

GAMMON GOLD INC.  
COMPENSATION COMMITTEE MANDATE

The Compensation Committee (hereinafter referred to as the "Committee") shall assist the Board of Directors in its oversight role with respect to (i) the Corporation's global human resource strategy, policies and programs, and (ii) all matters relating to the proper utilization of human resources within the Corporation, with special focus on management succession, development and compensation.

*Composition*

The Committee shall be composed of three or more directors appointed by the Board on recommendation from the Nominating and Corporate Governance Committee, a majority of whom shall be independent directors and ideally all members should be independent. Independence of the Board members will be defined by applicable legislation and at a minimum each Committee member will have no direct or indirect relationship with the Corporation which in the view of the Board of Directors could reasonably interfere with the exercise of a member's independent judgment except as otherwise permitted by applicable laws.

Members of the committee shall be appointed or reappointed annually by the Board, with such appointments to take effect immediately following the Annual General Meeting of Shareholders. Members shall hold office until their successors are appointed or shall cease to be directors of the Corporation.

The Board shall appoint from the Compensation Committee a Chair to preside at meetings. In the absence of the Chair, one of the other members of the Committee present shall be chosen by the Compensation Committee to preside at the meeting.

*Meetings*

The Compensation Committee may call a meeting of the Board to consider any matter of concern to the Compensation Committee.

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 at least annually 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 Compensation Committee shall report to the Board its activities after each meeting. The minutes of the Compensation Committee shall be recorded and maintained by the Secretary of the meeting appointed by the Chair.

***Authority***

The Compensation Committee has authority to:

- Conduct or authorize research or investigation into any matter within the scope of its mandate or responsibility.
- At the Corporation's expense, retain independent consultants or others to advise the Compensation Committee.

The mandate and administrative responsibility of this Committee shall be:

1. Review and approve overall policies in respect of Senior and Executive Management's compensation. Such activities shall be primarily focused upon:
  - a. base annual salaries
  - b. annual management incentive programs
  - c. long-term management incentive programs
  - d. executive stock option plans
  - e. executive management pension plan arrangements
  - f. executive management health and life insurance benefits
  - g. senior and executive management prerequisites
  - h. diversity in the organization
2. Provide advice to the Senior and Executive Management of the Corporation in relation to the terms and conditions of employment for Senior and Executive Management which are designed to achieve the growth and profitability objectives of the Corporation and secure such key employees long-term organizational commitment.
3. Monitor and review Senior and Executive Management training and development and succession planning, and provide advice as appropriate.
4. Review recommendations of Senior and Executive Management related to annual salary increases and incentive payments and ensure these are consistent with approved corporate policies and programs.
5. Review at least annually the investment performance, regulatory compliance, communication provided to employees and plan administration of any pension plans.
6. Review and approve appointment of the Corporation's officers.
7. Review and approve compensation disclosure contained in the Management Information Circular, including the Report on Executive Compensation, the Statement of Officers' Compensation, Employment Agreements, Stock Option Plans, Pension Plans and any Executive and Senior Officers' Indebtedness.

8. Annually review the mandate of this Committee.
9. Assume other assignments as delegated by the Board of Directors.