



Success Through Exploration

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Board of Directors Mandate PELAGNIO EXPLOARTION INC. ("the Company")

March 27, 2014

1. ROLE AND RESPONSIBILITIES

- 1.1 The Board of Directors (the "Board") is responsible for the stewardship of the Company. This responsibility requires the Board to oversee the conduct of the business and supervise management, which is responsible for the day-to-day conduct of the business.
- 1.2 The Board is responsible for the adoption of a strategic planning processes and the approval and review, on at least an annual basis, of a strategic plan which takes into account, amount other things, the opportunities and risks of the business.
- 1.3 The Board is responsible for the identification of the principal risks of the Company's business and oversight of the implementation of appropriate systems to manage these risks.
- 1.4 The Board is responsible for succession planning, including appointing, training and monitoring senior management and, in particular, the CEO.
- 1.5 The Board is responsible for satisfying itself as to the integrity of the CEO and other senior officers and that the CEO and the other senior officers create a culture of integrity throughout the Company.
- 1.6 The Board is responsible for the integrity of the Company's internal control and management information systems.
- 1.7 The Board is responsible for acting in accordance with all applicable laws, the Company's bylaws and the Company's Code of Business Conduct and Ethics.
- 1.8 The Board and each individual director is responsible for acting in accordance with the obligations imposed by the Canada Business Corporations Act. In exercising their powers and discharging their duties, each director shall:
 - a) act honestly and in good faith with a view to the best interests of the Company;
 - b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
 - c) exercise independent judgement regardless of the existence of relationships or interests which could interfere with the exercise of independent judgement; and
 - d) (i) disclose to the Company, in writing or by having it entered in the minutes of meetings of directors, the nature and extent of any interest that the director has in a material contract or material transaction, whether made or proposed, with the Company if the director is a party to the contract or transaction, is a director or officer, or an individual acting in a similar capacity, of a

party to the contract or transaction, or, has a material interest in a party to the contract to transaction; and

(ii) refrain from voting on any resolution to approve such contract or transaction unless it relates to the directors' remuneration in that capacity, is for the directors' indemnity or insurance or is a contract or transaction with an affiliate.

1.9 The Board has the authority to appoint a Chairman ("Chairman") or lead director (the "Lead Director") to establish committees and appoint directors to act as Chairman or Lead Director or to be members of these committees. The Board may not delegate to such Chairman or Lead Director or committees the power to:

- a) submit to the shareholders any question or matter requiring the approval of the shareholders;
- b) fill a vacancy among the directors or in the office of auditor, or appoint additional directors;
- c) issue securities, except as authorized by the directors;
- d) issue shares of a series, except as authorized by the directors;
- e) declare dividends;
- f) purchase, redeem or otherwise acquire shares issued by the Company;
- g) pay a commission to any person in consideration of his purchasing or agreeing to purchase shares of the Company from the Company or from any other person, or procuring or agreeing to procure purchasers for any such shares;
- h) approve a management proxy circular, take-over bid circular or directors' circular;
- i) approve financial statements to be put before an annual meeting of shareholders; and
- j) adopt, amend or repeal by-laws.

1.10 The matters to be delegated to committees of the Board and the constitution of such committees are to be assessed annually or more frequently, as circumstances require. From time to time the Board may create an ad hoc committee to examine specific issues on behalf of the Board. The following are the current committees of the Board:

- a) the Audit Committee, consisting of not less than three directors, each of whom must be an "unrelated" or "independent" director under applicable securities laws and applicable stock exchange rules. The role of the Audit Committee is to provide oversight of the Company's financial management and of the design and implementation of an effective system of internal financial controls as well as to review and report to the Board on the integrity of the financial statements of the Company, its subsidiaries and associated companies.
- b) the Compensation Committee, consisting of not less than three directors, each of whom must be an "unrelated" or "independent" director under applicable securities laws and applicable stock exchange rules. The role of the Compensation Committee is to: (i) establish a remuneration and benefits plan for the directors, executives and other key employees; (ii) review the adequacy and form of compensation of directors and senior management; (iii) establish a plan of succession; (iv) undertake the performance evaluation of the CEO in consultation with the Chair; and (v) make recommendations to the Board.

2. COMPOSITION

2.1 The Board shall consist of not fewer than 3 and not more than 12 directors, as determined from time to time by the directors. The number of directors to be elected at the annual general meeting of shareholders is currently fixed at 7. From time to time the Board or an appropriate committee of the Board shall review the size of the Board to ensure that the size facilitates effective decision-making.

- 2.2 The Board shall be composed of a majority of directors who qualify as "unrelated" or "independent" directors under applicable securities laws and applicable stock exchange rules. The determination of whether an individual director is unrelated or independent is the responsibility of the Board.
- 2.3 If at any time the Company has a significant shareholder, meaning a shareholder with the ability to exercise a majority of the votes for the election of the Board, the Board will include a number of directors who do not have interests in or relationships with either the Company or the significant shareholder and who fairly reflects the investment in the Company by shareholders other than the significant shareholder.
- 2.4 **Retirement:** As Part of a corporate review undertaken this year, it has been concluded that following the annual meeting directors may serve on the Board until the annual meeting of shareholders following their 80th birthday, and may not be re-elected after reaching age 80, unless this requirement is waived by the Board on the recommendation of the Compensation Committee. In order to continue to benefit from the wisdom and experience of such directors they may continue to serve in an advisory role at the discretion of the Board.
- 2.5 **Majority Voting Policy:** Consistent with the Corporation's practice, the form of proxy for the election of directors at the annual meeting ("Annual Meeting") of shareholders of the Corporation will permit a shareholder to vote in favour of, or to withhold from voting separately for each director nominee.

In connection with the election of directors at the Annual Meeting, each director nominee who receives more "withheld" votes than "for" votes, will be considered by the Board not to have received the support of the shareholders, even though duly elected as a matter of corporate law. Such director nominee will be expected, following the Annual Meeting, to submit his or her resignation to the Board effective on the acceptance by the Board of the resignation. The Board will refer the resignation to the Compensation Committee (the "Committee") for consideration. After review the Committee will put forward a recommendation to the Board. The Board will accept the resignation unless the Board concludes, after consideration of the Committee's recommendation, that there are circumstances relating to the composition of the Board or the voting result or otherwise that warrant delaying the acceptance of the resignation or rejecting it. The Board's decision to accept or reject the resignation will be disclosed to the public.

The director nominee who submitted his or her resignation will not participate in the deliberations regarding the resignation.

This policy does not apply in the case of contested director elections.

3. PROCEDURES TO ENSURE EFFECTIVE OPERATION

- 3.1 The Board recognizes the importance of having procedures in place to ensure the effective and independent operation of the Board.
- 3.2 If the Chairman or Lead Director is not a member of management, the Chairman or Lead Director shall be responsible for overseeing that the Board discharges its responsibilities. If the Chairman or Lead Director is a member of management, responsibility for overseeing that the Board discharges its responsibility shall be assigned to a non-management director;
- 3.3 The Board has complete access to the Company's management. The Board shall require timely and accurate reporting from management and shall regularly review the quality of management's reports.
- 3.4 An individual director may engage an external adviser at the expense of the Company in appropriate circumstances. Such engagement is subject to the approval of the Audit Committee.
- 3.5 The Board shall provide an orientation and education program for new recruits to the Board as well as continuing education on topics relevant to all directors.

- 3.6 The Board requires management to run the day-to-day operations of the Company, including internal controls and disclosure controls and procedures.
- 3.7 The Board sets appropriate limits on management's authority. Accordingly, the following decisions require the approval of the Board:
- a. To undertake the actions set out in Section 1.9 hereof;
 - b. To approve the Company's annual budget plan;
 - c. To set CEO's annual and long-term compensation;
 - d. To enter into contracts or transactions with a financial cost or benefit to the Company in excess of Cdn. \$50,000, unless such contract or transaction has been implicitly approved by the Board in connection with the previous approval of the Company's annual budget.
- 3.8 The Board, together with the CEO, shall develop position descriptions for the CEO. The Board, together with the CEO, shall also approve or develop the corporate objectives that the CEO is responsible for meeting and the Board shall assess the CEO against these objectives.