

CORPORATE GOVERNANCE & NOMINATING COMMITTEE MANDATE AND CHARTER

A. AUTHORITY AND MANDATE

1. The Corporate Governance and Nominating Committee (the “Committee”) is an advisory committee of the Board of Directors (the “Board”) of Alio Gold Inc. (the “Company”).
2. This mandate and charter (the “Charter”) 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, including those of the Canadian Securities Administrators National Policy 58-201 *Corporate Governance Guidelines* (“NP 58-201”), as amended from time to time.

This Charter is a Board policy to guide the directors and officers in the governance of the Company. Although this Charter 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.

The authority and mandate of this Committee will evolve for greater independence of Committee members and processes as the corporate enterprise emerges through stages of capitalization and production.

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 a non-executive secretary and compensation for any outside advisor that the Committee reasonably determines necessary to carry out its purposes. Such advisors will be accountable to the Committee.
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 any officer, employee, advisor or consultant of the Company to attend a Committee meeting and the individuals will be obliged to make every effort to do so or provide alternative effective communications with the Committee.

B. OVERVIEW AND PURPOSE

1. This mandate is for the purpose of enhancing Board strategic oversight and effectiveness, as directed by the Board. The Committee will help ensure that Board strategic-oversight systems perform well, with specific responsibility for making recommendations to the Board on:
 - (a) Board composition, organization and procedures, and;

- (b) Board development, including recruitment, nominations, orientation, briefing and performance evaluation of the Board and individual Directors.

C. MEMBERSHIP AND ATTENDANCE AT MEETINGS

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.
2. The Committee will be appointed by the Board. Committee members will be appointed or affirmed following each Annual General Meeting, and may be appointed to successive terms. Committee members serve at the pleasure of the Board and may be removed from the Committee at any time by Board resolution.
3. Subject to the evolving profile of the Board, the Committee will normally include:
 - (a) the Chair of the Board, who will not normally chair the Committee;
 - (b) the chairperson or designated member of the Compensation Committee, and;
 - (c) an independent director, who will normally be the chairperson of the G & N Committee.
4. The majority of Committee members will be independent, as defined by the Board [*refer to Interpretive Statement, Independence*], and in accordance with applicable laws and regulations, subject to such exceptions as may be reasonably permitted by the Board.
5. The nominations process must be directed by independent directors, unless otherwise authorized by the Board in limited circumstances, including the early-stage development of the Company, if the Committee takes special steps to facilitate independent judgment for the nominations process.
6. The Chief Executive Officer, President and Chief Financial Officer will provide important information-flow and support to the Committee subject to due care for conflicts-of-interest concerns. One or more such officers will be expected to attend or be available for all meetings of the Committee at the request of the Committee Chairperson.

D. GUIDELINE RESPONSIBILITIES OF THE COMMITTEE

1. The Company, its management, Board and advisors, recognize that Committees are to advise on strategic matters and provide oversight through the periodic assessment of corporate-governance performance against strategic plans, policies and protocols.

Part of this role is to provide effective statements and integration of responsibilities for other committees and key personnel. For example:

- (a) the Audit Committee is expected to provide important input to committees on the standards and practices of information management and internal controls for the Company, and the Audit Committee will be expected to provide primary
-

oversight of the performance related to such systems for the scope of the Audit Committee's responsibilities;

- (b) the Company's officers and executive management are responsible for recommending Board governance systems and strategic planning, enterprise risk management, and establishing internal controls, including retaining such advisors as management sees fit for professional advice on such matters;
 - (c) the Committees are expected to exercise due care and diligence at a strategic oversight level but not to provide detailed expertise nor assurances as to the work of others as management and advisors are expected to have more time, knowledge and information to address day-to-day details and decisions.
2. The following responsibilities are guidelines, subject to such other responsibilities or limitations designated by resolution of the Board from time to time, and to special circumstances:

(a) Governance Policies

Subject to Board approval, the Committee will develop, review and recommend to the Board such changes and updates to constating documents, policies, procedures and practices, on an annual basis or as requested by the Board. Such documentation will include:

- i) the governance platform of corporate articles, board charter, governance policy, statements of roles and conduct, committee mandates, and Board and corporate policies and protocols;
- ii) a process for corporate governance strategic oversight and budgeting;
- iii) Board information-management support and systems for the more effective strategic oversight of the Company by the Board;
- iv) systems for governance communications and controls, including:
 - confidential internal communications;
 - external public disclosures of the Company's corporate governance policies and practices in accordance with applicable securities legislation, rules and other guidelines, and;
 - shareholder, public, government and media relations.
- v) annual assessments and updating of governance policies and performance, including that of the Board and Committees initially, and of individual officers and directors as the Company becomes more established, and reporting to the Board on the Committee's evaluations, and;
- vi) the Code of Business Conduct and Ethics, including statements of business standards on matters of labour, environmental and commercial conduct, and including provision for reporting complaints and concerns.

(b) Board Nominations Process

The Committee will develop and periodically review and report to the Board, as requested but at least on an annual basis:

- i) statements of the role of directors, including identifying required competencies and characteristics of potential directors at least by requirements for time, skills independence and expertise on the Board (refer to Board Guideline: Board and Committee Composition);
- ii) a list developed by the Committee of prospective individuals qualified to become members of the Board;
- iii) assessing and recommending to the Board, nominees for directors to be presented to the next annual meeting of shareholders for reappointment or to fill vacancies, and;
- iv) recommendations to the Board of certain directors for appointment to committees of the Board.

For the emerging stage of the Company, nomination decisions are intended to be directed by a sub-committee of the Committee comprised of independent or non-management members with a special attention to the need for an objective and unbiased nomination process. The Committee is authorized and responsible for retaining such executive-search and other consultants it deems reasonably necessary, and to periodically review industry comparables in this regard.

- (c) **Key Personnel Selections and Evaluation**
By assisting in the identification, selection and evaluation of key personnel, including the CEO, President and CFO, and making recommendations to the Board on such matters as scope of responsibilities, annual objectives and evaluation, and management development and succession.
- (d) **Strategic Oversight of Board Governance**
Generally, by providing strategic input into strategic plans, and periodically reviewing governance systems for general consistency with this mandate and strategic plans, and including working with the CEO to establish an annual schedule of agenda items and present this proposed schedule to the Board for approval, and encouraging accountability through providing confidential access for any questions of governance including potential conflicts of interest or other issues or concerns, subject to deference to the Audit Committee for matters of financial practices and to other expertise as required.
- (e) **Board Development**
By developing a policy with the Executive and to the approval of the Board, including:
 - i) the profile-matrix noted above;
 - ii) an orientation program for new directors;
 - iii) ongoing information access and governance briefings for directors to remain apprised of standards of duties and current trends and developments in good governance, and;
 - iv) annual or scheduled assessments for the Board, individual directors, and senior officers for continual improvement in governance.

E. MEETINGS

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.

F. ANNUAL ASSESSMENT AND INTERPRETATION

1. This Committee mandate will be reviewed annually by the Committee as part of its annual 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 – Guideline Committee Annual Agenda and Meeting Protocol
- Appendix B – Governance and Nominating Committee Annual Assessment Guideline

Note for Board Manual and Committee Use:

The following are examples of the work of the Committee, both in the nature of corporate policies and standards, and administrative tools to assist the Committee in its work and reporting to the Board. These documents may be subject to the constraints of confidentiality and restricted access. <<confirm approach>>

1. BOARD GUIDELINE: BOARD AND COMMITTEE COMPOSTION
2. BOARD GUIDELINE: DIRECTOR DISCLOSURE
3. BOARD GUIDELINE: INDEPENDENCE
4. BOARD GUIDELINE: MEETING PROTOCOL
5. BOARD GUIDELINE: ACCOUNTABILITY – COMPLAINTS AND CONCERNS
6. BOARD GUIDELINE: BOARD ORIENTATION AND DEVELOPMENT (draft)
7. BOARD GUIDELINE: BOARD EVALUATION AND ANNUAL ASSESSMENT (draft)
8. BOARD GUIDELINE: INTEGRATED STATEMENT OF CONDUCT

Including Part A Code of Business Conduct (Sept 09), and; Part B, Statements of Business Standards (wip)

**Governance and Nominating Committee Mandate
Appendix A – Annual Agenda**

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
									[AGM]			
Finance – Budget [Committee resources and Counsel needs]			[Mar 31 yr end]							X		
Nominations												
Review/update Board Profile	X											
Review/update Nom. Process	X											
Recommend Nominees to Board					X				[AGM]			
Recommend Committee members									X			
Governance Platform												
Review Strat. Plan process										X		
Review/update Code of Business Conduct and Standards										X		
Review/update Board Manual												
Review Information needs and flow (meetings; digital; other)												
Oversight												
Review governance trends; update legal or practices		X								X		
Review director orientation, briefings and development										X		
Review director compensation and risk management (d&o insurance)		X										
Review evaluation processes										X		
Review compliance processes, risks and violations		X										
Oversee annual governance reviews and evaluations of: (a) Board and committee performance, and when appropriate, (b) Officer and director performance										X		
Special [as required]			[]						[AGM]			

**Governance and Nominating Committee Mandate
Appendix B – Annual Assessment**

B.1 Board Compliance – Governance and Nominating Committee Annual Evaluation

[Please refer to the Governance Committee for the current standards and process for the annual assessment of the Committee’s work and performance, by its members.]

B.2 Regulatory Compliance – Governance and Nominating Committee Compliance Checklist¹

[The following is the type of assessment which could be requested or required of Corporate Counsel or an independent advisor to assist the Committee in understanding the Board’s obligations to securities exchanges or other regulatory disclosures or reporting]

Governance	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?			
Has the committee developed and periodically updated a set of financial system guidelines, including risks, technologies, staffing and consultants, for reference by the Board of Directors?			
Independent Judgment			
As the CEO is a designated member of the Committee, are appropriate measures in place for the independent and objective exercise of judgment?			
Competent			
Are [all] members of the committee financially literate, and are appropriate measures in place for the engaging and payment of professional compensation expertise? ²			
Effective and Accountable			
Are all members of the Committee in compliance with the Code of Business Conduct and Standards?			
Does the Committee annually evaluate its performance, mandate, systems and risks?			
Does the Committee report its resolutions to the Board after each committee meeting?			

Approved Date: _____

¹ Compiled from requirements of the NYSE and the Canadian TSX, but only as a guide – not comprehensive nor current – confirm all current and applicable standards with level counsel.

² Confirm the current and applicable standard for independence, and other compliance requirements.