



**RED MOUNTAIN RESOURCES, INC.
AUDIT COMMITTEE CHARTER**

Purpose

The role of the Audit Committee (the “*Committee*”) is to assist the Board of Directors (the “*Board*”) of Red Mountain Resources, Inc. (the “*Company*”) in fulfilling its oversight responsibilities related to:

- the accounting, reporting, and financial practices of the Company and its subsidiaries, including the integrity of the Company’s financial statements;
- the surveillance of administration, disclosure and financial controls;
- the Company’s compliance with legal and regulatory requirements;
- the Company’s monitoring and enforcement of its Code of Conduct and Ethics;
- the qualifications and independence of any independent auditor of the Company; and
- the performance of the Company’s independent auditor(s).

The Committee shall also prepare the report required by the rules of the Securities Exchange Commission (the “*SEC*”) to be included in the Company’s annual proxy statement.

Composition

The Board shall appoint a Committee of at least three members, consisting entirely of independent directors of the Board (as determined by the Board), and shall either designate one member as chairperson or delegate the authority to designate a chairperson to the Committee. Members of the Committee shall be appointed by the Board upon the recommendation of a majority of the independent directors and may be removed by the Board in its discretion.

Independence

The independence of Committee members shall be determined pursuant to the rules and regulations set by the SEC, Section 10A(m) of the Securities Exchange Act of 1934 (as amended, the “*Exchange Act*”) and the rules and requirements of The NASDAQ Stock Market (“*NASDAQ*”). No member of the Committee shall have participated in the preparation of the financial statements of the Company in the past three (3) years.

Financial Expertise

All members of the Committee must be able to read and understand financial statements prepared in accordance with U.S. generally accepted accounting principles at the time of their appointment. In addition, the Committee must have at least one committee member whose past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background results in such member’s financial sophistication, as required by NASDAQ.

In addition, if a Committee member ceases to be independent for reasons outside the member’s reasonable control, his or her membership on the Committee may continue until the earlier of the Company’s next annual shareholders’ meeting or one (1) year from the occurrence of the event that

caused the failure to qualify as independent. If the Company is not already relying on this provision, and falls out of compliance with the requirements regarding Committee composition due to a single vacancy on the Committee, then the Company will have until the earlier of the next annual shareholders' meeting or one (1) year from the occurrence of the event that caused the failure to comply with this requirement. The Committee shall cause the Company to provide notice to NASDAQ immediately upon learning of the event or circumstance that caused the non-compliance, if it expects to rely on either of these provisions for a cure period.

Meetings

The Committee shall meet as often as it determines but no less than once per quarter, either in person or telephonically, and at such times and places as the Committee shall determine. The Committee should have unrestricted access to and meet regularly with management and the principal outside auditing firm to discuss any matters that the Committee or any of these groups believes should be discussed. In addition, the Committee or its chairperson should meet with the independent auditors and management quarterly to review the Company's financial statements. A majority of the members of the Committee present in person or by telephone shall constitute a quorum. The Committee shall report regularly to the full Board with respect to its activities.

Relationship with Independent Auditors

The Committee shall be directly responsible, in its capacity as a committee of the Board, 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. In this regard, the Committee shall have the sole authority to (A) appoint and retain, (B) determine the funding for, and (C) when appropriate, terminate, the outside auditing firm, which shall report directly to the Committee. The Committee will be responsible for resolving any disputes between the outside auditing firms and the Company's management.

Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

A. Financial Reporting Processes and Documents/Reports Review

1. Evaluate annually the performance of the Committee and the adequacy of the Committee's charter.

2. Review and discuss with the independent auditor(s): (A) the scope of the audit, the results of the annual audit examination by the auditor and any accompanying management letters, and any difficulties the auditor encountered in the course of their audit work, including any restrictions on the scope of the outside auditing firm's activities or on access to requested information, and any significant disagreements with management; (B) any reports of the outside auditing firms with respect to interim periods, as deemed appropriate by the Committee; and (C) any other matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit.

3. Review and discuss with management and the independent auditor(s) the annual audited and quarterly unaudited financial statements of the Company, including (A) an analysis of the auditor's judgment as to the quality of the Company's accounting principles, setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements; (B) the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and

Results of Operations,” including the development, selection and reporting of accounting policies that may be regarded as critical; and (C) major issues regarding the Company’s accounting principles and financial statement presentations, including any significant changes in the Company’s selection or application of accounting principles and financial statement presentations.

4. Recommend to the Board whether the financial statements should be included in the Company’s Annual Report on Form 10-K.

5. Evaluate whether management is setting the appropriate tone at the top by communicating the importance of strong control systems.

6. In accordance with Section 404 of the Sarbanes-Oxley Act review and discuss the adequacy of the Company’s internal controls, any significant deficiencies and material weaknesses if any in internal controls, and any significant changes in such controls with the Company’s independent auditors and management, and the adequacy of disclosures about changes in internal control over financial reporting.

7. Review with the Company’s independent auditors and management the adequacy and effectiveness of the Company’s information management systems.

8. Periodically review and discuss the adequacy and effectiveness of the Company’s disclosure controls and procedures and management reports thereon.

9. Review disclosures made to the Committee by the Company’s Chief Executive Officer, Chief Financial Officer and/or Chief Accounting Officer during their certification process for the Form 10-K and 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company’s internal controls. Review and discuss with management and the independent auditor the Company’s internal controls report and the independent auditor’s attestation of the report prior to the filing of the Company’s Form 10-K.

10. Review and timely discuss with management and the principal outside auditors any material financial or non-financial arrangements of the Company which do not appear on the financial statements of the Company.

11. Discuss with management any matters that could have a material impact on the Company’s financial statements.

12. Review annually reports of fees for audit and non-audit for services rendered.

13. Review and discuss with the independent auditors their report regarding (A) all critical accounting policies and practices to be used; (B) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of the Company, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the principal independent auditors; and (C) other material written communications between the independent auditors and Company management, such as any management letter comments and schedule of unadjusted differences.

14. Review with financial management and the principal outside auditing firm the Company’s filings with the SEC prior to their filing or prior to the release of earnings reports (if any). Discuss with management the Company’s earnings press releases, including the use of “pro forma” or

“adjusted” non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made). The chairperson of the Committee may represent the entire Committee for purposes of this review.

15. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives on the Company’s financial statements.

16. Ensure that a public announcement of the Company’s receipt of an audit opinion that contains a going concern qualification is made promptly.

17. Review and discuss with management the Company’s major financial risk exposures and the steps management has taken to monitor and control such exposures, including any risk assessment or risk management policies.

B. Independent Auditors

1. Approve in advance all auditing services and internal control-related services to be provided by the principal outside auditing firm, including any written engagement letter related thereto. By approving the audit engagement, the audit service contemplated in any written engagement letter shall be deemed to have been pre-approved.

2. Establish policies and procedures for the engagement of the principal outside auditing firm to provide permissible non-audit services, which shall require pre-approval by the Committee of all permissible non-audit services to be provided by the outside auditing firm (other than with respect to *de minimis* exceptions described in Section 10A(i)(1)(B) of the Exchange Act that are approved by the Committee prior to the completion of the audit). Ensure that approval of non-audit services are disclosed to investors in periodic reports required by Section 13(a) of the Exchange Act.

3. Delegate the authority to grant pre-approval of audit and non-audit services to one or more designated members of the Committee who are independent directors. Any such delegation shall be presented to the full Committee at its next scheduled meeting.

4. (A) Consider, at least annually, the independence of the principal outside auditing firm, including whether the outside auditing firm’s performance of permissible non-audit services is compatible with the auditor’s independence; (B) obtain and review a written report by the outside auditing firm describing any relationships between the outside auditing firm and the Company or any other relationships that may adversely affect the independence of the auditor; (C) discuss with the outside auditing firm any disclosed relationship or services that may impact the objectivity and independence of the auditor; and (D) present to the Board the Committee’s conclusions with respect to the independence of the outside auditing firm.

5. Ensure rotation of the audit partners as required by law.

6. Review the experience and qualifications of the senior members of the independent auditor team and the quality control procedures of the independent auditors.

7. Establish policies for the hiring of employees and former employees of the outside auditing firm.

C. Outside Advisors

The Committee shall have the authority to retain such outside counsel, accountants, experts and other advisors as it determines appropriate to assist the Committee in the performance of its functions. The Committee shall have sole authority to approve related fees and retention terms and shall receive funding for these appointments and ordinary administrative expenses from the Company.

D. Ethical and Legal Compliance

1. Establish, review and update periodically a code of conduct and ethics that applies to the Company's directors, officers and employees and ensure that management has established a system to enforce the code of conduct and ethics.

2. Approve, if the duty is not delegated to a comparable body of the Board, all material related party transactions, which refers to transactions required to be disclosed under Item 404 of Regulation S-K of the Securities Act of 1933, as amended.

3. Review with the Company's counsel any legal, tax or regulatory matter that could have a significant impact on the Company's financial statements.

4. Establish procedures for the receipt, retention, treatment and communication to the Committee of complaints received by the Company regarding violations of the Company's Code of Conduct and Ethics (including suspected fraud), accounting, internal accounting controls or auditing matters of the Company.

5. Establish procedures for the confidential, anonymous submission by employees of concerns, including concerns regarding questionable accounting or auditing matters.

6. Obtain from the independent auditor assurance that Section 10A(b) of the Exchange Act has not been implicated.

7. Perform any other activities consistent with this charter, the Company's bylaws and governing law, as the Committee or the Board deems necessary or appropriate.

Limitation of the Committee's Role

While the Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor. Further, it is not the duty of the Committee to conduct investigations or to ensure that the Company and its employees comply with laws and regulations and the Company's Code of Conduct and Ethics.