

LookSmart Reports Record Third Quarter 2002 Results

Listings Revenue Grows 23%; EBITDA More Than Doubles; Company To Raise Full-Year Earnings Guidance

SAN FRANCISCO, Calif., October 24, 2002 -- LookSmart (Nasdaq: LOOK; ASX: LOK), a global leader in search marketing, today announced financial results for the third quarter ended September 30, 2002.

Financial Highlights:

Revenue Increases to \$23.8M: Revenue for the third quarter grew to \$23.8 million, a 13% increase from \$21.0 million in the second quarter 2002 and a 35% increase from \$17.6 million in the third quarter 2001.

Listings Revenue Grows 23%: LookSmart reported continued strong growth in listings with revenue of \$18.7 million, a 23% increase over \$15.2 million in the prior quarter and a 105% increase over \$9.1 million in the third quarter 2001. This is the tenth consecutive quarter that LookSmart has reported double-digit growth in paid listings, which now represents nearly 80% of total revenue.

Small Business Listings Revenue Rises 44%: Small business listings revenue was \$2.8 million, an increase of 44% over \$2.0 million in the prior quarter. At the end of the third quarter, LookSmart had more than 26,000 active, paying small business listings.

Paid Clicks Increase 37%: LookSmart recorded 120 million total paid clicks for the third quarter, a 37% increase over 87 million in the prior quarter and a 134% increase over 51 million clicks in the third quarter 2001.

EBITDA Profit More Than Doubles: LookSmart's EBITDA profit (earnings before interest, tax, depreciation, amortization and certain other items) more than doubled to a record \$3.8 million or \$0.04 per share, from \$1.8 million or \$0.02 per share in the prior quarter and a loss of (\$1.7 million) or (\$0.02) per share in the third quarter of 2001. GAAP net loss for the third quarter was (\$0.5 million) or (\$0.00) per share compared to a net loss of (\$0.8 million), or (\$0.01) per share in the second quarter, and (\$10.2 million) or (\$0.11) per share in the prior year quarter.

Cash Grows by \$3.0M to \$51.7M: Unrestricted cash and short-term investments grew by \$3.0 million over the prior quarter to \$51.7 million as of September 30, 2002. This compares with \$2.5 million in cash generated in the second quarter 2002.



Business Highlights:

"LookSmart's strong results demonstrate the increasing demand for search listings as a method of driving qualified leads to advertisers," said Jason Kellerman, chief executive officer of LookSmart. "Both large and small businesses are adopting LookSmart's paid inclusion products at a rapid rate based on the strong return on investment they receive, the quality of our distribution network, and the ease of doing business with LookSmart. On the distribution front, our investment in search technology is starting to pay off, with the signing of two new deals as well as the extension of several existing deals during the quarter. Going forward, we expect the full implementation of our WiseNut search technology to further increase the relevance of our search results and our value to distribution partners."

Strong Listings Growth

LookSmart reported strong growth in large and small business listings in the third quarter, with large business listings revenue growing by 20 percent sequentially and small business listings revenue growing 44 percent sequentially.

In the large business segment, growth was across all industry segments. Notable new customers for the quarter include Federal Express, IBM, Wyndham Hotels, Marshall's, United Airlines and Radio Shack. These businesses join existing blue-chip customers such as Amazon.com, Banana Republic, Bank of America, Dell, eBay, Lands' End, Motorola, Nestle USA, Nordstrom,

Patagonia, REI, Staples and Wal-Mart.

LookSmart's small business listings product has been well received since the product launched in the second quarter. At the end of the third quarter, LookSmart had more than 26,000 active, paying small business listings.

Expanding Distribution Partnerships

LookSmart continues to sign new distribution partners and to expand and extend agreements with existing partners. During the third quarter, LookSmart:

- Extended its contract with Microsoft to cover the distribution of LookSmart's Directory Listings and Small Business Listings on MSN through December 2003. The new contract is independent of LookSmart's principal database licensing agreement with MSN, which also runs through December 2003.
- Expanded its agreement with InfoSpace to provide LookSmart's Reviewed Site Search product to InfoSpace's Web search properties including Excite, Dogpile, WebCrawler and MetaCrawler. The extended agreement runs to September 2003.
- Renewed its contract with AltaVista through August 2003. LookSmart will continue to provide search results under the "Directory" tab on AltaVista.com.
- Signed an agreement with About.com to distribute LookSmart's Reviewed Site Search product that is available on About.com and its network. The agreement enables LookSmart advertisers to access 20 million unique users each month through the About Network, ranked as the ninth largest Web brand by NetRatings (Nielsen/NetRatings, June 2002, MarketView Reporting).

Strong Progress on WiseNut Integration

LookSmart acquired WiseNut, a leading search technology that generates highly relevant search results, in April 2002. WiseNut currently powers LookSmart's Reviewed Site Search product, which now appears on About.com and soon will appear on InfoSpace's search properties. LookSmart recently completed a refresh of the WiseNut index that has yielded a significant increase in the relevancy of WiseNut search results. More relevant search results benefit portals and ISPs, who can offer their users a higher quality search experience, as well as advertisers who receive higher quality leads.

LookSmart Strengthens Board of Directors

LookSmart added Greg J. Santora, a new independent director, to its board of directors and audit committee in the third quarter. Mr. Santora brings nearly 30 years of extensive financial experience to LookSmart, including his current role as chief financial officer at Intuit, Inc. Prior to his tenure at Intuit, Mr. Santora spent nearly 13 years in a variety of senior financial positions at Apple Computer, Inc.

Jason Kellerman, LookSmart's chief executive officer, was also added to the Company's board of directors on October 1, 2002.

Conference Call

LookSmart management will discuss the business outlook and updated guidance on today's conference call at 6:00 p.m. ET (8:00 a.m. Australian ET, October 25, 2002). To listen to the call from the U.S., dial 1-800-257-6607; from Australia, dial 1-800-730-220. A replay of the call will be available until Monday, October 28, 2002, 11:59 p.m. PT. To access the replay from the U.S., dial 1-800-405-2236 and enter passcode 502700#; from outside the U.S., dial 1-303-590-3000 and enter passcode 502700#.

The call will also be available live by webcast on LookSmart's Investor Relations Web site at <http://www.shareholder.com/looksmart/>. For more information about the call, please contact Investor Relations at 415-348-7000 or investor@looksmart.net.

About LookSmart

LookSmart helps businesses of all sizes harness the power of search marketing to generate cost-effective sales leads. LookSmart search listings enable businesses to reach 77 percent* or nearly four out of five U.S. Internet users, through top portals and ISPs including Microsoft's MSN, About.com, AltaVista, Netscape Netcenter, Road Runner, Cox Interactive Media, InfoSpace (Excite, Dogpile, MetaCrawler, WebCrawler), CNET's Search.com and search services such as Inktomi. BTLookSmart, LookSmart's joint venture with British Telecom, provides search marketing solutions in the U.K. and Japan. LookSmart is based in San Francisco, California, with offices in New York, Los Angeles, Detroit, Montreal, London, Melbourne

and Sydney. For more information, please visit <http://www.LookSmart.com>>www.LookSmart.com.

*Media Metrix, July 2002 Digital Media Audience Ratings

Forward-Looking Statements

This press release contains forward-looking statements, such as references to expected rates of adoption of our products, revenues, time lines for integration of technology or roll-out of new products, maintenance and expansion of our distribution partnerships, industry projections or other characterizations of future events or circumstances. These statements, including their underlying assumptions, are subject to risks and uncertainties and are not guarantees of future performance. Results may differ due to various factors, such as the possibility that we will not complete the integration of acquired technologies in a timely manner; that customers will not adopt our Small Business Listings or other products at expected rates; that we may not be able to maintain our distribution partnerships or expand our distribution network on satisfactory terms, if at all; that we may fail to derive substantial revenues from new and existing products; that our distribution partners may decide to terminate their relationships with us earlier than expected; or that we may have an unexpected increase in costs, expenses or other factors contributing to our burn rate. In addition, you should read the risk factors detailed in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission.

The statements presented in this press release speak only as of the date of the release. Please note that we undertake no obligation to revise or update publicly any forward-looking statements for any reason.

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