

**CHARTER FOR THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
OF LOOKSMART, LTD.**

PURPOSE:

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its responsibility for oversight of LookSmart, Ltd's. (the "Company") accounting and financial reporting processes, internal systems of control, compliance with legal and regulatory requirements, independent auditor relationships and audit of the Company's financial statements. The Committee is directly responsible for the appointment, compensation, retention and oversight of the independent auditor (including resolution of disagreements between management and the auditor regarding financial reporting). Notwithstanding the foregoing, however, the Committee is not responsible for planning or conducting audits, or determining whether the Company's financial statements are complete and accurate or in accordance with generally accepted accounting principles.

AUTHORITY:

- The Audit Committee shall have unrestricted access to members of management, employees, and any relevant information.
- The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.
- The Audit Committee may engage independent counsel or other advisors, as it deems necessary, to carry out its duties.
- The Audit Committee may meet with the Company's investment bankers or financial analysts who follow the Company.
- The Audit Committee delegates its authority to address any requests for pre-approval of services between audit committee meeting dates to its Chairman.
- The Audit Committee will be provided with appropriate funding by the Company, as the Committee determines, for the payment of compensation to the Company's independent auditor; independent counsel and other advisors as it deems appropriate, and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

MEMBERSHIP:

The Audit Committee shall comply with all applicable provisions of the Sarbanes-Oxley Act of 2002 and the rules and regulations of the Securities and Exchange Commission and the Nasdaq Stock Market, Inc., including those related to independence. The Audit Committee will consist of at least three (3) independent members of the Board. The Board appoints the members of the Audit Committee and the Chairperson. The Board may remove any member from the Committee at any time with or without cause. A director that is a member of the Audit Committee cannot sit on more than three public company audit committees.

Each member shall in the judgment of the Board have the ability 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 shall in the judgment of the Board be an "audit committee financial expert" as defined by the rules and regulations of the Securities and Exchange Commission, and at least one member (who may also serve as the audit committee financial expert) have past employment experience in finance or accounting, or comparable experience or background which results in financial sophistication, including having been a CEO, CFO or other senior officer with financial oversight responsibilities.

RESPONSIBILITIES:

The Audit Committee will undertake those specific duties and responsibilities listed below and such other duties as the Board of Directors may from time to time prescribe.

The responsibilities of the Audit Committee shall include:

Financial Statements:

1. Review significant accounting and reporting issues, including complex or unusual transactions, highly judgmental areas, the effect of alternative GAAP methods, recent professional and regulatory pronouncements, and significant changes to the Company's accounting principles and practices proposed by the independent auditor, the internal auditor (if any), or management, and understanding their impact on the financial statements, and periodically review existing accounting principles and practices;
2. Review with management the results of the audit, including any significant suggestions for improvements provided to management by the independent auditors, any disagreements with management, and other matters which are required to be disclosed to the Committee under GAAP;
3. Before reporting to the public and filing with regulators, review the annual and interim financial statements with management and the independent auditors (as well as the matters required to be discussed by SAS 61, as it may be modified or supplemented) and consider whether the financial statements are complete and consistent with information known to Audit Committee members and reflect appropriate accounting principles, including any disclosures included in the management's discussion and analysis sections of the SEC reports and any disclosures regarding critical accounting estimates. The Audit Committee will be responsible for making a recommendation to the Board of Directors as to whether the annual financial statements should be included in the Company's annual report on Form 10-K;
4. Review with management the Company's earnings press releases, including the use of non-GAAP financial measures, as well as financial information and earnings guidance provided to analysts;
5. Prepare reports required to be included in any proxy statement under SEC rules and regulations;
6. Review and approve all related party transactions;
7. Review, in conjunction with counsel, any legal matters that could have a significant impact on the Company's financial statements;
8. Instruct the independent auditor to report to the Committee on all critical accounting policies of the Company, 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 auditor, and other required material written communication between the independent auditor and management, and discuss these matters with the independent auditor and management.

Internal Control/Risk Assessment:

1. Oversee management's review on a continuing basis the adequacy of the Company's system of internal controls and any significant findings and recommendations of the independent auditor and management's responses;
2. Review the Company's annual assessment of the effectiveness of its internal controls over financial reporting, including information technology security and control, and the independent auditor's attestation and report about the Company's assessment, prior to the filing of the Company's Form 10-K;

3. Review with management and the independent auditor the Company's quarterly risk assessment process, including the process for identifying fraud risk, and review steps management has taken to control risks identified.

Internal Audit:

1. Review on a continuing basis the need for or the activities, organizational structure and qualifications of the Company's internal audit function;
2. If there is an internal auditor, obtain and review periodic reports on the internal auditor's significant recommendations to management and management's responses.

External Audit:

1. Appoint, retain and provide for the compensation of a "registered public accounting firm" (as that term is defined in Section 2(a) of the Sarbanes-Oxley Act of 2002) to serve as the Company's independent auditor, oversee the work of the independent auditor (including resolution of any disagreements between management and the independent auditor regarding financial reporting), evaluate the performance of the independent auditor and, if so determined by the Committee, replace the independent auditor; it being acknowledged that the independent auditor reports to and is accountable to the Board and the Committee;
2. On an annual basis, evaluate the independent auditor's qualifications, performance and independence, including that of the lead partner. The evaluation will include obtaining a report from the independent auditor describing the firm's internal quality control procedures; any material issues raised by the most recent internal quality control review, or peer review, of the firm or by any inquiry or investigation by governmental or professional authorities within the past five years, concerning an independent audit carried out by the firm, and any steps taken to deal with those issues;
3. Provide oversight of the independence of the independent auditors and ensuring that the Company annually receives from the independent auditors a formal written statement delineating all relationships between the company and the independent auditors, and the Audit Committee's responsibility for actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor;
4. Review with the independent auditor and finance management the audit scope and plan;
5. Establish and oversee a policy designating permissible services that the independent auditor may perform for the Company, providing for pre-approval of those services by the Committee;
6. Review and approve all audit and non-audit fee arrangements with the independent auditors and sign annual Engagement Letter;
7. Meet with the independent auditor in executive session to discuss any matters that the Committee or the independent auditor believes should be discussed privately with the Committee.

Compliance:

1. Develop, review and oversee procedures for receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters, and the confidential anonymous submissions by employees concerning questionable accounting, auditing and internal controls matters. All such relevant complaints and submissions must be reported to the Audit Committee;
2. Annually review and approve the Code of Conduct and review the process for communicating the

Code of Conduct to all employees;

3. Review of the Company's asset management policies, including an annual review of the Company's investment policies and performance for cash and short-term investments.

Other:

1. Meet periodically with the CFO and finance management in executive sessions to discuss any matters that the Audit Committee believes should be discussed privately;
2. Set clear hiring policies for the Company's hiring of employees or former employees of the independent auditor, who were engaged in the Company's account, and ensure the policies comply with any regulations applicable to the Company;
3. Review and assess the adequacy of the committee charter annually, requesting Board approval for proposed changes;
4. Conduct an annual self-assessment of the Committee and its members;
5. Monitor the hiring and promotion process of personnel with financial oversight responsibilities, including monitoring how the Company performs background checks;
6. If necessary, instituting special investigations and, if appropriate, hiring special counsel or experts to assist therewith;
7. Performing other oversight functions as requested by the full Board of Directors;
8. Preparing the Committee report required to be included in the Company's annual proxy statement;
9. In addition to the above responsibilities, the Audit Committee will undertake such other duties as the Board of Directors delegates to it, and will report, at least annually, to the Board regarding the Committee's examinations and recommendations.

MEETINGS:

The Audit Committee shall meet at least four (4) times a year, with authority to convene additional meetings, as circumstances require. The Audit Committee may establish its own schedule, which it will provide to the Board of Directors in advance. All Audit Committee members shall be expected to attend each meeting, in person or via teleconference. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials.

The Audit Committee will meet separately with the Chief Executive Officer and separately with the Chief Financial Officer of the Company at least annually to review the financial affairs of the Company. The Audit Committee will meet with the independent auditors of the Company, at such times as it deems appropriate, to review the independent auditor's examination and management report.

REPORTS:

The Audit Committee will record its summaries of recommendations to the Board in written form, which will be incorporated as a part of the minutes of the Board of Directors meeting at which those recommendations are presented.

MINUTES:

The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board of Directors.