

DELTATHREE, INC.

AUDIT COMMITTEE CHARTER

I. PURPOSE

The Audit Committee shall provide assistance to the board of directors of the Corporation (the “Board”) in fulfilling the Board’s responsibility to the Corporation’s shareholders relating to the Corporation’s accounting, financial reporting practices, and the quality and integrity of its financial reports. The Audit Committee’s primary duties and responsibilities are to:

- Oversee that management has maintained the reliability and integrity of the accounting policies, financial reporting and disclosure practices of the Corporation;
- Oversee that management has established and maintained an independent relationship with its external auditor;
- Oversee that management has established and maintained processes to assure that an adequate system of internal control of financial reporting is functioning within the Corporation; and
- Oversee that management has established and maintained processes to assure compliance by the Corporation with all applicable laws, regulations and corporate policy.

The Audit Committee intends to fulfill these responsibilities primarily by carrying out the activities enumerated in Section IV of this Charter.

II. COMPOSITION

The Audit Committee shall be comprised of three or more directors as determined by the Board, each of whom shall satisfy the independence and experience requirements of the rules of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), The NASDAQ Stock Market (“Nasdaq”) and any other applicable regulatory requirements, as each may be amended from time to time, subject in each case to the exemptions, exceptions and transition provisions available under each such regulation or requirement; provided, that any non-independent director may not be permitted to serve as chair of the Audit Committee.

All members of the Audit Committee shall be familiar with basic finance and accounting practices and shall be able to read and understand fundamental financial statements at the time of their appointment to the Audit Committee. Furthermore, at least one member of the Audit Committee shall be financially sophisticated as defined by having experience in finance or accounting, professional certification in accounting, or any other comparable experience or background, such as being or having been a CEO or CFO or other senior officer with financial oversight responsibilities. The Corporation shall disclose, in its annual report or annual proxy statement, whether or not, and if not, the reasons therefor, the Audit Committee includes at least

one Audit Committee Financial Expert, as defined by the rules and regulations under the Exchange Act.

The members of the Audit Committee shall be elected by the Board at the annual organizational meeting of the Board and shall hold office until their resignations or until their successors shall be duly elected and qualified. Unless a Chair is elected by the full Board, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee membership.

III. MEETINGS

The Audit Committee shall meet in executive session at least four times per year, or more frequently as circumstances dictate. The Audit Committee may invite members of management, consultants or other advisors to attend meetings and provide pertinent information; provided, however, the Committee may meet in executive session at its discretion. As part of its job to foster open communication, the Audit Committee should meet separately, at least annually, with management, the director of the internal auditing department (if applicable) and the independent registered public accounting firm to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately. The Audit Committee or at least its Chair should meet separately with the independent registered public accounting firm and management quarterly to review the Corporation's financial statements in accordance with Section IV below.

IV. RESPONSIBILITIES AND DUTIES

The Audit Committee's function is one of oversight, recognizing that the Corporation's management is responsible for preparing the Corporation's financial statements and that the independent registered public accounting firms are responsible for auditing those financial statements. Additionally, the Board recognizes that members and the independent registered public accounting firms have more time, knowledge and detailed information regarding the Corporation than do Committee members. Consequently, in carrying out its oversight responsibilities, the Committee is not conducting any audit and is not providing any expert or special assurance as to the Corporation's financial statements or any professional certification as to the external auditors' work.

The Audit Committee, in its capacity as a committee of the Board, shall be directly responsible for the appointment, retention, compensation, evaluation, oversight and, if necessary, termination of the independent registered public accounting firm(s) employed by the Corporation (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, and each registered public accounting firm shall report directly to the Audit Committee. To fulfill its responsibilities and duties, the Audit Committee shall:

Documents/Reports Review

1. Review and reassess, at least annually, the adequacy of this Charter and make recommendations to the Board, as conditions dictate, to update this Charter.

2. Review with management and the independent registered public accounting firm the Corporation's annual financial statements and Form 10-K prior to the filing of the Form 10-K or prior to the release of earnings, including a discussion with the independent registered public accounting firm of the matters required to be discussed by Statement of Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, and as may be modified or supplemented ("SAS No. 61").
3. Review with management and the independent registered public accounting firm each Form 10-Q prior to its filing or prior to the release of earnings.
4. Review with management and the independent registered public accounting firm the effect of regulatory and accounting initiatives that may affect the Corporation, as well as the effect of any off-balance sheet structures and transactions on the Corporation's financial statements.

Independent Registered Public Accounting Firm

5. Review the performance of the independent registered public accounting firm and appoint or terminate the independent registered public accounting firm. The Audit Committee has the sole authority and responsibility to select, evaluate, and where appropriate, replace the outside auditor. The independent registered public accounting firm is ultimately accountable to the Audit Committee for such auditor's review of the financial statements and controls of the Corporation. The Audit Committee shall determine the appropriate compensation of the independent registered public accounting firm.
6. Approve in advance all audit services and all permitted non-audit services, except where such services are determined to be *de minimis* under the Exchange Act. The Audit Committee may delegate, to one or more designated members of the Audit Committee, the authority to grant such pre-approvals. The decisions of any member to whom such authority is delegated shall be presented to the full Audit Committee at each of its scheduled meetings.
7. Oversee and ensure the independence of the auditor by:
 - receiving from, and reviewing and discussing with, the auditor, on a periodic basis, a formal written statement delineating all relationships between the auditor and the Corporation consistent with PCAOB Ethics and Independence Rule 3526, Communication with Audit Committees Concerning Independence, as such may be modified or supplemented from time to time;
 - reviewing, and actively discussing with the Board, if necessary, and the auditor, on a periodic basis, any disclosed relationships or services between the auditor and the Corporation or any other disclosed relationships or services that may impact the objectivity and independence of the auditor;

- recommending, if necessary, that the Board take appropriate action to satisfy itself of the auditor's independence; and
 - ensuring that the lead or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit does not perform audit services for the Corporation for more than five (5) consecutive fiscal years.
8. Set clear hiring policies for employees or former employees of the Corporation's independent registered public accounting firm.

Financial Reporting Process

9. In consultation with the independent registered public accounting firm and the internal auditors, review the integrity of the Corporation's financial reporting processes, both internal and external. The Audit Committee shall report regularly to and review with the full Board any issues that arise with respect to the quality or integrity of the Corporation's financial statements, compliance with legal or regulatory requirements, the performance and independence of the independent registered public accounting firm, or the performance of the internal audit function.
10. Consider and approve, if appropriate, changes to the Corporation's auditing and accounting principles and practices as suggested by the independent registered public accounting firm, management, or the internal auditing department.
11. Ensure that there exist regular systems of reporting to the Audit Committee by each of management, the independent registered public accounting firm and the internal auditor regarding any significant judgments made in management's preparation of the financial statements and any significant difficulties encountered during the course of the review or audit, including any restrictions on the scope of work or access to required information.
12. Regularly review any significant disagreements among management and the independent registered public accounting firm or the internal auditing department in connection with the preparation of the financial statements.
13. Ensure and oversee timely reports from the independent registered public accounting firm to the Audit Committee of (i) all critical accounting policies and practices; (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of the Corporation, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent registered public accounting firm; and (iii) other material written communications between the independent registered public accounting firm and the management of the Corporation, such as any management letter or schedule of unadjusted differences.
14. Review and discuss with management the Corporation's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as

financial information and earnings guidance provided to analysts and rating agencies. Such discussions may be done generally (*i.e.*, discussion of the types of information to be disclosed and the types of presentations to be made).

15. Prepare the report required by the Securities and Exchange Commission to be included in the Corporation's annual proxy statement and any other reports of the Audit Committee required by applicable securities laws or stock market listing requirements or rules.

Internal Control over Financial Reporting

16. In consultation with the independent registered public accounting firms and financial management, review the adequacy of the Corporation's internal control over financial reporting designed to ensure compliance with laws and regulations, and any special audit steps adopted in response to any material control deficiencies.
17. Review (a) the internal control report prepared by management, including management's assessment of the effectiveness of the Corporation's internal control over financial reporting and (b) the independent registered public accounting firms' attestation and report (to the extent applicable) on the assessment made by management.
18. Review disclosures made to it by the principal executive officer and principal financial officer during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies or material weaknesses in the design or operation of internal controls and any fraud involving management or other employees.

Legal Compliance/General

19. Review, with the Corporation's counsel, any legal matter that could have a significant impact on the Corporation's financial statements.
20. Report through its Chair to the Board following meetings of the Audit Committee.
21. Maintain minutes or other records of meetings and activities of the Audit Committee.
22. Review all related party transactions (as such term is defined under the applicable rules and regulations of NASDAQ) for potential conflicts of interest on an ongoing basis and approve all such transactions (if such transactions are not approved by another independent body of the Board).
23. When deemed necessary by the members of the Audit Committee, retain independent legal, accounting or other advisors or consultants to advise and assist the Audit Committee in carrying out its duties, without needing to seek approval for the retention of such advisors or consultants from the Board. The Audit Committee shall determine the appropriate compensation for any advisors retained by the Audit Committee. The Audit Committee may request any officer or employee of the Corporation or the Corporation's outside counsel or independent registered public accounting firm to attend a meeting of

the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

24. Establish procedures for (i) the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
25. Review and discuss with management the Corporation's financial and accounting risk exposures and the steps management has taken to monitor, control and manage such exposures, including the Corporation's risk assessment and risk management guidelines and policies.
26. Advise the Board with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations.
27. The Committee shall have authority to conduct and authorize investigations into any matter within the scope of its responsibilities.
28. Perform any other activities consistent with this Charter, the Corporation's by-laws, and governing law, as the Audit Committee or the Board deems necessary or appropriate.