

INTERLINK ELECTRONICS, INC.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

CHARTER

I. OVERALL PURPOSE

The primary purpose of the Audit Committee (the “Committee”) is to assist the Board of Directors (the “Board”) of Interlink Electronics, Inc. (the “Company”) in achieving its oversight responsibilities in the following areas:

- The reliability and integrity of the Company’s financial statements and financial reporting and disclosure practices;
- The maintenance of an adequate system of internal controls;
- The Company’s compliance with all laws, regulations and Company policies;
- The independent auditor’s qualifications, independence and duties; and
- The performance of the Company’s internal audit function and independent auditors.

The Committee has the ultimate responsibility to appoint, compensate, retain and oversee the work of the Company’s independent auditor and to approve all audit fees and terms as well as all significant non-audit services. The Committee is also responsible for preparing the report required by SEC rules to be included in the Company’s annual proxy statement.

II. COMPOSITION

The Committee shall consist of at least three members of the Board, each of whom shall be an independent director under applicable laws, rules and regulations, including the listing standards of the Nasdaq National Market. All members of the Committee shall have a working familiarity with basic finance and accounting practices and at least one member of the Committee shall be a “financial expert” as defined by SEC rules and the standards of the Nasdaq National Market.

The members of the Committee shall be appointed by the Board at the annual organizational meeting of the Board on the recommendation of the Corporate Governance and Nominating Committee. Unless a Chair is designated by the Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership. Members may be removed by the Board at any time.

III. MEETINGS

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee should meet at least annually with management and the independent accountants in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee or at least its Chair should meet (telephonically

or in person) with the independent accountants and management quarterly to review the Company's financials.

IV. ACTIVITIES

In fulfilling its overall purpose, the Committee shall annually schedule and carry out the following activities. The five broad areas of activities include:

- General;
- Reporting;
- Independent accountants;
- Key risks and controls; and
- Ethical and legal standards.

The Committee's activities are described in detail in the attached table.

Adopted by the Board: June 12, 2003

INTERLINK ELECTRONICS, INC.
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
CHARTER
June 12, 2003

ACTIVITIES	Timing		
	Annually	Quarterly	As Required
GENERAL			
1. Determine that each Committee member is independent and free from any material relationships to the Company (either directly or as a partner, shareholder or officer of an organization), as affirmatively determined by the Board. Definition of independence would exclude:	X		
<ul style="list-style-type: none"> ● A director who is an employee or has been an employee of the Company or any parent or subsidiary of the Company during the past three years. 			
<ul style="list-style-type: none"> ● A director who has been (or who has an immediate family member who has been) employed at any time during the previous three years as an executive of another corporation where any of the Company's executive officers serve on that corporation's compensation committee. 			
<ul style="list-style-type: none"> ● A director who is a Family Member (as defined in Nasdaq Rule 4200(a)(14)) of an individual who has been an officer of the Company (as defined in SEC Rule 16a-1(f)) or its affiliates during the past three years. 			
<ul style="list-style-type: none"> ● A director who has accepted or whose Family Member (as defined in Nasdaq Rule 4200(a)(14)) has accepted, directly or indirectly (including as a partner of a law firm, consulting firm, investment bank or similar entity), any consulting, advisory or other compensatory fees, other than as compensation for serving on the board or on a committee of the board. 			
<ul style="list-style-type: none"> ● A director who has accepted or whose Family Member (as defined in Nasdaq Rule 4200(a)(14)) has accepted, directly or indirectly any payments, including political contributions, in excess of \$60,000 from the Company or any of its affiliates during the past three years, other than as compensation for serving on the board or on a committee of the board. 			
<ul style="list-style-type: none"> ● A director who is a partner in, a controlling shareholder or executive officer of any business organization, including a not-for-profit entity, to which the Company made or received payments in any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is greater. Payments resulting solely from investments in the Company's securities need not be considered for this purpose. 			
<ul style="list-style-type: none"> ● A director who is an affiliated person of the Company or any affiliate (including a director, executive officer, partner, member principal or designee of an affiliate), including a person who owns or controls more than 10 percent of the Company's voting securities. 			
<ul style="list-style-type: none"> ● A director who was, or who has an immediate family member who was, affiliated with or employed by a present or former auditor of the company or of an affiliate and who worked on the Company's audit, until three years after the end of either the affiliation or the auditing relationship. 			

INTERLINK ELECTRONICS, INC.
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
CHARTER
June 12, 2003

ACTIVITIES	Timing		
	Annually	Quarterly	As Required
<ul style="list-style-type: none"> • A director who serves on the audit committee of more than three public companies, unless the Board determines that such services does not impair the member's ability to serve effectively on the Company's Audit Committee and discloses such determination in the Company's proxy statement. 			
2. Determine that all Committee members are "financially literate" and at least one member is a "financial expert" as defined by the SEC and Nasdaq listing standards. In determining whether a Committee member is a financial expert, the Committee should consider whether the person has, through education and experience as a public accountant or auditor or a principal financial officer, comptroller or principal accounting officer of a corporation required to file reports with the SEC or from a position involving the performance of similar functions, sufficient financial expertise in the accounting and auditing areas specified in SEC rules.	X		
3. Review and update this Charter periodically, at least annually, as conditions dictate. Full board approval is required for adoption and significant changes to the Charter.	X		X
4. Conduct an annual performance evaluation of the Committee.	X		
5. Regularly report to the full Board and periodically meet in separate sessions with management, the Company's independent auditors and those responsible for the internal audit function.		X	X
6. Submit the minutes of all meetings of the Committee to, or discuss the matters discussed at each meeting with, the full Board of Directors.		X	X
7. Retain and determine funding for independent counsel, accountants, or others, as the Committee determines necessary to carry out its duties. The Committee is empowered to conduct or authorize investigations into any matters within the Committee's scope of responsibilities.	X		X
8. Review and approve all related-party transactions.			X
9. Review and approve hiring of employees or former employees of the independent auditors.			X
REPORTING			
1. Review the Company's financial statements and any reports or other financial information submitted to any governmental body, or the public, including any certification, report, opinion, attestation, or review rendered by the independent accountants.		X	
2. Review with management and the Company's independent public accountants the applicability and impact of any new pronouncements issued by FASB or other applicable regulatory agencies.		X	

INTERLINK ELECTRONICS, INC.
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
CHARTER
June 12, 2003

ACTIVITIES		Timing		
		Annually	Quarterly	As Required
3.	Disclose in the annual proxy statement whether the Committee has satisfied its responsibilities in compliance with this Charter. Specifically, the report would require the Committee to state that they have reviewed and discussed the financial statements with management, discussed the items required by SAS #61 (including the quality of reporting) with independent auditors, and indicate that the Committee has received the written report from auditors required by ISB 1 regarding auditors' independence. Finally, the report would require the Committee to recommend to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for filing with the Commission.	X		
4.	Publish the written charter in the annual proxy statement at least every four years or in the next proxy statement after a significant amendment.			X
5.	Meet with (telephonically or in person) financial management and the independent accountants following the completion of the independent accountants SAS #71 interim financial review and prior to the Form 10-Q filing/release of earnings.		X	
6.	Discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.		X	
INDEPENDENT ACCOUNTANTS				
1.	Appoint, determine funding for, and oversee the Company's independent accountants. In selecting the independent accountants, the Committee should ensure that the auditor is independent as described in Rule 2-01 of Regulation S-X. The Committee should ensure that the lead (or coordinating) audit partner, or the audit partner responsible for reviewing the officer, has not performed audit services for the Company for 5 consecutive years. It should be clear to the independent accountants that they are ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders and that they must report directly to the Committee.	X		
2.	Approve, in advance, any significant non-audit relationship with the independent auditors, and any audit or non-audit services provided by the Company's independent accountants, including the provision of comfort letters in connection with securities offerings. The Committee should ensure that the independent auditors are not engaged to provide any of services prohibited under Section 10A(g) of the Securities Exchange Act of 1934.			X
3.	Review with the independent accountants the scope of their examinations of the books and records of the Company and its subsidiaries and direct the special attention of the auditors to specific matters or areas deemed by the Committee or the auditors to be of special significance and authorize the auditors to perform such supplemental reviews or audits as the Committee may deem desirable.		X	
4.	On a quarterly basis, receive a report from the independent auditors as to:		X	
	<ul style="list-style-type: none"> • The auditing firm's internal quality-control procedures; 			

INTERLINK ELECTRONICS, INC.
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
CHARTER
June 12, 2003

ACTIVITIES	Timing		
	Annually	Quarterly	As Required
<ul style="list-style-type: none"> ● Any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and 			
<ul style="list-style-type: none"> ● All significant relationships the independent auditors have with the Company, in order to determine the auditors' independence 			
5. In connection with audits performed by the Company's independent auditors, receive from the auditors a timely report addressing:	X		
<ul style="list-style-type: none"> ● All critical accounting policies and practices to be used; 			
<ul style="list-style-type: none"> ● 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 			
<ul style="list-style-type: none"> ● Other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences. 			
6. Review with management and the independent auditors their qualitative judgments about the appropriateness, not just the acceptability, of accounting principles and financial disclosure practices used or proposed and, particularly, about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates.		X	
7. Discuss the financial statements with management and the independent auditors, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operation."		X	
8. Review with management and the independent accountants at the completion of their audit or review:		X	
<ul style="list-style-type: none"> ● The existence of any fraud or illegal acts that the auditor may have become aware of; 			
<ul style="list-style-type: none"> ● Any significant deficiencies in the design or operation of internal controls noted during the audit; 			
<ul style="list-style-type: none"> ● Selection of and changes in significant accounting policies or their application; 			
<ul style="list-style-type: none"> ● Process used by management in making significant accounting judgments or estimates; 			
<ul style="list-style-type: none"> ● Significant audit adjustments; 			
<ul style="list-style-type: none"> ● Review by the auditors of other information in the audited financial statements; 			
<ul style="list-style-type: none"> ● Disagreements with management; 			
<ul style="list-style-type: none"> ● Consultation, if any, with other auditors on significant accounting matters; and 			
<ul style="list-style-type: none"> ● Any audit problems or difficulties and management's response. 			
9. Resolve disputes between management and the independent auditors regarding financial reporting.			X

INTERLINK ELECTRONICS, INC.
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
CHARTER
June 12, 2003

ACTIVITIES		Timing		
		Annually	Quarterly	As Required
10.	Consider recommendations from the independent accountants regarding internal controls, information technology controls and security and other matters relating to the Company and its subsidiaries and reviewing the correction of controls or processes deemed to be needing improvement.			X
11.	Provide sufficient opportunity for the independent auditors to meet with the members of the Committee without members of management present. Among the items to be discussed in these meetings are the independent auditors' evaluation of the Company's financial, accounting, and auditing personnel, and the cooperation that the independent auditors received during the course of the audit.	X		X
KEY RISKS AND CONTROLS				
1.	Inquire of management and the independent auditor about significant risks or exposures and assess the Company's policies with respect to risk assessment and risk management and specific steps management has taken to minimize such risks.	X		
	• Investment Policy			
	• Information Technology (MIS)			
	• Insurance			
	• Foreign Currency			
	• Income Taxes			
	• Officer Travel and Entertainment Expenses			
	• Asset Management			
	-- Inventory			
	-- Receivables			
	• Accounting Policies and Procedures			
2.	Review accounting and financial human resources and succession planning.	X		
ETHICAL AND LEGAL STANDARDS				
1.	Review and approve updates periodically to the Company's Code of Business Conduct and Ethics and ensure that management has established a system to enforce such code.			X
2.	Review results of management's monitoring of the Company's compliance with the Company's Code of Business Conduct and Ethics.	X		
3.	Review, with the Company's counsel, legal compliance matters including corporate securities trading policies.	X		X
4.	Perform any other activities consistent with this Charter, the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.			X

INTERLINK ELECTRONICS, INC.
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
CHARTER
June 12, 2003

ACTIVITIES		Timing		
		Annually	Quarterly	As Required
5.	Review procedures for the receipt, retention and treatment of complaints and concerns received by the Company regarding accounting, internal accounting controls or auditing matters (including under the Company's Whistleblower Policy). The Committee should ensure that these complaints and concerns are treated confidentially and anonymously.	X		X