

## **Mandate of the Board of Directors**

### **I PURPOSE**

The Board of Directors (the “Board”) of XDM Resources Inc. (the “Corporation”) assumes responsibility for the stewardship of the Corporation.

### **II RESPONSIBILITIES**

As an integral part of that stewardship responsibility, the Board has responsibility for the following matters (either itself, or through duly appointed and constituted committees of the Board in accordance with applicable laws):

1. The Board has primary responsibility for the development and adoption of the strategic direction of the Corporation. The Board contributes to the development of strategic direction by approving, at least annually, a strategic plan developed and proposed by management. The plan will take into account the business opportunities and business risks of the Corporation. The Board reviews with management from time to time the strategic planning environment, the emergence of new opportunities, trends and risks and the implications of these developments for the strategic direction of the Corporation. The Board reviews and approves the Corporation's financial objectives, plans and actions, including significant capital allocations and expenditures.
2. The Board monitors corporate performance against the strategic and business plans, including assessing operating results to evaluate whether the business is being properly managed.
3. The Board identifies the principal business risks of the Corporation and ensures that there are appropriate systems put in place to manage these risks.
4. The Board monitors and ensures the integrity of the internal controls and procedures (including adequate management information systems) within the Corporation and its financial reporting procedures of the Corporation.
5. The Board is responsible for ensuring appropriate standards of corporate conduct including, adopting a corporate code of ethics for all employees and senior management, and monitoring compliance with such code, if appropriate. Only the full Board may grant waivers of the corporate code of ethics which would be to the benefit of directors and/or executive officers.
6. The Board is responsible for the review and approval of quarterly and annual financial statements, management's discussion and analysis related to such financial statements, and budgets (including spending authorizations and limits) and forecasts.
7. The Board is responsible for establishing and reviewing from time to time a dividend policy for the Corporation.
8. The Board is responsible for reviewing the compensation of members of the Board to ensure that the compensation realistically reflects the responsibilities and risks involved in being an effective director and for reviewing the compensation of members of the senior management team to ensure that they are

8. The Board is responsible for reviewing the compensation of members of the Board to ensure that the compensation realistically reflects the responsibilities and risks involved in being an effective director and for reviewing the compensation of members of the senior management team to ensure that they are competitive within the industry and that the form of compensation aligns the interests of each such individual with those of the Corporation.
9. The Board reviews and approves material transactions not in the ordinary course of business.
10. The Board reviews and approves the budget on an annual basis, including the spending limits and authorizations, as recommended by the Audit Committee.
11. The Board ensures that there is in place appropriate succession planning, including the appointment, training and monitoring of senior management and members of the Board.
12. The Board is responsible for assessing its own effectiveness in fulfilling its mandate and evaluating the relevant relationships of each independent director and shall make an affirmative determination that such relationship does not preclude a determination that the director is independent.
13. The Board develops and approves a disclosure policy that includes a framework for investor relations and a public disclosure policy.
14. The Board is responsible for satisfying itself as to the integrity of the chief executive officer (the “CEO”) and other senior officers and that the CEO and other senior officers create a culture of integrity throughout the organization. The Board is responsible for developing and approving goals and objectives which the CEO is responsible for meeting.
15. The Board is responsible for developing the Corporation's approach to corporate governance principles and guidelines that are specifically applicable to the Corporation.
16. The Board is responsible for performing such other functions as prescribed by law or assigned to the Board in the Corporation's governing documents.
17. Set forth below are procedures relating to the Board's operations:
  - (a) Size of Board and selection process – The directors of the Corporation are elected each year by the shareholders at the annual meeting of shareholders. The Corporate Governance and Nominating Committee recommends to the full Board the nominees for election to the Board. The Board then proposes a slate of nominees to the shareholders for election based upon the following considerations (which are reviewed in the context of recommendations of the Corporate Governance and Nominating Committee): (i) the competencies and skills which the Board as a whole should possess; (ii) the competencies and skills which each existing director possesses; and (iii) the appropriate size of the Board to facilitate effective decision-making. Any shareholder may propose a nominee for election to the Board either by means of a shareholder proposal upon compliance with the requirements prescribed by the *Business Corporations Act* (British Columbia) (“BCA”) or at the annual meeting. The Board also recommends the number of directors on the Board to shareholders for approval, subject to compliance with the BCA. Between annual meetings, the Board may appoint directors to serve until the next annual meeting, subject to compliance with the BCA.

- (b) Qualifications – Directors should have the highest personal and professional ethics and values and be committed to advancing the best interests of the Corporation. They should possess skills and competencies in areas that are relevant to the Corporation's activities. A majority of the directors will be “independent” directors within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, of the Canadian Securities Administrators.
- (c) Director orientation and continuing education – The Corporate Governance and Nominating Committee is responsible for providing a comprehensive orientation and education program for new directors which fully sets: (i) the role of the Board and its committees; (ii) the nature and operation of the business of the Corporation; and (iii) the contribution which individual directors are expected to make to the Board in terms of both time and resource commitments. In addition, the Corporate Governance and Nominating Committee is also responsible for providing continuing education opportunities to existing directors so that individual directors can maintain and enhance their abilities and ensure that their knowledge of the business of the Corporation remains current.
- (d) Meetings – The Board has at least four scheduled meetings a year. The Board is responsible for its agenda. Prior to each Board meeting, the chairman of the Board shall circulate agenda to the Board. The chairman of the Board shall discuss the agenda items for the meeting with the Chief Executive Officer. Materials for each meeting will be distributed to directors in advance of the meetings. Directors are expected to attend 75% of all meetings of the Board held in a given year, and are expected to adequately review meeting materials in advance of all such meetings.

The independent directors meet at the end of each Board meeting without management and non-independent directors present. The directors have appointed a chairman to chair these meetings.
- (e) Committees – The Board has established the following standing committees to assist the Board in discharging its responsibilities: Audit, Corporate Governance and Nominating; Compensation; and Safety Health and Environmental. Special committees are established from time to time to assist the Board in connection with specific matters. The chair of each committee reports to the Board following meetings of the committee. The terms of reference of each standing committee are reviewed annually by the Board.
- (f) Evaluation – The Corporate Governance and Nominating Committee performs an annual evaluation of the effectiveness of the Board as a whole, the committees of the Board, and the contributions of individual directors.
- (g) Compensation – The Compensation Committee recommends to the Board the compensation and benefits for non-management directors. The Committee seeks to ensure that such compensation and benefits reflect the responsibilities and risks involved in being a director of the Corporation and align the interests of the directors with the best interests of the shareholders.
- (h) Access to independent advisors – The Board may at any time retain outside financial, legal or other advisors at the expense of the Corporation. Any director may, subject to the approval of the Corporate Governance and Nominating Committee, retain an outside advisor at the expense of the Corporation.

1. Stakeholders of the Corporation are encouraged to provide feedback to the Board concerning its mandate and the operations of the Corporation by contacting any independent member of the Board.

**SIGNED for and on behalf of XDM Resources Inc.**

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Oliver Lennox-King  
(Chairman)