

**AUDIT COMMITTEE CHARTER**  
**LIGAND PHARMACEUTICALS INCORPORATED**  
March 2013

**I. THE ROLE OF THE AUDIT COMMITTEE**

The primary responsibility of the Audit Committee (the “Committee”) is to assist the Board of Directors (the “Board”) of Ligand Pharmaceuticals Incorporated (the “Company”) in fulfilling its oversight responsibilities by:

1. reviewing the financial information to be provided to the Company's stockholders and others;
2. overseeing the Company's audit and compliance policies, practices and procedures, including compliance with applicable laws, regulations and financial reporting functions;
3. monitoring and ensuring the adequacy of the Company's internal audit function, and systems of internal accounting and financial controls, including the Company's disclosure controls and procedures;
4. appointing, engaging and monitoring the performance of the Company's independent, outside auditors (the “Independent Auditors”) and the evaluation of the Independent Auditors' qualifications and independence; and
5. monitoring the Company's compliance with existing ethics and information security policies and securities, legal and regulatory requirements.

In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, the Independent Auditors, the internal auditors and management of the Company and to oversee (including inquiry and investigation where appropriate) resolution of any disagreements between management and the Independent Auditors regarding financial reporting.

The Committee's mandate is one of oversight and its role in no way relieves the Company's management of its responsibility to comply with laws and regulations applicable to the preparation of the Company's financial statements such that they accurately and fairly present the Company's financial condition, nor does it relieve the Independent Auditors of their responsibility for auditing those financial statements and for reviewing the Company's unaudited interim financial statements.

The Committee has the authority to call on and/or engage such resources and advisers as are necessary to fulfill its responsibilities, including but not limited to independent counsel, Independent Auditors, management, and any financial, accounting, other experts or consultants. In particular, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and it is authorized to retain, at the expense of the Company, independent legal,

accounting, or such other advisers as it may deem necessary or advisable to carry out its duties.

The Independent Auditors' ultimate responsibility is to the Board and the Committee, as representatives of the stockholders. The Committee shall review the performance of the Independent Auditors and make reports and recommendations to the Board which are appropriate in its judgment, provided, however, that at least one such report shall be made annually in connection with the Company's year-end reporting.

The Committee will primarily fulfill its responsibilities by carrying out the activities enumerated under Article IV, "Duties of the Audit Committee."

## II. AUDIT COMMITTEE COMPOSITION

The Committee shall be comprised of at least three members of the Board, and each member of the Committee shall meet the independence and experience requirements of NASDAQ, the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities and Exchange Commission (the "SEC"). No member may have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years. All members of the Committee shall have a working familiarity with basic finance and accounting practices applicable to the Company's business, and be able to read and understand fundamental financial statements, including a Company's balance sheet, income statement, and cash flow statement. At least one member of the Committee shall be a "financial expert" as defined by the SEC. The Board shall appoint and remove the members of the Committee and its Chairman, after soliciting input of the Nominating Committee.

## III. FREQUENCY OF MEETINGS

The Committee's regular meetings ordinarily coincide with the regular meetings of the Board, but the Committee shall set the time and place of its regular meetings as it deems appropriate. The Committee may hold special meetings as needed to fulfill its duties. Special meetings may be called by any member of the Committee, by the Board or by the Chairman of the Board. The business of the Committee may be conducted at such regular or special meetings, or by unanimous written consent. The Committee shall meet periodically with management, the internal auditor, and the Independent Auditors in separate executive sessions at least once a year. Reasonable notice of the time and place of all meetings shall be given to the Committee members in writing by fax, email, regular mail or courier effective upon receipt, but in no event less than 48 hours prior to the meeting. Notice may be waived at the relevant meeting, or at any time in writing. Meetings may be held in person or by telephonic or video conference.

#### IV. DUTIES OF THE AUDIT COMMITTEE

The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible in order to best react to changing conditions and circumstances. The following shall be the principal duties and responsibilities of the Committee:

1. The Committee shall review and assess the adequacy of this Charter at least annually and recommend any changes to the Board for approval.
2. The Committee shall review with management and the Independent Auditors the financial information to be included in the Company's Annual Report on SEC Form 10-K, including management's discussion and analysis, and (i) the Independent Auditors' judgment about the quality, not just the acceptability, of the accounting principles used in the preparation of the financial statements, (ii) any changes in the accounting policies or principles applied by the Company, (iii) all critical accounting policies and practices used and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications of using such alternative treatments, and the treatment preferred by the Independent Auditors, (iv) the reasonableness of significant judgments, (v) the clarity of the disclosures in the financial statements and (vi) any material correcting adjustments and any material unadjusted differences that have been identified by the Independent Auditors. The Independent Auditors shall timely report to the Committee the matters described in clause (iii) above and other material written communications between the Independent Auditors and the management of the Company, such as any management letter or schedule of unadjusted differences.
3. The Committee shall also review the adequacy and effectiveness of the Company's internal controls, and any special steps taken in light of material control deficiencies, with management, the internal auditor and the Independent Auditors. The Committee shall also discuss the results of the annual audit and any other matters required to be communicated to the Committee by the Independent Auditors under generally accepted auditing standards, applicable law or listing standards, including matters required to be discussed by Statement of Auditing Standards No. 61, as amended by Statement of Auditing Standards No. 90. The Committee may discuss with the Independent Auditors issues on which it consulted their national office and matters of audit quality and consistency. Based on its overall review and discussions, the Committee shall make a determination whether to recommend to the Board that the audited financial statements should be included in the Company's Annual Report to Stockholders.
4. The Committee shall review and discuss with management and the Independent Auditors the quarterly financial information to be included in the Company's quarterly reports on Form 10-Q, including the disclosures under management's discussion and analysis. In connection therewith, the Independent Auditors shall report to the Committee on all critical accounting policies and practices used and all alternative treatments of financial information within generally accepted accounting principles, the ramifications of using such alternative treatments, and the treatment preferred by the Independent Auditors.

The Independent Auditors shall also discuss any other matters required to be communicated to the Committee by the Independent Auditors under generally accepted auditing standards, applicable law or listing standards. The Committee shall review the Company's earnings releases and the types of financial information and earnings guidance (if provided) periodically presented to analysts and rating agencies to the extent required by law or listing standards. The Committee shall also discuss the results of the Independent Auditors' review of the Company's quarterly financial information conducted in accordance with Statement of Auditing Standards No. 71.

5. The Internal Audit function is a valuable component of the Company's overall internal control structure. The Committee shall supervise and perform such oversight duties of the Internal Audit function as outlined in the Corporate Internal Audit Charter which shall be interpreted and administered by the Committee. The Committee shall also review the hiring, periodic performance appraisals, compensation, or removal of the functional head of Internal Audit. The Committee shall annually review the experience and qualifications of senior management personnel involved in the Company's internal audit activity. In the event the Company does not have an internal audit department, and elects instead to have a third party contractor perform the internal audit function, the Committee shall also be responsible for the engagement, evaluation and termination of any such third party internal audit contractor, and it shall approve all fees to be paid to third party contractor.

6. The Committee shall review with the Company's Chief Executive Officer and Chief Financial Officer, and other Company officers as necessary, the Company's disclosure controls and procedures and shall review periodically, but not less frequently than quarterly, management's conclusions about the efficacy of such disclosure controls and procedures, including any deficiencies in, or material non-compliance with, such controls and procedures.

7. The Committee shall be solely and directly responsible for the appointment of the Independent Auditors and, where appropriate, for their termination and replacement (subject to stockholder ratification). The Committee shall pre-approve all audit services and permitted non-audit services to be performed for the Company by its Independent Auditors. The Committee shall also be directly responsible for the oversight of the work performed by the Independent Auditors, and for the oversight of any inquiry/investigation and resolution of any disagreements between management and the Independent Auditors regarding financial reporting. The Independent Auditors shall report directly to the Committee.

The Committee has the sole and direct responsibility and authority necessary to determine and approve the amount of funding that the Company will provide for payment of (i) compensation or fees to the Independent Advisors for their services or to any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, (ii) compensation to any advisers employed by the Committee as it determines necessary to

carry out its duties, and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee may delegate authority to one or more members of the Committee to pre-approve audit and permitted non-audit services (including pre-approval of fees), provided that the approvals granted by such persons are reviewed with the full Committee at its next scheduled meeting. The Independent Auditors shall not be engaged to perform any non-audit services prohibited by law, listing standards or SEC regulations.

8. On not less than an annual basis, the Committee shall obtain and review a formal written statement of independence from the Independent Auditors which describes all relationships between the Independent Auditors and the Company relevant to applicable independence standards, including Independence Standards Board Standard 1. The Committee shall actively engage in a dialogue with the Independent Auditors with respect to any disclosed relationships that may impact the objectivity and independence of the auditor, and take or recommend to the full Board to take such action as it may deem necessary to satisfy itself that the Independent Auditors are independent.

9. The Committee shall evaluate the performance of the Independent Auditors annually. In doing so, the Committee shall consult with management and shall obtain and review a report from the Independent Auditors describing: (i) all relationships between the Independent Auditors and the Company, (ii) the internal quality control procedures of the Independent Auditors, and (iii) any material issues raised by the most recent internal quality control review, or peer review, of the Independent Auditors, or by any inquiry or investigation by governmental or professional authorities within the preceding five years in respect of one or more independent audits conducted by the Independent Auditors, and any steps taken to deal with such issues. The Committee will assure the regular rotation of the lead partner of the Independent Auditor as required.

10. The Committee shall discuss with the internal auditor and the Independent Auditors the overall scope and plans for their respective audits, including the adequacy of staffing and other factors that may affect the effectiveness and timeliness of such audits. In this connection, the Committee shall discuss with management, the internal auditor and the Independent Auditors the Company's major risk exposures (whether financial, operating or otherwise), the adequacy and effectiveness of the Company's accounting, financial, and disclosure controls, and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies. The Committee shall review with management and the Independent Auditors any management annual internal control report, and the attestation of such report by the Independent Auditors. Management and the internal auditor shall report promptly to the Committee regarding any significant deficiencies in the design or operation of the Company's internal controls, material weaknesses in internal controls and any fraud (regardless of materiality) involving persons having a significant role in the internal controls, as well as any significant changes in internal controls implemented by management during the most recent reporting period of the Company.

11. Following completion of the annual audit, the Committee shall review with each of (a) the Independent Auditors, (b) the Chief Financial Officer, (c) the Corporate Controller and (d) appropriate member(s) of the internal accounting department, and management any significant issues encountered during the course of the audit, the Company's internal processes and controls and compliance therewith; and any management letter provided by the auditors and the Company's response to that letter. Such review with the Independent Auditors shall include a description of the difficulties encountered, including any restrictions on the scope of activities or access to required information, any disagreements with management regarding generally accepted accounting principles and other matters, material adjustments to the financial statements recommended by the Independent Auditors and adjustments that were proposed but "passed," regardless of materiality.

12. The Committee shall review periodically with management, the internal auditor and the Independent Auditors the effect of new or proposed regulatory and accounting initiatives, as well as off-balance sheet structures and any financial measures that exclude amounts normally included (or include amounts normally excluded) in comparable calculations made according to generally accepted accounting principles, on the Company's financial statements and other public disclosures.

13. The Committee shall produce the report required to be included in the Company's annual proxy statement, all in accordance with applicable rules and regulations.

14. The Committee shall approve guidelines for the Company's hiring of former employees of the Independent Auditors, which shall meet the requirements of applicable law and listing standards.

15. The Committee has the responsibility and authority and shall 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 submission by employees of the Company of concerns regarding questionable accounting, or auditing matters.

16. The Committee shall review and approve (a) all of the Company's transactions in which any of the following have a direct or indirect material interest: (i) directors, nominees for director or executive officers, (ii) any member of the immediate family of any such persons and (iii) any person or entity known to hold of record or beneficially more than five percent (5%) of any class of the Company's securities, and (b) any other related party transactions involving the Company or any of its subsidiaries.

17. The Committee shall periodically review with management, the internal auditor and the Independent Auditors any correspondence with, or action by, regulators or government agencies and any employee complaints or published reports that raise concerns regarding the Company's financial statements, accounting or auditing matters or compliance with the Company's business ethics and information security policies. The Committee shall also meet periodically with the General Counsel and other appropriate legal staff of the

Company to review any legal matter that could have a significant impact on the Company's financial statements.

18. The Committee shall be responsible for evaluating its performance no less frequently than annually, and presenting the results of its assessment to the Board.

19. The Committee may delegate any of its responsibilities to one or more members of the Committee.

20. The Committee shall also carry out such other duties as may be delegated to it by the Board from time to time.

## V. REPORTS

The Committee together with the Secretary shall maintain a record of any actions and all resolutions taken by it. The Committee shall periodically report to the Board on its actions and findings. The Committee shall be responsible for the preparation of any reports required by law or requested by the Board.

\* Supersedes Previous Charter Dated May 13, 2004.