

CENTRAL FUND OF CANADA LIMITED

CHARTER OF AUDIT COMMITTEE

Purpose

The primary function of the Audit Committee is to assist the board of directors (the "Board") of the Corporation in fulfilling their oversight responsibilities by reviewing:

- (a) selection, independence and effectiveness of the external auditors;
- (b) the financial statements and other financial information and reports which will be provided to the shareholders and others;
- (c) the financial reporting process; and
- (d) the Corporation's internal audit activity and controls.

The external auditor's ultimate responsibility is to the Corporation and the Audit Committee, as representatives of the shareholders. These representatives have the ultimate authority to evaluate and, where appropriate, recommend replacement of the external auditors.

The Committee shall be given full access to the Corporation's records, those of Central Group Alberta Ltd. (the "Administrator") and the external auditors as necessary to carry out these responsibilities.

Although the Audit Committee has the powers and responsibilities set forth in this Charter, the role of the Audit Committee is oversight. The members of the Audit Committee are not employees of the Corporation or the Administrator. It is not the duty of the Audit Committee to conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with the Canadian generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of the senior officers and the external auditors.

Qualification of Members

1. The members of the Audit Committee (the "Committee") shall be three or more in number and be "independent" as defined in Multilateral Instrument 52-110 of the Canadian securities regulators. "Independent" for this purpose means that a member has no direct or indirect material relationship with the Corporation which could, in the view of the Board, reasonably interfere with his or her independent judgment. Members of the Committee shall not receive any remuneration other than for acting as a member of the Committee or another committee or as a Board member.

2. All members of the Committee shall be "financially literate", that is to say have the ability to read and understand financial statements and related notes that present a breadth and level of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements.

Operating Procedures

1. The Committee requires that the senior officers provide for review draft annual and quarterly financial statements, annual and quarterly reports, Management's Discussion and Analysis, Annual Information Form and press releases where relevant, in a timely manner before the scheduled Committee meetings.
2. The Committee meets annually in December (twice) so as to be able to review the draft annual audited financial statements and related materials, and meets quarterly as required to review the draft first, second and third quarter unaudited financial statements and report to shareholders.
3. At least annually, the Committee reviews its effectiveness and the contribution of each of its members.
4. The Committee shall have adequate resources and authority to discharge its responsibilities.
5. The Committee shall have the authority to engage and compensate independent counsel and other advisors which it determines are necessary to enable the Committee to carry out its duties, and to communicate directly with the external and any internal auditors.

Relationship with External Auditor and Review Responsibilities

1. The external auditors are accountable to the Board and the Committee, as representatives of the shareholders of the Corporation. As such representatives, the Committee has overall responsibility for selection of the external auditors and recommends to the Board, the firm of external auditors to be put forward for shareholder approval at each annual meeting. The Committee will only select external auditors who (a) participate in the oversight programme of the Canadian Public Accountability Board (the "CPAB") and (b) are in good standing with the CPAB.
2. The Committee annually reviews and discusses a letter from the external auditors detailing factors that might have an impact on the auditors' independence, including all services provided and fees charged by the external auditors. The Committee satisfies itself regarding the independence of the auditors and reports its conclusions, and the basis for those conclusions, to the Board.

3. The Committee reviews and recommends to the Board for approval the annual audited financial statements and accompanying report to shareholders as well as related documents such as the Annual Information Form or equivalent filings and the Management's Discussion and Analysis.
4. The Committee also reviews and recommends to the Board for approval the unaudited financial statements for the first, second and third quarters, Management's Discussion and Analysis and related reports to shareholders.
5. The Committee is responsible for approving the scope of the annual audit, the audit plan, the access granted to the Corporation's records and the co-operation of the senior officers in any audit and review function.
6. The external auditor is required to present and discuss with the Committee its views about the quality of the implementation of U.S. and Canadian GAAP, with a particular focus on the accounting estimates and judgments made by management and management's selection of accounting principles. The Committee meets in private with appropriate senior officers and separately with the external auditors to share perceptions on these matters, discuss any potential concerns and agree upon appropriate action plans.
7. The Committee is responsible for reviewing the work of the external auditors, including their findings and recommendations, as well as the senior officers' response to any such findings and recommendations, and resolving any disagreements between the senior officers and the external auditors regarding financial reporting.
8. The Committee should approve all audit services and, wherever feasible, pre-approve any non-audit services to be provided by its external auditors.
9. The Committee is responsible for assessing the effectiveness of the working relationship of the external auditors with the senior officers.
10. The Committee is responsible for reviewing the performance of, and approving the fees charged by, the external auditors.

The Committee is also responsible, when circumstances dictate, for recommending to the Board the removal and replacement of external auditors.
12. The Committee shall establish procedures for dealing with complaints regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by officers of the Corporation or officers and employees of the Administrator regarding such matters (i.e. whistle-blowing).
13. The Committee shall review and approve the hiring by the Administrator of employees and former employees of the external auditors who were involved in the Corporation's accounts.

14. The Committee shall review and comment to the Board on all related-party transactions.
15. The Committee shall review any change in the Corporation's code of ethics for senior financial officers.
16. The Committee shall, when feasible, review any prospectuses, registration statements, information circulars and other reporting issuer or disclosure statements of the Corporation involving and as related to financial disclosure.

Relationship to Internal Audit

1. The Committee is responsible for reviewing and approving the senior officers' decisions relating to any potential need for internal auditing, including whether this function should be outsourced and if such function is outsourced, to approve the supplier of such service.
2. The Committee is responsible for ensuring that the senior officers have designed and are implementing an effective system of internal control over financial reporting.

Disclosure

1. The Committee provides a report annually to the shareholders, as part of the Management Information Circular for the annual meeting, which briefly summarizes the nature of the activities of the Committee.

Procedures

1. The times and locations of meetings of the Committee, the calling of such meetings and all aspects of procedure at such meetings shall be determined by the Committee, as the case may be, provided that in every case:
 - (a) the presence of at least two members shall be necessary to constitute a quorum; and
 - (b) the acts of the Committee or any sub-committee, at a duly constituted meeting, shall require no more than the vote of a majority of the members present and that, furthermore, in any circumstance, a resolution or other instrument in writing signed by all members of the Committee shall avail as the act of the Committee.

2. The Secretary of the Committee, failing which the Assistant Secretary of the Corporation, shall be the Secretary of the Corporation.

Approved as revised: August 18, 2008