

South Sea Petroleum Holdings Limited
Terms of Reference: Audit Committee

(Amended and adopted by a board resolution passed on 19 March 2012)

1. Membership

- 1.1 The Audit Committee (the “Committee”) shall consist of at least three directors, all of whom shall be non-executive directors with majority of independent non-executive directors appointed by the board of directors (“the Board”) from time to time.
- 1.2 The Board shall appoint one of the members as the chairman of the Committee (the “Chairman”), which shall be an independent non-executive director.

2. Secretary

The company secretary of the Company shall be the Secretary of the Committee.

3. Notice of Meetings

Unless otherwise agreed, a 7-day notice should be served to all the Committee members.

4. Quorum

- 4.1 The quorum necessary for the transaction of business shall be two.
- 4.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

5. Meetings

- 5.1 The Committee shall meet at least twice a year and at such other times as the Chairman shall require.
- 5.2 In the absence of the Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 5.3 Only members of the Committee have the right to attend Committee meetings. Auditors may be invited to attend any meetings as and when appropriate.

6. Minutes of Meetings

Written resolutions signed by the majority of the Committee members shall be valid and effectual as a minute duly passed in a Committee meeting.

7. Duties

The Committee shall:

- 7.1 review financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature;

- 7.2 review whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
- 7.3 review the effectiveness of the company's internal controls and risk management systems;
- 7.4 establish a whistleblowing policy and system;
- 7.5 consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 7.6 assessing annually the auditor's qualifications, expertise and resources and the effectiveness of the audit process;
- 7.7 have access to sufficient resources in order to carry out its duties as required.

8. Reporting Responsibilities

The Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.