

Audit Committee Charter

for

S.D. Standard Drilling Plc

Approved by the Board of Directors on _____, 2012

1. Overall objectives

The audit committee is appointed by the board of directors to assist the board in discharging its oversight responsibilities. The audit committee will oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information. The audit committee will also review: the effectiveness of the company's internal financial control and risk management system; the independent audit process including recommending the appointment and assessing the performance of the external auditor; the company's process for monitoring compliance with laws and regulations affecting financial reporting and, if applicable, its code of business conduct.

In performing its duties, the committee will maintain effective working relationships with the board of directors, management, and the external auditors. To perform his or her role effectively, each committee member will need to develop and maintain his or her skills and knowledge, including an understanding of the committee's responsibilities and of the company's business, operations and risks.

2. Authority

The board authorizes the audit committee, within the scope of its responsibilities, to:

- 2.1 Perform activities within the scope of its charter.
- 2.2 Engage independent counsel and other advisers as it deems necessary to carry out its duties.
- 2.3 Ensure the attendance of company officers at meetings as appropriate.
- 2.4 Have access to relevant information.
- 2.5 Establish procedures for dealing with concerns of employees

regarding accounting, internal control or auditing matters.

- 2.6 Establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls or auditing matters.
- 2.7 Be directly responsible for the appointment, compensation, retention and oversight of the work of the external auditor.
- 2.8 Approve all audit engagement fees and terms as well as reviewing any non-audit services by the external auditors.

3. Organization

Membership

- 3.1 The board of directors will nominate the audit committee members.
- 3.2 Members of the committee shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority vote of the Board of Directors.
- 3.3 The audit committee will comprise at least 2 members.
- 3.4 A majority of the members of the Committee shall constitute a quorum for the transaction of business.
- 3.5 Each member should have skills and experience appropriate to the company's business. Executive managers cannot be members of the Committee.
- 3.6 Each member shall be financially literate; at least one member must have accounting or related financial expertise.
- 3.7 The Committee report to the Board on the activities, findings and recommendations of the Committee.

Meetings

- 3.8 All directors that are not members of the Committee may attend meetings of the Committee but may not vote. The audit committee may invite such other persons (eg the CEO, CFO and external audit engagement partner) to its meetings, as it deems necessary.
- 3.9 The external auditors should be invited to make presentations to the audit committee as appropriate.
- 3.10 Meetings shall be held not less than 4 times a year and should correspond with the company's financial reporting cycle.
- 3.11 Special meetings may be convened as required. The secretary will convene a meeting on receipt of a request by any of the committee members or by the external auditors.
- 3.12 The secretary shall circulate the agenda and supporting documentation to the audit committee members at a reasonable period in advance of each meeting.
- 3.13 The secretary of the committee shall circulate the minutes of meetings to members of the board, members of the committee, CEO, CFO (and the external auditor where appropriate).
- 3.14 Members of the audit committee should attend every meeting of the committee
- 3.15 Meetings can be conducted by way of conference call or similar means.
- 3.16 The committee may on a case-by-case basis decide to meet with the company's legal counsel should it be deemed necessary.
- 3.17 The audit committee will meet with the external auditors [at least once a year] without management present.

4. Roles and responsibilities

The audit committee will:

Internal control

- 4.1 Evaluate whether management is setting the appropriate 'control culture' by communicating the importance of internal control and management of risk.
- 4.2 Understand the internal controls systems implemented by management for the approval of transactions and the recording and processing of financial data.
- 4.3 Understand the controls and processes implemented by management to ensure that the financial statements derived from the underlying financial systems, comply with relevant standards and requirements, and are subject to appropriate management review.
- 4.4 Evaluate the overall effectiveness of the internal control and risk management frameworks and consider whether recommendations made by the external auditors have been implemented by management.
- 4.5 Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown or to protect against computer fraud or misuse.

Financial

- 4.6 Gain an understanding of the current areas of greatest financial risk and how these are being managed.
- 4.7 Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on financial reports.

- 4.8 Oversee the periodic financial reporting process implemented by management and review the interim financial statements, annual financial statements and preliminary announcements prior to their release.
- 4.9 Meet with management and the external auditors to review the financial statements, the key accounting policies and judgments, and the results of the audit.
- 4.10 Ensure that significant adjustments, unadjusted differences, disagreements with management and critical accounting policies and practice are discussed with the external auditor.
- 4.11 Review the other sections of the annual report before its release and consider whether the information is understandable and consistent with members' knowledge about the company and its operations and lacks bias.

Compliance with laws and regulations

- 4.12 Obtain updates from management if there are new compliance matters that may have a material impact on the company's financial statements or compliance policies.
- 4.13 Review the findings of any examinations by regulatory agencies.

Working with auditors

External audit

- 4.14 Review the professional qualification of the auditors (including background and experience of partner and auditing personnel).
- 4.15 Consider the independence of the external auditor and any potential conflicts of interest.
- 4.16 Review on an annual basis the performance of the external

auditors and make recommendations to the board for the appointment, reappointment or termination of the appointment of the external auditors.

- 4.17 Review the external auditors' proposed audit scope and approach for the current year in the light of the company's present circumstances and changes in regulatory and other requirements.
- 4.18 Discuss with the external auditor any audit problems encountered in the normal course of audit work, including any restriction on audit scope or access to information.
- 4.19 Ensure that significant findings and recommendations made by the external auditors and management's proposed response are received, discussed and appropriately acted on.
- 4.20 Discuss with the external auditor the appropriateness of the accounting policies applied in the company's financial reports and whether they are considered as aggressive, balanced or conservative.
- 4.21 Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately. Ensure the auditors have access to the chairman of the audit committee when required.
- 4.22 Review policies for the provision of non-audit services by the external auditor [and where applicable the framework for pre-approval of audit and non-audit services].
- 4.23 Ensure the company has appropriate policies regarding the hiring of audit firm personnel for senior positions after they have left the audit firm.

Reporting responsibilities

- 4.24 Regularly update the Board about committee activities and make appropriate recommendations.
- 4.25 Ensure the board is aware of matters that may significantly impact on the financial condition or affairs of the business.
- 4.26 Prepare any reports required by law or listing rules or requested by the board.

Evaluating performance

- 4.27 Evaluate the committee's own performance, both of individual members and collectively, on a regular basis.
- 4.28 Assess the achievement of the duties specified in the charter and report the findings to the board.

Review of the committee charter

- 4.29 Review the audit committee charter annually and discuss any required changes with the board.
- 4.30 Ensure that the charter is approved or reapproved by the board.