

Quest Resource Corporation

Audit Committee Charter

as amended, restated and adopted by
the Board of Directors of
Quest Resource Corporation
on December 29, 2005

QUEST RESOURCE CORPORATION
CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
(Amended, restated and adopted effective as of December 29, 2005)

I. PURPOSE AND ROLE

The Audit Committee is appointed by the Board of Directors (the "Board") of Quest Resource Corporation and its subsidiaries (collectively, the "Corporation") to assist the Board in fulfilling its oversight responsibilities. The Audit Committee's primary duties and responsibilities are to:

- oversee and review the integrity of the Corporation's financial statements, financial reports and other financial information provided by the Corporation to any governmental body or the public;
- oversee and review the integrity and adequacy of the Corporation's auditing, accounting and financial reporting processes and systems of internal controls for financial reporting and disclosure controls and procedures, regarding finance, accounting and reporting that management and the Board have established;
- oversee and review the Corporation's compliance with legal and regulatory requirements, including internal controls designed for that purpose;
- oversee, handle and review reports and complaints regarding the financial reporting, auditing, accounting and internal controls of the Corporation;
- oversee and review the independence, qualifications and performance of the Corporation's independent auditor;
- provide an avenue of free, open and clear communication among the independent auditor, management and the Board;
- review areas of potential significant financial risk to the Corporation and discuss guidelines and the process by which risk assessment and management is undertaken;
- prepare the Audit Committee report required by the Securities and Exchange Commission ("SEC") rules to be included in the Corporation's annual proxy statement; and
- report to the Board.

The Audit Committee's responsibilities include performance of the duties required of an audit committee to the Board of Directors of any of the Corporation's subsidiaries (collectively, the "Subsidiary Board") to the extent permitted and in the manner required by applicable law and regulations.

The term "independent auditor" means any accounting firm that has been engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the Corporation. All "independent auditors" shall be "registered public accounting firms" after the Public Company Accounting Oversight Board has established registration procedures therefor.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent auditor as well as anyone

in the organization. The Audit Committee has the ability to retain, at the Corporation's expense, and without seeking Board approval, any outside legal, accounting, or other consultants or experts it deems necessary in the performance of its duties and to determine the funding therefor.

II. COMPOSITION

The Audit Committee shall be comprised of three or more directors as determined by the Board, each of whom shall be independent directors. Each member of the Audit Committee shall be considered independent if (i) the Board affirmatively determines the member is not an "affiliated person" and has no relationship with the Corporation or any of its subsidiaries, which in the opinion of the Board would interfere with the exercise of independent judgment of a director (either directly or indirectly, such as being a partner, shareholder or officer of an organization that has a relationship with the Corporation or any of its subsidiaries) and (ii) the member does not own or control 10% or more of the Corporation's common stock. Such relationships may include, among others, commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships.

An "affiliated person" is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Corporation or any of its subsidiaries. A director will be deemed to be an "affiliated person" if he or she is a director, executive officer, partner, member, principal or designee of an affiliate of the Corporation or any of its subsidiaries; provided, however, that a director who is also a director of a direct or indirect consolidated majority-owned subsidiary of the Corporation will not be considered an "affiliated person" if he or she otherwise meets the independence requirements of this Charter for both the Corporation and the subsidiary. A director will be deemed not to be in control of the Corporation or any of its subsidiaries for purposes of this Charter if the person: (i) is not the beneficial owner, directly or indirectly, of more than 10% of any class of equity securities of the Corporation or any of its subsidiaries and (ii) is not an executive officer of the Corporation or any of its subsidiaries. The term "control" (including the terms "controlling", "controlled by" and under "common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

Each member of the Audit Committee shall also be free of any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a member of the Audit Committee and shall satisfy the independent director requirements of Rule 4200 of the Nasdaq Stock Market, Inc. ("Nasdaq") and the independent audit committee requirements of Rule 4350 of Nasdaq and Rule 10A-3 under the Securities Exchange Act of 1934. No person may be made a member of the Audit Committee if his or her service on the Audit Committee would violate any restriction on service imposed by any rule or regulation of the SEC or any securities exchange or market on which shares of the common stock of the Corporation are traded.

All members of the Audit Committee shall have a working knowledge of basic finance, accounting and auditing practices and shall be capable of reading and understanding fundamental financial statements, including a company's balance sheet, income statement and cash flow statement. At least annually, if available, each member of the Audit Committee may attend a

seminar or a training class regarding improving and expanding such member's skills and ability as an Audit Committee member.

At least one member of the Audit Committee shall be an "Audit Committee Financial Expert" through either (i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions; (ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions, or experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or (iii) other relevant experience. An "Audit Committee Financial Expert" is a person who possesses all of the following attributes: (i) an understanding of financial statements and generally accepted accounting principles; (ii) an ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant's financial statements, or experience actively supervising one or more persons engaged in such activities; (iv) an understanding of internal controls and procedures for financial reporting; and (v) an understanding of audit committee functions. The determination as to whether a member of the Audit Committee is an "Audit Committee Financial Expert" shall be made by the Board.

Except for Board and Audit Committee fees, a member of the Audit Committee shall not be permitted to accept any fees paid directly or indirectly for services as a consultant, legal or financial advisor, or any other fees prohibited by the rules of the SEC and Nasdaq. Members of the Audit Committee may receive their Board and Audit Committee fees in cash, Corporation stock or options, or other in-kind consideration as determined by the Board or the Compensation Committee, as applicable, in addition to all other benefits that other directors of the Corporation receive.

No member of the Audit Committee may simultaneously serve on the audit committees of more than two other public companies, unless the Board determines that such simultaneous service would not impair the ability of such member to effectively serve on the Audit Committee and such determination is disclosed in the Corporation's annual proxy statement.

III. APPOINTMENT AND REMOVAL

Members of the Audit Committee shall be appointed by the Board at its annual meeting and shall generally serve until their successors shall be duly appointed and qualified. The Audit Committee shall recommend, and the Board shall designate, one member of the Audit Committee as chairperson. The members shall serve until their death, failure to qualify, resignation, retirement, removal by the Board or until their successors shall be duly appointed and qualified. No member of the Audit Committee shall be removed except by a majority vote of the independent directors, as determined in accordance with the listing standards of Nasdaq and the other director qualification standards set forth in the Corporation's Corporate Governance Guidelines, then in effect. A member of the Audit Committee shall be deemed to have resigned

from the Audit Committee at such time that the member shall have been removed from the Board pursuant to the Bylaws of the Corporation or such member has died, resigned or otherwise terminated his or her membership of the Board. A member of the Audit Committee shall also be deemed to have resigned from the Audit Committee at such time that a majority of the independent members of the Board, as determined in accordance with the listing standards of Nasdaq and the other director qualification standards set forth in the Corporation's Corporate Governance Guidelines, have determined that such member of the Audit Committee is no longer an independent director of the Board.

IV. MEETINGS

The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Audit Committee Chairman shall prepare and/or approve an agenda in advance of each meeting. The Audit Committee shall meet in separate executive sessions at least quarterly with management, the independent auditor, and as a committee to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately. In addition, the Audit Committee, or at least its Chairman, should communicate with financial management and the independent auditor quarterly either in person or telephonically to review the Corporation's financial statements and significant findings based upon the independent auditor's limited review procedures as provided in Section VIII.A.2. below.

V. ADVISORS

The Audit Committee shall have authority to retain outside counsel and other advisors as the Audit Committee may deem appropriate in its sole discretion. The Audit Committee shall have sole authority to approve related fees and retention terms associated with the retention of any such firm or individual, which fees shall be paid by the Corporation. In determining whether to retain or terminate a provider of such services, the Committee may, in its discretion, obtain the input of senior management.

VI. RELIANCE ON OTHERS

Unless an Audit Committee member has knowledge that makes reliance unwarranted, each Audit Committee member, in discharging his or her duties to the Corporation, may rely on information, opinions, reports, or statements, any of which may be written or oral, formal or informal, including financial statements, valuation reports, and other financial data, if prepared or presented by: (a) one or more officers or employees of the Corporation whom the Audit Committee member believes in his or her reasonable business judgment and good faith to be reliable and competent in the matters presented; (b) legal counsel or other persons as to matters which the Audit Committee member believes in his or her reasonable business judgment and good faith to be within the professional or expert competence of such person; or (c) another committee of the Board of which such Audit Committee member is not a member if the Audit Committee member believes in his or her reasonable business judgment and good faith that such committee merits confidence.

VII. MINUTES; REPORTS TO BOARD OF DIRECTORS

The Audit Committee shall keep correct and complete minutes of its proceedings and the names and places of residence of its members. Minutes of the meeting will be prepared by the Audit Committee Chairperson or such other person designated to act as Secretary for the meeting.

Following each of its meetings, the Audit Committee shall deliver a report on the meeting to the Board, including a description of all actions taken by the Audit Committee at the meeting.

VIII. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Audit Committee shall perform the following:

A. Review Procedures

1. Review and reassess the adequacy of this Charter at least annually. Submit the Charter, which is approved by the Audit Committee, to the Board for ratification and have the Charter published at least every three years in accordance with SEC regulations.
2. Review and discuss with management and the independent auditor, the Corporation's annual audited financial statements prior to filing on Form 10-K or distribution. Discuss significant issues regarding accounting principles, practices and judgments, including the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
3. Review and discuss with management and the independent auditor, the Corporation's quarterly financial results and/or the Corporation's quarterly financial statements prior to the earlier of the release of earnings or the filing of the Quarterly Report on Form 10-Q. Discuss the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," any significant changes to the Corporation's accounting principles and any items required to be communicated by the independent auditor in accordance with SAS 61 (as may be modified or amended). The Audit Committee Financial Expert may represent the entire Audit Committee for purposes of this review.
4. In consultation with management and the independent auditor, consider the integrity of the Corporation's financial reporting processes and controls, including (i) internal controls and procedures for financial reporting, (ii) disclosure controls and procedures, and (iii) computerized information system controls and security. Discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures. Review the significant reports to management prepared by the independent auditor, together with management's responses, including the status of previous recommendations, and follow up to these reports.

5. Discuss with management and the independent auditor the quality and adequacy of the Corporation's internal controls for financial reporting and internal auditing procedures, including any significant deficiencies in the design or operation of those controls which could adversely affect the Corporation's ability to record, process, summarize and report financial data and any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal controls, and discuss with the independent auditor how the Corporation's financial systems and controls compare with industry practices.
6. Discuss with management the type of information to be disclosed in any quarterly or year-end earnings press releases and earnings guidance provided to analysts and rating agencies and the type of presentation, if any, to be made in connection with the disclosure of such information, including the procedures to be followed to assure compliance with Regulation FD in connection with such disclosures and presentations.
7. On at least an annual basis, discuss with management the guidelines and policies established by management to assess and manage the Corporation's exposure to risk, including a discussion of the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures.
8. Report regularly to the Board with respect to any issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, the performance and independence of the Corporation's independent auditor.
9. Conduct an annual performance self-evaluation of the Audit Committee, including: (a) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles, and major issues as to the adequacy of the Corporation's internal controls for financial reporting and any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management and/or the independent auditor 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; (c) the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures, on the Corporation's financial statements; and (d) earnings press releases (paying particular attention to any use of "pro forma" or "adjusted" non-GAAP information), as well as financial information and earnings guidance provided to analysts and rating agencies. The Audit Committee shall report its conclusions regarding this evaluation to the Board. The Committee's report should generally include an assessment of its compliance with this Charter, as well as identification

of areas in which the Committee could improve its performance and the Charter could be improved.

B. Independent Auditor

1. The independent auditor is ultimately accountable to and shall report directly to the Audit Committee, as the representative of the Corporation's stockholders. The Audit Committee has the sole authority and direct responsibility to select, hire, evaluate and, where appropriate, replace the independent auditor or to nominate the independent auditor to be proposed for shareholder approval in any proxy statement. The Audit Committee must also approve any non-audit relationship with the independent auditor, and all non-audit services provided by the independent auditor and determine whether such relationships and services are compatible with the auditor's independence. The Audit Committee shall annually review the independence, qualifications and performance of the auditors, including the review and evaluation of the lead partner of the independent auditor, and shall oversee the work of the independent auditor for the purpose of preparing or issuing an audit report on the Corporation's financial statements or related work or performing other audit, review or attest services for the Corporation. In making its evaluation, the Audit Committee shall take into account the opinions of management.
2. The Audit Committee has the authority to, and shall, approve the fees and other compensation to be paid to the independent auditor and the funding therefor.
3. Require the independent auditor to submit on a periodic basis (but at least annually) to the Audit Committee a formal written statement in accordance with Independence Standards Board ("ISB") Statement No. 1 (as may be modified or amended) and such other requirements as may be established by the Public Company Accounting Oversight Board delineating all relationships between them and the Corporation and to actively engage in a dialogue with the independent auditor with respect to any relationships or services disclosed in the statement that may impact the independent auditor objectivity and independence, and take appropriate action in response to the statement of the independent auditor to satisfy itself of the outside auditors' independence and objectivity.
4. On an annual basis, obtain and review a report from the independent auditor describing: (i) the independent auditor's internal quality-control procedures; and (ii) any material issues raised by the most recent internal quality-control review or peer review of the independent auditor or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditor and any steps taken to deal with any such issues.

5. At least annually, consult with the independent auditor out of the presence of management about the adequacy, quality and integrity of the internal controls for financial reporting and the fair presentation and accuracy of the Corporation's financial statements.
6. Resolve disagreements, if any, between management and the independent auditor regarding financial reporting.
7. Review the independent auditor engagement letter and audit plan – discuss scope and general approach of the audit, staffing, locations and reliance upon management and the internal audit staff.
8. Approve in advance any audit services (which may entail providing comfort letters in connection with securities underwritings) and non-audit services (including the fees and terms thereof) to be performed by the independent auditor; provided, however, that the following services cannot be provided even with Audit Committee approval, except to the extent permitted by SEC rule or the Public Company Accounting Oversight Board approves an exemption on a case by case basis: (A) bookkeeping or other services related to the accounting records or financial statements of the Corporation; (B) financial information systems design and implementation; (C) appraisal or valuation services, fairness opinions or contribution-in-kind reports; (D) actuarial services; (E) internal audit outsourcing services; (F) management functions or human resources; (G) broker-dealer, investment adviser, or investment banking services; (H) legal services and expert services unrelated to the audit; and (I) any other service that the Public Accounting Oversight Board determines, by regulation, is not permissible.
9. The Audit Committee may pre-approve audit and non-audit services by either (a) designating one or more members of the Audit Committee to pre-approve any audit or non-audit services to be performed by the independent auditor; provided that such members present such pre-approved activity to the full Audit Committee at its next scheduled meeting or (b) establishing pre-approval policies and procedures; provided the policies and procedures are detailed as to the particular service, the Audit Committee is informed of each service and such policies do not delegate to management the Audit Committee's responsibilities.
10. Prior to releasing the year-end earnings, review and discuss the results of the audit with the independent auditor. Also review and discuss certain matters required to be communicated to audit committees in accordance with AICPA SAS 61, as amended by SAS 90, (as may be modified or amended), including, without limitation, the independent auditor's judgments about the quality, not just the acceptability, of the Corporation's accounting principles as applied in its financial reporting. Items to be reviewed and discussed include (communications may be written or oral):

- the auditor's responsibility under Generally Accepted Auditing Standards ("GAAS");
- critical or significant accounting policies and practices to be used;
- methods used to account for significant unusual transactions;
- effects of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;
- process used by management in formulating particularly sensitive accounting estimates and the basis for the auditor's conclusions regarding the reasonableness of those estimates;
- management judgments and accounting estimates;
- how the Corporation's accounting policies compare with those in the Corporation's industry;
- significant audit adjustments and any accounting adjustments that were noted or proposed by the independent auditor but were "passed" (whether or not material);
- the auditor's responsibility for other information in documents containing audited financial statements;
- disagreements with management, including those over accounting principles, scope of audit, the basis for management's accounting estimates and disclosures;
- the auditor's views about significant matters that were the subject of consultation with other accountants by management;
- all alternative accounting treatments of financial information within GAAP that have been discussed with management, including the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditor;
- any communications between the audit team and the independent auditor' national office respecting auditing or accounting issues presented by the engagement;
- any material written communications between the independent auditor and management, such as any "management" or "internal control" letter or schedule of unadjusted differences issued, or proposed to be issued, by the independent auditor to the Corporation;
- major issues discussed with management prior to retention;
- difficulties encountered in performing the audit, including any restrictions on the scope of the independent auditor's activities or on access to requested information; and
- management's responses to any of the foregoing.

11. Consider the independent auditor's judgments about the quality and appropriateness of the Corporation's accounting principles as applied in financial reporting:

- discuss with management and the independent auditor the quality of the accounting principles and underlying estimates used in the preparation of the Corporation's financial statements;
 - discuss with the independent auditor the clarity and fair presentation of the financial disclosure practices used or proposed by the Corporation; and
 - inquire as to the independent auditor's view about whether management's choices of accounting principles appear reasonable from the perspective of income, assets and liability recognition, and whether those principles are common practices or are minority practices.
12. The Audit Committee shall periodically discuss with the independent auditor whether all material correcting adjustments identified by the independent auditor in accordance with generally accepted accounting principles and rules of the SEC are reflected in the Corporation's financial statements.
 13. The Audit Committee shall review with management and the independent auditor any material financial or other arrangements of the Corporation which do not appear on the Corporation's financial statements and any transactions or courses of dealing with third parties that are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with independent parties, and which arrangements or transactions are relevant to an understanding of the Corporation's financial statements.
 14. Assure that the independent auditor changes the audit partners for the audit in accordance with the rules of the SEC and at least annually consider whether, in order to assure continuing auditor independence, the Corporation should change the independent auditor.
 15. Annually, present its conclusions with respect to the independent auditor to the Board.

C. Legal and Regulatory Compliance

1. On at least an annual basis, review with the Corporation's outside legal counsel (i) any legal matters that could have a significant impact on the organization's financial statements or reporting, (ii) disclosure controls and procedures and their interface with internal controls for financial reporting, (iii) disclosure policy and practices, (iv) the Corporation's compliance with applicable laws and regulations and internal controls designed to ensure such compliance, and (v) inquiries received from regulatory or governmental agencies.
2. Consult with counsel if, in the opinion of the Audit Committee, any matter under consideration by the Audit Committee has the potential for any

conflict between the interests of the Corporation and any of its subsidiaries in order to ensure that appropriate procedures are established for addressing any such potential conflict and for ensuring compliance with all applicable laws.

D. Other Audit Committee Responsibilities

1. Annually prepare a report to shareholders as required by the SEC. The report is to be included in the Corporation's annual proxy statement. The report is to state whether the Audit Committee has:
 - reviewed and discussed the audited financial statements with management;
 - discussed with the independent auditor the matters required to be discussed by SAS 61, as amended by SAS 90; and
 - received certain disclosures from the auditors regarding their independence as required by the ISB No. 1 (as may be modified or supplemented) and has discussed with the independent auditor the independent auditor's independence.
2. If, based on the foregoing review and discussions, the Audit Committee recommended to the Board that the audited financial statements be included in the annual report filed with the SEC includes a statement to that effect in the annual report.
3. Review the process for filing accurate and timely SEC reports.
4. Review and update periodically the Corporation's Code of Business Conduct and Ethics for Directors, Officers and Employees, ensure that management has established a system to enforce this Code and approve any waivers thereof that the Audit Committee determines are appropriate.
5. Review and approve related-party transactions on an ongoing basis.
6. Adopt and implement a policy (A) to receive, handle and retain complaints regarding (i) accounting and auditing matters, (ii) internal controls for financial reporting, (iii) disclosure controls and procedures, and (iv) the Code of Business Conduct and Ethics for Directors, Officers and Employees, and (B) to provide for confidential, anonymous submissions by employees making such complaints.
7. Establish clear policies for hiring current employees or former employees of the independent auditor, including policies to ensure that any such hiring will not cause such accounting firm to no longer be considered independent.

8. Perform any other activities consistent with this Charter, the Corporation's articles of incorporation and bylaws, and governing law, as the Audit Committee or the Board deems necessary or appropriate.

IX. Limitation of Audit Committee's Role

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management and the independent auditor.