

JMAR TECHNOLOGIES, INC.

AUDIT COMMITTEE CHARTER

**(Amended by Board of Directors
On March 16, 2004)**

I. PURPOSE

The Audit Committee is a standing committee of the Board of Directors of JMAR Technologies, Inc. (the "Company"). The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to (i) the integrity of the Company's financial statements and financial reporting process and the Company's systems of internal accounting and financial controls; (ii) the performance of the internal audit function; (iii) the annual independent audit of the Company's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; (iv) the compliance by the Company with legal and regulatory requirements, including the Company's disclosure controls and procedures; and (v) the fulfillment of the other responsibilities set out herein. The Report of the Audit Committee required by the rules of the Securities and Exchange Commission shall be included in the Company's annual Proxy Statement.

II. MEMBERSHIP

The Audit Committee shall be comprised of at least three directors as determined by the Board to meet the independence and financial literacy requirements of the listing standards of the NASDAQ Stock Market, Inc. ("NASDAQ") and applicable federal law. Each member shall be free of any relationship that, in the opinion of the Board, would interfere with his or her individual exercise of independent judgment.

The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board and shall serve until their successors shall be duly elected and qualified. The Chairman of the Audit Committee shall be appointed by the Board.

III. AUTHORITY

The Audit Committee shall have the sole authority to select (subject to shareholder ratification), evaluate, appoint and replace the independent auditors and shall approve in advance all audit engagement fees and terms and all non-audit engagements with the independent auditors. The Audit Committee shall consult with management regarding these matters, but shall not delegate these responsibilities.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting, or other consultants to advise the Committee. The Company shall provide funding, as determined by the Audit Committee, for payment of compensation to the independent auditors and to any advisors employed by the Audit Committee. Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications to the Company, and the Committee will take all necessary steps to preserve the privileged nature of those communications.

The Committee shall review and reassess the adequacy of this Charter on an annual basis and submit proposed changes to the Board for approval. The Committee has the powers and responsibilities delineated in this Charter. It is not, however, the Committee's responsibility to

prepare and certify the Company's financial statements, to guaranty the independent auditor's report, or to guaranty other disclosures by the Company. These are the fundamental responsibilities of management and the independent auditor. Committee members are not full-time Company employees and are not performing the functions of auditors or accountants.

IV. MEETINGS

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. All Committee members are expected to attend each meeting, in person or via tele- or video-conference. The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. The Committee will meet separately, periodically, with management and with external auditors. It will also meet periodically in executive session when deemed appropriate by the Committee. The Committee will caused to be kept adequate minutes of all of its proceedings, and will report its actions to the next meeting of the Board.

V. RESPONSIBILITIES AND DUTIES

The Audit Committee shall have the following duties and responsibilities:

Financial Statements and Disclosure Matters

1. Review and discuss with management and the independent auditors the Company's annual audited financial statements, including disclosures made in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the annual report, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
2. Review and discuss with management and the independent auditors the Company's quarterly financial statements prior to the filing of its Form 10-Q, including the results of the independent auditors' reviews of the quarterly financial statements.
3. Review and discuss earnings press releases.
4. Receive a disclosure from the Chief Executive Officer and Chief Financial Officer during their certification process for the Form 10-K and Form 10-Qs about 1) any significant deficiencies in design or operation of internal controls or material weaknesses therein, and 2) any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal controls.
5. Periodically review management's evaluation of the Company's internal control structure and procedures for financial reporting. Upon effectiveness of the Section 404 internal controls rules, review with management and the independent auditors the Company's annual assessment of its internal controls and the independent auditors' attestation report about the Company's assessment. Management's review shall include a review of the Company's information technology security and control.
6. Review and discuss with management the adequacy and effectiveness of the Company's disclosure controls and procedures.

Independent Accountants

7. On an annual basis, evaluate, select and appoint the independent auditors and approve in advance all audit engagement fees and terms with the independent auditors.

8. Approve guidelines for the retention of the independent auditors for any non-audit services and determine procedures for the approval of audit and non-audit services in advance. In accordance with such procedures, the Committee shall approve in advance all audit or non-audit services provided to the Company by the independent auditors, all as required by applicable law or listing standards. Pre-approval authority may be delegated to one or more members of the Committee.
9. Receive and discuss a report from the independent auditors at least annually regarding:
 - a) The independent auditors' internal quality-control procedures;
 - b) Any material issue raised by the most recent quality-control review, or peer review (if applicable), of the independent auditors, or by any inquiry or investigation by governmental professional authorities within the preceding five years respecting one or more independent audits carried out by the independent auditors;
 - c) Any steps taken to deal with any such issues;
 - d) All relationships between the independent auditors and the Company, in order to assess the independent auditors' independence.
10. Evaluate the qualifications, performance and independence of the independent auditors, including whether the provision of non-audit services is compatible with maintaining the auditors' independence, and taking into account the opinions of management. This shall include a review and discussion of the annual communication as to independence delivered by the independent auditors (Independence Standards Board Standard No. 1 – "Independence Discussions with Audit Committee"). The Audit Committee shall present its conclusions to the Board, and if so determined by the Audit Committee, recommend that the Board take additional action to satisfy itself of the qualifications, performance and independence of the auditors. Approve any proposed discharge of the independent accountants when circumstances warrant.

Financial Reporting Processes

11. Review the independent auditors' proposed audit scope and approach.
12. Periodically review and discuss reports from the independent auditors on, among other things, certain:
 - a) Critical accounting policies and practices to be used;
 - b) Alternative treatments of financial information within generally accepted accounting principles;
 - c) Other material written communications between the independent auditors and management, such as any management letter and JMAR's response to such letter or schedule of unadjusted differences;
 - d) Difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, any significant disagreements with management, and communications between the audit team and the audit firm's national office with respect to difficult auditing or accounting issues presented by the engagement.

13. Discuss with the independent auditors the matters required to be discussed by Auditing Standards No. 61 relating to the conduct of the audit.

Process Improvement

14. Establish regular and separate systems of reporting to the Audit Committee by each of management, and the independent accountants regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
15. Review with the independent accountants and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented.

Ethical and Legal Compliance

16. Establish, review and update periodically a Code of Ethics and Code of Conduct. Review the process for communicating the Code of Ethics and Code of Conduct to Company personnel, and for monitoring compliance therewith.
17. Review and approve all related-party transactions (as defined in the relevant NASDAQ requirements).
18. Review with management, including the Company's General Counsel, legal compliance matters including corporate securities trading policies.
19. Review with management, including the Company's General Counsel, and the independent auditors any material legal matter that could have a significant impact on the Company's financial statements.
20. Perform any other activities consistent with this Charter, the Company's By-laws and governing law, as the Committee or the Board deems necessary or appropriate.

General

21. Engage in an annual self-assessment of the Audit Committee's effectiveness with the goal of continuing improvement.
22. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by the employees of the Company of concerns regarding questionable accounting or auditing matters.
23. Review annually the independence of each Committee member based on NASDAQ and SEC Rules.