



## **CHARTER OF THE AUDIT COMMITTEE OF THE DIRECTORS OF AMARILLO GOLD CORPORATION**

### **Purpose and Objectives**

To the extent considered appropriate by the audit committee (the "Committee") of the Board of Directors (the "Directors") and as required by regulation or law (specifically National Instrument 52-110 *Audit Committees*), the Committee will review and oversee

- the financial reporting process of Amarillo Gold Corporation (the "Corporation");
- the system of internal controls, management of the financial risks of the Corporation and compliance with legal, ethical and regulatory requirements; and
- the audit process of the financial information of the Corporation.

### **Authority**

The Committee shall have the authority to:

- communicate directly with the external auditor of the Corporation (the "auditor") and require that the auditor reports directly to the Committee;
- engage independent counsel and other advisors as the Committee determines necessary to carry out its duties;
- set and pay the compensation for any advisors including the auditor employed by the Committee;
- investigate possible violations and if required discipline violators of the Code of Business Conduct and Ethics

The Committee shall have unrestricted and unfettered access to all personnel and documents of the Corporation and shall be provided with the resources necessary to fulfill its responsibilities.

The Directors authorize the chair of the Committee (the "Chair") to approve any non-audit or additional audit services which the Chair considers necessary or desirable and to notify the other members of the Committee

### **Membership and Organization**

The Committee will be comprised of at least three members all of whom are independent and financially literate. The members of the Committee shall be appointed by the Directors to serve one year terms and are permitted to serve an unlimited number of consecutive terms. The Chair will be nominated by the Committee from time to time.

A quorum for any meeting of the Committee will be a majority of the then members of the Committee. The secretary of the Committee will be the secretary of the Corporation or a person designated by the Committee. Minutes should be kept in respect of the proceedings of all meetings of the Committee.

The Committee will meet as considered appropriate or desirable by the Committee. The Committee may invite such persons to meetings of the Committee as the Committee considers appropriate, and in particular may invite the auditor to be present at any meeting of the Committee and to comment on any financial statements, or on any of the financial aspects, of the Corporation.

### **Roles and Responsibilities**

To the extent appropriate or required by applicable law or regulation, the Committee shall:

a) with respect to the audit process:

- recommend to the Directors the auditor to be nominated for the purpose of preparing or issuing an auditor's report on the annual financial statements of the Corporation or performing other audit, review or attest services. The Committee will consider the independence of the auditor and review the range of advisory services provided
- recommend the compensation to be paid to the auditor and review the performance of the auditor;
- review the proposed audit scope and approach of the auditor and ensure no unjustifiable restriction or limitations have been placed on the scope of the audit;
- meet with management and the auditor to review the annual financial statements of the Corporation and the results of the audit thereof;
- be responsible for overseeing the work of the auditor including:
  - review of judgmental areas (e.g. valuation of the assets and liabilities and other commitments and contingencies of the Corporation);
  - review of audit issues related to the material associated and affiliated entities of the Corporation;
  - the resolution of disagreements between management and the auditor regarding any financial reporting matter;
- pre-approve all non-audit services to be provided to the Corporation or any subsidiary entities thereof by the auditor
- review and approve the issuer's hiring policies regarding partners, employees and former partners and employees of the present and former auditor

b) with respect to the review of internal controls and management of the financial risks

- review the significant business, financial, and control risks to the Corporation and assess whether management of the Corporation is managing these risks effectively;
- review the Corporation's procedures and satisfy itself as to the soundness of the system of internal controls to safeguard shareholder's investment and determine
- if internal control recommendations made by the auditor have been implemented by management;

c) with respect to the review of the financial reporting process

- review and be satisfied as to the integrity of financial and accounting controls and reporting processes
- ensure that appropriate procedures are in place for the review of the public disclosure of the Corporation of financial information extracted or derived from the financial statements and MD&A of the Corporation and periodically assess the adequacy of those procedures
- review the financial statements of the Corporation, MD&A and any annual and interim earnings press releases of the Corporation before the Corporation publicly discloses such information and consider:
  - the fairness of the financial statements and financial disclosure
  - if generally accepted accounting principles have been consistently applied
  - if any changes in accounting or financial reporting practices are required
  - if disclosure is adequate in particular regarding (1) significant or unusual events or transactions (2) the purpose of related party transactions, (3) the quality of the MD&A and breadth and depth of analysis
- review any legal matters which could significantly impact the financial statements of the Corporation as reported on by counsel and meet with counsel to the Corporation whenever deemed appropriate;
- institute special investigations and, if appropriate, hire special counsel or experts to assist in such special investigations;

d) with respect to the monitoring of ethical and legal compliance

- review the Corporation's compliance procedures with the Exchange and relevant securities Acts
- review, update and enforce the Code of Business Conduct and satisfy itself as to a culture of integrity
- ensure procedures exist for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.