

AUDIT COMMITTEE CHARTER

Purpose The Audit Committee is created by the Board of Directors of the UNITED PARAGON MINING CORPORATION (the "Company") to:

1. assist the Board in the performance of its oversight function for:
 - the integrity of the financial statements of the Company
 - the qualifications, independence and performance of the Company's independent auditor;
 - the performance of the Company's internal audit function; and,
 - compliance by the Company with legal and regulatory requirements;
2. provide oversight for Management's activities in managing operational, credit, market, liquidity, legal and other risks of the Company;
3. monitor and evaluate the effectiveness and adequacy of the Company's internal control system;
4. review the periodic financial statements before submission to the Board;
5. provide an avenue of communication between Management, the independent auditors, the internal auditors, and the Board.

Membership

The Audit Committee shall consist of at least three (3) directors, who shall preferably have accounting or finance backgrounds, one of whom shall be an Independent Director. Each member shall have adequate understanding and knowledge of the Company's financial management systems and environment. The Nominations Committee shall recommend nominees for appointment to the Audit Committee annually and as vacancies or newly created positions occur. Audit Committee members shall be appointed by the Board and may be removed by the Board at any time. Meetings The Audit Committee shall meet at least twice a year, with the expectation that additional meetings may be required to adequately fulfill all the obligations and duties outlined in the charter.

Members of the Audit Committee are expected to attend each committee meeting, in person or via telephone or video conference. The Audit Committee may invite other individuals, such as members of Management, auditors or other technical experts to attend meetings and provide pertinent information, as necessary. The Audit Committee will meet with the independent auditor at least annually to discuss the financial statements of the Company. Meeting agenda will be prepared for every meeting and provided to the Audit Committee members along with briefing materials at least three (3) days before the scheduled Audit Committee meeting. The Audit Committee will act only on the affirmative vote of a majority of the members at a meeting. Minutes of these meetings will be recorded.

Responsibilities

The Audit Committee shall have responsibilities: (a) with the independent auditor and annual financial statements; (b) with the Company's internal auditors; (c) for oversight of Management's internal controls, compliance and risk assessment practices; (d) for special investigations and whistleblower policies; and (e) for miscellaneous issues related to the financial practices of the Company.

A. Independent Auditors and Financial Statements

The Audit Committee shall:

- Recommend and oversee independent auditors retained by the Company and pre-approve all audit services provided by the independent auditor.
- Establish procedures for the engagement of the independent auditor to provide permitted audit services. The Company's independent auditor shall be prohibited from providing nonaudit services unless having received previous written approval from the Audit Committee. Non-audit services include tasks that directly support the Company's operations, such as bookkeeping or other services related to the accounting records or financial statements of the Company, financial information systems design and implementation, appraisal or valuation services, actuarial services, investment banking services, and other tasks that may involve performing management functions or making management decisions.
- Review and approve the Company's audited financial statements, associated management letter, report on internal controls and all other auditor communications.
- Review significant accounting and reporting issues, including complex or unusual transactions and Management decisions, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Meet with the independent audit firm to discuss any significant issues that may have surfaced during the course of the audit.
- Review and discuss any significant risks reported in independent audit findings and recommendations and assess the responsiveness and timeliness of Management's follow-up activities pertaining to the same.

B. Internal Auditors

The Audit Committee shall:

- Review with Management and the internal auditor, the charter, activities, staffing and organizational structure of the internal audit function. The Audit Committee shall have authority over the appointment, dismissal, compensation and performance reviews of the internal auditor.
 - Ensure that the internal audit function is organizationally independent from Company operations.
 - Review the reports of internal auditor, and have authority to review and approve the annual internal audit plan.
 - Review the results of internal audits and approve procedures for implementing accepted recommendations of the internal auditor.

C. Internal Controls, Compliance and Risk Assessment

The Audit Committee shall review Management's assessment of the effectiveness of the Company's internal controls and review the report on internal controls by the independent auditor as a part of the financial audit engagement.

D. Special Investigations

The Audit Committee shall:

- Ensure that the Company has an appropriate confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interests, or abuse by the directors, officers or employees of the Company, or any persons having business dealings with the Company, or breaches of internal control.
- Develop procedures for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing to the appropriate body.
- Request and oversee special investigations as needed and/or refer specific issues to the appropriate body for further investigation (for example, issues may be referred to the legal counsel or, other investigatory organization.)

E. Other Responsibilities of the Audit Committee

The Audit Committee shall:

- Present annually to the Company's Board of Directors a written report of how it has discharged its duties and met its responsibilities as outlined in the charter.
- Obtain any information and training needed to enhance the Audit Committee member's understanding of the role of internal audits and independent auditor, the risk management process, internal controls and a certain level of familiarity in financial reporting standards and processes.
- Review the Audit Committee's charter annually, reassess its adequacy, and recommend any proposed changes to the Board of Directors. The Audit Committee charter will be updated as applicable laws, regulations, accounting and auditing standards change.
- Conduct an annual self-evaluation of its performance, including its effectiveness and compliance with the charter and request Board approval for proposed changes.