

## **Charter of the Audit Committee of the Board of Directors**

### **PURPOSE**

The Audit Committee shall be a standing committee of the Board of Directors (the "Board") of Union Drilling, Inc., a Delaware corporation (the "Company"). Its primary function is to assist the Board in fulfilling its oversight responsibilities by:

- Reviewing the financial reports and other financial information provided by the Company to any governmental body or the public;
- Hiring the Company's independent registered public accounting firm; reviewing the audit efforts, qualifications and independence of the Company's independent registered public accounting firm;
- Reviewing the Company's system of disclosure controls and internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established; and the Company's auditing, accounting and financial reporting processes generally;
- Reviewing the performance of the Company's internal audit function;
- Providing an open avenue of communication among the independent registered public accounting firm, internal audit, financial and senior management, and the Board; and
- Preparing the Audit Committee report that the U.S. Securities and Exchange Commission ("SEC") rules require to be included in the Company's annual proxy statement.

The Audit Committee will primarily fulfill these responsibilities by carrying out the activities set forth in this Charter.

### **POWERS**

The Audit Committee will have the resources and the authority necessary to discharge its duties and responsibilities.

The Audit Committee has the authority, without having to seek Board approval, at the Company's expense, to obtain advice and assistance, as appropriate, from outside legal, accounting and other advisers, as it determines necessary to carry out its duties. The Audit Committee shall have the authority to require any officer, director or employee of the Company, the Company's outside legal counsel and the Company's independent registered public accounting firm to meet with the Audit Committee, and any of its advisors, and to respond to its inquiries.

The Audit Committee may also conduct or authorize investigations into or studies of matters within the Audit Committee's scope of responsibilities. The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of (i) compensation to the independent registered public accounting firms for the purpose of rendering or issuing an audit report and to any advisors employed by the Audit Committee; (ii) compensation to any advisors employed by the Audit Committee; and (iii) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

The Audit Committee shall have full access to the books, records and facilities of the Company in carrying out its responsibilities.

### **MEMBERSHIP**

The Audit Committee shall be comprised of a minimum of three directors. Each member shall meet the independence and experience requirements of the SEC and the Nasdaq Stock Market (as may be modified or supplemented). In addition, each member will be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee.

A director who is not independent under the rules and regulations of the Nasdaq Stock Market, and is not a current employee or an immediate family member of such employee, may be appointed to the Audit

Committee if the Board, under exceptional and limited circumstances, determines that membership on the Audit Committee by the individual is required by the best interests of the Company and its stockholders, and the Company discloses, in the next annual proxy statement subsequent to such determination, the nature of the relationship and the reasons for that determination. A director appointed to the Audit Committee pursuant to this exception may not serve on the Audit Committee for more than two (2) years and may not serve as the chairman of the Audit Committee.

All members of the Audit Committee shall be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement at the time of their appointment to the Audit Committee. Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or an outside consultant. One member of the Audit Committee shall have accounting or related financial management expertise and qualify as an "audit committee financial expert" in accordance with the requirements of the SEC and the Nasdaq Stock Market (as may be modified or supplemented).

The members of the Audit Committee shall be elected by the Board at the annual organizational meeting of the Board, and shall serve on the Audit Committee for a term coinciding with their staggered Board term. If a chairman of the Audit Committee is not appointed by the Board, the Audit Committee shall itself elect a chairman.

Notwithstanding the foregoing, to the extent that the Board, in its sole discretion, shall at any time determine that there is an available exception or cure period to compliance with the independence or experience requirements and/or financial expertise requirements of Audit Committee members under applicable law (including, without limitation, applicable rules of the SEC and Nasdaq Stock Market), then any non-compliance with, or failure to satisfy, the foregoing independence and/or experience and/or financial expertise requirements during any such period of exemption or cure shall not be deemed a violation or breach of the terms, provisions and conditions of this Charter. From the date of the adoption of this Charter until the earlier of (i) the date that the Board determines, in its sole discretion, to comply fully with the independence and experience and/or financial expertise requirements of Audit Committee members under applicable law (including, without limitation, applicable rules of the SEC and Nasdaq Stock Market) or (ii) the date that any currently available exception to such independence or other requirements is no longer available to the Company under applicable law, the Company shall be excused from compliance with the above requirements to the extent of any available exceptions under applicable law, including, without limitation, the "controlled company exception," the "best interests exception" and the "IPO exception."

## **RESPONSIBILITIES**

To fulfill its responsibilities and duties, the Audit Committee shall, in addition to any other responsibilities or duties that may be assigned from time to time by the Board:

### **Appointment of Independent Registered Public Accounting Firm**

- The Audit Committee has the sole authority to appoint, oversee, retain and terminate any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit review or attest services for the Company, including the Company's independent registered public accounting firm, and to review and approve all audit engagement fees, terms and compensation, and pre-approve the nature, extent, and cost of all non-audit services provided by the Company's independent registered public accounting firm in accordance with applicable law.
- On an annual basis, the Audit Committee shall review and discuss with the independent registered public accounting firm all significant relationships they have with the Company that could impair their independence. As part of this process, the Audit Committee shall: (i) ensure that the independent registered public accounting firm submits to the Audit Committee on an annual basis a written statement (consistent with the applicable accounting and auditing standards then in effect, including those of the PCAOB) delineating all relationships and services that may impact the objectivity and independence of the independent registered public accounting firm; (ii) discuss with the independent registered public accounting firm any disclosed relationship or services that may impact the objectivity and independence of the independent registered public accounting firm; (iii) satisfy itself as to the

- Review the independent registered public accounting firm's audit plan and discuss the scope, staffing, locations, reliance upon management and internal audit, and general audit approach.
- Prior to the Company releasing its year-end earnings, discuss the results of the audit with the independent registered public accounting firm. Discuss certain matters required to be communicated to audit committees in accordance with AICPA SAS 61.
- Consider the independent registered public accounting firm's judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
- Discuss with management and the independent registered public accounting firm the quality and adequacy of the Company's disclosure controls and procedures, and review disclosures made by the Company's Chief Executive Officer and Chief Financial Officer in the Company's periodic reports filed with the SEC regarding compliance with their certification obligations.
- Annually consult with the independent registered public accounting firm out of the presence of management about internal controls and the completeness and accuracy of the Company's financial statements.
- In consultation with the independent registered public accounting firm, review the integrity of the Company's financial reporting process, both internal and external.
- Consider whether the audit engagement team partners should be rotated more frequently than is required by law, so as to assure continuing auditor independence.
- Consider whether the independent registered public accounting firm should be rotated, so as to assure continuing auditor independence.
- Obtain the opinion of management and the internal auditors regarding the independent registered public accounting firm's performance.

#### Documents/Reports Review

- Review any reports or other information filed or furnished to any governmental body, including any certification, report, opinion, or review rendered by the independent registered public accounting firm.
- In consultation with management and the independent registered public accounting firm, consider and discuss (i) the integrity of the Company's disclosure controls and procedures, (ii) the quality and adequacy of the system of internal controls that could significantly affect the Company's financial statements, (iii) significant financial risk exposures and the steps management has taken to monitor, control and report such exposures and (iv) whether there are any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to affect the Company's ability to record, process, summarize and report financial information and any fraud involving management or other employees with a significant role in internal control over financial reporting. The Audit Committee should also review significant findings of the independent registered public accounting firm related to the system of internal controls, with management's responses, the status of management's responses to previous recommendations from the independent registered public accounting firm and the status of any previous instructions to management from the Audit Committee.
- Review disclosures made by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the annual and quarterly financial statements regarding any significant deficiencies in the design or operation of internal controls or material weaknesses in such controls.
- Review with management and the independent registered public accounting firm any fraud discovered by the Company, whether or not material, that involves management or other employees who have a significant role in the Company's system of internal controls.
- Review and discuss with financial management and the independent registered public accounting firm the Company's quarterly financial results prior to the release of earnings and/or the Company's quarterly financial statements prior to filing with the SEC or distribution to persons outside of the

- any restrictions on the scope of the independent registered public accounting firm's activities or on access to requested information;
  - any accounting adjustments that were noted or proposed by the independent registered public accounting firm but were "passed" by management (as immaterial or otherwise);
  - any communications between the audit team and the independent registered public accounting firm's national office regarding auditing or accounting issues presented by the engagement;
  - any management or internal control letter issued, or proposed to be issued, by the independent registered public accounting firm; and
  - any significant disagreements between management and the independent registered public accounting firm.
- Review with the independent registered public accounting firm the recommendations included in their management letter, if any, and their informal observations regarding the competence and adequacy of financial and accounting procedures of the Company. On the basis of this review, make recommendations to the Board for any appropriate changes.

#### Ethical and Legal Compliance

- Evaluate and assess the effectiveness of the Company's compliance and ethics program.
- Establish, maintain and review procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company or other persons of concerns regarding questionable accounting, auditing matters or other corporate or employee activities.
- Annually discuss with the independent registered public accounting firm whether it has identified the existence of any issues of the type described in Section 10A of the Securities Exchange Act of 1934 (concerning detection of illegal acts).
- On at least an annual basis, review with the Company's counsel any legal matters that could have a significant impact on the Company's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.

#### Internal Audit and Its Functions

- Review and approve the Company's internal audit functions, including (i) purpose, authority and organizational reporting lines; and (ii) annual audit plan and staffing.
- Approve the appointment, replacement, reassignment or dismissal of internal audit management.
- Review with management and the internal auditors the results of their review of compliance with applicable laws and regulation and internal audit reports. Other Matters
- Annually prepare a report of the Audit Committee to stockholders as required by the SEC. The report should be included in the Company's annual proxy statement.
- Perform any other activities consistent with this Charter, the Company's bylaws, and governing law, as the Audit Committee or the Board deems necessary or appropriate.
- Review financial and accounting personnel succession planning with management and the Board. Ensure that none of the individuals serving in the positions of Chief Executive Officer, Chief Financial Officer, vice president or controller, or any person serving in an equivalent position, participated in any capacity in the audit of the Company as an employee of the independent registered public accounting firm during the one year period preceding the date of initiation of any audit being performed by the

- Annually review policies and procedures as well as audit results associated with directors' and officers' expense accounts and perquisites.
- As appropriate, review with management, the independent registered public accounting firm and the internal auditors (if necessary) in separate meetings if the Audit Committee deems it necessary:
  - any analyses or other written communications prepared by management and/or the independent registered public accounting firm setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
  - the critical accounting policies and practices of the Company;
  - related-person transactions and off-balance sheet transactions and structures as they affect the Company's financial statements;
  - any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles; and
  - the effect of regulatory and accounting initiatives or actions applicable to the Company (including any SEC investigations or proceedings).
- Periodically report to the Board on significant results of the foregoing activities.

## **ANNUAL EVALUATION**

The Audit Committee shall annually conduct a self-evaluation of its performance. The Audit Committee shall report to the Board, or such committee of the Board as the Board may designate, the results of its evaluation.

## **REVIEW AND AMENDMENT**

The Audit Committee shall review and reassess the adequacy of this Charter periodically (but at least annually) and recommend any proposed changes to the Board for approval. The Audit Committee shall submit the Charter to the full Board for approval and have the document published at least every three years in accordance with the regulations of the SEC. This Charter may be amended only by the Board.

## **PROCEDURES**

The Audit Committee shall meet in executive session each quarter with the Chief Financial Officer, the independent registered public accounting firm and the internal auditors (and any other member of Company's management if so requested by the Audit Committee) and at such other times as any member of the Audit Committee may request to discuss any matters that the Audit Committee and each of these groups believe should be privately discussed. The Audit Committee shall meet to review and approve each quarterly earnings release, to review and approve each annual report on Form 10-K and each quarterly report on Form 10-Q to be filed by the Company with the SEC, to review and approve the annual financial results of the Company prior to release, to review and approve the scope of the annual audit to be performed by the Company's independent registered public accounting firm and at other times as circumstances dictate.

The Chairman of the Committee, in consultation with the other Committee members, shall determine the frequency and length of the Audit Committee meetings and shall set meeting agendas consistent with this Charter.

Minutes of each meeting of the Audit Committee shall be kept to document the discharge by the Audit Committee of its responsibilities and a copy thereof shall be sent to members of the Board.