

RESACA EXPLOITATION, INC.

(the "*Company*")

AUDIT COMMITTEE CHARTER

CONSTITUTION

- 1 The board of the Company (the "*Board*"), hereby resolves to establish a committee of the Board to be known as the audit committee (the "*Audit Committee*"):
 - (a) to increase shareholder confidence and the credibility and objectivity of published financial information;
 - (b) to assist the Board in meeting their financial reporting responsibilities;
 - (c) to strengthen the independent position of the Company's external auditors by providing channels of communication between them and the non-executive directors;
 - (d) to review the performance of the auditors; and
 - (e) to oversee the Company's process for monitoring compliance with the Company's Code of Ethics and Business Conduct and all applicable exchange listing standards.

MEMBERSHIP

- 2 The Audit Committee shall be appointed by the Board and shall comprise at least three independent non-executive directors of the Company (one of which should have recent and relevant financial experience). The Chairman of the Audit Committee, who shall be a non-executive director, shall be appointed by the Board.
- 3 The membership of the Audit Committee shall be set out in the annual report of the Company. Appointment to the Audit Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the director remains independent.
- 4 A quorum of the Audit Committee shall be two members.
- 5 Each member of the Audit Committee shall disclose to the Audit Committee any personal, financial or other interest in any matter to be decided or discussed by the Audit Committee or any potential conflict of interest arising from a cross-directorship or otherwise.
- 6 At such time as the Company becomes subject to regulation by the Securities and Exchange Commission ("SEC") or applicable U.S. exchange listing, each member of the Audit Committee will: meet the independence requirements of such applicable regulations; and not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the preceding three years.
- 7 Each member of the Committee must be able to read and understand financial statements, including the balance sheet, income statement and cash flow statement.
- 8 At such time as the Company becomes subject to regulation by the SEC or applicable U.S. exchange listing, at least one (1) member of the Committee must be a "financial expert" to the extent required and as defined by the rules and regulations of the SEC.

ATTENDANCE AT MEETINGS

- 9 The head of internal audit and a representative of the external auditor shall normally attend all meetings. Other Board members shall also have the right of attendance. The Audit Committee may invite external

advisors and the Finance Director to attend its meetings as it deems appropriate. Such persons shall have no right of attendance. However, at least once in a financial year the Audit Committee shall meet with the external auditors without any executive Board members or other employee of the Company present. The company secretary, its nominee, or such other person as the Audit Committee may appoint, shall be the secretary to the Audit Committee.

- 10 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.
- 11 Meetings may be held by telephone.

FREQUENCY OF MEETINGS

- 12 Meetings shall be held not less than twice in a financial reporting year and at such other times as the Chairman of the Audit Committee shall require.
- 13 At such time as the Company becomes subject to regulation by the SEC or applicable U.S. exchange listing, the meetings shall be held on at least a quarterly basis.

NOTICE OF MEETINGS

- 14 Meetings of the Audit Committee shall be summoned by the company secretary at the request of any of its members, the chairman of the Board, the company secretary or at the request of the external or internal auditors if they consider it necessary.
- 15 Unless otherwise agreed, the company secretary shall circulate notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting to all members of the Audit Committee and any other person required to attend no later than 48 hours before the date of the meeting of the Audit Committee. Any supporting papers shall be sent to all members of the Audit Committee and other attendees (as appropriate) at the same time.

VOTING ARRANGEMENTS

- 16 Each member of the Audit Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Audit Committee.
- 17 If a matter that is considered by the Audit Committee is one where a member of the Audit Committee, either directly or indirectly, has a personal interest, that member shall not be permitted to participate in or vote at the meeting.
- 18 Save where he has a personal interest, the Chairman will have a casting vote.

AUTHORITY

- 19 The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee or director of the Company in order to perform its duties and all employees and directors are directed to co-operate with any request made by the Audit Committee including being questioned at a meeting of the Audit Committee as and when required.
- 20 The Audit Committee is authorized by the Board to have unrestricted access to the Company's external auditors and to obtain, at the Company's expense, appropriate outside legal, accountancy or other independent professional advice on any matter within its terms of reference and to secure the attendance of external advisors with relevant experience and expertise if it considers this necessary.
- 21 As a sub-committee of the Board, the Audit Committee is answerable to the Board and shall report to it on a regular basis.

FINANCIAL REPORTING

- 22 The Audit Committee shall monitor the integrity and the consistency of the financial statements of the

Company, including its annual and interim report, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgments which they contain. The Audit Committee shall also review summary financial statements, significant financial returns to regulators.

- 23 The Audit Committee shall annually review and challenge where necessary the Company's financial statements before submission to the Board, focusing particularly on:
- (a) the consistency of, and any changes to, accounting policies and practices both on a year on year basis and across the Company;
 - (b) decisions requiring a major element of judgment or specific risk areas;
 - (c) the methods used to account for significant and unusual transactions where different approaches are possible;
 - (d) whether the Company has followed and complied with appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
 - (e) the clarity of disclosure in the Company's financial reports and the context in which statements are made;
 - (f) significant adjustments resulting from the audit;
 - (g) the going concern assumption;
 - (h) compliance with applicable requirements of the AIM Rules and any other legal and regulatory requirements including the rules and regulations of applicable U.S. exchange listing standards, and at such time as the Company is subject to the reporting requirement of the SEC, the rules and regulations of the SEC.
 - (i) compliance with the Share Dealing Code adopted by the Company; and
 - (j) all material information presented with the financial statements, such as the business review and any corporate governance statement (insofar as it relates to the audit and risk management).
- 24 At such time as the Company is subject to the reporting requirements of the SEC, the Audit Committee shall review with management and the external auditor:
- (a) the reports required to be prepared by the external auditor under Section 10A(k) of the Exchange Act regarding (i) all critical accounting policies and practices used by the Company and (ii) all alternative treatments of the Company's Generally Accepted Accounting Principles that have been discussed with management, the ramifications of the use of such alternative disclosures and treatments preferred by the external auditor;
 - (b) prior to filing by the Company with the SEC of any annual report on Form 10-K or any quarterly report on Form 10-Q, the financial statements and the disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained therein

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

- 25 The Audit Committee shall:
- (a) keep under review and challenge where necessary the effectiveness of the Company's financial reporting and internal controls and procedures and risk management systems; and

- (b) review and approve the statements to be included in the annual report concerning internal controls, risk management and the accounting standards used.

WHISTLEBLOWING

- 26 The Audit Committee shall review the Company's arrangement for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee shall ensure that these arrangements allow appropriate and independent investigation of such matters and appropriate follow up action.

INTERNAL AUDIT

- 27 The Audit Committee shall monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system.

EXTERNAL AUDIT

- 28 The Audit Committee shall:

- (a) consider and make recommendations to the Board, in relation to the appointment, re-appointment and removal of the Company's external auditors. The Audit Committee shall oversee the selection process for new auditors and, if an auditor resigns, the Audit Committee shall investigate the issues leading to this and decide whether any action is required;
- (b) keep under review and oversee the relationship with the external auditors including (but not limited to)
 - (i) The independence and objectivity of the external auditors in accordance with the rules and regulations of the AMEX and SEC, as applicable;
 - (ii) all the disclosures required by Independent Standards Board No. 1 or any similar requirement to the extent required by law;
 - (iii) approval of their remuneration, whether fees for audit or non-audit services and the level of fees is appropriate to enable an adequate audit to be conducted;
 - (iv) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
 - (v) assessing annually their independence and objectivity taking into account relevant US and UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - (vi) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business), including a formal written statement from the auditor delineating all relationships to the extent required by law
 - (vii) discussing with the external auditors such issues as compliance with accounting standards and any proposals which the external auditors have made vis-à-vis the Company's internal auditing system;
 - (viii) agreeing with the Board on a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;

- (ix) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and
 - (x) assessing annually their qualification, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures.
- 29 The Audit Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit.
- 30 The Audit Committee shall review the findings of the audit with the external auditor. This shall include but not be limited to the following:
- (a) a discussion of any major issues which arose during the audit;
 - (b) any accounting and audit judgments; and
 - (c) levels of errors identified during the audit.
- The Audit Committee shall also review the effectiveness of the audit.
- 31 The Audit Committee shall develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

REPORTING RESPONSIBILITIES

- 32 The Audit Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities including such matters as the annual report and the relationship with the external auditors.
- 33 The Audit Committee shall make whatever recommendation to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 34 The Audit Committee shall compile a report to shareholders on its activities to be included in the Company's annual report and accounts.

COMMITTEE PRE-APPROVAL

- 35 At such time as the Company becomes subject to regulation by the SEC or applicable U.S. exchange listing, this Committee pre-approval section shall become applicable. No audit services or non-audit services shall be provided to the Company by the external auditor unless first pre-approved by the Audit Committee and unless permitted by applicable securities laws and the rules and regulations of the SEC.

Pre-approval shall not be required for non-audit services provided by the external auditor, if

- (a) the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent (5%) of the total amount of revenues paid by the Company to the external auditor during the fiscal year in which such non-audit services are provided;
- (b) such non-audit services were not recognized by the Company at the time of the external auditor's engagement to be non-audit services; and
- (c) such non-audit services are promptly brought to the attention of the Audit Committee and approved by the Audit Committee prior to the completion of the audit.

The Audit Committee may delegate to one (1) or more members of the Audit Committee the authority to grant pre-approval of non-audit services required by this Section. The decision of any member to whom such authority is delegated to pre-approve non-audit services shall be presented to the full Audit Committee for its approval at its next scheduled meeting.

COMPLIANCE WITH THE CODE OF ETHICAL CONDUCT AND BUSINESS PRACTICES

The Audit Committee shall review compliance with Company's Code of Ethics and Business Conduct. The Audit Committee shall not have the power to grant waivers to the Code of Ethics and Business Conduct. Any waiver of the Code of Ethics and Business Conduct with respect to a director or executive officer may only be granted by the Board.

APPROVAL OF RELATED PARTY TRANSACTIONS

At such time as the Company becomes subject to regulation by the SEC or applicable U.S. exchange listing, this Approval of Related Party Transactions section shall become applicable. The Audit Committee shall not enter into a related party transaction unless such transaction is approved by the Audit Committee after a review of the transaction by the Audit Committee for potential conflicts of interest. A transaction will be considered a "related party transaction" if the transaction would be required to be disclosed under Item 404 of Regulation S-K.

PROXY STATEMENT REPORTS

At such time as the Company is subject to the provisions of the SEC regarding proxy statement reports, the Audit Committee shall prepare an annual report as required by the rules and regulations of the SEC and submit it to the Board for inclusion in the Company's proxy statement prepared in connection with its annual meeting of shareholders.

OTHER MATTERS

36 The Audit Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the company secretary for assistance as required;
- (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- (c) give due consideration to applicable laws and regulations, the provisions of the Combined Code, the QCA Corporate Governance Guidelines for AIM companies, the Association of British Insurers' Guidelines and the requirements of the London Stock Exchange plc's rules for AIM companies as appropriate;
- (d) give consideration to dividend policy and payment;
- (e) oversee any investigation of activities, which are within its terms of reference and act as a court of the last resort; and
- (f) on a regular basis and at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

37 The Audit Committee shall consider such other matters as may be requested by the Board.

MINUTES

- 38 The secretary of the Audit Committee shall minute the proceedings and resolutions of all the Audit Committee meetings, including the names of those present and in attendance if, as and when requested to do so by the chairman of the Audit Committee.
- 39 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 40 The secretary shall within 30 days of the date of the meeting circulate the minutes of meetings of the Audit Committee to all members of the Audit Committee and to the Chairman of the Board and the external auditor.
- 41 Finalized minutes of the meeting of the Audit Committee will be circulated to the members of the Board as part of the Board papers for each full meeting of the Board. The Audit Committee may, in addition, at any time request a full meeting of the Board at which its conclusions shall be reported.

GENERAL

- 42 The recommendations of the Audit Committee minutes must be approved by the Board before they can be implemented.
- 43 The Chairman of the Company should make himself available at each Annual General Meeting of the Company to answer questions concerning the Audit Committee's work during the preceding year.
- 44 Any of the terms set out in this document may be varied by a majority resolution of the Audit Committee.
- 45 This document is intended to supersede the original charter dated as of July 11, 2008 and the amended charter adopted at the meeting of the Board of Directors of the Company on May 6, 2009.