



AUDIT COMMITTEE CHARTER

I. PURPOSE AND AUTHORITY

The audit committee (the “Audit Committee”) is an advisory committee of the Board of Directors (the “Board”) of Alio Gold Inc. (the “Company”).

This charter (the “Audit Committee Charter”) is part of the Company’s Corporate Governance Manual for the Board’s strategic oversight of the Company and will be interpreted in the context of all Applicable Laws.

This Audit Committee Charter is a Board policy to guide the directors and officers in the governance of the Company. Although this Audit Committee Charter is intended to summarize legislative, regulatory or corporate obligations established by other documents and processes, it remains subject to the most current and binding legislative, regulatory and contractual obligations of the Company, and its directors and officers.

The Audit Committee is established by and among the Board for the primary purpose of assisting the Board in:

- Overseeing the integrity of the Company’s financial statements and the Company’s accounting and final reporting processes and financial statement audits.
- Overseeing the Company’s compliance with legal and regulatory requirements.
- Overseeing the registered public accounting firm’s qualifications and independence.
- Overseeing the performance of the Company’s independent auditor and internal audit function.
- Overseeing the Company’s system of disclosure controls and procedures, internal controls over financial reporting, and compliance with ethical standards adopted by the Company.
- Overseeing the identification of the principal financial risks of the Company’s business, and ensuring the implementation of appropriate systems to manage these risks.

Consistent with this function, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Company’s policies, procedures, and practices at all levels. The Audit Committee should provide for open communication among the independent auditor, financial and senior management, the internal audit function, and the Board.

The Audit Committee has the authority to conduct investigations into any matters within its scope of responsibility and obtain advice and assistance from outside legal, accounting, or other advisors as necessary, to perform its duties and responsibilities.



In carrying out its duties and responsibilities, the Audit Committee shall also have the authority to meet with and seek any information it requires from employees, officers, directors, or external parties.

The Company will provide appropriate funding, as determined by the Audit Committee, for compensation to the independent auditor, to any advisors that the Audit Committee chooses to engage, and for payment of ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties including services of a non-executive secretary. The Audit Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Section III of this Audit Committee Charter.

II. COMPOSITION AND MEETINGS

The Audit Committee will comprise three or more directors as determined by the Board.

Each Audit Committee member must be independent as defined by NI 52-110.

All members of the Audit Committee must comply with all financial-literacy requirements as defined by NI 52-110, currently as having the ability to read and understand a set of financial statements of comparable breadth and complexity of issues reasonably expected to be raised in the financial statements of the Company, within a reasonable period of time following his or her appointment. To help meet these requirements, the Audit Committee will provide its members with annual continuing education opportunities in financial reporting and other areas relevant to the Audit Committee. At least one member will qualify as an “audit committee financial expert” as defined by the SEC and determined by the Board.

Audit Committee members will be appointed by the Board at the first Board meeting following each Annual General Meeting and from time to time thereafter to fill vacancies on the Audit Committee. An Audit Committee member may be removed or replaced at any time at the discretion of the Board.

The Board will designate the chair of the Audit Committee (the “Audit Committee Chair”). The Audit Committee Chair shall be responsible for the leadership of the Audit Committee, including scheduling and presiding over meetings, preparing agendas, overseeing the preparation of briefing documents to circulate during the meeting as well as pre-meeting materials, and making regular reports to the Board. The Audit Committee Chair will also maintain regular liaison with the CEO, the CFO, the head of internal audit and the lead external audit partner.

The Audit Committee will meet at least quarterly, or more frequently as circumstances dictate. It is acceptable for members to participate by telephone or other electronic means. Each regularly scheduled meeting will conclude with an executive session of the Audit Committee absent members of management. As part of its responsibility to foster open communication, the Audit Committee will meet periodically with management, the head of the internal audit function, and the independent auditor in separate executive sessions.



Each of the Audit Committee Chair, members of the Audit Committee, the Board Chair, external auditors, CEO, CFO or secretary shall be entitled to request that the Audit Committee Chair call a meeting which shall be held within one week of receipt of such request.

The Audit Committee, through the Audit Committee Chair, shall report after each Audit Committee meeting to the Board at the Board's next regular meeting. A copy of the minutes of each meeting of the Audit Committee shall be provided to each member of the Audit Committee, to each Director, to the CFO and to the external auditor in a timely fashion.

III. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Audit Committee will:

External auditors

1. Be directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditor in preparing or issuing an audit report or performing other audit, review or attest services for the Company. The independent auditor must report directly to the Audit Committee.
2. Obtain and review, at least annually, a report by the independent auditor describing:
 - a. the firm's internal quality control procedures;
 - b. any material issues raised by the most recent internal quality control review or peer review of the firm, or any governmental or professional authorities of the firm within the preceding five years, and any steps taken to deal with such issues; and
 - c. all relationships between the independent auditor and the Company to assess the auditor's independence.
3. After reviewing the foregoing report and the independent auditor's work throughout the year, the Audit Committee shall evaluate the auditor's qualifications, performance and independence. This evaluation should include the review and evaluation of the lead audit partner and take into account the opinions of management and the Company's personnel responsible for the internal audit function.
4. Discuss with the external auditor, the audit partner rotation plan including the timing and process for implementing the plan to ensure the succession plan is set.
5. Pre-approve all non-audit services to be provided to the Company or its subsidiary entities by its external auditors or the external auditors of its subsidiaries. The Audit Committee may delegate to one or more independent members of the Audit Committee the authority to pre-approve non-audit services if the Audit Committee is informed of each pre-approval at the next scheduled Audit Committee meeting.

6. Review the terms and conditions of the annual external audit engagement including, but not limited to, staffing, objectives and scope of the external audit work, materiality limits, audit reports required, areas of audit risk, performance timetable, and proposed fees and compensation.
7. Oversee the work of the external auditors engaged for the purposes of preparing or issuing an audit report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditors regarding financial reporting, and including the review with the external auditors of the results of the annual audit examination including, but not limited to the following:
 - a. any difficulties encountered, or restrictions imposed by management, during the annual audit;
 - b. any significant accounting or financial reporting issues;
 - c. the auditor's evaluation of the Company's system of internal accounting controls, procedures and documentation;
 - d. the post-audit or management letter containing any findings or recommendations of the external auditor including management's response thereto and the subsequent follow-up to any identified internal accounting control weaknesses; and
 - e. any other matters which the external auditors should bring to the attention of the Audit Committee.
8. Hold timely discussions with the external auditor regarding the following:
 - a. all critical accounting policies and practices;
 - b. all alternative treatments of financial information within generally accepted accounting principles related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditor; and
 - c. other material written communications between the independent auditor and management, including, but not limited to, the management letter and schedule of unadjusted differences.

Internal audit

9. Review and approve the internal audit annual audit plan and all major changes to the plan.
 10. Review and discuss with the internal auditor the scope, progress and results of executing the internal audit plan.
 11. Receive the requisite information from the internal auditor including a report on the key
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risks facing the Company and the status of significant findings and recommendations, and management's responses.

12. Periodically review, with the internal auditor, any significant difficulties, disagreements with management, or scope restrictions encountered in the course of the internal audit function's work.
13. Review and concur on the appointment, replacement, reassignment or dismissal of the head of internal audit, who shall have direct access to the Audit Committee.
14. Review the annual performance of the internal audit function.

Risk management and controls

15. Discuss the Company's policies on risk assessment and risk management, including appropriate guidelines and policies to govern the process, as well as the Company's major financial risk exposures and the steps management has undertaken to control them.
16. Review with senior management the Company's overall anti-corruption and anti-fraud programs and controls.
17. Obtain reasonable assurance, by discussions with and reports from management and external auditors, that the accounting systems are reliable and that the system of internal controls is effectively designed and implemented.
18. Ensure that any noted deficiencies in internal controls are addressed in a timely fashion as well as assess whether any such deficiency warrants a more thorough evaluation of the system.

Disclosure

19. Review the appropriateness of accounting policies and financial reporting practices used by the Company.
20. Review major issues regarding accounting principles and financial statement presentations, including any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Company.
21. Review any new or pending developments in accounting and reporting standards that may affect or impact on the Company.
22. Discuss the key estimates and judgments of management that may be material to the financial reporting of the Company.
23. Periodically review the adequacy and effectiveness of the Company's disclosure controls and procedures and the Company's internal control over financial reporting, including any significant deficiencies and significant changes in internal controls.

24. Ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the issuer's financial statements, and periodically assess the adequacy of those procedures.
25. Satisfy itself that management has developed and implemented a system to ensure that the Company meets its continuous disclosure obligations, and receive regular reports from management and the Company's legal advisors on the functioning of the disclosure compliance system, including any significant instances of non-compliance with such system, in order to satisfy itself that such system may be reasonably relied upon.

Financial results and reports

26. Review, and recommend to the Board for approval as applicable, the following public disclosure documents:
 - a. the quarterly financial statements, including Management's Discussion and Analysis of Financial Condition and Results of Operations and related press release;
 - b. the annual audited financial statements including Management's Discussion and Analysis of Financial Condition and Results of Operations and related press release;
 - c. the annual management information circular and proxy materials; and
 - d. the annual information form.
27. Review, and recommend to the Board for approval, all financial statements, reports of a financial nature, and the financial content of prospectuses or any other reports which require approval by the Board, including any report of management which accompanies published financial statements (to the extent such a report discusses the financial position or operating results) for consistency of disclosure with the financial statements themselves.

CEO/CFO certification

28. Receive and review the CEO and CFO certificates to be filed under Section 302 and 906 of the Sarbanes-Oxley Act, as well as under the Canadian Securities Administrator's National Instrument 52-109 certification of disclosure in issuers' annual and interim filings, and inquire as to practices and procedures adopted to permit management's assurance on the underlying controls.

Whistle-Blower program

29. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing or other matters and, for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting, auditing or other matters.

Other responsibilities

30. Reviewing regular reports from management and others (e.g. internal and external auditors) with respect to the Company's compliance with laws and regulations having a material impact on financial reporting and disclosure, including:
 - a) tax and financial reporting laws and regulations;
 - b) legal withholding requirements;
 - c) environmental protection laws and regulations; and
 - d) other laws and regulations which expose Directors to liability.
31. Reviewing the adequacy of the Company's insurance coverage, including the Directors' and Officers' insurance coverage.
32. Reviewing activities, organizational structure, and qualifications of the CFO and the staff in the financial reporting area and ensuring that matters related to succession planning within the Company are raised for consideration at the Board level.
33. Reviewing the compensation of directors and officers, including expenses and the use of the Company's assets.

Review of Audit Committee mandate and performance

34. On an annual basis the Audit Committee shall review and assess the adequacy of this Audit Committee Charter taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Company has a reporting relationship and, if appropriate, recommend changes to the Audit Committee Charter to the Board for its approval.
35. The Audit Committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively and such assessments should be reported to the Board. The Audit Committee also shall discuss with the independent auditor the accountants observations related to the effectiveness of the Audit Committee.