

**CHARTER OF THE
AUDIT AND GOVERNANCE COMMITTEE
OF THE BOARD OF DIRECTORS OF
DIGITAL ANGEL CORPORATION**

June 20, 2008

PURPOSE AND AUTHORITY:

The Audit and Governance Committee (the “Committee”) is established by the Board of Directors (the “Board”) of Digital Angel Corporation (formerly known as Applied Digital Solutions, Inc.) (the “Company”) for the primary purpose of assisting the Board in overseeing:

1. the integrity of the Company’s financial statements;
2. the independent registered public accounting firm’s qualifications, independence and performance;
3. the Company’s systems of disclosure controls and procedures, internal controls over financial reporting and compliance with ethical standards adopted by the Company; and
4. the Company, directors, officers and employees’ compliance with legal and regulatory requirements and standards of conduct.

The Company’s management is responsible for the preparation, presentation and integrity of the Company’s financial statements, accounting and financial reporting principles and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The Company’s independent registered public accounting firm is responsible for performing an independent audit of the financial statements of the Company in accordance with generally accepted auditing standards.

The Committee shall have unrestricted access to Company personnel documents, the Company’s executives and independent registered public accounting firm.

The Committee has the authority to obtain advice and assistance from outside legal, accounting or other advisors as it deems appropriate to perform its duties and responsibilities. The Company will provide appropriate funding, as determined by the Committee, for compensation to the independent registered public accounting firm and any advisors that the Committee chooses to engage and for payment of ordinary administrative expenses of the Committee that are necessary or appropriate for the Committee to perform its duties and responsibilities.

MEMBERSHIP:

The Committee shall consist of at least three (3) directors appointed by the Board. Each member shall, in the business judgment of the Board, qualify as an “independent director” under the rules of The NASDAQ Stock Market, Inc., Rule 10A-3 of the Securities Exchange Act of 1934, as amended (“Exchange Act”), and the rules and regulations of the Securities and Exchange Commission (collectively, the “Applicable Listing Rules”). Each member shall be, in the business judgment of the Board, “financially literate” under the Applicable Listing Rules. At least one member of the Committee shall have, in the business judgment of the Board, “accounting or related financial management expertise,” under the Applicable Listing Rules. At least one member of the Committee (who may be the same member who is designated as having “accounting or related financial management expertise”) shall be, in the business judgment of the Board, an “audit committee financial expert,” as such term is defined in the rules and regulations promulgated by the Securities and Exchange Commission (“SEC”).

The members of the Committee, as well as its chairperson, shall be elected by the majority vote of the full Board. Each member shall serve until such member’s successor is duly elected or qualified or until such member’s earlier resignation, removal or death.

MEETINGS AND REPORTS:

The Committee shall meet at least four (4) times each year, whether in person or by video or telephone conference, and has the authority to convene additional meetings. The Committee may take action either by a majority of the members of the Committee at a meeting or by unanimous written consent of all members of the Committee. Meeting minutes will be prepared and maintained by the chairperson of the Committee, or by the meeting recording secretary at the chairperson’s direction.

The Committee shall report to the full Board all significant items discussed at Committee meetings and any recommendations to the Board approved by the Committee. Copies of the written minutes of all Committee meetings and copies of all written consents shall be provided to the Board.

AUDIT AND FINANCIAL RESPONSIBILITIES:

The audit and financial responsibilities of the Committee shall include:

1. Review significant accounting policies, policy decisions, disclosure controls and procedures, internal controls over financial reporting and any changes, along with significant accounting, reporting or operational issues;
2. Review different aspects of the Company on a regular basis, to ensure an understanding of the Company's operations, lines-of-business and significant products;

3. Be directly responsible for the appointment, compensation and oversight of the work of the independent registered public accounting firm employed by the Company for the purpose of preparing or issuing an audit report or related work. The independent registered public accounting firm will report directly to the audit committee;
4. Ensure the rotation of the lead audit partner every five years and other audit partners every seven years, and consider whether there should be regular rotation of the audit firm itself;
5. Be responsible for resolution of any disagreement between management and the auditor regarding financial reporting;
6. Review the annual audit plan and the report of the independent registered public accountants;
7. Approve of all audit and non-audit services (which may be pursuant to pre-approval policies and procedures compliant with Sec 10A(i) of the Exchange Act and Regulation S-X, 2-01(c)(7)). Any Committee approval of non-audit services will be disclosed to the investors in the required periodic reports;
8. Review the annual internal audit plan and any reports of the internal audit function;
9. Meet privately with and have unrestricted access to the director of internal audit, Chief Financial Officer and the independent registered public accounting firm;
10. Establish procedures to receive, retain and handle complaints regarding accounting, internal accounting controls or auditing matters and to handle whistleblower information regarding questionable accounting or auditing matters;
11. Be responsible for ensuring receipt from the independent registered public accounting firm of formal communications required by ISB Standard No. 1 and for discussing with the independent registered public accounting firm any disclosed relationships or services that may impact objectivity and independence and taking, or recommending the full board to take, appropriate action, if necessary, to ensure independence of the independent registered public accounting firm;
12. Review the annual financial statements, results of the year end audit and other financial information, including management's discussion and analysis of the financial condition and results of operations, included in the Company's Form 10-K with management and the independent registered public accounting firm and discuss with them their judgments of the financial statements. The Committee should also discuss the above among themselves, without others present. As a

- result of these discussions, the Committee, in reliance on review with management and discussions with the independent registered public accounting firm, recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K;
13. Review internal control reports and the quarterly financial statements (prior to the Company's Form 10-Q filings or release of earnings) with management and the independent registered public accounting firm;
 14. Discuss and preview with management earnings press releases and financial information and earnings guidance provided to analysts and rating agencies prior to their release;
 15. Prepare the report required by the rules of the SEC to be included in the Company's annual proxy statement; and
 16. Such other duties and responsibilities as may be properly delegated to it by the Board.

The independent registered public accounting firm is responsible for communicating the quality, not just the acceptability, and clarity of the Company's accounting procedures and their disclosures. This will include the degree of aggressiveness or conservatism of accounting principles and underlining estimates and other significant financial reporting decisions made by management and reviewed by the independent registered public accounting firm.

The independent registered public accounting firm will review each quarterly report and report their opinions to the audit committee via a telephone conference call prior to the Company filing each quarterly Form 10-Q.

GOVERNANCE RESPONSIBILITIES:

- The governance responsibilities of the Committee shall include:
17. Review the Company's policies regarding related-party transactions and conflicts of interest and recommend any changes to such policies to the Board for approval. Review and determine whether to approve or ratify transactions covered by such policies, as appropriate;
 18. Review the governance policies, procedures and administration of the Company, including the employee handbook, Code of Conduct and corporate governance standards, and recommend any changes to such policies to the Board for approval;
 19. Review significant instances of the lack of compliance with laws and regulations, ethics, conflict of interest and the investigation of misconduct or fraud;

20. Keep abreast of developments with regard to regulatory compliance programs concerning the Company's activities and operations;
21. Review proposals by the Compensation Committee related to director's compensation; and

ADDITIONAL RESPONSIBILITIES:

22. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities or delegated to the Committee;
23. Review and reassess the adequacy of this Charter periodically (but at least annually) and recommend any proposed amendments to the Board for approval;
24. Review and evaluate the Committee's performance of its responsibilities outlined in this Charter annually;
25. Such other duties and responsibilities as may be properly delegated to it by the Board.