

**STONEHAM ADMINISTRATION INC.
AUDIT COMMITTEE**

CHARTER

MANDATE OF THE COMMITTEE

The mandate of the Audit Committee (the "*Committee*") of the Board of Directors (the "*Board*") of Stoneham Administration Inc. (the "*Company*"), as manager of Stoneham Drilling Trust (the "*Trust*" and, together with the Company, "*Stoneham*") is to oversee that management has applied due diligence in creating and maintaining an effective risk management and control framework. "Management" includes management of the Company and the operating entities of the Trust, as applicable. This framework should provide reasonable assurance that the financial, operational and regulatory objectives of Stoneham are achieved and that the statutory responsibilities of the Board are discharged. The Committee fulfils its role on behalf of the Board, by overseeing:

1. the integrity of Stoneham's consolidated financial statements, financial information and accounting, financial reporting (including MD&A, as hereinafter defined) and auditing processes;
2. the external auditor's qualifications, independence and performance;
3. Stoneham's compliance with legal and regulatory requirements respecting financial reporting; and
4. risk management, management information systems, governmental legislation and external business of Stoneham.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits, to determine that Stoneham's financial statements are complete, accurate and in accordance with generally accepted accounting principles, or to certify Stoneham's financial statements. Management is responsible for preparing Stoneham's financial statements and Stoneham's external auditor is responsible for auditing the annual financial statements and for reviewing the interim financial statements. The Committee shall, however, assist the Board in overseeing that management and the external auditor fulfil their responsibilities in Stoneham's financial reporting process.

It is not the duty of the Committee to conduct investigations to ensure Stoneham's compliance with the Amended and Restated Declaration of Trust of the Trust or applicable laws and regulations.

The Committee has the authority to obtain independent legal counsel and outside accounting and other advisors as deemed appropriate to perform its duties and responsibilities. Stoneham shall provide appropriate funding to compensate the external auditor and any advisors that the Committee chooses to engage. The Committee is authorized to communicate directly with the external auditor to discuss and review specific issues as necessary. The Committee is also

authorized to communicate directly with the audit committee of the board of directors of Stoneham Drilling Inc. to discuss and review specific issues as necessary.

The Committee will primarily fulfil its responsibilities by carrying out the activities enumerated in the following sections of this Charter. The Committee will report regularly to the Board regarding the execution of its duties and responsibilities.

In fulfilling its mandate, the Committee shall:

(A) Internal and Disclosure Controls

1. review the effectiveness and integrity of Stoneham's system of disclosure controls and system of internal controls regarding finance, accounting, compliance and ethics, that management and the Board have established;
2. where the Committee considers it necessary and appropriate, set up and review an internal audit process and review any appointment or dismissal of senior internal audit personnel appointed in connection therewith;
3. review the evaluation of internal controls by the external auditor with management and Stoneham's subsequent follow-up to any identified weaknesses;
4. review, in conjunction with the Governance and Compensation Committee of the Board, the appointment of the Chief Financial Officer;
5. determine the appropriate resolution of conflicts of interest in respect of audit, finance and risk matters, properly directed to the Committee;
6. review with management, the audit committee of the board of directors of Stoneham Drilling Inc. and the external auditor:
 - (a) in conjunction with the report of the external auditor, Stoneham's audited annual consolidated financial statements, including related footnotes and management's discussion and analysis of financial conditions and results of operations ("**MD&A**"), and quarterly financial statements,
 - (b) the significant accounting judgments and reporting principles, practices and procedures applied by Stoneham in preparing its financial statements including any newly adopted accounting policies,
 - (c) significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit,
 - (d) the co-operation received by the external auditor during the audit, including access to all requested records, data and information,

- (e) any correspondence with regulatory or governmental authorities which raises material issues regarding Stoneham's consolidated financial statements or accounting policies, and
 - (f) any other matters not described above that are required to be communicated by the external auditors to the Committee pursuant to applicable law and regulation;
7. obtain an explanation from management of all significant variances between comparative reporting periods;
 8. review all financial statements prior to their presentation to the Board for approval;
 9. review and recommend for approval by the Board, all documents to be publicly disclosed, prior to their release, which contain audited or unaudited financial information (including any prospectuses, interim unaudited financial statements, year end audited financial statements, the annual report, the annual proxy circular, the annual information form, all press releases and disclosures made under MD&A);
 10. review with management the procedures that exist for the review of financial information extracted or derived from financial statements which is publicly disclosed by Stoneham other than in the documents listed in section 9 above and periodically, (at least annually) assess the adequacy of those procedures;
 11. review with management and the external auditor all off-balance sheet financing mechanisms being used by Stoneham, their risks and the clear disclosure of those risks and all other material financial risks to Stoneham's and its subsidiaries' business;
 12. discuss with Stoneham's Chief Financial Officer, at least annually, legal and regulatory matters that may have a material impact on the financial statements;
 13. review with the Chief Financial Officer and the Chief Executive Officer of Stoneham their respective disclosures made to the Committee during the certification process as required by Multilateral Instrument 52-109, including:
 - (a) any significant deficiencies or material weaknesses in the design or operation of internal controls,
 - (b) any fraud involving management or other employees who have a significant role in Stoneham's internal controls,
 - (c) any other obligations arising from certification, and
 - (d) any significant changes in the internal controls;
 14. establish and maintain procedures for:
 - (a) the receipt, retention and treatment of complaints received by Stoneham regarding Stoneham's accounting, internal accounting controls or auditing matters, and

- (b) the confidential and anonymous submission by Stoneham's and its subsidiaries' employees of concerns regarding questionable accounting or auditing matters, and review all matters relating thereto; and
- 15. review with management the details of all transactions between Stoneham and its subsidiaries and parties related to Stoneham or its subsidiaries;

(B) Oversight of the External Auditor

- 1. recommend to the Board and to the unitholders of the Trust the nomination of the external auditor and the compensation of such external auditor, who shall be a "Registered Public Accounting Firm" within the meaning of applicable securities legislation, for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services for Stoneham;
- 2. review the qualifications and independence of the external auditor during the year;
- 3. maintain a clear understanding with the external auditor that it is to have an open and transparent relationship with the Committee and that it is to report directly to the Committee;
- 4. provide a scheduled opportunity to meet with the external auditor for full, frank and timely discussions of all material issues, without management present;
- 5. discuss with the external auditor the scope and timing of the audit work with particular reference to high risk areas or areas of Board concern;
- 6. inquire as to whether the audit partner receives compensation based on the audit partner procuring engagements to provide services other than audit, review or attest services to Stoneham;
- 7. review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Instrument 51-102, on a routine basis, whether or not there is to be a change of external auditor;
- 8. review all issues and documentation related to a change of external auditor, including information to be included in the Change of Auditor Notice and documentation called for under National Instrument 51-102 and the planned steps for an orderly transition period;
- 9. appropriately supervise and evaluate the performance of the external auditor and lead audit partner, and report conclusions to the Board;
- 10. review Stoneham's and its subsidiaries' hiring policies regarding partners, employees, former partners and former employees of the current and previous external auditors of Stoneham;

11. oversee the rotation of audit partners as required by applicable regulation and, in order to ensure continuing auditor independence, consider annually whether it is appropriate to adopt a policy of rotating Stoneham's external auditing firm on a regular basis;
12. pre-approve the nature of, and fees for, all audit, review, attestation and significant non-audit services provided by the external auditor, prior to engagement;
13. consider the effect of significant non-audit engagements on the independence of the external auditor; and
14. provide to the external auditor any information and explanations, and access to records, documents, books, accounts and vouchers of Stoneham and its subsidiaries that are, in the opinion of the external auditor, necessary to make the examinations and reports required under legislation or regulation;

(C) Oversight of Financial Reporting and Accounting Policies

1. review with management and the external auditor significant financial reporting issues arising during the fiscal period and the methods of resolution;
2. prior to the issuance of the external auditor's report on Stoneham's financial statements, discuss the following with the external auditor:
 - (a) all critical accounting policies and practices applied in the financial statements,
 - (b) all alternative accounting and disclosure treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternate treatments and disclosures, and the treatment preferred by the external auditor, and
 - (c) other material written communications between the external auditor and management, such as the post audit or management letter and schedule of unadjusted differences;
3. inquire of the external auditor as to the quality of Stoneham's accounting estimates, discussing significant judgments made in connection with the preparation of the financial statements;
4. review with management any proposed changes in major accounting policies, the impact and clear disclosure of significant risks and uncertainties and key estimates and judgments of management that may be material to financial reporting;
5. prepare such reports and letters or other disclosure documents as are required to be prepared by the Committee under applicable securities legislation; and
6. review any notice received by the Committee with respect to an error or misstatement of which a director or officer becomes aware.

(D) Additional Duties and Responsibilities

1. review the appointments of the Chief Financial Officer and any other key financial executives who are involved in the financial reporting process;
2. review derivative and hedging policies of Stoneham and its subsidiaries and make recommendations to the Board in respect of hedging agreements and other similar financial transactions;
3. review risk assessment and risk management policies, including a review of Stoneham's major financial and accounting risk exposures, the steps management has undertaken to control them, and the clear disclosure of such material risks as part of Stoneham's continuous disclosure requirements; and
4. review the amount and terms of any insurance to be obtained or maintained by Stoneham and its subsidiaries, including insurance with respect to potential liabilities incurred by the directors or officers in the discharge of their duties and responsibilities.

(E) General

1. The Committee shall review and assess annually the adequacy of this Charter and recommend any proposed changes to the Governance and Compensation Committee for approval.
2. To fulfil its responsibilities and duties the Committee may:
 - (a) inspect any and all of the books, records and financial affairs of Stoneham, its subsidiaries and affiliates; and
 - (b) meet with any executive or employee of Stoneham or its subsidiaries or affiliates with or without management to review such accounts, records and other matters as any member of the Committee considers necessary and appropriate.
3. The Committee shall receive reports as required from the Governance Committee and the Compensation Committee and discuss with them issues of relevance to the Committee.
4. The Committee shall review when deemed necessary by the Committee any of the financial affairs of Stoneham, its subsidiaries or affiliates and make recommendations to the Board, to the external auditor, or to management, as appropriate.
5. The Committee shall report regularly to the Board through the Chair of the Committee or through such other person appointed by the Committee the conclusions reached and issues considered by the Committee.
6. The Committee shall perform any other activities consistent with this Charter as the Committee deems necessary or appropriate in order to carry out its mandate.

COMPOSITION OF THE COMMITTEE

1. The Committee shall be comprised of at least three members and each member shall be a director of the Company.
2. Each member of the Committee shall be "independent", as affirmatively determined by the Board and as required by securities laws and any applicable stock exchange or regulatory requirements.
3. Members shall be appointed from time to time at the discretion of the Board. Members shall serve in that capacity until their resignation or removal or replacement.
4. The Board may remove or replace any member of the Committee at any time.
5. A member shall cease to be a member of the Committee upon ceasing to be a director of the Company.
6. The Board shall appoint one member of the Committee to be the Chair of the Committee.
7. Stoneham's Corporate Secretary, or, in his or her absence, one of the members chosen by the Committee shall be the Secretary of the Committee.
8. Members of the Committee may not serve on the audit committee of more than two additional public entities without the prior approval of the Board.
9.
 - (a) Each member of the Committee shall be financially literate. An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Stoneham's financial statements.
 - (b) A Committee member who is not financially literate may be appointed to the Committee provided that the member becomes financially literate within a reasonable period of time following his or her appointment.

MEETINGS OF THE COMMITTEE

1. The Committee shall convene at such times and places designated by the Chair of the Committee, at least on a quarterly basis, and whenever a meeting is requested by the Board, a member of the Committee, the external auditor, or a senior officer of Stoneham. The Committee shall meet in separate sessions with management and the external auditor as considered appropriate.
2. Notice of each meeting of the Committee shall be given to each member and to the external auditor, who shall be entitled to attend each meeting of the Committee.
3. Notice of a meeting of the Committee shall:

- (a) be in writing (which may be communicated by facsimile or other communication facilities including e-mail);
 - (b) state the nature of the business to be transacted at the meeting in reasonable detail;
 - (c) to the extent practicable, be accompanied by copies of documentation to be considered at the meeting; and
 - (d) be given at least 7 days preceding the time stipulated for the meeting (or such shorter period of time agreed to by all members of the Committee).
4. A quorum for the transaction of business at a meeting of the Committee shall consist of a majority of the members of the Committee.
5. A member of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at that meeting.
6. In the absence of the Chair of the Committee, the members of the Committee shall choose one of the members present to be Chair of the meeting and, in the absence of the Secretary of the Committee, the members shall choose one of the persons present to be the Secretary of the meeting.
7. Management of Stoneham may attend meetings of the Committee as deemed appropriate by the Committee, and shall attend meetings of the Committee when requested to do so by the Committee.
8. Minutes shall be kept of all meetings of the Committee and shall be signed by the Chairman and Secretary of the meeting. The minutes shall be maintained with Stoneham's records, shall include copies of all resolutions passed at each meeting, and shall be available for review by members of the Committee, the Board, management and the external auditor.