

GAMMON GOLD INC.
AUDIT COMMITTEE MANDATE

The Audit Committee (hereinafter referred to as the "Committee") has the responsibilities and duties as outlined below:

Mandate

- To perform such duties as may be required by applicable legislation and regulations.
- To assist the Board of Directors in fulfilling its oversight responsibilities for:
 - the integrity of the financial statements;
 - compliance with legal and regulatory requirements relating to financial disclosure;
 - the external auditors' independence, performance and fees;
 - the system of internal control for financial reporting; and
 - monitoring the effectiveness of the Corporation's disclosure controls and procedures.
- To perform such other duties as may from time to time be assigned to the Audit Committee by the Board.

Composition

The Committee shall be composed of three or more directors, appointed by the Board on the recommendation of the Nominating and Corporate Governance Committee. All members of the Committee shall not be an officer or employee of the Company. All members must be independent. Independence of the Board members will be defined with applicable legislation and at a minimum each Committee member shall have no direct or indirect relationship with the Corporation which in the view of the Board could reasonably interfere with the exercise of a member's independent judgment except as otherwise permitted by applicable laws.

All members of the Audit Committee shall be financially literate (as defined by applicable legislation).

If an Audit Committee member ceases to be independent for reasons outside the member's reasonable control, the member shall tender their resignation to the Chair of the Nominating and Corporate Governance Committee immediately upon the event which caused the member to not be independent. Any non-independent directors can participate with the Committee as observers.

Members are reappointed annually by the Board, with such appointments to take effect immediately following the Annual General Meeting of shareholders. Members shall hold office until the earlier of the time which their successors are appointed or they cease to be directors of the Corporation. Vacancies of members of the Audit Committee may be filled for the remainder of the current term of appointment by the Board, upon recommendation of the Nominating and Corporate Governance Committee.

Authority

The Committee has authority to:

1. Conduct or authorize investigations into any matters within its scope of responsibility.
2. Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
3. At the Corporation's expense, as determined by the Committee, retain independent counsel, accountants, or others to advise the Committee or assist in carrying out its duties or assist in the conduct of an investigation.
4. Meet with management, external auditors, or outside counsel, as necessary.

5. Call a meeting of the Board to consider any matter of concern to the Audit Committee.

Meetings

Meetings of the Audit Committee may be called by:

- The Chair
- Any member of the Audit Committee
- The external auditor

The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof provided that:

1. A quorum for meetings shall be the majority of the members, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and hear each other.
2. The Committee shall meet quarterly or more frequently as circumstances dictate.
3. Notice of the time and place of every meeting shall be given in writing or by telephone, facsimile, email or other electronic communication to each member of the Committee at least 24 hours in advance of such meeting, provided however, that a member may in any matter waive a notice of meeting. Attendance of a member at a meeting is a waiver of notice of meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

The external auditors shall be invited to attend and be heard at every Audit Committee meeting, and have the opportunity to discuss matters with the Audit Committee without the presence of management at each meeting. The Audit Committee will meet in-camera with the external auditors at each meeting. The Secretary of the Company shall act as Secretary of the Audit Committee and minutes of the Audit Committee shall be recorded and maintained by the Secretary.

Responsibilities

1. As required by the Board, the external auditor reports directly to the Audit Committee.
2. The Audit Committee must recommend to the Board of Directors:
 - a. the external auditor to be nominated for purposes of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; and
 - b. the compensation of the external auditor.
3. The Audit Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing the Auditor's Report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting.
4. The Audit Committee must pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditor. The Audit Committee has delegated to the Chair of the Committee the authority to pre-approve the non-audit services, with such pre-approval presented to the Audit Committee at the next scheduled Audit Committee meeting following such pre-approval.

De minimis non-audit services satisfy the pre-approval requirement provided:

- a. the aggregate amount of all these non-audit services that were not pre-approved is reasonably expected to constitute no more than 5% of the total audit fees paid by the Corporation and its subsidiaries to the Corporation's external auditor during the fiscal year in which the services are provided;
- b. the Corporation or subsidiaries of the Corporation, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
- c. the services are promptly brought to the attention of the Audit Committee of the Corporation and approved, prior to the completion of the audit, by the Audit Committee, who has been granted authority to pre-approve non-audit engagements.

The Audit Committee has instructed management that, to obtain pre-approval, management must detail the work to be performed by the external auditor and obtain the assurance from the external auditor that the proposed work does not impair their independence.

5. The Audit Committee reviews and recommends to the Board approval of the Corporation's financial statements, MD&A and related annual and interim press releases prior to the disclosure of this information. It also ensures that adequate procedures are in place for the review of financial information extracted or derived from the Corporation's financial statements, contained in the Corporation's other financial disclosures and must periodically assess the adequacy of those procedures.
6. The Audit Committee must establish procedures for:
 - a. the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters; and
 - b. the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
7. The Audit Committee must review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.
8. The Audit Committee shall report to the Board on the proceedings of each Audit Committee meeting and on the Audit Committee's recommendations at the next regularly scheduled Board meeting.
9. The Audit Committee shall review the National Instrument 52-110 – Audit Committees disclosure required in the company's Annual Information Form.