

**Adopted by The Board of Directors
June 6, 2012**

Charter of the Audit Committee
of the
Board of Directors
of
The L.S. Starrett Company

I. Purpose and Function

The function of the Audit Committee (the “Committee”) is oversight. The Committee shall assist in the Board of Directors' oversight of (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independent auditor's qualifications and independence, (iv) the performance of the Company's internal audit function and independent auditor and (v) the Company’s system of disclosure control and system of internal controls. In addition, the Committee shall be solely responsible for appointing and overseeing the independent auditor and preparing the report required to be included in the Company's annual proxy statement.

While the Committee has the responsibilities set forth in this charter, it is not the responsibility of the Committee to plan or conduct audits, to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles or to assure compliance with laws, regulations or any internal rules or policies of the Company. This is the responsibility of management. The independent auditor is responsible for performing independent audits of the Company’s financial statements in accordance with generally accepted accounting standards and for issuing reports thereon. The Committee has direct and sole responsibility for the appointment, compensation, oversight and replacement, if necessary, of the independent auditor, including the resolution of disagreements between management and the auditor regarding financial reporting. Each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company that it receives information from and (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board of Directors). The Committee has the authority to retain legal, accounting or other experts that it deems appropriate to carry out its duties. It also has authority to determine compensation for such advisors as well as for the independent auditor and the Company shall provide appropriate funding for the payment of such compensation.

II. Composition and Meetings

The Committee shall consist of not less than three members appointed by the Board of Directors of the Company. Committee members may be removed by the Board of Directors in its discretion. Members of the Committee shall each satisfy the independence, financial literacy, and other requirements of the Sarbanes-Oxley Act of 2002 and the New York Stock Exchange as

such requirements are interpreted by the Board of Directors in its business judgment and the Board of Directors shall annually review the Committee's compliance with such requirement.

The Board of Directors will appoint a chairperson of the Committee, who shall preside over the meetings of the Committee. In the absence of the chairperson of the Committee, the members of the Committee may appoint any other member to preside.

The Committee shall hold at least four regularly scheduled meetings per year and shall hold such special meetings as circumstances dictate. The Committee shall periodically, but in no event less than twice a year, meet separately with management, the independent auditor, and those responsible for the internal audit function to discuss any matters that the Committee or any of these persons or firms believe should be discussed privately, including results of internal and external audit examinations. The Committee shall report regularly to the Board of Directors. No member of the Committee may sit on more than three separate audit committees unless the Board of Directors determines that such simultaneous service does not impair the ability of the director to effectively serve on the Committee. Committee members shall be versed in reading and understanding financial statements.

III. Duties and Proceedings of the Audit Committee

The Committee shall assist the Board of Directors in fulfilling its oversight responsibilities by accomplishing the following:

A. Oversight of Independent Auditor:

1. Annually evaluate, determine the selection of, and if necessary, determine the replacement of or rotation of, the independent auditor.
2. Approve or re-approve all auditing services (including comfort letters and statutory audits) and all permitted non-audit services by the auditor.
3. Review, evaluate and discuss formal reports, at least annually, from the independent auditor regarding the auditor's independence, including a delineation of all relationships between the auditor and the Company; and recommend to the Board of Directors actions to satisfy the Board of Director of the independence of the auditor.
4. Establish clear hiring policies for employment by the Company of any employees or former employees of the independent auditor.
5. Receive formal written statements, at least annually, from the independent auditor regarding the auditor's independence, including a delineation of all relationships between the auditor and the Company; discuss with the independent auditor any disclosed relationships or services that may impact the objectivity and independence of the independent auditor, addressing at least the matters set forth in Independence Standards Board Standard No. 1; and if so determined by the Committee, recommend that the Board of Directors take appropriate action to satisfy itself of the independence of the auditor.

6. At least annually, receive a report from the independent auditor detailing the firm's internal quality control procedures and any material issues raised by independent auditor's internal quality control review, peer review or any governmental or other professional inquiry performed within the past five years and any remedial actions implemented by the firm.

B. Oversight of Audit Process and Company's Legal Compliance:

1. Review with internal auditors, if any, and independent auditor the overall scope and plans for audits, including authority and organizational reporting lines and adequacy of staffing and compensation. Review with internal auditors and independent auditor any difficulties with audits and managements' response.

2. Review and discuss with management, internal auditors, if any, and independent auditor the Company's system of internal control, its financial and critical accounting practices, and policies relating to risk assessment and management and ensure that the appropriate control process is in place for reviewing and approving the Company's internal transactions and accounting.

3. Receive and review reports of the independent auditor discussing 1) all critical accounting policies and practices to be used in the firm's audit of the Company's financial statements, 2) all alternative treatments of financial information within generally accepted accounting principles ("GAAP") 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 3) review any other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

4. Review and discuss with management and the independent auditor the annual and quarterly financial statements and MD&A of the Company for the reports filed on Forms 10-K and 10-Q. Discuss results of the annual audit and quarterly reviews and any other matters required to be communicated to the Committee by the independent auditor under generally accepted auditing standards. Discuss with management and independent auditor their judgment about the quality of accounting principles, the reasonableness of significant judgments, including a description of any transactions as to which the management obtained Statement on Auditing Standards No. 50 letters, and the clarity of disclosures in the financial statements, including the Company's disclosures of critical accounting policies and other disclosures under "Management's Discussion and Analysis of Financial Conditions and Results of Operations."

5. Review, or establish standards for the type of information and the type of presentation of such information to be included in, earnings press releases, the President's letter to shareholders and earnings guidance provided to analysts and rating agencies.

6. Discuss with management and independent auditor any changes in Company's critical accounting principles and the effects of alternative GAAP methods, off-

balance sheet structures and regulatory and accounting initiatives.

7. Review with management the systems relating to compliance with laws, rules, regulations and Company policies.

8. Review material pending legal proceedings involving the Company and other contingent liabilities.

9. In connection with and prior to giving their required certifications, the CEO and CFO must disclose to the auditors and the Committee all significant deficiencies and material weaknesses in the design or operation of internal controls, and any fraud that involves management or other employees who have a significant role in the Company's internal controls.

10. Discuss with independent auditor the matters required to be communicated to audit committees in accordance with Statement on Auditing Standards No. 61.

11. 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 submissions by employees or contractors of concerns regarding questionable accounting or accounting matters.

C. Other Responsibilities:

1. Review adequacy of this audit committee charter annually and submit charter to Board of Directors for approval.

2. Prepare report for inclusion in the Company's annual proxy statement as required by the rules of the Securities and Exchange Commission.

3. Report recommendations to the Board on a regular basis and present to the Board of Directors an annual performance evaluation of the Committee.

4. Perform any other activities consistent with the Charter, By-laws and governing law as the Board of Directors or the Audit Committee shall deem appropriate, including holding meetings with the Company's investment bankers.