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that Cadista'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.

SCHEDULE 1

Financial Reporting

Review of Unaudited Quarterly Financial Results

- Prior to public release and filing with securities regulatory agencies, review and discuss with management and the Independent Auditors the:
 - earnings press release
 - consolidated financial statements and notes thereto
 - management's discussion and analysis
 - results of the Independent Auditors' review

- Review of Cadista's unaudited quarterly financial results, including:
 - any significant judgments (e.g. estimates and reserves) made in the preparation of financial statements and the view of each as to the appropriateness of such judgments
 - any significant disagreements among management and the Independent Auditors in connection with the preparation of financial statements
 - the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented
 - significant financial reporting issues and judgments made in connection with the preparation of Cadista's financial statements, including any significant changes in Cadista's selection or application of accounting principles, any major issues as to the adequacy of Cadista's internal controls and any special steps adopted in light of material control deficiencies
 - critical accounting policies and practices
 - alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Independent Auditors
 - any written communications between the Independent Auditors and management (e.g. management letters, schedule of unadjusted differences)
 - the effect of regulatory and accounting initiatives on the Corporation's financial statements
 - management certifications of reports filed by Cadista
 - integrity of the Cadista's financial reporting processes

- Recommend to the Board whether the unaudited financial results should be approved by the Board

Review of Audited Annual Financial Results

- Prior to public release and filing with securities regulatory agencies, review and discuss with management and the Independent Auditors the:
 - earnings press release
 - financial statements and notes thereto for consolidated and separate entities
 - management's discussion and analysis
 - results of the Independent Auditors' audit

- Review of Cadista's audited financial results, including:
 - all matters described above with respect to unaudited quarterly financial results
 - results of the Independent Auditors' audit
 - matters required to be discussed by applicable auditing standards relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management
 - a verbal and/or written report, as appropriate, from the Independent Auditors describing (i) all critical accounting policies and practices to be used, (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Independent Auditors, and (iii) other material communications between the Independent Auditors and management, such as the annual management letter or schedule of unadjusted differences

- Recommend to the Board whether the audited financial results should be approved by the Board