

# **Eurasia Drilling Company Limited**

## **Charter of the Board of Directors**

Adopted By Board of Directors Effective January 29, 2008

This Charter of the Board of Directors (the “Charter”) has been adopted by the Board of Directors of Eurasia Drilling Company Limited (the “Company”) to assist the Board and its committees in the exercise of their responsibilities. These principles and policies are in addition to and are not intended to change or interpret any law or regulation, including the Companies Law, as amended, of the Cayman Islands, or the Memorandum and Articles of Association of the Company. The Board of Directors reserves the right to review this Charter and, if appropriate, revise this Charter from time to time.

### **I. OPERATION OF THE BOARD**

#### **1. Purpose of the Board**

The purpose of the Board is to:

- Set the general business strategy of the Company.
- Be responsible to shareholders for the management of the Company with the objective of maximising shareholder value.
- Provide overall guidance to the executive management of the Company.
- Oversee the decision-making and risk management processes within the Company

Matters reserved for the sole decision of the Board are set forth in Attachment A to this Board Charter. The Board discharges some of its responsibilities directly and discharges others through committees of the Board.

#### **2. Director Responsibilities**

The basic responsibility of the Directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company. The Directors may exercise all such powers of the Company as are not, by the Companies Law or the Company’s Articles of Association, required to be exercised by the Company by resolution of its shareholders. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Company’s senior executives and its outside advisors and auditors.

#### **3. Board and Committee Meetings**

The Board will meet at such times as the Board determines, but not less than four times a year. Directors are expected to attend Board meetings and meetings of the committees on which they serve.

The Chairman, Chief Executive Officer or Committee Chairmen may from time to time invite corporate officers, other employees and advisors to attend Board or committee meetings whenever deemed appropriate.

Independent Directors will have the opportunity to meet at appropriate times without executive Directors present. The Senior Independent Director shall be responsible for presiding over meetings of the independent Directors to appraise the Chairman's performance.

#### **4. Agenda Items for Board and Committee Meetings**

The Chairman will establish the agenda for each Board meeting. Each Director is free to suggest the inclusion of items on the agenda. Each Director is free to raise at any Board meeting subjects that are not on the agenda for that meeting. An agenda and, to the extent feasible, supporting documents will be provided to the Directors approximately five days prior to each Board meeting. Directors should review these materials in advance of the meeting. Subject to any applicable notice requirements, Directors having items to suggest for inclusion on the agenda for future Board meetings should advise the Chairman well in advance of such meetings.

The quorum at any Board meeting shall be one half of the then currently serving directors, including at least two independent directors.

The chair in the meeting will be the Chairman or, in his absence, his nominee. In the absence of the Chairman or his nominee, the remaining members shall elect a chair of the meeting.

The Chairman of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the relevant committee's Terms of Reference. The Chairman of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. At the beginning of each financial year each committee will establish a schedule of agenda subjects to be discussed during that year (to the degree these can be foreseen). A detailed agenda and, to the extent feasible, supporting documents will be provided to the committee members approximately five days prior to each committee meeting. Committee members should review these materials in advance of the meeting.

The quorum at any Committee meeting shall be one half of the then currently serving committee members.

The chair in the meeting will be the Chairman or, in his absence, his nominee. In the absence of the Chairman or his nominee, the remaining members shall elect a chair of the meeting.

#### **5. Chairman and CEO Responsibilities**

It is the policy of the Board that there be a separation of the offices of the Chairman and the Chief Executive Officer (“CEO”).

## **6. Director Orientation and Education**

Management will provide new Directors with an initial orientation in order to familiarize them with their responsibilities as Directors under applicable law and London Stock Exchange Listing Standards, and with the Company and its strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its senior management, and its internal and independent auditors.

In order to facilitate the Directors’ fulfillment of their responsibilities regarding continuing education and to enhance each Director’s knowledge of the Company, the Company’s business operations and the latest developments in corporate governance, it is appropriate for management to provide Directors with the following:

- Educational programs to explain the Company’s business operations, including its technology, products and market position.
- Access to, or notice of, continuing educational programs that are designed to keep Directors abreast of the latest developments in corporate governance matters and critical issues relating to the operation of public company boards.
- Material that contains information pertaining to (i) the Company’s industry and (ii) comparisons of the Company with its major competitors.
- Periodic visits to operating units, drilling rigs and laboratories, normally as part of regularly scheduled Board meetings.
- A legal review for the Board, at least annually, of (i) the status of major litigation, (ii) compliance with significant regulatory requirements affecting the Company and (iii) corporate governance matters.

## **7. Director Access to Officers and Employees**

Directors have full and free access to officers and employees of the Company. Any meetings or contacts that a Director wishes to initiate may be arranged through the CEO or the Secretary or directly by the Director. The Directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and will, to the extent not inappropriate, copy the CEO on any written communications between a Director and an officer or employee of the Company.

## **8. Independent Advisors**

The Board and each committee have the power to engage experts or advisors, including independent legal counsel, deemed appropriate by the Board or the committee, without consulting or obtaining the approval of any officer of the Company. The Company will pay reasonable compensation to any such counsel, experts or advisors retained by the Board or a committee.

## **II. BOARD STRUCTURE**

### **1. Size of the Board**

The Company's Articles of Association prescribe that the number of Directors of the Company which shall constitute the whole Board shall not be more than seven. The exact number of Directors within such range shall be fixed from time to time by resolution of the Board.

### **2. Selection of Directors**

Nominees for directorship will be recommended to the Board by the Remuneration and Nomination Committee in accordance with the policies and principles set forth in its Terms of Reference. The invitation to join the Board should be extended by the Board itself and by the Chairman of the Board.

The Board is responsible for nominating members to the Board and for filling vacancies on the Board that may occur between annual meetings of shareholders, in each case based upon the recommendation of the Remuneration and Nomination Committee.

### **3. Director Qualifications**

At least two members of the Board will meet the criteria for independence, as determined by the Board. The Remuneration and Nomination Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of new Board members as well as the composition of the Board as a whole. This assessment will include members' qualification as independent, as well as consideration of diversity, skills, and experience in the context of the needs of the Board.

The Board's standards for determining the independence of a Director are set forth in Attachment B to this Charter. The Remuneration and Nomination Committee will review such standards at least annually and recommend any appropriate changes to the Board for consideration.

### **4. Resignation from the Board**

Any Director may resign at any time by giving notice in writing or by electronic transmission to the Chairman of the Board or the Secretary of the Company. Such resignation shall take effect upon receipt of such notice or at any later time specified in it; and unless otherwise specified, the acceptance of such resignation shall not be necessary to make it effective.

## **III. COMMITTEES OF THE BOARD**

A substantial portion of the analysis and work of the Board is done by standing committees of the Board. The Board has established the following standing committees: Audit and Finance; Remuneration and Nomination and Corporate Governance. The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

Committee members will be appointed by the Board.

Each committee will have its own charter – the Terms of Reference. The Terms of Reference will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board.

#### **IV. OTHER BOARD PRACTICES**

##### **1. Review of Roles and Responsibilities of Directors**

The Chairman of the Board will review with each Director on a periodic basis the performance of each Director's duties as well as the role and responsibilities of each Director.

##### **2. Board Interaction with Institutional Investors, Analysts, Media, Customers and Members of the Public**

Except where directed by the Chief Executive Officer or the Chief Financial Officer of the Company, communications on behalf of the Company with the media, securities analysts, stockbrokers and investors must be made only by specifically designated representatives of the Company. If a Director receives any inquiry relating to the Company from the media, securities analysts, brokers or investors, including informal social contacts, he or she should decline to comment and ask them to call the Company's Chief Financial Officer or the Vice President – Public Relations.

##### **3. Performance Evaluation of the Board**

The Board of Directors will conduct an annual self-evaluation to determine whether it and its Committees are functioning effectively. The assessment will be discussed with the full Board each year. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve.

## ATTACHMENT A

### SCHEDULE OF MATTERS RESERVED TO THE BOARD

#### A. CORPORATE AND EXCHANGE-RELATED MATTERS

- Approval of annual report and accounts together with accompanying statements to shareholders.
- Adoption of interim dividends and final dividends.
- Recommendation to shareholders on the appointment or removal of auditors and approval of the auditors' remuneration.
- Alteration of share capital.
- Alteration of listed company status.
- Amendment of the Memorandum and/or Articles of Association.
- Change of the Company name.
- Approval of contracts in which directors declare an interest.
- Convening of shareholder meetings.

#### B. BOARD MEMBERSHIP AND DELEGATED AUTHORITY

- Nomination of executive and non-executive Directors.
- Nomination of Chairman of the Board.
- Appointment or removal of CEO.
- Appointment or removal of the Secretary.
- Designation of the Senior Independent Director.
- Approval of the remuneration of non-executive Directors and the Secretary.
- Establishment of Board Committees, terms of reference and membership of Board Committees.

Accordingly the Board has delegated certain other matters to committees of the Board either for their sole approval or, in certain circumstances, for the formulation of recommendations to the Board. The committees of the Board as of the date of adoption of this Charter are:

- The Audit and Finance Committee
- The Remuneration and Nomination Committee
- The Corporate Governance Committee

## **C. MANAGEMENT AND FINANCIAL MATTERS**

- Group Business Plan.
- Annual budget and any significant revision to such budget.
- Group capital expenditure budget.
- Financial borrowings in excess of \$50 million (US).
- Treasury policy.
- Approval of all parent company guarantees and waivers of or limitations on liability in excess of \$50 million (US).
- Renewal of directors' and officers' liability insurance policy.
- Fundamental changes to the internal control system.
- Any fundamental change in accounting policies or practices (such as the basis on which accounts are prepared).
- Transactions of the type set out in Exhibit A to the written resolutions of the Directors passed on 31 August 2007.

## **D. LITIGATION**

- Settlement of litigation where the amount at issue (including estimated costs) is estimated to exceed \$25 million (US).

## **E. BENEFITS**

- Adoption of any new share option plans or incentive plans.

## **F. GENERAL CORPORATE**

- Policies in respect of corporate governance.
- Review of its own performance and that of the Directors and the Board committees.
- Formulation of a policy on political donations.
- Formulation of a policy regarding charitable donations.

## ATTACHMENT B

### INDEPENDENCE STANDARDS

The Board of Directors shall make a determination whether each director is independent. The Board of Directors has adopted the following standards to assist it in the determination of each Director's independence.

The Board should state its reasons if it determines that a Director is independent, notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the Director:

- has been an employee of the Company or group within the last five years;
- has, or has had within the last three years, a material business relationship with the Company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;
- has received or receives additional remuneration from the Company apart from a Director's fee, participates in the Company's share option or a performance-related pay scheme, or is a member of the Company's pension scheme;
- has close family ties with any of the Company's advisers, Directors or senior employees;
- holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies;\*
- represents a significant shareholder; or
- has served on the Board for more than nine years from the date of his first election.

In addition to the foregoing, in order to be considered independent for purposes of serving on the Company's Audit and Finance Committee, a member of the Audit and Finance Committee may not, other than in his or her capacity as a member of the Audit and Finance Committee, the Board of Directors, or any other Board committee accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any subsidiary of the Company, other than in the Director's capacity as a director or committee member or any pension or other deferred compensation for prior service, provided that such compensation is not contingent in any way on continued service.

\*For the sake of clarity, a Director may be deemed independent by the Board notwithstanding the fact that the Director also serves on the board of directors of a third party vendor or customer of the Company; provided that the Director has no other material business relationship with the Company apart from serving as a director.