

CanArgo Energy Corporation

AUDIT COMMITTEE CHARTER

The Audit Committee of CanArgo Energy Corporation (the “Company”) is a standing committee of the Board of Directors whose primary function is to carry out a detailed and thorough review of audit matters, to be responsible for the appointment, compensation, retention and oversight of the work of any registered public 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 resolution of disagreements between management and the auditor regarding financial reporting), to consider and approve related party transactions and to offer the Company’s auditors, Stockholders and employees a direct link to the non-executive Directors. This Committee will assist the Board in fulfilling its oversight responsibilities by reviewing the financial information which will be provided to the Stockholders and others, the internal control structure, the audit process, and adherence to applicable laws and regulations. Given the growing size and complexity of the Company, the Committee will apply reasonable materiality standards to all of its activities.

The Committee shall be solely comprised of independent members of the Board of Directors. The Board shall appoint Committee members and the Committee Chairman. There shall be not less than three members of the Committee. For purposes hereof, “independent” shall mean a director who both meets the American Stock Exchange and the Securities and Exchange Commission’s definition of independence as determined by the Board in its business judgment. Each member of the Audit Committee shall be financially literate and at least one member of the Audit committee shall have accounting or related financial management expertise, both as the Board interprets such qualifications in its business judgment. Also, at least one member of the Audit Committee shall meet the Securities and Exchange Commission’s definition of an “audit committee financial expert”, as determined by the Board in its business judgment. One member may satisfy both qualifications.

The Committee shall meet at least quarterly. No meeting shall be held unless a quorum of members is present. A majority of the members shall constitute a quorum. The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. The meetings may be in person or telephonically.

The Committee shall have the power to conduct or authorize investigations into any matters within the Committee’s scope of responsibilities. The resources of the Company shall be available to the Committee to carry out its duties and, if needs be, the Committee may (at the Company’s cost) take external professional advice and invite outsiders with relevant experience to attend if necessary.

Specifically, the Committee shall:

1. Retain and terminate the Company’s independent accountants, evaluate the performance and qualifications of the independent auditors and be directly responsible for the appointment, compensation and oversight of the work of any independent registered public accounting firm engaged by the Company. The Committee will also periodically consider the independence of the independent accountants, including an annual review of non-audit services provided and related fees received. This evaluation and review should include the evaluation and review of the lead partner of the independent registered public accounting firm including such partner’s regular rotation as required by law. In making its evaluations, the Audit Committee should take into account the opinions of management and the Company’s internal auditors (or other personnel responsible for the internal audit function) and shall present its conclusions to the Board.
2. Pre-approve all permissible non-audit services and all audit, review or attest engagements, and the compensation, fees and terms for such services provided by the independent auditors. By approving the audit engagement, an audit service within the scope of the engagement shall be

deemed to have been pre-approved. Establish policies and procedures as warranted for the pre-approval of services by the independent auditors and review such proposed services on a periodic basis. The Audit Committee shall also consider whether the independent auditor's performance of permissible non-audit services is compatible with the auditor's independence. The Audit Committee shall also review with the independent auditor the written statement from the auditor, required by the Independence Standards Board, concerning any relationships between the auditor and the Company or any other relationships that may adversely affect the independence of the auditor.

2. Discuss with the external auditors before the annual audit commences the nature, scope and timing of the audit and ensure co-ordination where more than one audit firm is involved.
3. Enquire of management, the independent accountants, the Chief Financial Officer and the Chief Executive Officer about significant risks or exposures to loss or liability facing the Company and enquire as to the steps management has taken to minimize such risks.
4. Consider, in consultation with the independent accountants and the Chief Financial Officer, the combined audit scope and budget to ensure completeness of coverage, reduction in redundant efforts, and the effective use of audit resources.
5. Review with management and the independent accountants:
 - The Company's quarterly and annual financial statements and related footnotes and the independent accountants' report thereon, as applicable, including the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations", the adequacy of the Company's internal controls, including management's evaluation of and report on the Company's disclosure controls and procedures and internal controls, any significant recommendations they may offer to improve disclosure controls and procedures and internal controls, major judgmental areas and significant adjustments resulting from the audit;
 - Any significant reserves, accruals or estimates which may have a material impact on the financial statements, including engineering reserves;
 - Any difficulties or disputes with management encountered by the independent accountants during the course of the audit and any instances of second opinions sought by management;
 - Management letters to the auditors;
 - Other matters related to the conduct of the audit and financial reviews which are communicated to the Committee under generally accepted auditing standards;
 - Review and approve any related party transactions; and
 - Review the performance of the Company's Internal Audit Department and provide a direct line of communication between the Internal Audit Department, the independent accountants and the Board of Directors.
6. Review and recommend approval to the Board of Directors of the inclusion of the Company's financial statements in the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and in other public filing documents that require approval of the Board of Directors.

7. Consider and review with the independent accountants, management and the CFO:
 - The adequacy of the Company's internal controls and any significant findings during the year and management's responses thereto; and
 - Any difficulties encountered in the course of the independent accountants' audits, including any restrictions on the scope of their work or access to required information.
8. Consider with management and the independent accountants the possible impact on any pending changes in accounting standards or rules or any significant changes in the Company's accounting policies.
9. Meet periodically with the Company's legal advisor (and other lawyers as required) to review legal and regulatory matters, including any material pending legal proceedings involving the Company and any reports received from regulators that may have a material impact on the Company's financial statements, environmental compliance and financial liabilities or reserves.
10. Meet periodically with the independent accountants in separate executive sessions without any member of the executive management present to discuss any matters that they or the Committee believe should be discussed privately with the Committee.
11. Report Committee actions to the Board of Directors with such recommendations as the Committee may deem appropriate. Minutes will be taken for each Committee meeting which will then be approved at the next meeting.
12. Review with the Chief Financial Officer, legal advisors, and the independent accountants, as appropriate, the results of their review of the Company's monitoring compliance with the Company's Code of Conduct.
13. If appropriate, review any letter to be included in the annual report that describes the "Committee" composition and responsibilities and how they were discharged.
14. Review the annual expense reports of the Chairman, Chief Executive and other key officers.
15. Other Responsibilities:
 - Review the appointment and termination by the Chief Executive Officer of the Chief Financial Officer;
 - Review the adequacy of the Audit Committee Charter annually and evaluate the performance of the Audit Committee every two years and recommend such changes in the Charter as the Audit Committee may determine from time to time are appropriate.
 - Education and training for members of the Committee;
 - Periodic local visits to meet local managers on site;
 - Review with management and the auditors the potential risks facing the Company, the steps management is taking to mitigate such risks, and the adequacy of public disclosure of these risks; and
 - Receive, retain and consider complaints received by the Company regarding questionable accounting or auditing matters and internal accounting controls and in that connection:

- Provide for the confidential, anonymous submission by employees and others of concerns regarding questionable accounting or auditing matters or internal accounting controls;
 - If warranted conduct investigations of management and others to determine the merits of any such concerns;
 - Retain independent counsel and other advisors if warranted to assist the Committee in connection with any such investigation;
 - Make recommendations for any remedial actions to be taken by the Company, if warranted, to correct any questionable accounting or auditing matter; and
 - If material, recommend the disclosure both to the public and to appropriate regulatory agencies of the results of any such investigation and any remedial actions to be taken by the Company in response thereto.
16. Perform such other duties and responsibilities as may be assigned to the Audit Committee, from time to time, by the Board and/or the Chairman and Chief Executive Officer.
17. Approved Minutes of Committee meetings shall be circulated to all members of the Board.