

APPROVED
by the Resolution
of the Board of Directors
NOVATEK OJSC
Minutes No. 108 of 7 April 2009

**CHARTER
AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
OF NOVATEK OPEN JOINT-STOCK COMPANY**

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Article 1. GENERAL PROVISIONS

These Regulations on the Audit Committee at the Board of Directors (“the Regulations”) of NOVATEK Open Joint-Stock Company (“the Company”) are developed in accordance with the laws of the Russian Federation, Corporate Code of Conduct approved by the Government of the Russian Federation on November 28, 2001, and recommended by the Federal Commission for the Securities Market of the Russian Federation, Company’s Articles of Association, and Regulations on the Board of Directors of NOVATEK OJSC.

1.1. The Audit Committee at the Board of Directors (“the Audit Committee”, “the Committee”) shall be formed for the purpose of assisting the Board of Directors in supervising the accuracy and completeness of the Company’s financial statements, reliability and efficiency of the Company’s internal control system, and collaboration of the Company and its internal and external auditors. As used in these Regulations, by “external auditor” we shall mean the Company’s Auditor, and by “internal auditor” – the Company’s Internal Audit Division.

1.2. These Regulations shall determine the status of the Audit Committee, its terms of reference, rights and duties, establishing and operating procedures, and procedures of its interaction with other management bodies of the Company.

1.3. Any and all proposals made by the Audit Committee shall be provided to the Board of Directors as recommendations.

1.4. In its activities, the Committee shall be governed by the laws of the Russian Federation, Company’s Articles of Association, Regulations on the Board of Directors of NOVATEK OJSC, Board of Directors’ resolutions, these Regulations, Company’s other internal documents approved by the General Meeting of Shareholders or by the Board of Directors, and decisions made by the Committee itself.

1.5. The terms used but not defined herein shall have the meaning given to them in the Company's Articles of Association and Regulations on the Board of Directors of NOVATEK OJSC, unless these Regulations provide otherwise.

Article 2. OBJECTIVES OF THE AUDIT COMMITTEE

2.1. The main objective of the Audit Committee shall be to assist the Board of Directors in exercising effective control over the Company’s financial and business performance by controlling and evaluating:

2.1.1. accuracy, transparency, and completeness of the Company’s financial statements prepared in accordance with the Russian and international accounting and reporting standards;

2.1.2. candidates for the position of the Company’s Auditor;

2.1.3. the Company’s audit report submitted for the consideration of the Annual General Meeting of Shareholders;

2.1.4. reliability and efficiency of the Company's internal control system and preparation of proposals on its improvement;

2.1.5. the Company's compliance with the requirements of the RF legislation.

Article 3. POWERS OF THE AUDIT COMMITTEE

3.1. For the purpose of assisting the Board of Directors in discharging its duties, the Committee shall have the following powers:

3.1.1. cooperating with the Company's executive bodies for the purpose of controlling the preparation of the Company's financial statements;

3.1.2. considering and resolving any disputes between the Company's Auditor and executive bodies in respect of the Company's financial (accounting) statements, unless the agreement has been reached between themselves;

3.1.3. holding special meetings of the Committee members, Revision Commission members, and/or the Company's Auditor for the purpose of discussing and developing joint recommendations in respect of critical issues of the Company's financial (accounting) statements;

3.1.4. reviewing the Company's annual financial (accounting) statements drawn up in compliance with the requirements of the RF legislation, and developing recommendations;

3.1.5. reviewing the Company's annual report prepared in accordance with the FFMS requirements and developing recommendations to the Board of Directors with respect to preliminary approval of such report by the Board of Directors;

3.1.6. reviewing the Company's annual report prepared in accordance with the requirements of the UK Listing Authority and developing recommendations with respect to the approval of such report;

3.1.7. supervising the internal control system as to the preparation of financial (accounting) statements, the internal control system as a whole and the risk management system, as well as developing recommendations to enhance the internal control and risk management systems;

3.1.8. developing recommendations to the Board of Directors in respect of a candidate for the position of Independent Appraiser;

3.1.9. developing recommendations to the Board of Directors with respect to the election of the Company's Auditor to submit them for the consideration of the General Meeting of Shareholders, and approval of the contract conditions and remuneration rate of the Company's Auditor;

3.1.10. supervising the independence and objectivity of the Company's Auditor, the external auditing efficiency, including considering and tackling the problems which hinder the audit process (including due to limitation of the audit procedures and/or access to information);

3.1.11. developing recommendations as to the involvement of the Company's Auditor in rendering of ancillary (non-auditing) services;

- 3.1.12. meeting with representatives of the Company's Auditor no less than once a year;
- 3.1.13. reviewing and qualifying the annual auditor report on the Company's financial (accounting) statements drawn up in compliance with the requirements of the RF legislation, which is submitted to the Annual General Meeting of Shareholders;
- 3.1.14. reviewing and qualifying the report on the activities of the Internal Audit Division no less than once a year;
- 3.1.15. giving recommendations to increase the efficiency of operations of the Internal Audit Division and in respect of appropriate expertise of its employees;
- 3.1.16. reviewing and addressing significant problems and/or violations discovered by the Company's internal and external auditors, evaluating the performance of an executive body in resolution/elimination of such problems/violations in terms of timeliness and adequacy of actions taken; developing recommendations to solve the problems, which have not been solved by the executive body.

Article 4. RIGHTS AND DUTIES OF THE COMMITTEE

- 4.1. For the implementation of the foregoing powers, the Board of Directors shall vest the following rights in the Committee:
 - 4.1.1. Request and receive any necessary documents, reports, explanations, and other information from heads and other officers of the Company's executive bodies,
 - 4.1.2. Hear reports on implementation of the Committee's recommendations and provide reports to the Board of Directors on the executive bodies' performance in implementation of the Committee's recommendations;
 - 4.1.3. Invite heads and other officers of the Company's executive bodies to the Committee's meetings as observers;
 - 4.1.4. Engage the services of external experts and advisors within the Company's budget;
 - 4.1.5. Communicate to the Company's Board of Directors recommendations on any issues that in the opinion of the Audit Committee require particular actions of the Board of Directors;
 - 4.1.6. Review these Regulations and submit proposals to amend/supplement these Regulations to the Board of Directors for approval.
- 4.2. The Committee members shall:
 - 4.2.1. Discharge functions vested in them in accordance with these Regulations, the requirements of the RF legislation, Company's Articles of Association and internal documents;
 - 4.2.2. Provide regular reports of their work to the Board of Directors no less than once a year;
 - 4.2.3. Participate in the work of the Committee and attend all of the Committee meetings;
 - 4.2.4. Keep confidential all information they become aware of in the course of discharging their duties;
 - 4.2.5. Notify the Board of Directors of any changes in their status of independent directors, or of any conflicts of interest that may arise out of any decisions to be made by the Committee;

4.2.6. Fulfill any other duties lying within their competence, as may be required by the Board of Directors, in accordance with the procedures specified in these Regulations;

4.2.7. Evaluate their own performance annually and provide the results to the Board of Directors.

Article 5. ELECTION OF THE AUDIT COMMITTEE MEMBERS

5.1. The Audit Committee of at least 3 members shall be elected from among independent members of the Board of Directors. A Committee member elected as an independent director shall, in case he/she has ceased to satisfy the requirements to independent directors for whatever reason, notify the Board of Directors of this fact within 3 (Three) business days after he/she has ceased to be the independent director.

5.2. The members of the Audit Committee shall be elected at a meeting of the Board of Directors from among the Board's current members, for a term until election of the new Board of Directors at the General Meeting of Shareholders. The persons nominated to the Audit Committee shall come from a financial or economic background (have higher education) and/or possess experience in the relevant fields.

5.3. The members of the Audit Committee shall be elected by a simple majority vote of the Board of Directors' members.

5.4. The members of the Audit Committee may be reelected an unlimited number of times.

5.5. If decided by the Board of Directors, the powers of all or any of the Committee members may be terminated prematurely.

5.6. The powers of a Committee member shall be terminated prematurely where:

5.6.1. He/she resigns. A Committee member may resign by giving notice to the Chairman of the Board of Directors and Chairman of the Committee 1 (One) month to the proposed resignation date;

5.6.2. He/she is removed from the Board of Directors; or

5.6.3. He/she is dismissed from the Committee by the Board of Directors.

5.7. Where the powers of a Committee member are to be terminated in accordance with Clause 5.6.1 above, the Board of Directors shall, at the next meeting, but in any event within 1 (One) month after the date the written resignation notice has been given by the said member, elect a new member. Until then, the resigning member shall continue in office.

5.8. Where the powers of a Committee member are terminated pursuant to Clauses 5.6.2. and 5.6.3. hereof, the Board of Directors shall elect a new member of the Committee within 2 (Two) weeks after such termination.

5.9. The Committee members may get paid remuneration and/or reimbursement for expenses for discharging their duties, in the amount and in the manner recommended by the Board of Directors and approved at the General Meeting of Shareholders.

Article 6. CHAIRMAN AND SECRETARY OF THE AUDIT COMMITTEE

6.1. The Chairman of the Audit Committee shall be elected from among the Committee members at a meeting of the newly elected Board of Directors. The Committee Chairman shall be elected by a simple majority vote of the Board of Directors' members. The Board of Directors may at any time reelect the Committee Chairman by a majority vote.

6.2. The Committee Chairman shall be elected from among the independent directors.

6.3. The Committee Chairman shall:

6.3.1. Initiate and convene the Committee meetings and preside over them;

6.3.2. Approve an agenda of a Committee meeting;

6.3.3. Arrange discussion of agenda issues at a Committee meeting and request opinions from the persons invited to attend the meeting;

6.3.4. Allocate responsibilities between the Committee members;

6.3.5. Make a work schedule of the Committee for the current year, by taking into account the work schedule of the Board of Directors; and

6.3.6. Exercise any other functions provided by the effective laws, Company's Articles of Association, these Regulations, or other internal documents of the Company.

6.4. The Committee Secretary shall be appointed at the first meeting of the Committee from among the employees of the Company's Internal Control Department. The Committee Secretary shall prepare the Committee meetings, collect and arrange materials for the meetings, timely notify the Committee members and invited persons of the meetings, provide them with the agenda and relevant materials, keep minutes of the meetings, prepare draft decisions of the Committee, and arrange the storage of the relevant materials. The Secretary shall also ensure that the Committee members receive any necessary information.

Article 7. DATES AND CONVOCAION OF THE COMMITTEE'S REGULAR MEETINGS

7.1. The Committee's regular meetings shall be convened in accordance with the plan approved by the Committee, but in any case at least 4 (Four) times a year. Extraordinary meetings shall be convened if requested by the persons referred to in Clause 8.1 hereof.

7.2. The decision on convocation of a Committee's regular meeting, its date, time, place, agenda, and persons invited to attend the meeting shall be made by the Committee Chairman in accordance with the plan of the Committee ordinary meetings.

7.3. A notice of a Committee meeting and its agenda shall be prepared by the Committee Secretary and sent to the persons invited to attend the meeting in accordance with the requirements to such notices imposed by the Regulations on the Board of Directors of NOVATEK OJSC, at least 5 (Five) business days prior to the meeting date.

7.4. The materials for the Committee meeting shall be prepared by the Committee Secretary under supervision of the Committee Chairman.

7.5. The procedure of convening extraordinary meetings of the Audit Committee shall be set forth in Article 8 below.

Article 8. EXTRAORDINARY MEETINGS OF THE AUDIT COMMITTEE

8.1. An extraordinary meeting of the Audit Committee shall be convened if decided by the Board of Directors or proposed by the Chairman of the Company's Management Board or Internal Auditor.

8.2. A proposal to convene an extraordinary meeting of the Committee shall be sent to the Committee Secretary at least 15 (Fifteen) business days prior to the proposed meeting date. The proposal shall be executed and sent to the Committee Secretary in accordance with the requirements imposed by the Regulations on the Board of Directors of NOVATEK OJSC with respect to the procedure of requesting the convocation of the Board of Directors' meetings. The Committee Secretary shall report the proposal to the Committee Chairman not later than on the next day after its receipt.

8.3. Within 5 (Five) business days after the proposal to convene the extraordinary meeting has been made by the Chairman of the Management Board, the Committee Chairman shall make a decision to convene the extraordinary meeting and determine the date, time, and place of the meeting (or the date of absentee voting), or refuse to convene the same. A motivated refusal to convene the extraordinary meeting shall be sent to the person or the Company's body requesting the meeting convocation within 2 (Two) business days after the relevant decision has been made by the Committee Chairman.

8.4. The Committee Chairman may refuse to convene an extraordinary meeting of the Committee where:

8.4.1. An issue(s) proposed for inclusion in the meeting agenda is (are) not within the Committee's powers provided hereby;

8.4.2. An issue covered by the proposal to convene the extraordinary meeting is already included in the agenda of the Committee's forthcoming regular meeting convened by the Committee Chairman before the said proposal has been received; or

8.4.3. The procedure required hereby for making proposals to convene the Committee meetings has not been complied with.

8.5. Where a proposal to convene an extraordinary meeting of the Committee is made by the Board of Directors, the Committee Chairman shall convene the meeting within 5 (Five) business days.

Article 9. PROCEEDINGS OF THE AUDIT COMMITTEE

9.1. A meeting of the Audit Committee shall be presided over by the Committee Chairman or, if the Chairman is absent, by a member chosen by the Committee members attending the meeting from among themselves.

9.2. A Committee meeting shall be competent to transact business (shall have a quorum) if attended by at least 2 (Two) members. The Committee Chairman shall determine whether the quorum is present when

opening the meeting. Where no quorum is present, the meeting shall be adjourned. The new meeting shall be held within 5 (Five) business days with the same agenda.

9.3. The Committee meetings may be held either in the form of simultaneous attendance by the members, or in the form of absentee voting in the manner provided by the Regulations on the Board of Directors of NOVATEK OJSC.

9.4. A person who is not the Committee member may attend a Committee meeting if invited by the Committee Chairman. The said person shall not vote on the agenda issues.

Article 10. DECISION-MAKING PROCEDURE

10.1. Each member of the Audit Committee shall have one vote.

10.2. The Committee members may not delegate their right to vote to any other person.

10.3. In case of a tie vote, the member presiding at the meeting shall have a decisive vote.

10.4. The Committee's decisions shall be made by a simple majority vote of the Committee members.

Article 11. MINUTES OF THE COMMITTEE MEETINGS

11.1. Within 7 (Seven) business days after a Committee meeting held either in the form of simultaneous attendance by the Committee members or in the form of absentee voting, the Committee Secretary shall prepare the minutes of the meeting.

11.2. The minutes of a Committee meeting shall be signed by the member who presided at the meeting and who shall be responsible for ensuring the accuracy of the minutes. The minutes shall be made in two original counterparts, one of which shall, within 7 (Seven) business days after being signed, be sent to the Board of Directors along with the recommendations given to the Board of Directors, while the second one shall be filed with the Committee's archives. All of the Committee members shall be provided with the copies of the minutes and recommendations.

11.3. The minutes shall state:

11.3.1. Date, form, place, and time of the meeting (or date of the absentee meeting);

11.3.2. List of the Committee members who took part in the meeting and other persons who attended the meeting;

11.3.3 Meeting agenda;

11.3.4. Proposals made by the Committee members on the agenda issues;

11.3.5. Issues put to the vote and voting results; and

11.3.6. Decisions made.

Article 12. COMMITTEE'S ACCOUNTABILITY TO THE BOARD OF DIRECTORS

12.1. The Audit Committee shall provide the Board of Directors with an annual report on the Committee's performance results, at least 20 (Twenty) calendar days prior to the annual General Meeting of Shareholders.

12.2. A Committee's report shall contain information on the Company's activities in the reporting year, including:

12.2.1. List of recommendations given to the Board of Directors on the issues being within the Committee's powers provided in Article 3 hereof;

12.2.2. Identified breaches of Article 13 hereof;

12.2.3. Data on the application of funds (amounts and details of expenditures) set aside in the budget of the Board of Directors to finance the Committee's work;

12.2.4. Information on the services provided by external experts or advisers; and

12.2.5. Data on the progress in implementation of the Committee's work plan, and information on the Committee's extraordinary meetings.

Article 13. COOPERATION WITH THE COMPANY'S BODIES AND OTHER PERSONS

13.1. Information or documents required for the Committee members to efficiently discharge their duties shall be provided to them through the Committee Secretary. A request for such information or documents shall be made in writing and signed by the Committee Chairman.

13.2. If necessary for the purpose of considering any issues being within the Committee's powers, the Committee may engage experts or other specialists having necessary professional knowledge and skills. The manner and terms and conditions of engaging such experts or specialists shall be stipulated in agreements between the Company and such persons.

Article 14. INSIDER INFORMATION

14.1. Insider information shall mean significant non-public information on the Company, its stocks or other securities, and transactions therewith, the disclosure of which may significantly affect the market value of the Company's stocks or other securities.

14.2. The Committee members may neither use any insider or other confidential information for their personal advantage, nor disclose such information.

14.3. Any third party attending a Committee meeting shall, in advance, enter into an agreement with the Company for non-disclosure of insider or other confidential information.

Article 15. LIABILITY OF THE AUDIT COMMITTEE MEMBERS

15.1. The members of the Audit Committee may be held liable in accordance with the provisions of Law No. 208-Φ3 "On Joint-Stock Companies" as of 26 December 1995 governing the liability of the Board of Directors' members.

Article 16. APPROVAL OF AND AMENDMENTS TO THESE REGULATIONS

16.1. These Regulations and any amendments hereto shall be approved by the Board of Directors by a majority vote.

16.2. Any issues omitted herein shall be governed by the Company's Articles of Association, Regulations on the Board of Directors of NOVATEK OJSC, Company's other internal documents, and effective laws.

16.3. Where any changes in the laws or other statutory regulations of the Russian Federation render any provisions hereof inconsistent therewith, such provisions shall cease to be in force, and, until after these Regulations have been amended, the Committee members shall be governed by the laws and other statutory regulations of the Russian Federation.

16.4. An annual report to be submitted by the Audit Committee to the Board of Directors in accordance with Article 12 hereof may contain recommendations to the Board of Directors for making amendments hereto.