

BREAKWATER RESOURCES LTD.

COMPENSATION COMMITTEE CHARTER

1. Policy Statement

It is the policy of Breakwater Resources Ltd. (the "Corporation") to establish and maintain a Compensation Committee (the "Committee") to assist the directors (individually a "Director" and collectively the "Board") of the Corporation in carrying out the Board's oversight responsibility for the Corporation's human resources and compensation policies and processes. The Committee will be provided with resources commensurate with the duties and responsibilities assigned to it by the Board, including appropriate administrative support. If determined appropriate by the Committee, it will have the discretion to investigate and conduct reviews of any compensation matter including the standing authority to retain experts and, with approval of the Board, special counsel.

2. Composition of Committee

- (a) The Committee shall consist of a minimum of two Directors, at least half of whom shall be resident Canadians. The Board shall appoint the members of the Committee and may seek the advice and assistance of the Corporate Governance and Nominating Committee in identifying qualified candidates. The Board may appoint one member of the Committee to be the Chairman of the Committee or may delegate such authority to appoint the Chairman of the Committee to the Committee.
- (b) Each member of the Committee must be a Director who is independent to the extent required by (and subject to the exemptions and other provisions set out in) applicable laws, rules and regulations, and stock exchange requirements ("Applicable Laws"). In this Charter, the term "independent" has the meaning ascribed to such term by Applicable Laws, and includes the meanings given to similar terms by Applicable Laws, including the terms "outside" and "unrelated" to the extent such terms are applicable under Applicable Laws.
- (c) A Director appointed by the Board to the Committee shall be a member of the Committee until replaced by the Board or until his or her resignation.

3. Meetings of the Committee

- (a) The Committee shall convene a minimum of once each year at such time and place as may be acceptable to the Chairman of the Committee and whenever a meeting is requested by the Board, a member of the Committee or the Chief Executive Officer of the Corporation (the "CEO").
- (b) Notice of each meeting of the Committee shall be given to each member of the Committee, who shall each be entitled to attend each meeting of the Committee.
- (c) Notice of a meeting of the Committee shall:
 - (i) be in writing, which includes electronic communication facilities;
 - (ii) state the nature of the business to be transacted at the meeting in reasonable detail;
 - (iii) to the extent practicable, be accompanied by a copy of documentation to be considered at the meeting; and

- (iv) be given at least two business days prior to the time stipulated for the meeting or such shorter period as the members of the Committee may permit.
- (d) A quorum for the transaction of business at a meeting of the Committee shall consist of a majority of the members of the Committee. However, it shall be the practice of the Committee to require review, and, if necessary, approval of important matters by all members of the Committee.
- (e) A member or members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities as permits all persons participating in the meeting to communicate with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.
- (f) In the absence of the Chairman of the Committee, the members of the Committee shall choose one of the members present to be chairman of the meeting. In addition, the members of the Committee shall choose one of the persons present to be the secretary of the meeting.
- (g) Minutes shall be kept of all meetings of the Committee and shall be signed by the chairman and the secretary of the meeting.

4. **Duties and Responsibilities of the Committee**

- (a) The Committee shall, at the earliest opportunity after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.
- (b) The Committee's primary duties and responsibilities are to review and make recommendations to the Board for the named executive officers (the "NEOs") of the Corporation, as such term is defined in Form 51-102F6 "Statement of Executive Compensation" of National Instrument 51-102 "Continuous Disclosure Obligations" in respect of:
 - (i) compensation policies and guidelines;
 - (ii) management incentive and perquisite plans and any non-standard remuneration plans;
 - (iii) compensation; and
 - (iv) Board compensation matters.
- (c) In carrying out its duties and responsibilities, the Committee shall:
 - (i) annually assess and make a recommendation to the Board with regard to the competitiveness and appropriateness of the compensation package of the CEO and the NEOs;
 - (ii) annually review the performance goals and criteria for the CEO and evaluate the performance of the CEO against such goals and criteria and recommend to the Board the amount of regular and incentive compensation to be paid to the CEO;

- (iii) annually review and make a recommendation to the Board regarding the CEO's performance evaluation of NEOs and his recommendations with respect to the amount of regular and incentive compensation to be paid to such NEOs;
 - (iv) review and make a recommendation to the Board regarding any employment contracts or arrangements with any of the NEOs, including any retiring allowance arrangements or any similar arrangements to take effect in the event of a termination of employment;
 - (v) periodically review the compensation philosophy statement of the Corporation and make recommendations for changes to the Board as considered appropriate;
 - (vi) annually, in conjunction with the Corporation's general and administrative budget process, review and make recommendations to the Board regarding compensation guidelines for the forthcoming budget period;
 - (vii) when requested by the CEO, review and make recommendations to the Board regarding short term incentive or reward plans and, to the extent delegated by the Board, approve awards to eligible participants;
 - (viii) annually review and make recommendations to the Board regarding incentive stock option plans or any other long term incentive plans and, to the extent delegated by the Board, approve grants to participants and the magnitude and terms of their participation;
 - (ix) as required, fulfill the obligations assigned to the Committee pursuant to any other employee benefit plans approved by the Board;
 - (x) annually prepare or review the report on executive compensation required to be disclosed in the Corporation's information circular or any other compensation matter required to be publicly disclosed by the Corporation;
 - (xi) in connection with the Corporation's compensation disclosure and other compensation-related matters, consider the impact of any conversion from Canadian generally accepted accounting principles to international financial reporting standards (IFRS);
 - (xii) periodically, but at least every third year, review and make a recommendation to the Board regarding the compensation of the Board;
 - (xiii) as required, retain independent advice in respect of compensation matters and, if deemed appropriate by the Committee, meet separately with such advisors;
 - (xiv) assess, on an annual basis, the Corporation's Share Incentive Plan; and
 - (xv) assess, on an annual basis, the adequacy of this Charter.
- (d) In addition to the foregoing, the Committee shall undertake on behalf of the Board such other initiatives as may be necessary or desirable to assist the Board in discharging its responsibility to ensure that appropriate performance evaluation and compensation programs are in place and operating effectively.