



COMPENSATION COMMITTEE MANDATE AND CHARTER

1. AUTHORITY AND MANDATE

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

1.2 This mandate (the “Mandate”) is part of a flexible governance framework for the Board’s strategic oversight of the Company. This Mandate will be interpreted in the context of the Company’s Articles and all applicable laws, regulations and listing requirements and guidelines, as amended from time to time.

This Mandate is a Board policy to guide the directors and officers in the governance of the Company, and may be amended by Board resolution. Although this mandate is intended to consolidate and restate 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.

1.3 The Committee reports to and is accountable to the Board. The Company will provide the Committee with reasonable resources for its work, including services of non-executive secretary and compensation for all outside advisors that the Committee reasonably determines necessary to carry out its purposes. Such advisors will be accountable to the Committee.

1.4 The Committee may delegate information assembly, assessment or advisory responsibilities to such advisors or subcommittees as it reasonably sees fit, including engaging independent counsel and other advisors and setting and paying the compensation for any advisors employed by the Committee. The Committee may request the Chief Financial Officer, or any employee, advisor or consultant of the Company to attend a Committee meeting and such individuals will be obliged to make every effort to do so or provide alternative effective communications with the Committee.

2. OVERVIEW AND PURPOSE

2.1 The mandate of the Committee is to assist the Board in fulfilling its strategic oversight responsibilities by providing strategic direction into, and overseeing the development, performance and updating processes for determining compensation for the Company’s directors and executive officers.

3. MEMBERSHIP AND ATTENDANCE AT MEETINGS

3.1 The Committee will be composed of not fewer than three (3) directors who are able to attend substantially all meetings and to be prepared for the work of the Committee. Attendance may be by teleconference or other electronic or digital means unless otherwise required by the chairperson.

- 3.2 The Committee will be appointed by the Board. All Committee members will be independent directors of the Board, and appointed or affirmed at the first Board Meeting following each Annual General Meeting. Committee members may be appointed to successive terms and are expected to serve at least three consecutive years.
- 3.3 At least one member of the Committee should be a financial expert; all members must be financially literate as defined by Canadian Securities Administrators National Instrument 52-110 *Audit Committees*.
- 3.4 Committee members who are not able to attend meetings may not appoint alternative representatives.

4. GUIDELINES RESPONSIBILITIES OF THE COMMITTEE

- 4.1 The Company, its management, Board and advisors, recognizes that the Committee's role is one of advising on director, CEO, and executive officer compensation, including incentive and equity compensation, and providing oversight through the periodic assessment of CEO performance against corporate strategic plans, goals and objectives.
- 4.2 The following responsibilities are guidelines for the Committee, subject to such other responsibilities or limitations generally for financial systems and information, or as designated by resolution of the Board from time to time.

The Committee will review and approve on an annual basis and as required:

- a) the Corporate goals, objectives and policies of the Company with respect to the compensation of directors and officers;
- b) strategic plans, goals and budgets related to executive compensation, including annual performance objectives, incentive and equity-based compensation, and expenses and perquisites;
- c) disclosures on executive and director compensation before the issuer publicly discloses this information, for consistency and accuracy, and for easy and clear comprehension by shareholders, and;
- d) anticipated schedules and budgets for the work of the Committee including internal time commitments of officer and support, and advisors and consultants.

The Compensation functions of the Committee will be developed and reviewed for an objective process for determining executive officer and director compensation, including:

- a) independent compensation advisors will be retained and directed entirely by independent directors, or in accordance with an objective process for exercising independent judgment in determining such compensation, including industry comparables;

- b) compensation recommendations of the Committee for the Board will be made without executive officers present, and;
- c) final decisions will require Board approval of all material conditions, following receipt of the recommendations of the Committee to the Board.

5. MEETINGS

5.1 The chairperson of the Committee will have the responsibility and authority for the conduct of Committee procedures and related information flow, consistent with current policies and protocols established by resolution of the Board.

6. ANNUAL ASSESSMENT AND INTERPRETATION

6.1 This Committee mandate will be reviewed annually by the Committee, and periodically by the Governance Committee, as part of the assessment and updating of the governance framework of the Company.

Approved by Resolution of the Board 17 June, 2010

[reviewed and recommended for amendment, (as applicable)]: _____
[signed and dated by Committee Chair]

ATTACHED:

Appendix A – Compensation Committee Annual Agenda Guideline

Appendix B – Compensation Committee Annual Assessment Guideline

**Compensation Committee Mandate
Appendix A – Annual Agenda**

The timetable below is a guideline of the Committee’s expected regularly scheduled activities.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
			[Mar 31 yr end]						[AGM]			
Strategic Planning and Policy [briefing to Board on comp. matters]										X		
Oversights												
Review Market comparables and applicable consultant retainer, if any.		X										
Special [as required]			[]						[AGM]			
Recommendations to Board, as requested												

**Compensation Committee Mandate
Appendix B – Annual Assessment Guideline**

B.1 ANNUAL ASSESSMENT: BOARD COMPLIANCE GUIDELINE

[Refer to the Governance Committee for the current standards and process for the annual assessment of the Committee’s work and performance by Committee members or by the G&N Committee]

B.2 ANNUAL ASSESSMENT: REGULATORY COMPLIANCE GUIDELINE¹

[The following is the type of assessment which could be requested or required of Corporate Counsel or advisors to assist the Committee in understanding obligations for regulatory disclosures or reporting]

Governance Principles and Practices	Yes	No	Explain
Organized			
Does the committee have a written mandate that addresses its purposes, goals and responsibilities; member qualifications, appointment and removal, and; reporting to the Board?			
Does the Committee periodically review corporate goals and objectives?			
Has the Committee developed and periodically updated a set of compensation guidelines, including CEO, Director and Executive Officer compensation, incentive compensation, equity-based compensation, and long term remuneration, for the Board of Directors?			
Independent Judgment			
Is the Committee comprised entirely of independent directors, or describe what steps are taken for the independent and objective exercise of judgment?			[limited exceptions available for special circumstances, and on determination of board]
Competent			
Are [all] members of the committee qualified to serve on the Committee?			
Has a compensation consultant or advisor been retained to assist, and if so who under what mandate?			
Effective and Accountable			
Are all members of the Committee complying with the Code of Business Conduct and Standards, and related guidelines, if not, what steps have been taken?			
Does the Committee annually evaluate its performance, mandate, systems, reporting and risks including resources for its work including engaging independent advisors?			

Approved Date: _____

¹ Compiled from requirements of the Canadian TSX, only as a guide – not comprehensive nor current – confirm all current and applicable standards with legal counsel including determination of independence.