

GREENHUNTER ENERGY, INC.
CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
(Effective as of 2/13/08)

I. PURPOSE AND OBJECTIVES

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of GreenHunter Energy, Inc. (the “Company”) is a standing committee of the Board. The purpose of the Committee is to assist the Board in fulfilling its oversight responsibility relating to the following:

- the integrity of the Company’s financial statements, financial reporting process and the Company’s systems of internal accounting and financial controls;
- the performance of the internal audit function;
- compliance by the Company with legal and regulatory requirements, including the Company’s disclosure controls and procedures;
- the Company’s risk management policies and procedures; and
- the Committee shall also direct the production of the report of the Committee required to be included in the Company’s annual proxy statement, or, if the Company does not file a proxy statement, in the Company’s annual report filed on Form 10-K with the Securities and Exchange Commission (“SEC”).

The Committee’s job is one of oversight and it recognizes that the Company’s management is responsible for preparing the Company’s financial statements and that the independent auditors are responsible for auditing those financial statements. Additionally, the Committee recognizes that financial management, including the internal audit staff, as well as the independent auditors, have more time, knowledge and more detailed information on the Company than do Committee members; consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company’s financial statements or any professional certification as to the independent auditor’s work.

II. ORGANIZATION

A. Membership and Qualifications

- The Committee will consist of no less than three directors as appointed by the Board, each of whom shall qualify as independent pursuant to the rules adopted by the American Stock Exchange, the Securities Exchange Act of 1934, the rules and regulations of the SEC and the independence requirements established by the Board.

- All members of the Committee will be financially literate; as such qualification is interpreted by the Board in its business judgment.
- At least one member of the Committee shall be an “audit committee financial expert” as such term is defined in the rules adopted by the SEC and interpreted by the Board in its business judgment.
- Committee members may not simultaneously serve on the audit committees of more than two other publicly traded companies, unless the Board determines that such simultaneous service does not impair the ability of such member to effectively serve on the committee.

B. Meetings

The Committee will meet as many times as necessary to fulfill its duties hereunder but at a minimum, it shall meet four times a year. Periodically, the Committee shall meet separately with:

- Management;
- The Company’s independent auditors;
- The Director of Internal Audit; and

The Committee has authority to convene additional meetings, as circumstances require. All Committee members are expected to attend each meeting, in person or via tele- or video-conference. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes of all meetings shall be prepared and submitted for approval at a subsequent Committee meeting.

C. Charter

The Committee shall annually review and assess the adequacy of this Charter and conduct a self-evaluation of the Committee and its activities.

D. Authority

The Board delegates to the Committee the authority to:

- conduct or authorize investigations into any matters brought to its attention that are within its scope of responsibility;
- have full access to all books, records, facilities, and personnel of the Company and seek any information it requires from employees-all of whom are directed to cooperate with the committee's requests-or external parties;
- appoint, determine the compensation of, oversee, and evaluate the work of any registered public accounting firm employed by the Company as its independent auditor and, where appropriate, replace the independent auditor;

- resolve any disagreements between management and the independent auditor regarding financial reporting;
- pre-approve all auditing and non-audit services;
- retain independent counsel, accountants, or other advisors as it deems necessary to advise the Committee or assist in the conduct of an investigation.
- meet with Company officers, independent auditors, or outside counsel, as necessary.

III. DUTIES AND RESPONSIBILITIES

The Committee will carry out, on a recurring basis, the responsibilities set forth below. These responsibilities are set forth as a guide, with the understanding that the Committee may diverge from these duties and responsibilities as appropriate given the circumstances.

A. Financial Statements

- Meet with management and the independent auditor to review, discuss and provide oversight with respect to the annual and quarterly financial statements and associated disclosures in filings with the SEC, including the financial statements to be included in the Company's Annual and Quarterly Reports to Shareholders if distributed prior to the filing of SEC Forms 10-K and 10-Q. Such review and discussion will include matters required to be communicated to the Committee by the independent auditor under the standards of the Public Company Accounting Oversight Board ("PCAOB") and any other applicable laws, regulations or listing standards.
- Meet with management and provide oversight with respect to the following:
 - all critical accounting policies and practices;
 - any significant changes in the Company's selection and application of accounting principles;
 - judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and
 - other material written communications between the independent auditor and management, including, but not limited to, the management letter and schedule of audit differences.
- review the adequacy of the Company's system of internal controls over financial reporting, including the reliability of its financial reporting systems;
- confer with the Company's internal and independent auditors with respect to their consideration of such controls and systems; and,

- review management's response to any significant deficiencies and material weaknesses in the Company's internal controls over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial data.

B. Internal Audit

- Review with management and the chief audit executive the charter, activities, staffing, and organizational structure of the internal audit function;
- review and approve the annual internal audit plan and all major changes to such plan;
- ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit executive.
- on a regular basis, meet separately with the chief audit executive to discuss any matters that the committee or internal audit believes should be discussed privately; and,
- review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

C. Independent Auditor

- Review the independent auditors' proposed audit scope and approach, including coordination of audit effort with internal audit;
- review the performance of the independent auditors, and exercise final approval on the appointment or discharge of the independent auditors;
- review and confirm the independence of the independent auditors by obtaining statements from the independent auditors on relationships between the auditors and the Company, including non-audit services, and discussing the such relationships with the independent auditors;
- Ascertain that the lead (or concurring) audit partner from the independent auditor, serves in that capacity for no more than five fiscal years of the Company; ascertain that any partner other than the lead or concurring partner serves no more than seven years at the partner level on the company's audit.
- on a regular basis, meet separately with the independent auditors to discuss any matters that the Committee or independent auditors believe should be discussed privately.

D. Legal, Regulatory and Other Compliance Matters

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance;

- review the findings of any examinations by regulatory agencies, and any auditor observations;
- review the process for communicating the Company's Code of Conduct to Company personnel, and for monitoring compliance therewith; and,
- obtain regular updates from management and Company legal counsel regarding compliance matters.

F. Other Responsibilities

- Perform other activities related to this charter as requested by the board of directors.
- The receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, including the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- Review and approve any transactions between the Company and related parties as defined by Securities and Exchange Commission rules and regulations; and
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the Committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the Committee's and individual members' performance on a regular basis.
- To have the Company provide appropriate funding, as determined by the Committee, in its capacity as a committee of the board of directors, for payment of:
 - compensation to 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 listed issuer;
 - compensation to any advisers employed by the Committee; and
 - ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.