

# **lundin mining**

2014

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS  
AND  
MANAGEMENT INFORMATION CIRCULAR  
WITH RESPECT TO THE  
ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON  
MAY 9, 2014  
FOR  
LUNDIN MINING CORPORATION

March 31, 2014



# lundin mining

## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

**NOTICE** is hereby given that an annual and special meeting ("Meeting") of the shareholders of **LUNDIN MINING CORPORATION** ("Corporation") will be held at the St. Andrew's Club & Conference Centre, 150 King Street West, 27<sup>th</sup> Floor (King Street/University Avenue) Toronto, Ontario, on Friday, May 9, 2014 at the hour of 10:00 a.m. Toronto time, for the following purposes:

1. To receive the audited consolidated financial statements of the Corporation for the year ended December 31, 2013 and the report of the auditors thereon;
2. To elect the directors for the ensuing year; **(Resolution 1)**
3. To appoint PricewaterhouseCoopers LLP, Chartered Professional Accountants, as auditors of the Corporation for the ensuing year, and to authorize the directors to fix the remuneration to be paid to the auditors; **(Resolution 2)**
4. To consider and, if thought appropriate, pass an ordinary resolution to adopt the Share Unit Plan of the Corporation, to adopt a new Incentive Stock Option Plan of the Corporation and to ratify certain previously granted options under the new Incentive Stock Option Plan, as more fully described in the accompanying management information circular ("Circular"); **(Resolution 3)**
5. To transact such further and other business as may properly be brought before the Meeting or any adjournment or postponement thereof.

This Notice is accompanied by the Circular and form of proxy. The nature of the business to be transacted at the Meeting is described in further detail in the Circular.

All shareholders are entitled to attend and vote at the Meeting in person or by proxy. Registered shareholders who are unable to attend the Meeting are requested to complete, date, sign and deliver the enclosed form of proxy to Computershare Investor Services Inc. ("Computershare"), 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1, Attention: Proxy Department. If a shareholder does not deliver a proxy to Computershare by 10:00 a.m. (Toronto, Ontario, time) on Wednesday, May 7, 2014 (or not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, before any adjournments or postponements of the Meeting at which the proxy is to be used), then the shareholder will not be entitled to vote at the Meeting by proxy. The above time limit for deposit of proxies may be waived or extended by the Chairman of the Meeting at his or her discretion without notice.

As provided in the *Canada Business Corporations Act*, the directors have fixed a record date of March 27, 2014. Accordingly, shareholders registered on the books of the Corporation at the close of business on March 27, 2014 are entitled to receive Notice of the Meeting and to vote at the Meeting or any adjournment or postponement thereof.

If you are a non-registered shareholder and receive these materials through your broker or other intermediary, please complete and return the voting instruction form or other authorization in accordance with the instructions provided to you by your broker or intermediary.

Dated at Toronto, Ontario this 31<sup>st</sup> day of March, 2014.

### BY ORDER OF THE BOARD OF DIRECTORS

*Paul K. Conibear*

Paul K. Conibear,  
President, Chief Executive Officer and Director



# lundin mining

## MANAGEMENT INFORMATION CIRCULAR

(all information as at March 31, 2014 unless otherwise noted)

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## GENERAL VOTING INFORMATION

### SOLICITATION OF PROXIES

This Management Information Circular (“Circular”) is furnished in connection with the solicitation of proxies being undertaken by the management of Lundin Mining Corporation (“Corporation” or “Lundin Mining”) for use at the annual and special meeting of the Corporation’s shareholders to be held on Friday, May 9, 2014 (“Meeting”) at the time and place and for the purposes set forth in the accompanying Notice of Annual and Special Meeting of Shareholders (“Notice”) or at any adjournment or postponement thereof. Management’s solicitation of proxies will primarily be by mail and may be supplemented by telephone or other means of communication to be made, without compensation other than their regular fees or salaries, by directors, officers and employees of the Corporation. The cost of solicitation by management will be borne by the Corporation.

It is anticipated that this Circular, together with the accompanying Notice and form of proxy will be mailed to shareholders of the Corporation on or about April 14, 2014.

Unless otherwise stated, the information contained in this Circular is as of March 31, 2014.

### CURRENCY

The Corporation’s reporting currency is United States Dollars (reference herein of US\$ or \$ is to United States Dollars, reference of C\$ is to Canadian Dollars and reference of £ is to British Pounds Sterling). To improve disclosure, the Corporation has used the average exchange rate for each year for all currency conversions throughout this Circular, unless indicated otherwise, which differs from prior year’s currency conversion practices. (2013: US\$0.971:C\$1.00; US\$1.5646:£1.00); (2012: US\$1.0008:C\$1.00; US\$1.5853:£1.00); and (2011: US\$1.0114:C\$1.00; US\$1.6036:£1.00).

### VOTING OF PROXIES

Common shares of the Corporation (“Common Shares”) represented by properly executed proxies in the accompanying form will be voted or withheld from voting on each respective matter in accordance with the instructions of the Registered Shareholder on any ballot that may be called for and, if the shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the shares represented by such proxy will be voted accordingly. If no choice is specified, the person designated in the accompanying form of proxy will vote FOR all matters proposed by management at the Meeting.

### APPOINTMENT OF PROXYHOLDER

The persons named as proxyholders in the enclosed form of proxy are directors and/or officers of the Corporation (“Management Proxyholders”). A registered shareholder (“Registered Shareholder”) has the right to appoint a person or company other than one of the Management Proxyholders to represent the Registered Shareholder at the Meeting by striking out the printed names and inserting that other person’s or company’s name in the blank space provided. A proxyholder need not be a shareholder. If a shareholder appoints one of the Management Proxyholders as a nominee and there is no direction by the Registered Shareholder, the Management Proxyholder shall vote the proxy FOR the election of the directors, FOR the appointment of the auditors, and FOR the adoption of the Share Unit Plan of the Corporation, a new Incentive Stock Option Plan and ratification of certain previously granted options.

The instrument appointing a proxyholder must be signed in writing by the Registered Shareholder, or such Registered Shareholder’s attorney authorized in writing. If the Registered Shareholder is a corporation, the instrument appointing a proxyholder must be in writing signed by an officer or attorney of the corporation duly authorized by resolution of the directors of such corporation, which resolution must accompany such instrument. An instrument of proxy will only be valid if it is duly completed, signed, dated and received at the office of the Corporation’s registrar and transfer agent, Computershare Investor Services Inc. (“Computershare”), Attention: Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 by 10:00 a.m. (Toronto, Ontario time) on Wednesday, May 7, 2014 (or not less than 48 hours, excluding Saturdays, Sundays and holidays before any adjournments or postponements of the Meeting at which the proxy is to be used), or it is deposited with the Secretary of the Corporation or the Chairman of the Meeting prior to the time of voting at the Meeting.

If you have any questions about the procedures to be followed to vote at the Meeting or about obtaining, completing and depositing the required form of proxy, you should contact Computershare by telephone (toll free) at 1-800-564-6253 or by e-mail at [service@computershare.com](mailto:service@computershare.com).

### REVOCAION OF PROXY

A Registered Shareholder who has returned a proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing, including a proxy bearing a later date, executed by the Registered Shareholder or by his attorney authorized in writing or, if the Registered Shareholder is a corporation, under its corporate

seal or by an officer or attorney thereof duly authorized. The instrument revoking the proxy must be deposited at the registered office of the Corporation, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment or postponement thereof, or with the Secretary of the Corporation or the Chairman of the Meeting prior to the time of voting at the Meeting. Only Registered Shareholders have the right to revoke a proxy. Beneficial Shareholders who wish to change their vote must arrange for their respective intermediaries to revoke the proxy on their behalf.

#### **EXERCISE OF DISCRETION**

The enclosed proxy, when properly completed and delivered and not revoked, gives discretionary authority to the persons named therein with respect to any amendments or variations of matters identified in the Notice and with respect to other matters which may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the person designated in the accompanying form of proxy to vote in accordance with his or her best judgment on such matters. As of the date of this Circular, management of the Corporation knows of no such amendment, variation or other matter to come before the Meeting.

#### **VOTING BY BENEFICIAL (NON-REGISTERED) SHAREHOLDERS**

The information in this section is important to many shareholders as a substantial number of shareholders do not hold their shares in their own name. This Circular and related Meeting materials are being sent to both registered and non-registered owners of the securities. If you are a “non-registered beneficial owner” and Lundin Mining or its agent has sent these materials directly to you it has done so as permitted under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*. The Corporation has used a non-objecting beneficial owner list to send the Meeting materials directly to the non-objecting beneficial owners whose names appear on that list. By choosing to send these materials to you directly, the Corporation (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

Shareholders who hold Common Shares through their brokers, intermediaries, trustees, or other nominees (such shareholders being collectively called “Beneficial Shareholders”) should note that only proxies deposited by shareholders whose names appear on the share register of the Corporation may be recognized and acted upon at the Meeting. If Common Shares are shown on an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases the name of such Beneficial Shareholder will not appear on the share register of the Corporation. Such shares will most likely be registered in the name of the broker or an agent of the broker. In Canada, the vast majority of such shares will be registered in the name of “CDS & Co.,” the registration name of The Canadian Depository for Securities Limited, which acts as a nominee for many brokerage firms. Such shares can only be voted by brokers, agents, or nominees and can only be voted by them in accordance with instructions received from Beneficial Shareholders. As a result, Beneficial Shareholders should carefully review the voting and instructions provided by their broker, agent or nominee with this Circular and ensure that they direct the voting of their shares in accordance with those instructions.

Applicable regulatory policies require brokers and intermediaries to seek voting instructions from Beneficial Shareholders in advance of a shareholders’ meeting. Each broker or intermediary has its own mailing procedures and provides its own return instructions to clients. The purpose of the form of proxy or voting instruction form provided to a Beneficial Shareholder by such shareholder’s broker, agent or nominee is limited to instructing the registered holder on how to vote such shares on behalf of the Beneficial Shareholder. Most brokers in Canada now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (formerly ADP Independent Investor Communication Corporation) (“Broadridge”). Broadridge typically prepares voting instruction forms, mails those forms to Beneficial Shareholders and asks those Beneficial Shareholders to return the forms to Broadridge or follow specific telephone or other voting procedures. Broadridge then tabulates the results of all instructions received by it and provides appropriate instructions respecting the voting of such shares at the Meeting. A Beneficial Shareholder receiving a voting instruction form from Broadridge cannot use that form to vote their shares at the Meeting. Instead, the voting instruction form must be returned to Broadridge or the alternate voting procedures must be completed well in advance of the Meeting in order to ensure that such shares are voted.

Beneficial Shareholders should follow the instruction on the forms that they receive and contact their intermediaries promptly if they need assistance.

#### **RECORD DATE**

Shareholders registered as at March 27, 2014 (the “Record Date”) are entitled to attend and vote at the Meeting. Shareholders who wish to be represented by proxy at the Meeting must, to entitle the person appointed by the proxy to attend and vote, deliver their proxies at the place and within the time set forth in the notes to the proxy.

## INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Except as otherwise set out herein, no director or executive officer of the Corporation, or any person who has held such a position since the beginning of the last completed financial year end of the Corporation, nor any nominee for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors, the adoption of the Share Unit Plan, a new Incentive Stock Option Plan and ratification of certain previously granted options.

## VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Corporation is authorized to issue an unlimited number of Common Shares and one special share, of which 585,181,841 Common Shares are issued and outstanding as of the Record Date. Each Common Share is entitled to one vote on all matters to be acted upon at the Meeting.

The following table sets forth those persons who, to the knowledge of the directors and executive officers of the Corporation, beneficially own, control or direct, directly or indirectly, Common Shares carrying more than 10% of the voting rights attached to all Common Shares:

Name of Shareholder	Number of Common Shares	Percentage of Common Shares
Lorito Holdings S.à.r.l. ("Lorito") <sup>(1)</sup> Luxembourg	33,950,000	5.8%
Zebra Holdings and Investments S.à.r.l. ("Zebra") <sup>(1)</sup> Luxembourg	38,964,854	6.7%

<sup>(1)</sup> Lorito and Zebra, who report their security holdings as joint actors, are private corporations owned by a trust whose settlor was the late Adolf H. Lundin.

## BUSINESS OF THE MEETING

### FINANCIAL STATEMENTS

The audited consolidated financial statements of the Corporation for the year ended December 31, 2013 including the report of the auditor will be tabled at this Meeting and will be received by the shareholders. These audited consolidated financial statements of the Corporation for the year ended December 31, 2013 and the report of the auditor thereon and the related management's discussion and analysis have been provided to shareholders who have validly requested such statements separately and are available on SEDAR at [www.sedar.com](http://www.sedar.com).

### ELECTION OF DIRECTORS AND INFORMATION REGARDING PROPOSED DIRECTORS

The directors of the Corporation for the ensuing year will be elected at this Meeting.

Directors are elected annually. The board of directors of the Corporation (the "Board") has accepted a recommendation of the Corporate Governance and Nominating Committee of the Corporation and has determined that the size of the Board should be eight (8) directors. The number of directors to be elected is eight (8). All eight (8) nominees are presently members of the Board and the dates on which they were first elected or appointed are indicated below.

Unless authority to vote is withheld, the shares represented by the proxies hereby solicited will be voted by the persons named therein **FOR** the election of each of the eight nominees as directors. Management does not contemplate that any nominee will be unable or unwilling to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote **FOR** another nominee in their discretion, unless the shareholder has specified in the accompanying form of proxy that such shareholder's shares are to be withheld from voting on the election of directors.

### **Majority Voting Policy**

The Board has adopted a Majority Voting Policy in order to promote enhanced director accountability. The policy provides that each director should be elected by the vote of a majority of the Common Shares, represented in person or by proxy, at any meeting for the election of directors. The Chairman of the Board will ensure that the number of Common Shares voted "for" or "withheld" for each director nominee is recorded and promptly made public after the meeting. If any nominee for election as director receives, from the Common Shares voted at the meeting in person or by proxy, a greater number of votes "withheld" than votes "for" his or her election, the director will promptly tender his or her resignation to the Chairman of the Board following the meeting, to take effect upon acceptance by the Board. The Corporate Governance and Nominating Committee will expeditiously consider the director's offer to resign and make a recommendation to the Board whether to accept that offer. Within 90 days of the meeting of shareholders, the Board will



make a final decision concerning the acceptance of the director's resignation and announce that decision by way of a news release. Any director who tenders his or her resignation will not participate in the deliberations of the Board or any of its committees pertaining to the resignation.

If any director fails to tender his or her resignation as contemplated in the policy, the Board will not re-nominate that director in the future. Subject to any corporate law restrictions, where the Board accepts the offer of resignation of a director and that director resigns, the Board may exercise its discretion with respect to the resulting vacancy and may, without limitation, leave the resultant vacancy unfilled until the next annual meeting of shareholders, fill the vacancy through the appointment of a new director whom the Board considers to merit the confidence of the shareholders, or call a special meeting of shareholders to elect a new nominee to fill the vacant position. The policy does not apply to a contested election of directors, that is, where the number of nominees exceeds the number of directors to be elected.

### Director Profiles

This section profiles each of the nominated directors, including principal occupation and experience, participation on the Corporation's Board and Board committees and shareholdings in Lundin Mining. The Corporation has been advised that each of the nominated directors is willing to serve on the Board for 2014.

The nominated directors have confirmed this information as of the Record Date.

<b>LUKAS H. LUNDIN</b> Vaud, Switzerland Chairman Age: 56 Director since: September 9, 1994	Chairman and a director of the Corporation since September 1994; chairman, president and/or director of a number of publicly traded resource-based companies.	
	<b>Lundin Mining Board and Board committees</b> Board	<b>Lundin Mining Securities held</b> Common Shares <sup>(1)</sup> 2,271,449
<b>PAUL K. CONIBEAR</b> British Columbia, Canada President & Chief Executive Officer Age: 56 Director since: June 30, 2011	President and Chief Executive Officer of the Corporation since June 30, 2011, Senior Vice President, Corporate Development of the Company from October 2009 to June 2011; Senior Vice President, Projects, of the Corporation from July 2007 to October 2009.	
	<b>Lundin Mining Board and Board committees</b> Board Health, Safety, Environment and Community Committee	<b>Lundin Mining Securities held</b> Common Shares <sup>(1)</sup> 789,904
<b>DONALD K. CHARTER</b> Ontario, Canada Director Age: 57 Director since: October 31, 2006	Corporate director with experience in executive leadership positions in mining and financial services. Most recently he was the President and Chief Executive Officer of Corsa Coal Corp. from August 2010 to July 2013 and a corporate director since January 2006.	
	<b>Lundin Mining Board and Board committees</b> Board Audit Committee Human Resources/Compensation Committee (Chair)	<b>Lundin Mining Securities held</b> Common Shares <sup>(1)</sup> 42,424
<b>JOHN H. CRAIG</b> Ontario, Canada Director Age: 66 Director since: June 11, 2003	Lawyer, partner of Cassels Brock & Blackwell LLP; director of a number of publicly traded companies.	
	<b>Lundin Mining Board and Board committees</b> Board Corporate Governance and Nominating Committee	<b>Lundin Mining Securities held</b> Common Shares <sup>(1)</sup> 213,849

<b>BRIAN D. EDGAR</b> British Columbia, Canada Director Age: 64  Director since: September 9, 1994	Chairman of Silver Bull Resources, Inc.; director of Rand Edgar Investment Corp. since October 1992; director of a number of publicly traded companies.	
	<b>Lundin Mining Board and Board committees</b> Board Corporate Governance and Nominating Committee (Chair) Health, Safety, Environment and Community Committee	<b>Lundin Mining Securities held</b> <b>Common Shares<sup>(1)</sup></b> 130,000
<b>PETER C. JONES</b> Alberta, Canada Director Age: 66  Director since: September 20, 2013	Corporate directors and retired executive with over 40 years of experience in the mining industry, including work in Europe, Africa, North and South America, Australia and Asia. Mr. Jones served as Interim President and CEO of IAMGOLD Corporation, President and Chief Operating Officer of Inco Ltd., and President and Chief Executive Officer of Hudson Bay Mining & Smelting Co. Mr. Jones has been a director of public companies for over 20 years.	
	<b>Lundin Mining Board and Board committees</b> Board Health, Safety, Environment and Community Committee (Chair) <sup>(3)</sup> Human Resources/Compensation Committee <sup>(2)</sup>	<b>Lundin Mining Securities held</b> <b>Common Shares<sup>(1)</sup></b> 22,070
<b>DALE C. PENIUK</b> British Columbia, Canada Director Age: 54  Director since: October 31, 2006	Chartered Accountant and corporate director; formerly an Assurance partner with KPMG LLP, Chartered Accountants; director of a number of publicly traded companies.	
	<b>Lundin Mining Board and Board committees</b> Board Audit Committee (Chair) Human Resources/Compensation Committee <sup>(2)</sup> Corporate Governance and Nominating Committee	<b>Lundin Mining Securities held</b> <b>Common Shares<sup>(1)</sup></b> 50,000
<b>WILLIAM A. RAND</b> British Columbia, Canada Lead Director Age: 71  Director since: September 9, 1994	President and Director of Rand Edgar Investment Corp. since October 1992; director of a number of publicly traded companies.	
	<b>Lundin Mining Board and Board committees</b> Board Audit Committee Human Resources/Compensation Committee	<b>Lundin Mining Securities held</b> <b>Common Shares<sup>(1)</sup></b> 223,424

<sup>(1)</sup> The number of Common Shares beneficially owned, or controlled or directed, directly or indirectly.

<sup>(2)</sup> Mr. Jones replaced Mr. Peniuk as a member on December 4, 2013.

<sup>(3)</sup> Mr. Jones was appointed as a member on September 20, 2013 and subsequently appointed as the Chair on October 29, 2013.

#### Advance Notice

On February 21, 2013, the Board approved certain amendments to the Corporation's By-Law No. 1 to add an advance notice requirement for nominations of directors by shareholders in certain circumstances, which was approved by the shareholders of the Corporation on May 10, 2013.

As at the date of this Circular, the Corporation has not received notice of any director nominations in connection with the Meeting. Accordingly at this time, the only persons eligible to be nominated for election to the Board are the above nominees.

#### CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES

Except as noted below, no proposed director is, as of the date hereof, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation), that:

- (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, "order") that was issued while the proposed director was acting in the capacity as a director, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Messrs. Rand and Edgar were directors of New West Energy Services Inc. (NEW-TSX-V) when, on September 5, 2006, a cease trade order was issued against that company by the British Columbia Securities Commission for failure to file its financial statements within the prescribed time. The default was rectified and the order was rescinded on November 9, 2006.

No proposed director is, as of the date hereof, or has been within 10 years before the date hereof, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

#### **INDIVIDUAL BANKRUPTCIES**

No proposed director of the Corporation has, within the 10 years prior to the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

#### **PENALTIES OR SANCTIONS**

No proposed director of the Corporation has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for the proposed director.

#### **APPOINTMENT AND REMUNERATION OF AUDITORS**

The auditors for the Corporation will be appointed at this Meeting. The directors of the Corporation recommend the re-appointment of PricewaterhouseCoopers LLP ("PwC"), Chartered Professional Accountants, located in Toronto, Ontario, as auditors of the Corporation to hold office until the termination of the next annual meeting of the shareholders of the Corporation. PwC was first appointed as the auditors of the Corporation on October 19, 2006. It is also proposed that the remuneration to be paid to the auditors be determined by the directors of the Corporation.

The disclosure required by Form 52-110F1 of National Instrument 52-110, *Audit Committees*, including the text of the Audit Committee's charter and the fees paid to the Corporation's external auditor, can be found in the Corporation's Annual Information Form dated March 31, 2014 as filed on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **ADOPTION OF SHARE UNIT PLAN, NEW INCENTIVE STOCK OPTION PLAN AND RATIFICATION OF ADDITIONAL OPTIONS**

The Corporation's current equity-based compensation plan is the Incentive Stock Option Plan of the Corporation (the "ISOP"). The ISOP has the dual purpose of (i) attracting, incentivizing and retaining those key employees and consultants of the Corporation who are considered by the Board to be key to the growth and success of the Corporation; and (ii) to align the interests of key employees and consultants with those of the shareholders through longer term equity ownership in the Corporation. During fiscal 2013, the Human Resources/Compensation Committee (the "HRCC") undertook a review of the Corporation's equity-based compensation strategy and philosophy, in consultation with management and Hugessen Consulting Inc. ("Hugessen") who was retained by the HRCC to act as an independent compensation consultant.

As a result of the review by the HRCC, the Board adopted a new Share Unit Plan (the "SU Plan") and a new Incentive Stock Option Plan (the "New ISOP") in March 2014. The Board determined that it was desirable to broaden the range of incentive plans beyond just the New ISOP pursuant to which only options could be granted with the addition of the SU Plan pursuant to which various share unit awards could be used in order to attract, retain and motivate employees, officers and consultants of the Corporation and to remain competitive in the marketplace. In addition, in conjunction with expanding the equity plan, the Board determined it was appropriate to update the ISOP and accordingly decided to adopt the New ISOP that is in-line with current TSX policies and the stock option plans of the Corporation's peers and other TSX issuers. The Board determined that it is in the best interests of the Corporation and its shareholders that the Corporation update its equity-compensation program to bring it in-line with current market practices, and to create more flexibility in the types of incentive awards that may be made.

On February 25, 2014, the Board granted 3,475,200 options expiring February 24, 2019 at an exercise price of C\$5.18 per Common Share. One-third of these options vest on the first anniversary of the grant date, another third vest on the second anniversary of the grant date and the remaining third vest on the third anniversary of the grant date. At the time of grant, only 1,820,244 options remained available for issuance under the current ISOP, the Board approved the grant of the 1,819,700 options under the current ISOP and 1,655,500

options (the “Additional Options”) to the following executives of the Corporation under the New ISOP subject to the Board approving the New ISOP, the approval of the TSX and shareholder approval at the Meeting:

Name and Position	# of Options	Exercise Price (C\$)	Expiry Date
Paul Conibear CEO	280,000	5.18	February 24, 2019
Marie Inkster CFO	240,000	5.18	February 24, 2019
Julie Lee Harris VP, Corporate Development	180,000	5.18	February 24, 2019
Jinhee Magie Vice President, Finance	150,000	5.18	February 24, 2019
Paul McRae SVP, Projects	180,000	5.18	February 24, 2019
Neil O'Brien SVP, Exploration & New Business	150,000	5.18	February 24, 2019
Sue Boxall Vice President, Human Resources	150,000	5.18	February 24, 2019
Stephen Gatley VP, Technical Services	150,000	5.18	February 24, 2019
Mikael Schauman Vice President, Marketing	150,000	5.18	February 24, 2019
James Ingram Corporate Secretary	25,500	5.18	February 24, 2019
<b>TOTAL</b>	<b>1,655,500</b>		

The Additional Options cannot be exercised until the Corporation has obtained shareholder approval at the Meeting and will be cancelled if shareholders do not approve the SU Plan/ISOP Resolution (as defined below) at the Meeting. These options are included in the reporting of executive compensation.

Accordingly, at the Meeting or any adjournment or postponement thereof, shareholders will be asked to consider and, if thought advisable, to approve with or without amendment, a resolution in the form set out below (the “SU Plan/ISOP Resolution”) approving the adoption of the SU Plan, the adoption of the New ISOP and the ratification of the Additional Options.

The current ISOP will continue to be in effect if the SU Plan/ISOP Resolution is not approved by shareholders and the Additional Options will be cancelled. Please see “Securities Authorized for Issuance under Equity Compensation Plan – The Corporation’s Incentive Stock Option Plan” for details on the terms of the current ISOP.

#### The SU Plan

The following is a summary of the key terms of the SU Plan, which summary is qualified in its entirety by the full terms of the SU Plan attached hereto as Appendix B:

- The SU Plan provides that share unit awards (the “SUs”) may be granted by the Board or the HRCC, or any other committee of directors authorized by the Board to administer the SU Plan.
- Upon receipt of the requisite shareholder approval of the SU Plan, 6,000,000 Common Shares will be reserved for issuance under the SU Plan, representing approximately 1.0% of the issued and outstanding Common Shares. Any Common Shares subject to an SU which has been cancelled or terminated in accordance with the terms of the SU Plan without settlement will again be available for issuance under the SU Plan.
- The grant of SUs under the SU Plan is subject to the number of the Common Shares: (i) issued to insiders of the Corporation, within any one (1) year period, and (ii) issuable to insiders of the Corporation, at any time, under the SU Plan, or when combined with all of the Corporation’s other security based compensation arrangements, shall not exceed 10% of the Corporation’s total issued and outstanding Common Shares, respectively.

- The SU Plan is for the benefit of employees of the Corporation or any affiliate, including any senior executive, vice president, and/or member of the management team of the Corporation or its affiliates.
- An SU is a unit credited by means of an entry on the books of the Corporation to a participant, representing the right to receive one Common Share (subject to adjustments) issued from treasury.
- The number and terms of SUs granted to participants will be determined by the Board or committee based on the market price of the Common Shares on the grant date and credited to the participant's account effective on the grant date. The market price shall be calculated as the closing market price on the TSX of the Common Shares on the date of the grant. The Board or committee may also impose vesting criteria on the SUs. The SUs will be settled by way of the issuance of Common Shares from treasury as soon as practicable following the entitlement date determined by the Board or committee in accordance with the terms of the SU Plan. However, participants who are residents of Canada or as otherwise may be designated in the grant letter (with the exception of US taxpayers) will be permitted to elect to defer issuance of all or any part of the Common Shares issuable to them provided proper notice is provided to the Board or committee pursuant to the terms of the SU Plan.
- All grants of SUs shall be evidenced by a confirmation share unit grant letter.
- The Board or committee will have the discretion to credit a participant with additional SUs in lieu of any cash dividends paid to shareholders of the Corporation, equal to the aggregate amount of any cash dividends that would have been paid to the participant if the SUs had been Common Shares, divided by the market value of the Common Shares on the date on which dividends were paid by the Corporation. For the avoidance of doubt, no cash payment will be made to a participant if cash dividends are paid to shareholders.
- In the event of a participant's resignation or termination with cause, the SUs will be forfeited and of no further force or effect at the date of termination, unless otherwise determined by the HRCC committee, provided for in the share unit grant letter or vested and are only subject to a deferred payment date, as further described under the SU Plan. In the event of the termination without cause, all unvested SUs that are not subject to performance vesting criteria will vest for participants who were continuously employed by the Corporation or any affiliate for at least two years including any notice period, if applicable, on the date of termination and the Common Shares represented by the SUs held shall be issued as soon as reasonably practical. In the event of the termination without cause, all unvested SUs with performance vesting criteria will remain subject to the normal vesting schedule for participants who were continuously employed by the Corporation or any affiliate for at least two years including any notice period, if applicable, on the date of termination and the Common Shares represented by the SUs held shall be issued as soon as reasonably practical unless otherwise determined by the HRCC committee or provided for in the share unit grant letter, as further described under the SU Plan. For participants who were not continuously employed by the Corporation for two years their SUs will be forfeited and of no further force or effect at the date of termination, except as may otherwise be stipulated in the participant's grant letter or as may otherwise be determined by the HRCC in its sole and absolute discretion. In the event of retirement, any unvested SUs will automatically vest and the Common Shares will be issued as soon as practicable. However, any unvested SUs held by a US taxpayer will automatically vest on the date such participant attains the age of 65 and the Common Shares will be issued forthwith but no later than March 15 of the following calendar year. In the event of death, all unvested SUs credited to the participant will vest on the date of the participant's death and the Common Shares represented by the SUs held shall be issued to the participant's estate as soon as reasonably practical. In the event of the total disability of a participant, all unvested SUs credited to the participant will vest on the date in which the participant is determined to be totally disabled and the Common Shares represented by the SUs held shall be issued as soon as reasonably practical. In the event of a change of control, all SUs outstanding will immediately vest on the date of such change of control. Notwithstanding, all of the termination provisions shall be subject to the terms of any employment/severance agreement between the participant and the Corporation.
- SUs are not transferable other than by will or the laws of dissent and distribution.
- The specific amendment provisions for the SU Plan provide the Board or committee with the power, subject to the requisite regulatory approval, to make the following amendments without shareholder approval (without limitation):
  - amendments of a housekeeping nature;
  - the addition or a change to any vesting provisions of an SU;
  - changes to the termination provisions of an SU or the SU Plan; and
  - amendments to reflect changes to applicable securities or tax laws.

However, any of the following amendments also require shareholder approval:

- materially increasing the benefits to a holder of SUs who is an insider to the material detriment of the Corporation and its shareholders;
- increasing the number of Common Shares or maximum percentage of Common Shares which may be issued pursuant to the SU Plan (other than by virtue of adjustments permitted under the SU Plan);

- permitting SUs to be transferred other than for normal estate settlement purposes;
- removing or exceeding the insider participation limits of the SU Plan;
- materially modifying the eligibility requirements for participation in the SU Plan; or
- modifying the amending provisions of the SU Plan.

### **The New ISOP**

In the event that shareholders approve the SU Plan/ISOP Resolution, the New ISOP will replace the existing ISOP. No further awards shall be granted under the ISOP. However, any outstanding awards granted under the existing ISOP shall remain outstanding and shall continue to be governed by the provisions of the existing ISOP.

The following is a summary of the key terms of the New ISOP, which summary is qualified in its entirety by the full terms of the New ISOP attached hereto as Appendix C:

- The aggregate number of Common Shares available at all times for issuance under the New ISOP will be 30,000,000, which would represent approximately 5.1% of the Corporation's current issued and outstanding Common Shares. Any option which has been cancelled or terminated prior to exercise in accordance with the terms of the New ISOP will again be available under the New ISOP. If the SU Plan/ISOP Resolution is approved there would be 1,655,500 options outstanding under the New ISOP as a result of the Additional Options, which represents approximately 0.3% of the Corporation's current issued and outstanding Common Shares. Taking into consideration the Additional Options, a total of 28,344,500 options would remain available for grant under the New ISOP, which represents approximately 4.8% of the Corporation's current issued and outstanding Common Shares. If the SU Plan/ISOP Resolution is not approved the Additional Options will be cancelled.
- The exercise price per Common Share under an option shall be determined by the Board but, in any event, shall not be lower than the market price of the Common Shares of the Corporation on the date of grant of the options.
- The term of all options awarded under the New ISOP is a maximum of five years.
- Options granted pursuant to the New ISOP shall vest and become exercisable by an optionee at such time or times as may be determined by the Board at the date of grant and as indicated in the option commitment.
- In the event that the expiry of an option falls within, or within two days of, a trading blackout period imposed by the Corporation, the expiry date of the option shall be automatically extended to the tenth business day following the end of the blackout period as permitted by applicable TSX policies.
- The termination provisions under the New ISOP are as follows: An optionee will have, in all cases subject to the original option expiry date (i) a 12 month period to exercise his/her options, which will automatically vest, in the event of retirement; (ii) 90 days to exercise his/her options, which will automatically vest for optionees who have been continuously employed by the Corporation or by a company providing management services to the Corporation for at least two years including any notice period, if applicable, in the event of termination without cause; (iii) 90 days to exercise his/her options that have vested, in the event of resignation; and (iv) immediate termination of the options in the event of termination with cause, except as may be set out in the optionee's option commitment or as otherwise determined by the Board in its sole discretion. In the event of the death or disability of an optionee, all options will vest and the optionee will have, subject to the original option expiry date, 12 months to exercise his/her options. Notwithstanding the foregoing, all of the termination provisions shall be subject to the terms of any employment/severance agreement between the optionee and the Corporation.
- In the event of a change of control, all unvested options shall automatically vest on the date of the change of control and options may be cancelled if such options are out of the money.
- The grant of options under the New ISOP is subject to the number of the Common Shares: (i) issued to insiders of the Corporation, within any one (1) year period, and (ii) issuable to insiders of the Corporation, at any time, under the New ISOP, or when combined with all of the Corporation's other security based compensation arrangements, not exceeding 10% of the Corporation's total issued and outstanding Common Shares, respectively.
- The aggregate number of options granted pursuant to the New ISOP to any one non-employee director, if ever applicable, within any one-year period shall not exceed a maximum value of C\$100,000 worth of options. The value of the options shall be determined using a generally accepted valuation model.
- The aggregate number of Common Shares reserved for issuance pursuant to the New ISOP to non-employee directors as a group, if ever applicable, shall not exceed 1% of the number of issued and outstanding Common Shares, as calculated without reference to the initial options granted under the New ISOP to a person who is not previously an insider of the Corporation upon such person becoming or agreeing to become a director of the Corporation, and without reference to options held by former directors of the Corporation.

- The Board may delegate, to the extent permitted by applicable law and by resolution of the Board, its powers under the New ISOP to the Human Resource & Compensation Committee of the Board, or such other committee as the Board may determine from time to time.
- The specific amendment provisions for the New ISOP provide the Board or committee with the power, subject to the requisite regulatory approval, to make the following amendments without shareholder approval (without limitation):
  - amendments of a housekeeping nature;
  - the addition or a change to any vesting provisions of an option;
  - changes to the termination provisions of an option or the New ISOP which do not entail an extension beyond the original expiry date;
  - the addition of a cashless exercise feature, payable in cash or securities, whether or not providing for a full deduction of the number of underlying Common Shares from the New ISOP reserves; and
  - amendments to reflect changes to applicable securities or tax laws.

However, any of the following amendments shall also require shareholder approval:

- reduce the exercise price of an option or cancel and reissue an option;
- amend the term of an option to extend the term beyond its original expiry;
- amend the limits imposed on non-employee Directors (other than by virtue of adjustments permitted under the New ISOP);
- materially increase the benefits to the holder of the options who is an insider to the material detriment of the Corporation and its shareholders;
- increase the number of Common Shares or maximum percentage of Common Shares which may be issued pursuant to the New ISOP (other than by virtue of adjustments permitted under the New ISOP);
- permit options to be transferred other than for normal estate settlement purposes;
- remove or exceed the insider participation limits of the New ISOP;
- materially modify the eligibility requirements for participation in the New ISOP; or
- modify the amending provisions of the New ISOP.

### **TSX Approval**

The TSX has conditionally approved the SU Plan, the New ISOP and ratification of the Additional Options, subject to receipt from the Corporation of, among other things, evidence of shareholder approval. The Corporation does not anticipate granting any awards under the SU Plan prior to its 2015 executive compensation determinations.

### **Resolution**

The SU Plan/ISOP Resolution must be approved by a majority of the votes cast by shareholders present in person or represented by proxy at the Meeting or any adjournment or postponement thereof. If approved by shareholders at the Meeting, the SU Plan and the New ISOP will become effective and will replace the current ISOP. If not approved, the current ISOP will continue in full force and effect and the Additional Options will be cancelled. All outstanding options granted prior to the effective date of the New ISOP (with the exception of the Additional Options) will continue to be governed by the current ISOP.

The Board recommends that shareholders vote **FOR** the SU Plan/ISOP Resolution. To be effective, the SU Plan/ISOP Resolution must be approved by not less than a majority of the votes cast by the holders of Common Shares present in person, or represented by proxy, at the Meeting. **The nominees named in the accompanying form of proxy will vote the shares represented thereby FOR such resolution, unless the shareholder has given contrary instructions in such form of proxy.**

The text of the SU Plan/ISOP Resolution to be submitted to shareholders at the Meeting is set forth below:

“BE IT RESOLVED THAT:

1. the adoption of the Corporation’s SU Plan, substantially in the form attached to this Circular as Appendix B, be and is hereby authorized and approved;
2. the adoption of the Corporation’s New ISOP, substantially in the form attached to this Circular as Appendix C, be and is hereby authorized and approved;
3. the grant of 1,655,500 options to the executives of the Corporation as described in the Circular be and are hereby ratified; and
4. any one director or officer of the Corporation be and is hereby authorized and directed to execute and deliver for and in name of and on behalf of the Corporation, whether under its corporate seal or not, all such certificates, instruments, agreements, documents and notices and to do all such other acts and things as in such person’s opinion as may be necessary or desirable for the purpose of giving effect to these resolutions.”



## STATEMENT OF EXECUTIVE COMPENSATION

### COMPENSATION DISCUSSION AND ANALYSIS

This section describes the Corporation's approach to executive compensation by outlining the processes and decisions supporting the determination of the amounts which the Corporation paid its executives who were, during or as at the end of the Corporation's financial year ended December 31, 2013, the Chief Executive Officer, the Chief Financial Officer and three other most highly compensated executives of the Corporation (the "NEOs"). The NEOs for the 2013 financial year were:

Name	Title
Paul Conibear	President and Chief Executive Officer ("CEO")
Marie Inkster	Senior Vice President and Chief Financial Officer ("CFO")
Paul McRae	Senior Vice President, Projects ("SVP, Projects")
Julie Lee Harrs	Senior Vice President, Corporate Development ("SVP, Corporate Development")
Stephen Gatley	Vice President, Technical Services ("VP, Technical Services")

### COMPENSATION GOVERNANCE

#### Role of the Human Resources/Compensation Committee

The HRCC assists the Board in monitoring the Corporation's guidelines and practices with respect to compensation and benefits, as well as monitoring the administration of the Corporation's equity-based compensation plans. The HRCC's responsibilities include, but are not limited to:

- recommending to the Board human resources and compensation policies and guidelines for application to the Corporation;
- ensuring that the Corporation has in place programs to attract and develop management of the highest calibre and a process to provide for appropriate succession planning;
- reviewing and approving corporate goals and objectives relevant to the compensation of the CEO and, in light of those goals and objectives, recommending to the Board the annual salary, bonus and other benefits, direct and indirect, of the CEO and to approve compensation for all other executive officers of the Corporation, after considering the recommendations of the CEO, all within the human resources and compensation policies and guidelines approved by the Board; and
- monitoring implementation and the administration of human resources and executive compensation policies approved by the Board.

#### Composition of the Human Resources/Compensation Committee

The Board has determined that the HRCC is to be comprised of at least three directors, each of whom must be independent as defined in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. In addition, keeping with good governance practice, the HRCC should consist of directors who are knowledgeable about issues related to human resources, talent management, compensation, governance and risk management.

The current members of the HRCC include Mr. Donald K. Charter (Chair), Mr. Peter C. Jones and Mr. William A. Rand, all of whom are independent and have the skills and experience required by the Board and the HRCC mandate to carry out the responsibilities of the HRCC. Mr. Peter C. Jones replaced Mr. Dale Peniuk as a member of the HRCC on December 4, 2013.

Below is a summary of the skills and experience of the HRCC members:

Mr. Charter is a corporate director with career experience in executive leadership positions in mining and financial services. Most recently he was the President and Chief Executive Officer of a publicly traded producing coal mining company from August 2010 to July 2013. Mr. Charter is a member or former member of the compensation committees of several Canadian publicly traded companies including IAMGOLD Corporation, Great Plains Exploration Inc., Hudbay Minerals Inc., Adriana Resources and Baffinland Iron Mines Corporation. He was also Chief Executive Officer of a large financial services company and, as such, was directly involved with the compensation matters for more than one thousand employees. As a member of these committees and his executive positions, Mr. Charter has developed the requisite experience in reviewing and approving compensation programs, policies and guidelines in the mining industry for the Chief Executive Officer level, other executive officers and senior management, to ensure that such compensation programs are relevant to the goals of the Corporation.

Mr. Jones is a corporate director and retired executive with over 40 years of experience in the mining industry, including work in Europe, Africa, North and South America, Australia and Asia. Mr. Jones served as Interim President and CEO of IAMGOLD Corporation, President and Chief Operating Officer of Inco Ltd., and President and Chief Executive Officer of Hudson Bay Mining & Smelting Co. Mr. Jones has been a director of public companies for over 20 years. Mr. Jones is the former chairman of the compensation committee of Century Aluminum Co. and IAMGOLD Corporation and a member of the compensation committee of Concordia Resources and Red Crescent Resources.

Mr. Rand has been a member for many years of the compensation committees of several Canadian and Swedish publicly traded companies including Denison Mines Corp., Lundin Petroleum AB and NGEx Resources Inc. As a member of these committees, Mr. Rand has the requisite experience in reviewing and approving compensation programs, policies and guidelines in the mining industry for the Chief Executive Officer level, other executive officers and senior management, to ensure that such compensation programs are relevant to the goals of the Corporation. He has read extensively on the subject of executive compensation and worked with human resource specialists to develop such programs, policies and guidelines.

### Objectives of Compensation Program

The fundamental objective of the Corporation is the long-term creation and protection of shareholder value and the Corporation's employee compensation system is designed to:

- Attract, retain, motivate and reward high calibre talent through competitive pay practices
- Ensure retention by setting total compensation targets at a level that is competitive with the markets in which the Corporation competes
- Link the compensation system directly to specific corporate, operational, functional and personal performance objectives of the Corporation while not encouraging excessive or inappropriate risk taking in order to maximize shareholder return, promote sustainable growth and constantly improve the performance of the Corporation's operations
- Motivate high performers to achieve exceptional levels of performance through rewards
- Encourage high performers to develop internal talent
- Provide mechanisms to facilitate share ownership by executives and senior employees to encourage them to act as shareholders and not as caretakers

Critical criteria for the Corporation in all compensation mechanisms:

- Simple to understand and communicate
- Linked to measurable benchmarks
- Motivating
- Affordable for all parties

### Peer Group

The composition of the 2013 peer group for benchmarking overall executive compensation is listed below. Peers were selected on the basis of being a mining company trading on the TSX with which the Corporation believes it competes for employees. The peers selected reflect that while the Corporation competes with other base metal companies for shareholders, capital and mineral properties, the Corporation also competes with the broader mining industry for qualified and experienced executives. The composition of the 2013 peer group did not change from 2012 other than removing Inmet Mining Corporation due to its acquisition by First Quantum Minerals Ltd. in early 2013.

2013 Peer Group <sup>(1)</sup>	
AuRico Gold Inc.	IAMGOLD Corporation
First Quantum Minerals Ltd.	Pan American Silver Corp.
HudBay Minerals Inc.	Sherritt International Corporation

<sup>(1)</sup> The 2013 Total Shareholder Return ("TSR") objectives were measured against a specific peer group of companies which comprised Boliden AB, First Quantum Minerals Ltd., Hudbay Minerals Inc. and Nyrstar NV. This group of companies was used to provide an accurate and fair measure of the share price performance, as these entities have similar operational or metals characteristics and would attract a similar investor base.

The HRCC will evaluate and, if appropriate, update the composition of the peer group each year to ensure it remains relevant to the markets in which the Corporation competes.

## Elements of Compensation

The Corporation's compensation program has three primary elements: base salary, short-term incentive and long-term incentive. The combination of elements is designed to encourage executives to achieve strong short-term results while also being motivated to meet longer-term goals and objectives. The HRCC believes that the objective of the executive compensation practices should be to target a ratio of total direct compensation of an appropriate peer group. Total direct compensation is total base salary, target bonus and the estimated value of equity-linked compensation. The Corporation regularly reviews all elements of executive compensation to ensure that it continues to be aligned with the key strategic deliverables of the Corporation and industry practices.

Element of Compensation	Description	Objective
Base Salary	Base salary must be competitive with others in the industry generally, as well as within the regional markets in which the executive is located. Base salary levels take into account the executive's individual responsibilities, experience and performance.	To attract, retain and motivate a competent, strong and effective executive management group.
Short-Term Incentive	Annual cash incentive bonus is a portion of variable compensation that is designed to reward executives on an annual basis for achievement of corporate and business objectives as well as individual performance.	To attract, retain and motivate; pay for performance, and to align with the Corporation's business strategy. This is "at risk" compensation.
Long-Term Incentive	Equity compensation, in the form of stock options, is a portion of variable compensation that is designed to align executive and shareholder interests, focus executives on long-term value creation and support the retention of key executives in an increasingly competitive market. When granting long-term incentive plan stock options, the HRCC primarily considers the same performance criteria as used in determining short-term incentive plan awards which includes corporate and individual performance.	To attract, retain and motivate; to align with shareholder interests and to align with the Corporation's business strategy. This is "at risk" compensation both in terms of the amount granted and is linked to performance and the long-term value being dependent on share performance.

The HRCC has not established a strict application policy regarding the mix of base salary, short-term and long-term incentives to be paid or awarded to the NEOs and other senior executives. This allows the HRCC to be flexible in tailoring the compensation mix for each executive to the particular circumstances in effect at the time. However, the HRCC believes that a greater percentage of compensation for the NEOs and other senior executives should increasingly come from the variable, performance-based plans, and the mix of compensation should be structured to balance the need to drive results based on the particular NEO's position as well as to support the long-term growth of the Corporation overall.

The Corporation's compensation programs are reasonable, fair to both executives and shareholders, and competitive with compensation made available by the Corporation's peers and other mining companies.

## **2013 TOTAL DIRECT COMPENSATION**

The following provides a detailed discussion of the decisions made in order to determine each NEO's total direct compensation for 2013, which comprises base salary and short and long-term incentives.

### **Summary of 2013 Performance**

In addition to the specific corporate performance metric of KPIs (all discussed later), the HRCC always looks at the overall performance of the Corporation to ensure that the compensation outcomes are reflective of the year the Corporation had overall. In this regard the Corporation achieved strong overall production and financial results, despite a low metal price environment. Total sales for the year were US\$727.8 million, with net earnings of US\$136.7 million (or US\$0.23/share) and cash flow from operations of US\$153.7 million.

The Neves-Corvo mine ("Neves-Corvo") exceeded the high end of its original production guidance for copper and zinc and generated approximately 1,500 tonnes of unplanned lead in concentrate from its zinc circuit. The Zinkgruvan mine ("Zinkgruvan") struggled with paste fill and local ground control issues early in the year but managed to complete the year just shy of its 2013 production targets. The Aguablanca mine ("Aguablanca") took advantage of its first full year of production since 2009, achieving significantly higher nickel and copper volumes than was projected. 2013 was also a year of significant corporate activity, with a number of strategic options investigated and the successful acquisition of Eagle Mine LLC (the "Eagle Project") and a 24% share in the Kokkola cobalt refinery located in Finland and the related sales and marketing business ("Freeport Cobalt").

Since the acquisition on July 17, 2013, all Eagle Project activities were re-initiated and the project is tracking to ship first saleable concentrates of copper and nickel by the end of 2014. As of December 31, 2013, all senior operating positions had been filled, critical spare parts had been purchased, major operating contracts had been awarded and most of the major equipment has been delivered. The capital cost of the project from the date of acquisition is estimated at US\$400 million and is on track to be completed within budget.

At Aguablanca, in addition to the efforts undertaken by management to stabilize the south wall and secure the existing open pit ore reserve, significant analysis and evaluation were completed to support and identify a beneficial underground expansion. This new phase of production is expected to commence shortly after the end of open pit mining in 2014 and continue until 2018.

The 2013 near-mine exploration program was primarily directed towards Neves-Corvo which included a total of 45,000 metres of surface drilling. Drilling focused on delineating additional copper resources in the Monte Branco area, located approximately 1.2 kilometres to the south of the Semblana copper deposit, as well as investigating higher potential areas between Semblana and Monte Branco, and between the Zambujal ore-body to the northwest and Monte Branco. The Corporation also undertook select greenfield exploration programs and new business development activities in South America and Eastern Europe.

The Tenke Fungurume (“Tenke”) asset continued to perform well and benefited from completion of the Phase 2 expansion. Although Tenke experienced external power interruptions in the second half of the year, it achieved record copper production, with a 33% improvement over the prior year. Local management continues to work with its power provider and Democratic Republic of Congo authorities to establish more consistent and reliable power supply.

Financially, the Corporation completed amendments to its credit agreement, providing a new term loan of US\$250 million and an extension on its existing US\$350 million facility. This arrangement provides very flexible, cost effective funding to ensure financial support of the Eagle Project.

### **Base Salary**

The HRCC reviewed base salaries by reviewing industry trends, competitive market data, internal equality among executive positions and individual performance measured against the achievement of business and operating goals. For 2014, salaries were increased approximately 2% for the CEO and an average of 3.5% for all other NEOs. The table below summarizes each NEO’s base salary and increases for 2014.

NEO	2013 Base Salary (US\$) <sup>(1)</sup>	Increase to Base Salary	2014 Base Salary (US\$) <sup>(1)</sup>
Paul Conibear CEO	750,098	2%	765,099
Marie Inkster CFO	396,051	2%	403,973
Paul McRae SVP, Projects	505,217	2%	515,321
Julie Lee Harrs SVP, Corporate Development	350,046	7%	374,549
Stephen Gatley VP, Technical Services	402,885	3%	414,971

<sup>(1)</sup> NEOs were paid in C\$, except Messrs. McRae and Gatley who were paid in £. See heading “Currency” above for the exchange rates.

### **Short-Term Incentive Plan**

The Corporation’s Short-Term Incentive Plan (“STIP”) provides a performance related “at risk” annual cash payment based on a targeted level of incentive for each position and the results of the executive’s Key Performance Indicators (“KPIs” or “personal objectives”). The amount of any potential STIP awards is set out as a percent of base salary and is subject to an overall cap. The STIP award is the outcome of a holistic process that links business planning with an evaluation of executive’s KPIs together with corporate performance on a relative basis. The STIP is intended to link pay to annual performance commitments that will contribute to enhanced shareholder value as well as comparative share performance.

At the beginning of each year key strategic deliverables/corporate objectives are designed by the CEO and senior management in consultation with the Board to enhance overall corporate performance consistent with the strategic plan and budget of the Corporation

as approved by the Board. Each executive and other members of management have specific KPIs, which are a subset of the Corporation's key strategic deliverables.

The proportion of short-term incentive linked to corporate objectives/KPIs increases with the seniority of the individual.

Target levels of performance are established as guidelines and are not applied as an absolute formula. The HRCC believes that fixed formulas may lead to an unwanted STIP award that does not accurately reflect actual performance when viewed holistically; as a result, the experiences of the Board should be the ultimate determinant of final, overall compensation within the context of those pre-determined guidelines.

With respect to the corporate performance benchmarks of relative TSR and operational budget the Corporation met or exceeded the targeted goals to achieve the target weighting for each individual. With respect to the individuals' KPI performance, each individual exceeded the benchmarks set out. In view of the overall performance for the year discussed above together with the STIP guidelines, each NEO achieved a weighting above the target. The below table sets out each NEO's 2013 target STIP with the respective corporate and personal weightings; 2013 actual STIP paid; and 2013 actual STIP paid as a percentage of 2013 base salary:

NEO	2013 Target STIP as a Percentage of Base Salary	Target STIP Corporate Weighting	Target STIP Personal Weighting	2013 STIP Paid (US\$) <sup>(1)</sup>	2013 STIP Paid as an approximate Percentage of Base Salary
Paul Conibear CEO	120%	50%	50%	990,129	132%
Marie Inkster CFO	80%	50%	50%	380,214	96%
Paul McRae SVP, Projects	50%	35%	65%	315,768	63%
Julie Lee Harrs SVP, Corporate Development	65%	35%	65%	273,035	78%
Stephen Gatley VP, Technical Services	55%	35%	65%	232,672	58%

<sup>(1)</sup> All the NEOs were paid in C\$, except Messrs. McRae and Gatley who were paid in £. See heading "Currency" above for the exchange rates.

#### **Short-Term Incentive Plan – Corporate Performance**

The 2013 corporate objectives included operational improvement, health and safety performance, process standardization and improvement, financial management, investor relations, increases in resources and reserves, and business growth and development initiatives. These, along with the key budgetary deliverables, were designed to enhance overall performance, improve financial strength and grow the business of the Corporation. The table below outlines the 2013 financial and safety targets, TSR targets and results. The 2013 TSR objectives were measured against a specific peer group of companies which comprised Boliden AB, First Quantum Minerals Ltd., Hudbay Minerals Inc. and Nyrstar NV. This group of companies was used to provide an accurate and fair measure of the share price performance, as these entities have similar operational or metals characteristics and would attract a similar investor base.

#### **Financial and TSR Targets:**

	Threshold	On Target	Stretch	Weighting
<b>Stock Price (Performance vs 2013 Peer Group)</b> (November VWAP)	-15%	Equal to Simple Average of Peer Group	+20%	40%
<b>Operating Cash Flow</b> (factored for actual metal prices vs budget price deck)	-10%	Per Budget	+20%	40%

#### **Safety Targets:**

	Threshold	On Target	Stretch	Weighting
Fatalities	0	0	0	10%
Total Recordable Incident Frequency	2.2	1.8	< 1.2	10%

The Corporation's performance for 2013 was on or above Target.

### **Short-Term Incentive – Personal Objectives / KPIs**

KPIs/personal objectives are evaluated by the CEO and discussed with the HRCC in terms of the level of accomplishment of the KPIs approved by the HRCC. Below is a summary of the NEOs 2013 KPI achievements.

#### **Paul Conibear CEO**

Mr. Conibear focused the business on growth as well as continued stable operating performance, optimization and improvement in all parts of the organization. The result of the focus on growth was the successful acquisition of the Eagle Project, the investment alongside Freeport-McMoRan Copper & Gold Inc. (“Freeport”) in Freeport Cobalt and the significant extension of the life of mine at Aguablanca with an underground project. Copper and nickel production exceeded the high end of the Corporation’s production guidance, while zinc and lead met the overall targets. Higher throughput at Neves-Corvo resulted in better than expected copper production, while nickel and copper production at Aguablanca was assisted by better than expected throughput, grades and recoveries.

Mr. Conibear continues to take significant steps to progress strategic expansion into new geographical regions while continuing to optimize the Corporation’s existing assets through projects at Neves-Corvo, and continuous improvement at Zinkgruvan. The Corporation strongly outperformed most of its peer group.

Mr. Conibear continued a very successful investor relations program and has continued to favourably position the Corporation in the marketplace with analysts and investors.

#### **Marie Inkster CFO**

Ms. Inkster completed a variety of goals established in the areas of finance, treasury, tax, risk management, information technology and corporate development. Notably, Ms. Inkster completed a major financing package for the acquisition of the Eagle Project, significantly improving the Corporation’s financing flexibility. The resulting US\$600 million debt facility package that was achieved enables the Corporation to move forward with a very competitive, low interest rate, flexible, loan facility which came with minimal arranging fees, supported by a quality banking syndicate. Ms. Inkster has also been instrumental in reviewing and improving the Corporation’s approach to risk management and has, with her team, supported corporate development activities, developed and executed on integration plans for the Eagle Project.

#### **Paul McRae SVP, Projects**

Since joining the Corporation, Mr. McRae has had a significant positive impact on the overall project delivery capability of the Corporation, hiring experienced project managers and initiating improvements to project management execution. Mr. McRae has had a leading role in championing health and safety throughout the Corporation, at the same time as leading the project component of due diligence on the Eagle Project and establishing a refined execution plan to bring the operation on stream on time and on budget. From the time of announcement of the asset acquisition, Mr. McRae has been the Corporation’s executive responsible for the successful delivery of the Eagle Project investment, with this mandate effective up to successful commencement of production. The very efficient transition of ownership transfer from Rio Tinto plc, rapid remobilization of construction activities, high local stakeholder support continuing post asset transfer and to date on time/on schedule execution of the project are notable achievements led by Mr. McRae as the project advances.

#### **Julie Lee Harrs SVP, Corporate Development**

Ms. Lee Harrs has led the corporate development team in identifying and evaluating various strategic initiatives. This has culminated in the acquisition, with Freeport, of Freeport Cobalt and the acquisition of the Eagle Project, as well as leading competitive bid processes for other potential acquisitions. In addition, she has provided acquisition support for the growth projects identified by the exploration team. Ms. Lee Harrs manages the Corporation’s relationship with Freeport in connection with the companies’ shared interests in Tenke and Freeport Cobalt. As well, since July 1, 2012, Ms. Lee Harrs has executive responsibility for the Corporation’s Galmoy mine in Ireland, including oversight responsibility for the completion of mining activities which occurred in October 2012 and various activities relating to the ongoing closure plan which is progressing according to plan.

#### **Stephen Gatley VP, Technical Services**

Mr. Gatley had a key role in providing technical input for the due diligence and acquisition processes for both corporate development and exploration/new business development. He led technical due diligence and served as a key member of the integration team for the Eagle Project. Mr. Gatley also led the coordination of various National Instrument 43-101 technical reports for Neves-Corvo and Zinkgruvan and latterly for the Eagle Project. Mr. Gatley became responsible for environmental matters in 2013 and successfully integrated the function into technical services, recruiting additional talent as required. He led the completion and publication of the Corporation’s annual Sustainability Report along with other environmental reports throughout the year.

### Long-Term Incentive Plan

The Corporation provides long-term incentives currently through grants of stock options made pursuant to the ISOP (this plan as approved by shareholders only permits the issue of options, the HRCC is seeking shareholder approval to approve the SU Plan which will allow the use of share unit type incentives as well). Stock options are awarded on assessment of corporate and personal performance in a similar manner as the STIP. The Corporation believes its long-term incentive plan ("LTIP") awards provide executives an opportunity to build ownership in the business and align their interests with those of shareholders. The recipients of these awards achieve an increase in value only to the extent the Corporation's shareholders benefit from the increase in the Corporation's stock price. Stock option grants vest over three years from the date of grant and have a five-year term.

When granting LTIP stock options, in addition to the performance criteria discussed, the HRCC considers past stock option grants and the total compensation amounts of the Corporation's selected annual peer group to ensure that the amount of incentive and retention provided by the plan is competitive in the market in which the Corporation competes for talent.

In prior years, LTIP awards were granted in December of each year. Consistent with the use of performance based criteria for both the STIP and LTIP, for 2013, the HRCC has changed the grant date to after the release of the Corporation's annual financial statements such that both forms of incentive awards are considered together.

The following stock options were granted in 2014 with respect to 2013 compensation to each NEO. These stock options will vest in one-thirds on the first, second and third anniversary of the date of grant and will expire in five years.

NEO	Number of Stock Options Awarded	% of 2013 Base Salary Awarded <sup>(2)</sup>	Value of Stock Options Awarded (US\$) <sup>(2)</sup>	% of Total Options Granted to All Employees in the Financial Year <sup>(1)</sup>
Paul Conibear CEO	300,000 <sup>(3)</sup>	74%	558,000	6.5%
Marie Inkster CFO	280,200 <sup>(4)</sup>	132%	521,172	6.0%
Paul McRae SVP, Projects	210,000 <sup>(5)</sup>	77%	390,600	4.5%
Julie Lee Harrs SVP, Corporate Development	210,000 <sup>(5)</sup>	112%	390,600	4.5%
Stephen Gatley VP, Technical Services	180,000 <sup>(6)</sup>	83%	334,800	3.9%

<sup>(1)</sup> A total of 4,645,200 stock options were granted with respect to the 2013 financial year, including the 3,475,200 stock options that were granted in February 2014 relating to 2013 compensation.

<sup>(2)</sup> The value of the options awarded was determined based on the Black-Scholes fair value of the Common Shares on the grant date of C\$1.92 (US\$1.86).

<sup>(3)</sup> 280,000 of these options are part of the Additional Options and will be cancelled if shareholders do not approve the SU Plan/ISOP Resolution at the Meeting. See "Business of Meeting — Adoption of Share Unit Plan, New Incentive Stock Option Plan and Ratification of Additional Options".

<sup>(4)</sup> 240,000 of these options are part of the Additional Options and will be cancelled if shareholders do not approve the SU Plan/ISOP Resolution at the Meeting. See "Business of Meeting — Adoption of Share Unit Plan, New Incentive Stock Option Plan and Ratification of Additional Options".

<sup>(5)</sup> 180,000 of these options are part of the Additional Options and will be cancelled if shareholders do not approve the SU Plan/ISOP Resolution at the Meeting. See "Business of Meeting — Adoption of Share Unit Plan, New Incentive Stock Option Plan and Ratification of Additional Options".

<sup>(6)</sup> 150,000 of these options are part of the Additional Options and will be cancelled if shareholders do not approve the SU Plan/ISOP Resolution at the Meeting. See "Business of Meeting — Adoption of Share Unit Plan, New Incentive Stock Option Plan and Ratification of Additional Options".

### Phantom Share Appreciation Rights

Mr. Conibear's employment agreement contemplates the use of phantom share appreciation rights ("PSAR"). Effective May 1, 2013, Mr. Conibear received an increase in his PSAR from 250,000 to 500,000 shares for the 12 months ending April 30, 2014. Under the grant, Mr. Conibear will receive cash equal to the increase, if any, in the value of the Corporation's stock during the 12-month period following the PSAR grant date. In accordance with Mr. Conibear's employment agreement, he is entitled to receive an annual grant of 250,000 PSARs with a 12-month term.

### Hedging

The Corporation has a policy prohibiting any NEO or director from purchasing financial instruments designed to hedge against a decrease in the market value of equity securities granted as compensation or held directly or indirectly by the NEO or the director.



## **THE CORPORATION'S INCENTIVE STOCK OPTION PLAN**

The ISOP is currently the only shareholder approved equity-based compensation arrangement pursuant to which securities may be issued from treasury of the Corporation. As outlined above, shareholders will be asked at the Meeting to consider the adoption of the SU Plan, the adoption of the New ISOP and the ratification of the Additional Options. The use of share unit incentive grants in addition to options increases the flexibility of the HRCC to ensure that the compensation policies of the Corporation remain competitive and in line with industry practice. Assuming shareholders approve the New ISOP, all outstanding options granted prior to the effective date of the New ISOP (with the exception of the Additional Options) will continue to be governed by the current ISOP. For further details, see "Business of the Meeting – Adoption of Share Unit Plan, New Incentive Stock Option Plan and Ratification of Additional Options" and "Executive Compensation – Compensation Discussion and Analysis".

The following summary relates to the key terms of the ISOP as it currently exists.

- The Board, or a committee appointed for such purposes, may, from time to time, grant to directors, officers, eligible employees of or consultants to, the Corporation or its subsidiaries, or to employees of management companies providing services to the Corporation (collectively, the "Eligible Personnel"), options to acquire Common Shares in such numbers, for such terms and at such exercise prices as may be determined by the Board or such committee.
- The purpose of the ISOP is to advance the interests of the Corporation by providing Eligible Personnel with a financial incentive for the continued improvement of the Corporation's performance and encouragement to stay with the Corporation. The Corporation's current policy is to not grant directors of the Corporation stock options.
- The Board has the authority under the ISOP to establish the option price at the time each share option is granted but, in any event, it shall not be lower than the market price of the Common Shares on the date of grant of the options. The market price shall be calculated as the closing market price on the TSX of the Common Shares on the date of the grant, or, if the date of grant is not a trading day, the closing price of the Common Shares on the last trading day prior to the date of grant.
- The Board has the authority to set the periods within which options may be exercised and the number of options which may be exercised in any such period. This shall be determined by the Board at the time of granting the options provided; however, all options must be exercisable during a period not extending beyond ten years from the date of the option grant unless otherwise permitted by the TSX.
- The Board has the authority to determine the vesting terms of the options at the date of the option grant and as indicated in any option commitment related thereto. Notwithstanding the foregoing, options granted to consultants providing investor relations services shall vest in stages over a 12-month period with a maximum of one-quarter of the options vesting in any 3 month period.
- The aggregate number of Common Shares reserved for issuance for all purposes under the ISOP and all other share-based compensation arrangements is 21,000,000. In addition, the ISOP contains the following restrictions on the issuance of options:
  - The aggregate number of Common Shares reserved for issuance pursuant to the ISOP or any other share based compensation arrangement (pre-existing or otherwise) to any one participant shall not exceed 5% of the Common Shares outstanding from time to time, to any consultant within any one-year period shall not exceed 2% of the Common Shares outstanding at the time of the grant, to any employee conducting investor relations activities within any one-year period shall not exceed 2% of the Common Shares outstanding at the time of the grant, and to insiders shall not exceed 10% of the Common Shares outstanding at any time unless the Corporation obtains disinterested shareholder approval to do so.
  - The aggregate number of Common Shares issued and options granted pursuant to the ISOP or any other share based compensation arrangement (pre-existing or otherwise) to insiders within any one-year period shall not exceed 10% of the Common Shares outstanding unless the Corporation has obtained disinterested shareholder approval to do so, and to any one insider and such insider's associates within any one-year period shall not exceed 5% of the Common Shares outstanding from time to time unless the Corporation has obtained disinterested shareholder approval to do so.
- Any Common Shares subject to a share option which for any reason is cancelled or terminated without having been exercised will again be available for grant under the ISOP.
- Options are not transferable other than by will or the laws of dissent and distribution. Typically, if an optionee ceases to be an Eligible Person for any reason whatsoever other than death, each option held by such optionee will cease to be exercisable 60 days following the termination date (being the date on which such optionee ceases to be an Eligible Personnel). If an optionee dies, the legal representative of the optionee may exercise the optionee's options within 12 months after the date of the optionee's death but only up to and including the original option expiry date.
- The Board may from time to time, subject to applicable law and to the prior approval, if required, of the TSX or any other regulatory body having authority over the Corporation or the ISOP or, if required by the rules and policies of the TSX, the shareholders of the Corporation, suspend, terminate or discontinue the ISOP at any time, or amend or revise the terms of the ISOP or of any option granted under the ISOP and the option commitment relating thereto, provided that no such amendment,



revision, suspension, termination or discontinuance shall in any manner adversely affect any option previously granted to an optionee under the ISOP without the consent of that optionee.

- The Corporation provides no financial assistance to facilitate the purchase of Common Shares by Eligible Personnel who hold options granted under the ISOP.

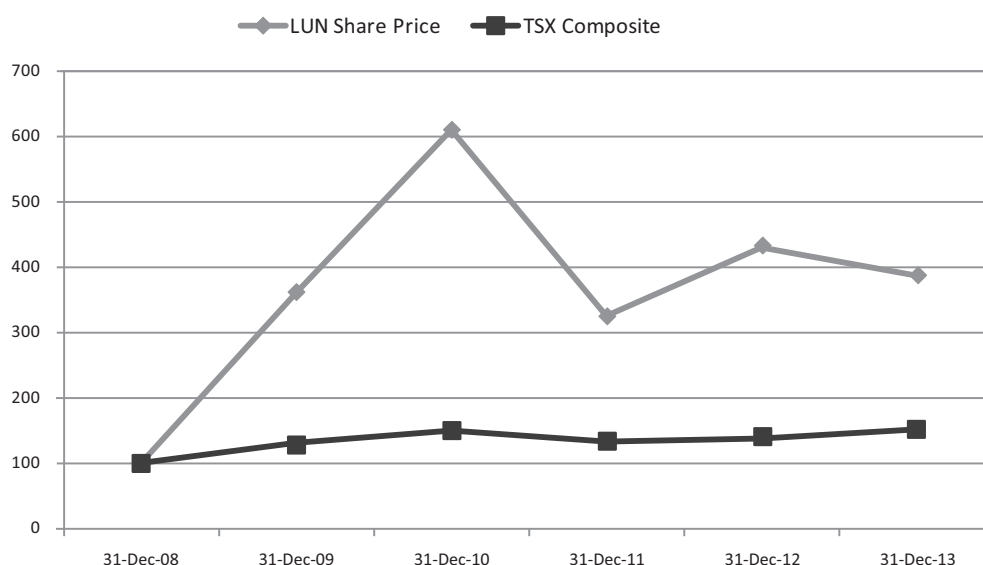
As of date of this Circular, there were 11,247,366 stock options outstanding under the ISOP, representing approximately 1.9% of the Corporation's current issued and outstanding Common Shares. As a result of past issuances and exercises under the ISOP there is currently only availability to grant 544 options under the ISOP unless current outstanding options are cancelled, terminated or forfeited. As a result of the lack of room under the current ISOP, on February 25, 2014, the Board granted the Additional Options to certain executives of the Corporation subject to the Board approving the New ISOP, the approval of the TSX and shareholder approval at the Meeting. The Board has subsequently approved the New ISOP and the TSX has conditionally approved the Additional Options. The Additional Options cannot be exercised until the Corporation has obtained shareholder approval at the Meeting and will be cancelled if shareholders do not approve the SU Plan/ISOP Resolution at the Meeting. For further information with respect to the New ISOP, Additional Options and SU Plan please see "Business of the Meeting – Adoption of Share Unit Plan, New Incentive Stock Option Plan and Ratification of Additional Options".

### **OPPORTUNITIES FOR 2015 COMPENSATION**

In 2014, Mercer (Canada) Limited ("Mercer") was retained to review the peer group of the Corporation and to perform an executive benchmarking review for the senior executives, including base salary, short-term incentives, long-term incentives, total cash compensation, total direct compensation and compensation mix. The HRCC also independently engaged Hugessen to confirm the findings. The 2015 executive compensation program anticipates expanding the Corporation's current LTIP to include SUs, if the SU Plan/ISOP Resolution is approved by the shareholders at this Meeting.

### **PERFORMANCE GRAPH**

The following graph compares the yearly percentage change in the cumulative total shareholder return on the TSX for C\$100 invested in Common Shares on December 31, 2008 against the cumulative total shareholder return of the S&P/TSX Composite Index for the five most recently completed financial years of the Corporation.



	31-Dec-08	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13
Lundin Mining Corporation Stock Closing Price at Year End (C\$)	1.19	4.30	7.26	3.87	5.12	4.60
Corporation Total Return – Base 2008 (C\$)	100	361	610	325	430	387
S&P/TSX Composite Index Index Closing Price at Year End (C\$)	8,987.70	11,746.11	13,443.22	11,955.09	12,433.53	13,621.55
Total Return Index – Base 2008 (C\$)	100	131	150	133	138	152

The Corporation is included in the S&P/TSX Composite and the graph and chart above shows the relative share performance of the Corporation to this index. As discussed above, the current compensation policy relates performance compensation of executives to specific benchmarks which include specific operational objectives and individual objectives as well as relative share price performance compared to the described specific peer group. Accordingly, there is no direct link between the index shown and executive compensation as determined by the HRCC. However, as an observation, it should be noted that in 2008, the NEO total compensation as reported was US\$9,381,147 and in 2013 it was US\$7,383,756, as shown in this Circular. Total NEO compensation has declined while the share price performance is up significantly over the same period of time. During this period there have been three (3) Chief Executive Officers of the Corporation. Of significant note is that the total amount of compensation which is “at risk” and performance related for the current CEO is significant while for the previous CEO it was negligible. This is reflective of the overall trend and development of executive compensation for the Corporation over this period of time.

## SUMMARY COMPENSATION TABLE<sup>(1)</sup>

The following table sets out the total compensation actually paid to the NEOs in the most recently completed financial year as well as the two previous financial years, to the extent the NEO was employed with the Corporation.

Name and principal position	Year	Salary (US\$)	Share-based awards (US\$) <sup>(2)</sup>	Option-based awards (US\$) <sup>(3)</sup>	Non-equity incentive plan compensation (US\$)		Pension Value (US\$)	All other compensation (US\$)	Total compensation (US\$)
					Annual incentive plans (US\$) <sup>(4)</sup>	Long-term incentive plans			
Paul Conibear <sup>(7)</sup> CEO	2013	750,098	323,329	558,000	990,129	–	–	62,274 <sup>(5)</sup>	2,683,830
	2012	750,600	–	500,400	900,720	–	–	32,940 <sup>(6)</sup>	2,184,660
	2011	918,056	581,555	–	505,700	–	–	31,952 <sup>(6)</sup>	2,037,263
Marie Inkster CFO	2013	396,051	–	521,172	380,214	–	–	30,767 <sup>(5)</sup>	1,328,204
	2012	396,317	–	450,360	296,247	–	–	31,711 <sup>(6)</sup>	1,174,635
	2011	364,104	–	649,319	202,280	–	–	31,439 <sup>(6)</sup>	1,247,142
Paul McRae SVP, Projects	2013	505,217	–	390,600	315,768	–	–	104,714 <sup>(5)</sup>	1,316,299
	2012	496,992	–	958,661 <sup>(8)</sup>	248,496	–	–	112,255 <sup>(6)</sup>	1,816,404
Julie Lee Harrs <sup>(9)</sup> SVP, Corporate Development	2013	350,046	–	390,600	273,035	–	–	26,867 <sup>(5)</sup>	1,040,548
	2012	350,280	–	300,240	192,654	–	–	27,692 <sup>(6)</sup>	870,866
	2011	53,777	–	556,270	–	–	–	1,556 <sup>(6)</sup>	611,762
Stephen Gatley <sup>(10)</sup> VP, Technical Services	2013	402,885	–	334,800	232,672	–	–	44,518 <sup>(5)</sup>	1,014,875
	2012	326,751	–	476,781 <sup>(11)</sup>	166,854	–	–	37,185 <sup>(6)</sup>	1,007,571
	2011	247,756	–	324,659	74,327	–	–	28,133 <sup>(6)</sup>	674,875

<sup>(1)</sup> All the NEOs were paid in C\$, except Messrs. McRae and Gatley who were paid in £. See heading “Currency” above for the exchange rates.

<sup>(2)</sup> This amount represents the fair value of the 500,000 PSARs, on the date of grant calculated using the Black Scholes model according to IFRS2 Share-based payment of IFRS since it is used consistently by comparable companies. The key assumptions and estimates used for the calculation of the grant date fair value under this model include the risk-free interest rate, expected stock price volatility, expected life and expected dividend yield. Fair values were calculated in C\$ and translated into US\$. Any actual value will depend on the value of the Common Shares on April 30, 2014 (the “Maturity Date”). On the Maturity Date, Mr. Conibear will receive cash equal to the increase, if any, in the value of the Common Shares from the date of grant to the Maturity Date. The value of the award will be equal to the positive difference between the closing price of the Common Shares on the TSX on the Maturity Date minus the closing price on the award date. If Mr. Conibear resigns, or his employment is terminated for just cause before the payout of any grant, the grant will lapse immediately. If his employment is terminated by the Corporation without just cause before the payout of any grant, the grant will be valued and paid out as of the employment termination date.

<sup>(3)</sup> The value of the 2013 stock options that were granted in February 2014 was determined based on the Black-Scholes fair value of the Common Shares on the grant date of C\$1.92 (US\$1.86). Note that certain of these options are part of the Additional Options and will be cancelled if shareholders do not approve the SU Plan/ISOP Resolution at the Meeting. See “Business of the Meeting – Adoption of Share Unit Plan, New Incentive Stock Option Plan and Ratification of Additional Options”. The fair value of stock option awards on the grant date were calculated using the Black Scholes model according to IFRS2 Share-based payment of IFRS since it is used consistently by comparable companies. Below are the key assumptions and estimates:

	Volatility (%)	Risk-Free Rate (%)	Exercise Price (C\$ / US\$)
2014*	49.3%	1.33%	C\$5.18 / US\$5.03
2012	54.6%	1.27%	C\$4.96 / US\$4.82
2011	62.2%	1.12%	C\$3.92 / US\$3.81

\* The 2014 stock option grants are included in 2013 compensation.

<sup>(4)</sup> Represents incentive awards in respect of the corresponding year’s performance but are paid the following year.

<sup>(5)</sup> Amounts in this column typically consist of, but are not limited to, benefits such as retirement savings benefits, supplemental life and other additional benefits and parking allowances. As an expat, Mr. McRae also received expat benefits, education and taxable benefits for travel-related expenses and an amount representing 6% of his base salary in cash due to his inability to participate in the contributory retirement savings scheme offered in the United Kingdom. Mr. Conibear received the cash value for his 2011 PSARs that matured in 2013.

<sup>(6)</sup> These amounts typically consist of, but are not limited to, benefits such as retirement savings benefits. As an expat, Mr. McRae also received education and housing allowances in 2012 and received an amount representing 6% of his base salary in cash due to his inability to participate in the contributory retirement savings scheme offered in the United Kingdom.

<sup>(7)</sup> Paul Conibear was Senior Vice President, Corporate Development, from October 2009 to June 2011. On June 30, 2011, Mr. Conibear was appointed to the position of President and Chief Executive Officer on an interim basis and was permanently appointed on October 31, 2011.

<sup>(8)</sup> A stock option grant of was made to Mr. McRae in late 2011 related to his new employment with the Corporation starting on January 1, 2012 and has been included in the 2012 total.

<sup>(9)</sup> Ms. Lee Harrs joined the Corporation on November 6, 2011.

<sup>(10)</sup> Mr. Gatley was promoted to the position of General Manager, Technical Services in August 2007 and on June 30, 2012 was appointed Vice President, Technical Services.

<sup>(11)</sup> A stock option grant of 60,000 options was made to Mr. Gatley on May 28, 2012 relating to his appointment to Vice President, Technical Services and an annual stock option grant of 180,000 options was made to Mr. Gatley on December 10, 2012.

## INCENTIVE PLAN AWARDS

### OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS

The following table sets forth for each NEO all awards outstanding at the end of the most recently completed financial year. The following also includes awards granted in 2014 in respect of 2013 performance as disclosed in the Summary Compensation Table above.

NEO	Grant date	Option-based Awards				Share-based Awards	
		Number of securities underlying unexercised options (#)	Option exercise price (US\$) <sup>(2)</sup>	Option expiration date	Value of unexercised in-the-money options (US\$) <sup>(1)(2)</sup>	Number of shares or units of shares that have not vested (#)	Market payout value of share-based awards that have not vested (US\$) <sup>(1)</sup>
Paul Conibear CEO	Dec 10/12	250,000	4.71	Dec 9/17	–	–	–
	May 1/13	–	–	–	–	500,000 <sup>(12)</sup>	300,000 <sup>(12)</sup>
	Feb 25/14	300,000 <sup>(3)</sup>	4.87	Feb 24/19	–	–	–
Marie Inkster CFO	Dec 12/11	300,000	3.66	Dec 11/16	198,000 <sup>(7)</sup>	–	–
	Dec 10/12	225,000	4.71	Dec 9/17	–	–	–
	Feb 25/14	280,200 <sup>(4)</sup>	4.87	Feb 24/19	–	–	–
Paul McRae SVP, Projects	Oct 31/11	300,000	3.68	Jan 2/17	192,000 <sup>(8)</sup>	–	–
	Dec 10/12	150,000	4.71	Dec 9/17	–	–	–
	Feb 25/14	210,000 <sup>(5)</sup>	4.87	Feb 24/19	–	–	–
Julie Lee Harrs SVP, Corporate Development	Nov 7/11	250,000	3.75	Nov 6/16	142,500 <sup>(9)</sup>	–	–
	Dec 10/12	150,000	4.71	Dec 9/17	–	–	–
	Feb 25/14	210,000 <sup>(5)</sup>	4.87	Feb 24/19	–	–	–
Stephen Gatley VP, Technical Services	Dec 12/11	150,000	3.66	Dec 11/16	99,000 <sup>(10)</sup>	–	–
	May 28/12	60,000	3.80	May 27/17	31,200 <sup>(11)</sup>	–	–
	Dec 10/12	180,000	4.71	Dec 9/17	–	–	–
	Feb 25/14	180,000 <sup>(6)</sup>	4.87	Feb 25/19	–	–	–

<sup>(1)</sup> The closing exchange rate on December 31, 2013 of US\$0.9402:C\$1.00 was used in this table.

<sup>(2)</sup> Based on the closing price of the Common Shares on the TSX on December 31, 2013 of C\$4.60 (US\$4.32) per Common Share, less the exercise price of the in-the-money stock options. These Options have not been, and may never be, exercised and the actual gain, if any, on exercise will depend on the value of the Common Shares on the date of exercise.

<sup>(3)</sup> 280,000 of these options are part of the Additional Options and will be cancelled if shareholders do not approve the SU Plan/ISOP Resolution at the Meeting. See “Business of the Meeting – Adoption of Share Unit Plan, New Incentive Stock Option Plan and Ratification of Additional Options”.

<sup>(4)</sup> 240,000 of these options are part of the Additional Options and will be cancelled if shareholders do not approve the SU Plan/ISOP Resolution at the Meeting. See “Business of the Meeting – Adoption of Share Unit Plan, New Incentive Stock Option Plan and Ratification of Additional Options”.

<sup>(5)</sup> 180,000 of these options are part of the Additional Options and will be cancelled if shareholders do not approve the SU Plan/ISOP Resolution at the Meeting. See “Business of the Meeting – Adoption of Share Unit Plan, New Incentive Stock Option Plan and Ratification of Additional Options”.

<sup>(6)</sup> 150,000 of these options are part of the Additional Options and will be cancelled if shareholders do not approve the SU Plan/ISOP Resolution at the Meeting. See “Business of the Meeting – Adoption of Share Unit Plan, New Incentive Stock Option Plan and Ratification of Additional Options”.

<sup>(7)</sup> This value represents 200,000 vested options and 100,000 unvested options. 100,000 options vest on December 12, 2014.

<sup>(8)</sup> This value represents 200,000 vested options and 100,000 unvested options. 100,000 options vest on October 31, 2014.

<sup>(9)</sup> This value represents 166,666 vested options and 83,334 unvested options. 83,334 vest on November 7, 2014.

<sup>(10)</sup> This value represents 100,000 vested options and 50,000 unvested options. 50,000 options vest on December 12, 2014.

<sup>(11)</sup> This value represents 20,000 vested options and 40,000 unvested options. 20,000 options vest on May 28, 2014 and the remaining 20,000 vest on May 28, 2015.

<sup>(12)</sup> Phantom Share Appreciation Rights. Based on the closing price of the Common Shares on the TSX on December 31, 2013 of C\$4.60 (US\$4.32) per Common Share, less the grant price of the PSARS on the grant date of C\$3.96 (US\$3.72). PSARS are not eligible to be exercised until the maturity date of April 30, 2014. Any actual value will depend on the value of the Common Shares on the maturity date.

## INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED IN 2013

The following table provides information regarding the value on vesting of incentive plan awards for the financial year ended December 31, 2013, plus a summary of cash awards made under the STIP for 2013 performance.

### Incentive Plan Awards Vested or Earned in 2013

NEO	Option-based awards – value vested during the year (US\$) <sup>(1)</sup>	Non-equity incentive plan compensation – value earned during year (US\$) <sup>(2)</sup>
Paul Conibear CEO	Nil <sup>(3)</sup>	990,129
Marie Inkster CFO	20,000 <sup>(4)(5)</sup>	380,214
Paul McRae SVP, Projects	78,000 <sup>(6)(7)</sup>	315,768
Julie Lee Harrs SVP, Corporate Development	Nil <sup>(8)(9)</sup>	273,035
Stephen Gatley VP, Technical Services	17,400 <sup>(10)(11)(12)</sup>	232,672

<sup>(1)</sup> Represents the aggregate dollar value that would have been realized if the options had been exercised on the vesting date, based on the difference between the closing price of the Common Shares of Corporation as traded on the TSX on the vesting date and the exercise price of the options.

<sup>(2)</sup> This column represents only the cash STIP payments referred to earlier in the report.

<sup>(3)</sup> 83,333 options which have an exercise price of C\$5.01 (US\$4.86) vested during 2013. The TSX closing price of the Common Shares on the vesting date was C\$4.14 (US\$4.02).

<sup>(4)</sup> 75,000 options which have an exercise price of C\$5.01 (US\$4.86) vested during 2013. The TSX closing price of the Common Shares on the vesting date was C\$4.14 (US\$4.02).

<sup>(5)</sup> 100,000 options which have an exercise price of C\$3.89 (US\$3.78) vested during 2013. The TSX closing price of the Common Shares on the vesting date was C\$4.10 (US\$3.98).

<sup>(6)</sup> 50,000 options which have an exercise price of C\$5.01 (US\$4.86) vested during 2013. The TSX closing price of the Common Shares on the vesting date was C\$4.14 (US\$4.02).

<sup>(7)</sup> 100,000 options which have an exercise price of C\$3.91 (US\$3.78) vested during 2013. The TSX closing price of the Common Shares on the vesting date was C\$4.70 (US\$4.56).

<sup>(8)</sup> 83,333 options which have an exercise price of C\$3.99 (US\$3.87) vested during 2013. The TSX closing price of the Common Shares on the vesting date was C\$3.99 (US\$3.86).

<sup>(9)</sup> 50,000 options which have an exercise price of C\$5.01 (US\$4.86) vested during 2013. The TSX closing price of the Common Shares on the vesting date was C\$4.14 (US\$4.02).

<sup>(10)</sup> 50,000 options which have an exercise price of C\$3.89 (US\$3.78) vested during 2013. The TSX closing price of the Common Shares on the vesting date was C\$4.10 (US\$3.98).

<sup>(11)</sup> 60,000 options which have an exercise price of C\$5.01 (US\$4.86) vested during 2013. The TSX closing price of the Common Shares on the vesting date was C\$4.14 (US\$4.02).

<sup>(12)</sup> 20,000 options which have an exercise price of C\$4.04 (US\$3.92) vested during 2013. The TSX closing price of the Common Shares on the vesting date was C\$4.42 (US\$4.29).

## PENSION PLAN BENEFITS

The Corporation does not have any defined benefit or actuarial plans for the NEOs.

## COMPENSATION RISK MANAGEMENT

As part of its annual review, the HRCC evaluated potential risks related to the Corporation's compensation policies and practices. The Corporation's annual corporate and personal objectives which form the basis of the compensation plan evaluations are carefully considered by the HRCC with a view of establishing a realistic and balanced set of objectives together with a range of achievement level factors that both encourage initiative and discourage under performance in areas important to the Corporation and do not encourage excessive risk-taking by senior management.

Below are some of the risk mitigating features of the Corporation's executive compensation programs:

- consistent program design among all executive officers

- a mix of performance measures are used in the short-term, and granting of long-term incentive awards provides a balanced performance focus
- capped payout opportunity within the short-term incentive plan of 1.5x the target STI% which is subject to Board discretion
- awards are granted annually
- stock options vest over three years and have a five year term

The HRCC determined that there are no risks arising from the Corporation's compensation policies and practices that are likely to have a material adverse effect on the Corporation.

#### **MANAGEMENT'S ROLE IN COMPENSATION DECISION MAKING**

The CEO and Vice President, Human Resources provide information to the HRCC as required on compensation risk management and also provide annual recommendations to the HRCC on base salary adjustments, short-term and long-term incentives for the executives and other members of management, excluding the CEO. The HRCC ultimately recommends to the Board any base salary adjustments, short-term and long-term incentive awards for the executives, including the CEO, based on the results of the key strategic deliverables, the results of each executive's KPIs and in context of total direct compensation. As part of final determination of the total direct compensation, the HRCC also refers to compensation to the executives among the selected peer group.

The CEO is not a member of the HRCC. He provides input on the performance of senior executives and managers. Discussions affecting the CEO's remuneration package, either directly or indirectly, are held in camera without management present.

#### **COMPENSATION CONSULTANTS**

During 2013, the Corporation, with the assistance of Mercer, undertook a further review of long-term incentive vehicles to ensure that the Corporation remains competitive in rewarding executives and senior management. Mercer provided general information and benchmarking information on long-term incentive plans and provided general information on other forms of long-term incentive and employee share purchase programs. Based on this review, the HRCC concluded, to remain competitive, more flexibility in the range of long-term incentive awards should be considered. The HRCC believes the Corporation requires more ways to provide competitive compensation. The HRCC considered a number of alternatives and has recommended adoption of the SU Plan, adoption of the New ISOP and ratification of certain previously granted options. The SU Plan is designed to diversify the nature of long-term compensation provided to executives and to provide a retention incentive. If the SU Plan/ISOP Resolution is approved by shareholders at this Meeting, the Corporation anticipates incorporating SUs as part of its long-term incentive plan commencing in 2015.

In January 2014, the Corporation engaged Mercer to perform further benchmarking and other executive compensation reviews to aid in determining the structure of a new equity compensation plan. (See the heading "Opportunities for 2015 Compensation" below for further details).

<b>Advisor</b>	<b>Type of Work</b>	<b>2013 Fees (C\$)</b>	<b>2012 Fees (C\$)</b>
Mercer	Executive Compensation-Related Fees	91,051	133,000 <sup>(1)</sup>
	All Other Fees	–	–
Hugessen	Executive Compensation-Related Fees	20,405	7,200
	All Other Fees	–	–

<sup>(1)</sup> Full review of corporate performance measurement and short-term and long-term incentive systems with benchmarking and mine STI review, 2012 average exchange rates were used.

## **TERMINATION AND CHANGE OF CONTROL BENEFITS**

### **INTRODUCTION**

Each of the Corporation's NEOs as of December 31, 2013 is a party to an indefinite term employment agreement with the Corporation that sets forth certain instances where payments and other obligations arise on the termination of their employment or in the situation of a change of control of the Corporation.

### **TERMINATION WITHOUT CAUSE**

The employment agreements for each of the NEOs contain specific terms and conditions describing the Corporation's obligations if any of these NEOs had their employment terminated without cause. If those agreements are terminated by the Corporation without cause, or if the agreement is terminated by certain of these executive officers for good reason then payment of salary and, in some cases, short-term incentives, long-term incentives and benefits will be due for the appropriate notice period as provided in their respective contracts.

Following the termination of Mr. Conibear's employment by the Corporation without cause, the Corporation will be required to pay this NEO on termination 24 months' base salary, plus two times the average of the bonus received in the previous two years. Mr. Conibear will also be entitled to be paid the long-term incentive for the year in which the termination occurs with the PSAR valuation determined on the termination date as the increase, if any, of the value of those shares on the termination date compared to the pricing date. The NEO shall also continue to participate in the Corporation's health and medical benefits for 24 months following the termination date.

Following the termination of Ms. Inkster's employment by the Corporation without cause, the Corporation will be required to pay this NEO at termination 12 months' base salary. In the case of a termination of her employment in the event of redundancy, the Corporation will also provide 12 months' bonus calculated as the average over the last two performance years and 12 months' benefits.

Following the termination of Mr. McRae's employment by the Corporation without cause, Mr. McRae will receive an amount equal to the Salary that would have been payable to him had his employment with the Corporation continued for a period of 12 months after the termination date in full satisfaction of any notice periods, severance or other payments to which he may be entitled to under statute or otherwise in respect of the termination of his employment with the Corporation. "Salary" is defined as base salary, plus pro-rated bonus averaged over the last two performance years, and pro-rated benefits.

Following the termination of Ms. Lee Harris' employment by the Corporation without cause, Ms. Lee Harris will receive an amount equal to the Salary that would have been payable to her had her employment with the Corporation continued for a period of 12 months after the termination date in full satisfaction of any notice periods, severance or other payments to which she may be entitled to under statute or otherwise in respect of the termination of her employment with the Corporation. "Salary" is defined as base salary, plus pro-rated bonus averaged over the last two performance years, and pro-rated benefits.

Following the termination of Mr. Gatley's employment by the Corporation without cause, Mr. Gatley is entitled to receive two weeks' notice or payment in lieu of notice plus one week for each additional year of employment to a maximum of 12 weeks' (the "Notice Period Payment"). Currently, Mr. Gatley will receive an amount equal to 12 weeks Salary that would have been payable to him had his employment with the Corporation continued for a period of 12 weeks after the termination date in full satisfaction of any notice periods, severance or other payments to which he may be entitled to under statute or otherwise in respect of the termination of his employment with the Corporation. "Salary" is defined as base salary. Furthermore, subject to certain provisions of Mr. Gatley's employment agreement, the Corporation, at its sole discretion, can provide written notice to Mr. Gatley requiring him not to perform any further services ("Garden Leave"). In the event that the Corporation required Mr. Gatley to be on Garden Leave, Mr. Gatley will receive up to six months' Salary, inclusive of the Notice Period Payment. The amount up to six months' Salary is determined at the sole discretion of the Corporation.

For certain of the NEOs, the Corporation may elect to terminate their employment for disability in which case additional payments may be required.

Other than as set forth above, the Corporation has no compensatory plan, contract or arrangement where a NEO is entitled to receive compensation in the event of resignation, retirement or other termination of the NEO's employment with the Corporation.

The following table provides details regarding the estimated incremental payments from the Corporation to the NEOs assuming termination of employment without cause on December 31, 2013.

NEO	Base Salary (US\$)	STIP (US\$)	Value of Benefits (US\$)	Equity (US\$) <sup>(1)</sup>	Total (US\$)
Paul Conibear CEO	1,500,195	1,890,858	82,705	300,000 <sup>(2)</sup>	<b>3,773,758</b>
Marie Inkster CFO	396,051	338,232	37,840	132,000	<b>904,123</b>
Paul McRae SVP, Projects	505,217	282,131	63,217	128,000	<b>978,565</b>
Julie Lee Harrs SVP, Corporate Development	350,046	232,846	29,085	95,000	<b>706,977</b>
Stephen Gatley VP, Technical Services	92,973	–	–	76,400	<b>169,373</b>

<sup>(1)</sup> Values represent the gain on all vested options, assuming a TSX closing price on December 31, 2013 of C\$4.60 (US\$4.32). Based on the closing exchange rate of US\$0.9402:C\$1.00 on December 31, 2013.

<sup>(2)</sup> Value includes 500,000 Phantom Share Appreciation Rights.

## CHANGE OF CONTROL

In the majority of the employment agreements of the NEOs and in the case of change of control of the Corporation, certain of the NEOs have a commitment that they may not terminate their employment until the expiry of a 6 month period following the change of control, except in the case of a reduction in the NEO's compensation (other than any year-over-year change in their awards under incentive compensation plans) or a material change in the NEO's place of employment. During the period 6 to 12 months following a change of control, the NEO may terminate his or her employment with the Corporation, in which case the termination payments below would apply.

Within 12 months of a change of control of the Corporation, if Mr. Conibear is terminated without cause or if a triggering event occurs, such as a significant diminution of this NEO's duties or responsibilities, and the NEO elects to terminate his employment, this NEO will be entitled to receive the termination provisions of his employment agreement for termination without cause.

After the expiration of the 6-month period following a change of control of the Corporation, Ms. Inkster may terminate her employment with the Corporation and will be entitled to a termination payment of 12 months' base salary. If this election is not made within 12 months of the date of the change of control then this right will lapse.

After the expiration of the 6-month period following a change of control of the Corporation, Ms. Lee Harrs may be eligible to terminate her employment with the Corporation and be entitled to a termination payment of 12 months' Salary. "Salary" is defined as base salary, plus pro-rated bonus averaged over the last two performance years, and pro-rated benefits. If this election is not made within 12 months of the date of the change of control then this right will lapse.

If at any time Mr. Gatley's employment is terminated by reason of any reconstruction, amalgamation or sale of the Corporation and Mr. Gatley is not offered employment with terms that are no less favourable to any material extent than the terms of his current employment agreement, Mr. Gatley is entitled to receive payment in lieu of an extended notice period of 24 months' Salary, which are inclusive of any other payments including notice that may be payable under his employment agreement. "Salary" is defined as base salary, pension contributions and other benefits in kind.



The following table provides details regarding the estimated incremental payments from the Corporation to the NEOs assuming a change of control of the Corporation on December 31, 2013.

NEO	Severance: Base Salary (US\$)	Severance: STIP (US\$)	Severance: Value of Benefits (US\$)	Equity (US\$) <sup>(1)</sup>	Total (US\$)
Paul Conibear CEO	1,500,195	1,890,858	82,705	300,000 <sup>(2)</sup>	<b>3,773,758</b>
Marie Inkster CFO	396,051	–	2,564	198,000	<b>596,615</b>
Paul McRae SVP, Projects	–	–	–	192,000	<b>192,000</b>
Julie Lee Harrs SVP, Corporate Development	350,046	232,846	29,085	142,500	<b>754,477</b>
Stephen Gatley VP, Technical Services	805,769	–	55,493	130,200	<b>991,462</b>

<sup>(1)</sup> In accordance with the ISOP, all options vest and become exercisable following a change of control. Values represent the gain on all vested and unvested options, assuming a TSX closing price on December 31, 2013 of C\$4.60 (US\$4.32). Based on the closing exchange rate of US\$0.9402:C\$1.00 on December 31, 2013.

<sup>(2)</sup> Value includes 500,000 Phantom Share Appreciation Rights.

## DIRECTOR COMPENSATION

### DIRECTOR COMPENSATION TABLE

The following table provides information regarding compensation paid to the Corporation's non-executive directors during the financial year ended December 31, 2013:

Name	Fees earned (US\$)	Share-based awards (US\$)	Option-based awards (US\$)	Non-equity incentive plan compensation (US\$)	Pension value (US\$)	All other Compensation (US\$)	Total (US\$)
Lukas H. Lundin	194,200	–	–	–	–	–	194,200
Colin K. Benner <sup>(1)</sup>	48,550	–	–	–	–	–	48,550
Donald K. Charter	121,375	–	–	–	–	–	121,375
John H. Craig	92,245	–	–	–	–	–	92,245
Brian D. Edgar	101,955	–	–	–	–	–	101,955
Peter C. Jones <sup>(2)</sup>	27,094	–	–	–	–	–	27,094
Dale C. Peniuk <sup>(3)</sup>	125,527	–	–	–	–	–	125,527
William A. Rand	135,940	–	–	–	–	–	135,940

<sup>(1)</sup> Mr. Benner ceased to be a director and Chair of the Health, Safety, Environment and Community Committee effective July 1, 2013.

<sup>(2)</sup> Mr. Jones was appointed as a director effective September 20, 2013 and he was appointed as a member of the Health, Safety, Environment and Community Committee. On October 29, 2013, he was appointed Chair of the Health, Safety, Environment and Community Committee and on December 4, 2013, he was appointed as a member of the HRCC.

<sup>(3)</sup> Mr. Peniuk ceased to be a member of the HRCC effective December 4, 2013.

The CEO, Mr. Conibear, who also acts as a director of the Corporation, does not receive any compensation for services as a director.

For the year ended December 31, 2013, the Chairman of the Board received annual remuneration in the amount of C\$200,000. Each non-executive director received annual base remuneration of C\$90,000. The Chair of the Audit Committee received annual remuneration of C\$25,000 and each committee member received annual remuneration of C\$15,000. The Chair of the HRCC received annual remuneration of C\$20,000 and each committee member received annual remuneration of C\$10,000. The Chair of each of the other Board committees received annual remuneration of C\$10,000 and each committee member received annual remuneration of C\$5,000. The lead director received annual remuneration of C\$25,000. All of these amounts were paid in monthly installments.

During 2013, the HRCC performed internal benchmarking for director compensation. The benchmarking concluded that the directors' fees were below the median of the 2013 peer group and therefore adjustments were recommended and approved by the Board to align the Corporation's director compensation with its peers. Effective January 1, 2014, the Chairman of the Board's annual remuneration was increased from C\$200,000 to C\$235,000 and each non-executive directors' annual base remuneration was increased from C\$90,000 to C\$120,000. All other director-related fees, as noted above, remain unchanged for 2014.

Non-executive directors do not receive any stock options or short-term incentives.

Namdo Management Services Ltd. ("Namdo"), a private corporation owned by Mr. Lukas H. Lundin, Chairman and a director of the Corporation, was paid or accrued the amount of approximately C\$264,000 for services rendered during the fiscal year ended December 31, 2013, plus reimbursement of out-of-pocket expenses at cost. Namdo has approximately 10 employees and provides administrative and corporate development services to a number of public companies. Mr. Lundin received compensation from Namdo for the months of January and February 2013; however, there is no basis for allocating the amounts paid by Namdo to Mr. Lundin as he did not receive such compensation primarily in respect of his personal services to the Corporation. Since March 1, 2013, Mr. Lundin has not been and will not be in the future compensated by Namdo.

During the most recently completed financial year, an amount of approximately C\$1.4 million was paid or accrued to the law firm of Cassels Brock & Blackwell LLP, of which Mr. John H. Craig, a director of the Corporation, is a partner, for legal services rendered to the Corporation.

No other director was compensated either directly or indirectly by the Corporation and its subsidiaries during the most recently completed financial year for services as consultants or experts.

## DIRECTOR OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS

No share-based or option-based awards were outstanding for directors at December 31, 2013.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors or executive officers of the Corporation, proposed nominees for directors, or associates or affiliates of said persons, have been indebted to the Corporation at any time since the beginning of the last completed financial year of the Corporation.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

The Corporation's ISOP, as described above, provides for the grant of non-transferable stock options to permit the purchase of the Common Shares by the participants of the ISOP.

### Equity Compensation Plan Information as of December 31, 2013:

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options (C\$)	Number of securities remaining available for future issuance under the plan
Equity Compensation Plans approved by security holders	9,880,778	\$4.38	2,243,110
Equity Compensation Plans not approved by security holders	–	–	–
<b>Total</b>	<b>9,880,778</b>	<b>\$4.38</b>	<b>2,243,110</b>

## DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During 2013, the Corporation maintained liability insurance for its directors and officers acting in their respective capacities in an aggregate amount of C\$65,000,000 against liabilities incurred by such persons as directors and officers of the Corporation and its subsidiaries, except where the liability relates to such person's failure to act honestly and in good faith with a view to the best interests of the Corporation. The annual premium paid in 2013 by the Corporation for this insurance in respect of the directors and officers as a group was US\$223,688. No premium for this insurance was paid by the individual directors and officers. The insurance contract underlying this insurance does not expose the Corporation to any liability in addition to the payment of the required premium.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

### INTRODUCTION

This statement of corporate governance practices is made with reference to National Instrument 58-101, *Disclosure of Corporate Governance Practices* and to National Policy 58-201, *Corporate Governance Guidelines* ("Governance Guidelines") which are initiatives of the Canadian Securities Administrators. In accordance with the Governance Guidelines, the Corporation has chosen to disclose its system of corporate governance in this Circular. The following text sets forth the steps taken by the Corporation in order to comply with the Governance Guidelines and its system of corporate governance currently in force.

### BOARD OF DIRECTORS

The Board has considered the relationship and status of each director. As of the date hereof, the Board currently consists of 8 directors, a majority of whom are independent.

The independent directors are Donald K. Charter, Brian D. Edgar, Peter C. Jones, Dale C. Peniuk and William A. Rand. Each of these directors do not have any material business relationships with the Corporation and are therefore considered independent under the Governance Guidelines and otherwise independent under National Instrument 52-110 – *Audit Committees* ("NI 52-110") for the purposes of sitting on the Corporation's Audit Committee. John H. Craig is also considered independent. While Mr. Craig's law firm provides legal services for the Corporation, the amount of the fees charged by Mr. Craig's law firm for such legal services are considered insignificant relative to the overall fee income of his law practice. Mr. Craig is, however, not eligible to be a member of the Audit Committee because he is a partner of a law firm that provides legal services to the Corporation and is therefore deemed not to be independent pursuant to NI 52-110 for the purposes of the Audit Committee.

The non-independent directors of the Board are Paul K. Conibear and Lukas H. Lundin. Mr. Conibear is not independent because of his current role as President and Chief Executive Officer of the Corporation. Mr. Lundin, Chairman of the Board, is not considered independent due to his direct involvement with management of the Corporation.

The Board regularly sets aside a portion of each Board meeting to meet in camera without management and non-independent directors present. In addition, the mandates of the Board and the Corporate Governance and Nominating Committee require that procedures be implemented at such times as are desirable or necessary to enable the Board to function independently of management and to facilitate open and candid discussion among its independent directors.

The Board has appointed William A. Rand, an independent director, as lead director to act as effective leader of the Board, to ensure that the Board's agenda will enable it to successfully carry out its duties and to provide leadership for the Board's independent directors. As lead director, Mr. Rand, among other things, presides at meetings of the Board and of the Corporation's shareholders, ensures that the Board is alert to its obligations and responsibilities and that it fully discharges its duties, communicates with the Board to keep the Board up to date on all major developments, and acts as a liaison between the Board and management of the Corporation.

#### Directors' Attendance Record at Board and Board Committee Meetings

Below is the attendance record of each director for all Board and Board committee meetings held during the period from January 1, 2013 to December 31, 2013:

Directors	Board		Audit		Human Resources/ Compensation		Corporate Governance and Nominating		Health, Safety, Environment and Community	
	# of meetings attended	Total # of meetings <sup>(1)</sup>	# of meetings attended	Total # of meetings <sup>(1)</sup>	# of meetings attended	Total # of meetings <sup>(1)</sup>	# of meetings attended	Total # of meetings <sup>(1)</sup>	# of meetings attended	Total # of meetings <sup>(1)</sup>
Colin K. Benner <sup>(2)</sup>	3	6	–	–	–	–	–	–	1	2
Donald K. Charter	9	9	5	5	8	8	–	–	–	–
Paul K. Conibear	9	9	–	–	–	–	–	–	4	4
John H. Craig	9	9	–	–	–	–	4	4	–	–
Brian D. Edgar	9	9	–	–	–	–	4	4	4	4
Peter C. Jones <sup>(3)</sup>	2	2	–	–	Nil	Nil	–	–	1	1
Lukas H. Lundin	8	9	–	–	–	–	–	–	–	–
Dale C. Peniuk <sup>(4)</sup>	7	7	5	5	8	8	4	4	–	–
William A. Rand	9	9	5	5	8	8	–	–	–	–

<sup>(1)</sup> Represents number of meetings the Director was eligible to attend.

<sup>(2)</sup> Mr. Benner ceased to be a director and Chair of the Health, Safety, Environment and Community Committee effective July 1, 2013. Mr. Benner was absent from three Board meetings as a result of poor health.

<sup>(3)</sup> Mr. Jones was appointed as a director effective September 20, 2013 and he was appointed as a member of the Health, Safety, Environment and Community Committee. On October 29, 2013, he was appointed Chair of the Health, Safety, Environment and Community Committee and on December 4, 2013, he was appointed as a member of the HRCC.

<sup>(4)</sup> Mr. Peniuk ceased to be a member of the HRCC effective December 4, 2013.

## Directors' Other Board Memberships

Several of the directors of the Corporation serve as directors of other reporting issuers. Currently, the following directors serve on the boards of directors of other publicly traded companies as listed below:

Director	Public Company Board Membership
Donald K. Charter	Adriana Resources Inc. (TSX-V), Dundee Real Estate Investment Trust (TSX), IAMGOLD Corporation (TSX)
Paul K. Conibear	Lucara Diamond Corp. (TSX), NGEx Resources Inc. (TSX)
John H. Craig	Africa Oil Corp. (TSX-V), BlackPearl Resources Inc. (TSX), Consolidated HCI Holdings Corp. (TSX), Corsa Coal Corp. (TSX-V), Denison Mines Corp. (TSX/NYSE MKT)
Brian D. Edgar	BlackPearl Resources Inc. (TSX), Denison Mines Corp. (TSX-NYSE MKT), Lucara Diamond Corp. (TSX), ShaMaran Petroleum Ltd. (TSX-V), Silver Bull Resources, Inc. (TSX/NYSE MKT)
Peter C. Jones	Century Aluminum Co. (NASDAQ), Royal Nickel Corporation (TSX)
Lukas H. Lundin	Denison Mines Corp. (TSX/NYSE MKT), Lucara Diamond Corp. (TSX), Fortress Minerals Corp. (TSX-V); Lundin Petroleum AB (TSX/OMX-Nordic), NGEx Resources Inc. (TSX)
Dale C. Peniuk	Argonaut Gold Inc. (TSX), Capstone Mining Corp. (TSX)
William A. Rand	Denison Mines Corp. (TSX/NYSE MKT); Lundin Petroleum AB (TSX/OMX-Nordic), New West Energy Services Inc. (TSX-V), NGEx Resources Inc. (TSX)

### Legend:

TSX	Toronto Stock Exchange
TSX-V	TSX Venture Exchange
NYSE	New York Stock Exchange
NYSE MKT	NYSE MKT LLC (previously, American Stock Exchange)
OMX-Nordic	OMX Nordic Stock Exchange (previously, the Stockholm Stock Exchange)

## BOARD MANDATE

The Board has adopted a mandate which acknowledges its responsibility for the overall stewardship of the conduct of the business of the Corporation and the activities of management. Management is responsible for the day-to-day conduct of the business of the Corporation. The Board's fundamental objectives are to enhance and preserve long-term shareholder value, to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board considers the legitimate interests that its other stakeholders, such as employees, customers and communities, may have in the Corporation. In overseeing the conduct of the business, the Board, through the CEO, sets the standards of conduct for the Corporation.

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting its Chairman and Lead Director, nominating candidates for election to the Board and constituting committees of the Board. Subject to the Articles and By-Laws of the Corporation and the *Canada Business Corporations Act*, the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

Under its mandate, the Board is required to oversee the Corporation's communications policy. The Board has put structures in place to ensure effective communication between the Corporation, its shareholders and the public. The Corporation has established a Disclosure and Confidentiality Policy. The Board monitors the policies and procedures that are in place to provide for effective communication by the Corporation with its shareholders and with the public generally, including effective means to enable shareholders to communicate with senior management and the Board. The Board also monitors the policies and procedures that are in place to ensure a strong, cohesive, sustained and positive image of the Corporation with shareholders, governments and the public generally. Significant shareholder concerns are brought to the attention of management or the Board. Shareholders are informed of corporate developments by the issuance of timely press releases which are concurrently posted to the Corporation's website and are available on SEDAR at [www.sedar.com](http://www.sedar.com).

The full text of the Board's mandate is attached hereto as Appendix A.

## **POSITION DESCRIPTIONS**

The Board has adopted a written position description for each of the Chairman, Vice Chairman, Lead Director, the Chair of each Board committee, and the President and CEO.

### **Chairman, Vice Chairman and Lead Director**

The Chairman of the Board is currently Mr. Lundin and the lead director is currently Mr. Rand. The Board has established a written position description for the Chairman, Vice Chairman and the Lead Director of the Board who are responsible for, among other things, presiding at meetings of the Board and shareholders, providing leadership to the Board, managing the Board, acting as liaison between the Board and management, and representing the Corporation to external groups including shareholders, local communities and governments.

### **Chair of the Audit Committee**

The Chair of the Audit Committee is currently Mr. Peniuk. The Board has established a written position description for the Chair of the Audit Committee, who is responsible for, among other things, acting as liaison between the Audit Committee, the Board and management, chairing all meetings of the Audit Committee, ensuring that meetings of the Audit Committee are held as required, coordinating the attendance of the Corporation's external auditors at meetings of the Audit Committee, and reporting regularly to the Board on all matters within the authority of the Audit Committee and in particular, the recommendations of the Audit Committee in respect of the Corporation's quarterly and annual financial statements.

### **Chair of the Corporate Governance and Nominating Committee**

The Chair of the Corporate Governance and Nominating committee is currently Mr. Edgar. The Board has established a written position description for the Chair of the Corporate Governance and Nominating Committee, who is responsible for, among other things, acting as liaison between the Corporate Governance and Nominating Committee and the Board, chairing all meetings of the Corporate Governance and Nominating Committee, proposing nominees for the Board and each committee of the Board, ensuring that the meetings of the Corporate Governance and Nominating Committee are held as required, monitoring the preparation of the statement of corporate governance to be given to the shareholders of the Corporation each year, and reporting regularly to the Board on matters within the authority of the Corporate Governance and Nominating Committee.

### **Chair of the Health, Safety, Environment and Community Committee**

The Chair of the Health, Safety, Environment and Community Committee is currently Mr. Jones. The Board has established a written position description for the Chair of the Health, Safety, Environment and Community Committee, who is responsible for, among other things, acting as liaison between the Health, Safety, Environment and Community Committee, the Board and management, chairing all meetings of the Health, Safety, Environment and Community Committee, ensuring that the meetings of the Health, Safety, Environment and Community Committee are held as required, and reporting regularly to the Board on matters within the authority of the Health, Safety, Environment and Community Committee.

### **Chair of the Human Resources/Compensation Committee**

The Chair of the HRCC is currently Mr. Charter. The Board has established a written position description for the Chair of the HRCC, who is responsible for, among other things, acting as liaison between the HRCC, the Board and the CEO, chairing all meetings of the HRCC, ensuring that the meetings of the HRCC are held as required, overseeing the process whereby annual salary, bonus and other benefits of the Corporation's executive officers are reviewed assessed and revised in accordance with the recommendations of the CEO, reviewing the directors' compensation and reporting regularly to the Board on matters within the authority of the HRCC.

### **President and Chief Executive Officer**

The President and Chief Executive Officer is currently Mr. Conibear. The Board has established a written position description for the President and Chief Executive Officer, who is responsible for, among other things, the day to day management of the business and the affairs of the Corporation. The President and Chief Executive Officer is also responsible for assisting the Chairman of the Board, the Lead Director and the chairs of the Board committees to develop agendas for the Board and Board committee meetings to enable these entities to carry out their responsibilities, reporting to the Board in an accurate, timely and clear manner on all aspects of the business that are relevant so that the directors may carry out their responsibilities, making recommendations to the Board on those matters on which the Board is required to make decisions, ensuring that the financial statements and other financial information contained in regulatory filings and other public disclosure fairly present the financial condition of the Corporation, ensuring the integrity of the financial and other internal control and management information systems and risk management systems, the promoting of ethical

conduct within the Corporation and its subsidiaries, recruiting of senior management as may be directed by the Board, senior management development and succession, acting as the principal interface between the Board and senior management, promoting a work environment that is conducive to attracting, retaining and motivating a diverse group of high-quality employees, promoting continuous improvement in the timeliness, quality, value and results of the work of the employees of the corporation, and speaking for the Corporation in its communications to its shareholders and the public.

#### **ORIENTATION AND EDUCATION**

The Corporation provides new directors with an orientation package upon joining the Corporation that includes financial and technical information relevant to the Corporation's operations, and periodically arranges for project site visits to familiarize members of the Board with the Corporation's operations and to ensure that their knowledge and understanding of the Corporation's business remains current. During 2013, the Board conducted a tour of Neves-Corvo in Portugal and the Eagle Project in Michigan, USA, during which time the directors viewed both the underground and above ground facilities and were able to meet with on-site personnel to further acquaint themselves with these key mining assets.

Board members are encouraged to communicate with management and others, to keep themselves current with industry trends and development, and to attend related industry seminars. Board members have full access to the Corporation's records and receive a Monthly Report discussing the operations, health and safety matters, sales of product, projects and investments, financial summary, exploration, human resources, and new business and corporate development. The Corporation's legal counsel also provides directors and senior officers with summary updates of any developments relating to the duties and responsibilities of directors and officers and to any other corporate governance matters. In addition, the Board will provide any further continuing education opportunities for all directors, where required, so that individual directors may maintain or enhance their skills and abilities as directors.

It must be noted that the Corporation through its legal counsel has commenced a series of seminars and webcasts on topics of relevance to the directors. Recent topics included an in-depth review of the insider trading rules as it pertains to directors and other insiders and a discussion concerning timely disclosure. Webcasts were attended widely by both directors and executives of the Corporation.

#### **ETHICAL BUSINESS CONDUCT**

The Board has adopted a formal written Code of Conduct and Ethical Values Policy ("Code of Conduct") for its directors, officers and employees of Lundin Mining and its subsidiaries.

Individuals governed by the Code of Conduct are required to disclose in writing all business, commercial or financial interests or activities which might reasonably be regarded as creating an actual or potential conflict with their duties. Individuals must avoid all situations in which their personal interests conflict or may conflict with their duties to the Corporation or with the economic interest of the Corporation. All business transactions with individuals, corporations or other entities that could potentially, directly or indirectly, be considered to be a related party, must be approved by the Board regardless of the amount involved.

Directors, officers and employees are encouraged to report violations of the Code of Conduct on a confidential and, if preferred, anonymous basis to senior management, the Board or the Audit Committee Chair, in accordance with the complaints procedure set out in the Code of Conduct. If the Audit Committee becomes involved with the matter, the Audit Committee may request special treatment for any complaint, including the involvement of the Corporation's external auditors, legal counsel or other advisors. All complaints are required to be documented in writing by the person(s) designated to investigate the complaint, who shall report forthwith to the Chair of the Audit Committee. On an annual basis, or otherwise upon request from the Board, the Code of Conduct requires the Chair of the Audit Committee to prepare a written report to the Board summarizing all complaints received during the previous year, all outstanding unresolved complaints, how such complaints are being handled, the results of any investigations and any corrective actions taken.

The Code of Conduct is available on the Corporation's website and has been filed and is accessible through SEDAR on the Corporation's profile at [www.sedar.com](http://www.sedar.com).

The Audit Committee has also established a Fraud Reporting and Investigation (Whistleblower) Policy to encourage employees, officers and directors to raise concerns regarding questionable accounting, internal controls, auditing or other fraudulent matters, on a confidential basis free from discrimination, retaliation or harassment.

## **NOMINATION OF DIRECTORS**

The Board has established a Corporate Governance and Nominating Committee composed of independent directors which is responsible for the recommendation of director nominees that will best serve the Corporation based upon the competencies and skills necessary for the Board as a whole to possess, the competencies and skills necessary for each individual director to possess, and whether the proposed nominee to the Board will be able to devote sufficient time and resources to the Corporation. To encourage an objective nomination process, the independent directors conduct a discussion of the nominees among themselves. The Corporate Governance and Nominating Committee will also review, on a regular basis, the size of the Board and will consider the number of directors required to carry out the Board's duties effectively.

The Corporation recognizes that improving diversity on the Board and among its senior executives presents the Corporation with an opportunity to develop a competitive advantage by ensuring that the Corporation appeals to potential employees from the broadest possible talent pool. To that end, while the focus always has been, and will continue to be, to recruit and appoint the most qualified individuals, the Corporation proposes to make a greater effort to locate qualified women as candidates for nomination to the Board. Women are well represented in senior executive positions within the Corporation and its subsidiary corporations.

The Board adopted a majority voting policy as part of its commitment to best practices for corporate governance. The policy is described above under "Election of Directors and Information Regarding Proposed Directors".

## **COMPENSATION OF DIRECTORS AND OFFICERS**

The extent and level of directors' and officers' compensation is determined by the Board after considering the recommendations of the HRCC which is composed entirely of independent directors. The HRCC has been mandated to review the adequacy and form of the compensation of directors and officers to ensure that such compensation realistically reflects the responsibilities and risks involved in being an effective director or officer in the Corporation and the mining industry. In making recommendations to the Board in respect of compensation to directors, this committee considers the time commitment, risks and responsibilities involved in being a director with the Corporation as well as market data pertinent to the compensation paid to directors of peer group companies.

Please review the section in this Circular titled "Statement of Executive Compensation" for further information concerning director compensation.

## **BOARD COMMITTEES**

To assist the Board in its responsibilities, the Board has established four standing committees including the Audit Committee, the Corporate Governance and Nominating Committee, the Health, Safety, Environment and Community Committee and the HRCC. Each committee has a written mandate and reviews its mandate annually.

### **AUDIT COMMITTEE**

The Audit Committee ("AC") is comprised of three directors. The current members of the AC are Dale C. Peniuk (Chair), Donald K. Charter and William A. Rand, all of whom are independent and financially literate for the purposes of NI 52-110.

The AC oversees the accounting and financial reporting processes of the Corporation and its subsidiaries and all audits and external reviews of the financial statements of the Corporation, on behalf of the Board, and has general responsibility for oversight of internal controls, and accounting and auditing activities of the Corporation and its subsidiaries. All auditing services and non-audit services to be provided to the Corporation by the Corporation's auditors are pre-approved by the AC. The AC reviews, on a regular basis, any reports prepared by the Corporation's external auditors relating to the Corporation's accounting policies and procedures, as well as internal control procedures and systems. The AC is also responsible for reviewing all financial information, including annual and quarterly financial statements, prepared for securities commissions and similar regulatory bodies prior to filing or delivery of the same. The AC also oversees the annual audit process, the quarterly review engagements, the Corporation's internal accounting controls, the Corporation's Fraud Reporting and Investigation (Whistleblower) Policy, any complaints and concerns regarding accounting, internal control or audit matters, and the resolution of issues identified by the Corporation's external auditors. The AC recommends to the Board annually the firm of independent auditors to be nominated for appointment by the shareholders at the shareholders annual meeting.

The Board appoints the members of the AC for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the AC and may fill any vacancy in the AC.

The AC meets a minimum of 4 times a year. The AC has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel and advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

Additional information relating to the Audit Committee, including a copy of the Audit Committee's mandate, is provided in the Corporation's Annual Information Form for the year ended December 31, 2013, a copy of which is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).



## **HUMAN RESOURCES/COMPENSATION COMMITTEE**

The HRCC consists of three directors, all of whom are independent within the meaning of the Governance Guidelines. The current members of the HRCC are Donald K. Charter (Chair), Peter C. Jones and William A. Rand. Mr. Peter C. Jones replaced Mr. Dale Peniuk as a member of the HRCC on December 4, 2013.

The principal purpose of the HRCC is to implement and oversee human resources and compensation policies approved by the Board of the Corporation. The duties and responsibilities of the HRCC include recommending to the Board the annual salary, bonus and other benefits, direct and indirect, for the CEO, after considering the recommendations of the CEO approving the compensation for the Corporation's other executive officers, approving other human resources and compensation policies and guidelines, ensuring management compensation is competitive to enable the Corporation to continue to attract individuals of the highest calibre, and recommending the adequacy and form of director compensation to the Board.

The Board appoints the members of the HRCC for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the HRCC and may fill any vacancy in the HRCC.

The HRCC meets regularly each year on such dates and at such locations as the Chair of the HRCC determines. The HRCC has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel or advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

## **CORPORATE GOVERNANCE AND NOMINATING COMMITTEE**

The Corporate Governance and Nominating Committee ("CGNC") consists of three directors, all of whom are independent within the meaning of the Governance Guidelines. The current members of the CGNC are Brian D. Edgar (Chair), John H. Craig and Dale C. Peniuk.

The principal purpose of the CGNC is to provide a focus on corporate governance that will enhance the Corporation's performance, and to ensure, on behalf of the Board and shareholders that the Corporation's corporate governance system is effective in the discharge of its obligations to the Corporation's stakeholders. The duties and responsibilities of the CGNC include the development and monitoring of the Corporation's overall approach to corporate governance issues and, subject to approval by the Board, implementation and administration of a system of corporate governance which reflects superior standards of corporate governance practices, recommendation to the Board a slate of nominees for election as directors of the Corporation at the Annual Meeting of Shareholders, reporting annually to the Corporation's shareholders, through the Corporation's annual management information circular or annual reports to shareholders, on the Corporation's system of corporate governance and the operation of its system of governance, analyzing and reporting annually to the Board the relationship of each director to the Corporation as to whether such director is an independent director or not an independent director, and advising the Board or any of the committees of the Board of any corporate governance issues which the CGNC determines ought to be considered by the Board or any such committee.

The Board appoints the members of the CGNC for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the CGNC and may fill any vacancy in the CGNC.

The CGNC meets regularly each year on such dates and at such locations as the Chair of the CGNC determines. The CGNC has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel and advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

## **HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY COMMITTEE**

The Health, Safety, Environment and Community Committee ("HSEC") consists of three directors. The current members of the HSEC are Peter C. Jones (Chair), Paul K. Conibear and Brian D. Edgar. Mr. Peter C. Jones became a member of the HSEC on September 20, 2013 and Chair on October 29, 2013.

The principal purpose of the HSEC is to assist the Board in its oversight of health, safety, environment and community risks, compliance with applicable legal and regulatory requirements associated with health, safety, environmental and community matters, performance in relation to health, safety, environmental and community matters, the performance and leadership of the health, safety, environment and community function in the Corporation, and external annual reporting in relation to health, safety, environmental and community matters.

The Board appoints the members of the HSEC for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the HSEC and may fill any vacancy in the HSEC.

The HSEC meets a minimum of 4 times a year. The HSEC has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel and advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

### **ASSESSMENTS OF THE BOARD**

In accordance with the Board's mandate, the Board, through the CGNC, undertakes formal Board evaluations of itself, its committees and also of each individual director's effectiveness and contribution on an annual basis.

The CGNC prepares and delivers an annual Board Effectiveness Assessment questionnaire to each member of the Board. The questionnaire is divided into four parts dealing with: (i) Board Responsibility; (ii) Board Operations; (iii) Board Effectiveness; and (iv) Individual Assessments. Each director must complete the entire questionnaire including the ranking of each director and also complete a personal assessment. The CGNC reviews and considers the responses received and makes a final report, with recommendations, if any, to the Board. This process occurs prior to the consideration by the CGNC of nominations for director elections at the Corporation's annual meeting of shareholders each year.

### **MANAGEMENT CONTRACTS**

Management functions of the Corporation and its subsidiaries are performed by directors and executive officers of the Corporation and not, to any substantial degree, by any other person with whom the Corporation has contracted.

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

To the best of the Corporation's knowledge, no informed person of the Corporation, proposed directors or any associate or affiliate of any of them, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction since the commencement of the Corporation's most recently completed financial year which has materially affected or will materially affect the Corporation or any of its subsidiaries.

### **OTHER BUSINESS**

Management of the Corporation knows of no other matters which will be brought before the Meeting, other than those referred to in the Notice of Meeting. Should any other matters properly be brought before the Meeting, the Common Shares represented by the proxies solicited hereby will be voted on those matters in accordance with the best judgment of the persons voting such proxies.

### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on the SEDAR website under the Corporation's profile at [www.sedar.com](http://www.sedar.com). Financial information related to the Corporation is contained in the Corporation's financial statements and related management's discussion and analysis. Copies of the Corporation's consolidated audited financial statements, related management's discussion and analysis and Annual Information Form prepared for its fiscal year ended December 31, 2013 may be obtained free of charge by writing to the Corporate Secretary of the Corporation at Suite 1500, 150 King Street West, P.O. Box 38, Toronto, Ontario, Canada, M5H 1J9 or may be accessed on the Corporation's website at [www.lundinmining.com](http://www.lundinmining.com) or under the Corporation's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### **CERTIFICATE OF APPROVAL**

The contents and the distribution of this Circular have been approved by the Board.

DATED at Toronto, Ontario this 31<sup>st</sup> day of March, 2014.

### **BY ORDER OF THE BOARD OF DIRECTORS**

*Paul K. Conibear*

Paul K. Conibear,  
President, Chief Executive Officer and Director

## **APPENDIX A**

### **LUNDIN MINING CORPORATION MANDATE OF THE BOARD OF DIRECTORS**

#### **A. INTRODUCTION**

The Board of Directors (the “Board”) has the responsibility for the overall stewardship of the conduct of the business of the Corporation and the activities of management. Management is responsible for the day-to-day conduct of the business. The Board’s fundamental objectives are to enhance and preserve long-term shareholder value, and to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board should also consider the legitimate interests that its other stakeholders, such as employees, customers and communities, may have in the Corporation. In overseeing the conduct of the business, the Board, through the Chief Executive Officer, shall set the standards of conduct for the Corporation.

#### **B. PROCEDURES AND ORGANIZATION**

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting its Chair and Lead Director, nominating candidates for election to the Board and constituting committees of the Board. Subject to the Articles and By-Laws of the Corporation and the Canada Business Corporations Act (the “Act”), the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

#### **C. DUTIES AND RESPONSIBILITIES**

The Board’s principal duties and responsibilities fall into a number of categories which are outlined below.

##### **1. Legal Requirements**

- (a) The Board has the responsibility to ensure that legal requirements have been met and documents and records have been properly prepared, approved and maintained;
- (b) The Board has the statutory responsibility to:
  - (i) manage or, to the extent it is entitled to delegate such power, to supervise the management of the business and affairs of the Corporation by the senior officers of the Corporation;
  - (ii) act honestly and in good faith with a view to the best interests of the Corporation;
  - (iii) exercise the care, diligence and skill that reasonable, prudent people would exercise in comparable circumstances; and
  - (iv) act in accordance with its obligations contained in the Act and the regulations thereto, the Corporation’s Articles and By-laws, securities legislation of each province and territory of Canada, and other relevant legislation and regulations.

##### **2. Independence**

The Board has the responsibility to ensure that appropriate structures and procedures are in place to permit the Board to function independently of management, including endeavouring to have a majority of independent directors as well as an independent Chair or an independent Lead Director, as the term “independent” is defined in National Instrument 58-101 “Disclosure of Corporate Governance Practices”.

##### **3. Strategy Determination**

The Board has the responsibility to ensure that there are long-term goals and a strategic planning process in place for the Corporation and to participate with management directly or through its committees in developing and approving the mission of the business of the Corporation and the strategic plan by which it proposes to achieve its goals, which strategic plan takes into account, among other things, the opportunities and risks of the Corporation’s business.

#### **4. Managing Risk**

The Board has the responsibility to identify and understand the principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders, and to ensure that there are systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

#### **5. Division of Responsibilities**

The Board has the responsibility to:

- (a) appoint and delegate responsibilities to committees where appropriate to do so; and
- (b) develop position descriptions for:
  - (i) the Board;
  - (ii) the Chairman, Vice-Chairman and Lead Director of the Board;
  - (iii) the Chair of each Board Committee;
  - (iv) the President and Chief Executive Officer;
  - (v) the Chief Financial Officer; and
  - (vi) the Chief Operating Officer;
- (c) ensure that the directors of the Corporation's subsidiaries are qualified and appropriate in keeping with the Corporation's guidelines and that they are provided with copies of the Corporation's policies for implementation by the subsidiaries.

To assist it in exercising its responsibilities, the Board hereby establishes four standing committees of the Board: the Audit Committee, the Corporate Governance and Nominating Committee, the Health, Safety, Environment and Community Committee and the Human Resources/Compensation Committee. The Board may also establish other standing committees from time to time.

Each committee shall have a written mandate that clearly establishes its purpose, responsibilities, members, structure and functions. Each mandate shall be reviewed by the Board regularly. The Board is responsible for appointing committee members.

#### **6. Appointment, Training and Monitoring Senior Management**

The Board has the responsibility:

- (a) to appoint the Chief Executive Officer, to monitor and assess the Chief Executive Officer's performance, to satisfy itself as to the integrity of the Chief Executive Officer, and to provide advice and counsel in the execution of the Chief Executive Officer's duties;
- (b) to develop or approve the corporate goals or objectives that the Chief Executive Officer is responsible for;
- (c) to approve the appointment of all senior corporate officers, acting upon the advice of the Chief Executive Officer and to satisfy itself as to the integrity of such corporate officers;
- (d) to ensure that adequate provision has been made to train, develop and compensate management and to ensure that all new directors receive a comprehensive orientation, fully understand the role of the Board and its committees, the nature and operation of the Corporation's business and the contribution that individual directors are required to make;
- (e) to create a culture of integrity throughout the Corporation;
- (f) to ensure that management is aware of the Board's expectations of management;
- (g) to provide for succession of management; and
- (h) to set out expectations and responsibilities of directors including attendance at meetings and review of meeting materials.

## **7. Policies, Procedures and Compliance**

The Board has the responsibility:

- (a) to ensure that the Corporation operates at all times within applicable laws, regulations and ethical standards; and
- (b) to approve and monitor compliance with significant policies and procedures by which the Corporation is operated.

## **8. Reporting and Communication**

The Board has the responsibility:

- (a) to ensure the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally;
- (b) to ensure that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;
- (c) to ensure the timely reporting of developments that have a significant and material impact on the value of the Corporation;
- (d) to report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year;
- (e) to develop appropriate measures for receiving shareholder feedback; and
- (f) to develop the Corporation's approach to corporate governance and to develop a set of corporate governance principles and guidelines.

## **9. Monitoring and Acting**

The Board has the responsibility:

- (a) to monitor the Corporation's progress towards its goals and objectives and to revise and alter its direction through management in response to changing circumstances;
- (b) to take action when performance falls short of its goals and objectives or when other special circumstances warrant;
- (c) to ensure that the Corporation has implemented adequate control and information systems which ensure the effective discharge of its responsibilities; and
- (d) to make regular assessments of itself, its committees and each individual director's effectiveness and contribution.

**APPENDIX B**  
**LUNDIN MINING CORPORATION – SHARE UNIT PLAN**

**ARTICLE I**  
**INTRODUCTION**

**1.1 Purpose of Plan**

This Plan provides for the granting of Share Unit Awards and payment in respect thereof through the issuance of one Share from treasury of the Company per Share Unit (subject to adjustments), subject to obtaining the approval of the Stock Exchange and the Required Shareholder Approval, for services rendered, for the purpose of advancing the interests of the Participants through payment of compensation related to appreciation of the Shares.

**1.2 Definitions**

- (a) **“Act”** means the *Canada Business Corporations Act*, or its successor, as amended, from time to time.
  - (b) **“Affiliate”** means any Company that is an affiliate of the Company as defined in National Instrument 45-106 – *Prospectus and Registration Exemptions*, as may be amended from time to time.
  - (c) **“Associate”** with any person or company, is as defined in the *Securities Act* (Ontario), as may be amended from time to time.
  - (d) **“Board”** means the Board of Directors of the Company.
  - (e) **“Change of Control”** means the occurrence of any one or more of the following events:
    - (i) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Company or any of its Affiliates and another corporation or other entity, as a result of which the holders of Shares immediately prior to the completion of the transaction hold less than 50% of the outstanding shares of the successor corporation immediately after completion of the transaction;
    - (ii) the sale, lease, exchange or other disposition, in a single transaction or a series of related transactions, of all or substantially all of the assets, rights or properties of the Company and its Subsidiaries on a consolidated basis to any other person or entity, other than transactions among the Company and its Subsidiaries;
    - (iii) a resolution is adopted to wind-up, dissolve or liquidate the Company;
    - (iv) any person, entity or group of persons or entities acting jointly or in concert (the **“Acquiror”**) acquires, or acquires control (including, without limitation, the power to vote or direct the voting) of, voting securities of the Company which, when added to the voting securities owned of record or beneficially by the Acquiror or which the Acquiror has the right to vote or in respect of which the Acquiror has the right to direct the voting, would entitle the Acquiror and/or Associates and/or affiliates of the Acquiror to cast or direct the casting of 30% or more of the votes attached to all of the Company’s outstanding voting securities which may be cast to elect directors of the Company or the successor corporation (regardless of whether a meeting has been called to elect directors);
    - (v) as a result of or in connection with: (A) a contested election of directors; or (B) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Company or any of its Affiliates and another corporation or other entity (a **“Transaction”**), fewer than 50% of the directors of the Company are persons who were directors of the Company immediately prior to such Transaction; or
    - (vi) the Board adopts a resolution to the effect that a Change of Control as defined herein has occurred or is imminent.
- For the purposes of the foregoing definition of Change of Control, **“voting securities”** means Shares and any other shares entitled to vote for the election of directors and shall include any security, whether or not issued by the Company, which are not shares entitled to vote for the election of directors but are convertible into or exchangeable for shares which are entitled to vote for the election of directors, including any options or rights to purchase such shares or securities.
- (f) **“Committee”** means the Board or the Human Resource & Compensation Committee or, if the Board so determines in accordance with Section 2.2 of the Plan, any other committee of directors of the Company authorized to administer the Plan from time to time.
  - (g) **“Company”** means Lundin Mining Corporation and includes any successor corporation thereof.

- (h) **“Deferred Payment Date”** for a Participant means the date after the Entitlement Date which is the earlier of (i) the date to which the Participant has elected to defer receipt of Shares in accordance with Section 2.5 of this Plan; and (ii) the date of the Participant’s Retirement, Resignation, Termination with Cause or Termination Without Cause or a Change of Control of the Company.
- (i) **“Entitlement Date”** means the date that a Share Unit is eligible for payment, as determined by the Committee in its sole discretion in accordance with the Plan and as outlined in the Share Unit grant letter issued to the Participant.
- (j) **“Grant Date”** means the effective date that a Share Unit is awarded to a Participant under this Plan, as evidenced by the Share Unit grant letter.
- (k) **“Insider”** has the meaning ascribed to such term in the TSX Company Manual.
- (l) **“Market Price”** as at any date in respect of the Shares shall be the closing price of the Shares on the TSX or, if the Shares are not listed on the TSX, on the principal stock exchange on which such Shares are traded, on the trading day that the Share Unit is awarded. In the event that the Shares are not then listed and posted for trading on a stock exchange, the Market Price shall be the fair market value of such Shares as determined by the Committee in its sole discretion.
- (m) **“Participant”** means any full time employee of the Company or any Affiliate, including any senior executive, vice president, and/or member of the management team of the Company or its Affiliates to whom Share Units are granted hereunder unless otherwise determined by the Committee.
- (n) **“Plan”** means this Share Unit Plan, as may be amended from time to time.
- (o) **“Qualifying Participant”** means a Participant (i) who is a resident of Canada for the purposes of the *Income Tax Act* (Canada) or (ii) who is designated as a Qualifying Participant in the Participant’s Share Unit grant letter, provided that the Participant is not a U.S. Taxpayer.
- (p) **“Required Shareholder Approval”** means the approval of this Plan by the shareholders of the Company, in accordance with the requirements of the TSX.
- (q) **“Resignation”** means the cessation of employment (as an officer or employee) of the Participant with the Company or an Affiliate as a result of resignation, other than as a result of Retirement.
- (r) **“Retirement”** means the Participant ceasing to be an employee or officer of the Company or an Affiliate in accordance with the retirement policies of the Company or any subsidiary, if any, or such other time as the Company may agree with the Participant.
- (s) **“Share Unit”** means a unit credited by means of an entry on the books of the Company to a Participant, representing the right to receive one Share (subject to adjustments) issued from treasury.
- (t) **“Share Unit Award”** means an award of Share Units under this Plan to a Participant.
- (u) **“Shares”** means the common shares in the capital of the Company.
- (v) **“Stock Exchange”** means, as the context requires, the TSX, or any other stock exchange on which the Shares are listed for trading at the relevant time.
- (w) **“Termination With Cause”** means the termination of employment (as an officer or employee) of the Participant with cause by the Company or an Affiliate (and does not include Resignation or Retirement).
- (x) **“Termination Without Cause”** means the termination of employment (as an officer or employee) of the Participant without cause by the Company or an Affiliate (and does not include Resignation or Retirement) and, in the case of an officer, includes the removal of or failure to reappoint the Participant as an officer of the Company or an Affiliate.
- (y) **“TSX”** means the Toronto Stock Exchange.
- (z) **“U.S. Taxpayer”** means a Participant who is a U.S. citizen, U.S. permanent resident or U.S. tax resident or a Participant for whom a benefit under this Plan would otherwise be subject to U.S. taxation under the U.S. Internal Revenue Code of 1986, as amended, and the rulings and regulations in effect thereunder.

- 1.3 The headings of all articles, sections and paragraphs in this Plan are inserted for convenience of reference only and shall not affect the construction or interpretation of this Plan.
- 1.4 Whenever the singular or masculine are used in this Plan, the same shall be construed as being the plural or feminine or neuter or vice versa where the context so requires.
- 1.5 The words “herein”, “hereby”, “hereunder”, “hereof” and similar expressions mean or refer to this Plan as a whole and not to any particular article, section, paragraph or other part hereof.
- 1.6 Unless otherwise specifically provided, all references to dollar amounts in this Plan are references to lawful money of Canada.

## **ARTICLE II ADMINISTRATION OF THE PLAN**

### **2.1 Administration**

This Plan shall be administered by the Committee and the Committee shall have full authority to administer this Plan, including the authority to interpret and construe any provision of this Plan and to adopt, amend and rescind such rules and regulations for administering this Plan as the Committee may deem necessary in order to comply with the requirements of this Plan. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and conclusive and shall be binding on the Participants and the Company. No member of the Committee shall be personally liable for any action taken or determination or interpretation made in good faith in connection with this Plan and all members of the Committee shall, in addition to their rights as directors of the Company, be fully protected, indemnified and held harmless by the Company with respect to any such action taken or determination or interpretation made in good faith. The appropriate officers of the Company are hereby authorized and empowered to do all things and execute and deliver all instruments, undertakings and applications and writings as they, in their absolute discretion, consider necessary for the implementation of this Plan and of the rules and regulations established for administering this Plan. All costs incurred in connection with this Plan shall be for the account of the Company.

Notwithstanding anything to the contrary in the Plan, the provisions of Schedule “A” shall apply to Share Unit Awards to a Participant who is a U.S. Taxpayer.

### **2.2 Delegation to Committee**

All of the powers exercisable hereunder by the Board may, to the extent permitted by applicable law and as determined by resolution of the Board, be exercised by a committee of the Board, including the Committee.

### **2.3 Register**

The Company shall maintain a register in which it shall record the name and address of each Participant and the number of Share Units (and their corresponding key conditions and Entitlement Date) awarded to each Participant.

### **2.4 Participant Determination**

The Committee shall from time to time determine the Participants who may participate in this Plan. The Committee shall from time to time, and subject to any applicable blackout period, determine the Participants to whom Share Units shall be granted and the number, provisions and restrictions with respect to such grant, all such determinations to be made in accordance with the terms and conditions of this Plan.

### **2.5 Deferred Payment Date**

A Qualifying Participant may elect to defer to receive all or any part of their Shares following the Entitlement Date until a Deferred Payment Date.

Qualifying Participants who elect to set a Deferred Payment Date must give the Company written notice of the Deferred Payment Date not later than sixty (60) days prior to the Entitlement Date. For certainty, Qualifying Participants shall not be permitted to give any such notice after the day which is sixty (60) days prior to the Entitlement Date and a notice once given may not be changed or revoked.

In the event of the Retirement, Resignation, Termination with Cause or Termination Without Cause of the Qualifying Participant or a Change of Control following the Entitlement Date and prior to the Deferred Payment Date, the Qualifying Participant shall be entitled to receive and the Company shall issue forthwith the applicable Shares in satisfaction of the Share Units then held by the Qualifying Participant that have vested.



## ARTICLE III SHARE UNIT AWARDS

### 3.1 General

This Plan is hereby established for employees of the Company, including senior executives, vice presidents, and other members of the management team of the Company and its Affiliates, as determined by the Committee.

### 3.2 Share Unit Awards

A Share Unit Award and any applicable vesting conditions may be made to a particular Participant as determined in the sole and absolute discretion of the Committee. The number of Share Units awarded will be determined based on the Market Price and will be credited to the Participant's account, effective as of the Grant Date. The Share Units will be settled by way of the issuance of Shares from treasury as soon as practicable following the Entitlement Date or, if applicable, the Deferred Payment Date, unless otherwise provided under this Plan.

For the avoidance of doubt, a Participant will have no right or entitlement whatsoever to receive any Shares until the Entitlement Date or, if applicable, the Deferred Payment Date.

### 3.3 Dividends

In the event a cash dividend is paid to shareholders of the Company on the Shares while a Share Unit is outstanding no payment in cash shall be made to each Participant in respect of Share Units; however, the Committee may, in its sole discretion, elect to credit each Participant with additional Share Units reflective of the cash dividends to such Participant. In such case, the number of additional Share Units will be equal to the aggregate amount of dividends that would have been paid to the Participant if the Share Units in the Participant's account on the record date had been Shares divided by the Market Price of a Share on the date on which dividends were paid by the Company. If the foregoing shall result in a fractional Share Unit, the fraction shall be disregarded.

The additional Share Units will vest and be settled on the Participant's Entitlement Date or, if applicable, the Deferred Payment Date of the particular Share Unit Award to which the additional Share Units relate.

### 3.4 Change of Control

In the event of a Change of Control, all unvested Share Units outstanding shall automatically immediately vest on the date of such Change of Control. Upon a Change of Control, Participants shall not be treated any more favourably than shareholders of the Company with respect to the consideration and the Participants would be entitled to receive for their Shares.

### 3.5 Death or Disability of Participant

In the event of:

- (a) the death of a Participant, any unvested Share Units held by such Participant will automatically vest on the date of death of such Participant and the Shares underlying all Share Units held by such Participant will be issued to the Participant's estate as soon as reasonably practical thereafter; or
- (b) the disability of a Participant (as may be determined in accordance with the policies, if any, or general practices of the Company or any subsidiary), any unvested Share Units held by such Participant will automatically vest on the date on which the Participant is determined to be totally disabled and the Shares underlying the Share Units held will be issued to the Participant as soon as reasonably practical thereafter.

### 3.6 Retirement

In the event of Retirement of a Participant, any unvested Share Units held by such Participant will automatically vest on the date of Retirement and the Shares underlying such Share Units will be issued to the Participant as soon as reasonably practical thereafter.

### 3.7 Termination Without Cause

- (a) In the event of Termination Without Cause of a Participant that has been continuously employed by the Company or any Affiliate for at least two (2) years prior to the date of such Termination Without Cause inclusive of any notice period, if applicable, any unvested Share Units held by such Participant, that are not subject to Section 3.7(b) as a result of not being subject to performance vesting criteria, will automatically vest on the date of Termination Without Cause and the Shares underlying such Share Units will be issued to the Participant as soon as reasonably practical thereafter.
- (b) In the event of Termination Without Cause of a Participant that has been continuously employed by the Company or any Affiliate for at least two (2) years prior to the date of such Termination Without Cause inclusive of any notice period, if applicable, any unvested Share Units with performance vesting criteria held by such Participant will vest in accordance with their normal vesting schedule unless otherwise stipulated in the Participant's Share Unit grant letter.

- (c) In the event of Termination Without Cause of a Participant that has been continuously employed by the Company or any Affiliate for less than two (2) years prior to the date of such Termination Without Cause inclusive of any notice period, if applicable, all of the Participant's Share Units shall become void and the Participant shall have no entitlement and will forfeit any rights to any issuance of Shares under this Plan unless otherwise stipulated in the Participant's Share Unit grant letter.

### **3.8 Termination With Cause or Resignation**

In the event of Termination With Cause or the Resignation of a Participant, all of the Participant's Share Units shall become void and the Participant shall have no entitlement and will forfeit any rights to any issuance of Shares under this Plan, except as may otherwise be stipulated in the Participant's Share Unit grant letter or as may otherwise be determined by the Committee in its sole and absolute discretion. Share Units that have vested but that are subject to a Participant's election to set a Deferred Payment Date shall be issued forthwith following the Termination with Cause or the Resignation of the Participant.

### **3.9 Share Unit Grant Letter**

Each grant of a Share Unit under this Plan shall be evidenced by a confirmation Share Unit grant letter issued to the Participant by the Company. Such Share Unit grant letter shall be subject to all applicable terms and conditions of this Plan and may include any other terms and conditions which are not inconsistent with this Plan and which the Committee deems appropriate for inclusion in a Share Unit grant letter. The provisions of the various Share Unit grant letters issued under this Plan need not be identical.

### **3.10 Subject to Employment/Severance Agreements**

Sections 3.4, 3.5, 3.6, 3.7 and 3.8 shall be subject to any employment/severance agreement between the Participant and the Company or its Affiliates.

### **3.11 Maximum Number of Shares**

The maximum number of Shares made available for issuance from treasury under this Plan, subject to adjustments pursuant to section 4.8, shall not exceed 6,000,000 Shares. Any Shares subject to a Share Unit which has been cancelled or terminated in accordance with the terms of the Plan without settlement will again be available under the Plan. The grant of Share Units under the Plan is subject to the number of the Shares: (i) issued to Insiders of the Company, within any one (1) year period, and (ii) issuable to Insiders of the Company, at any time, under the Plan, or when combined with all of the Company's other security based compensation arrangements, shall not exceed 10% of the Company's total issued and outstanding Shares, respectively. For the purposes of this Plan, "security-based compensation arrangement" shall have the meaning set out in the TSX Company Manual. For greater certainty, the number of Shares outstanding shall mean the number of Shares outstanding on a non-diluted basis on the date immediately prior to the proposed Grant Date.

A Share Unit Award granted to a Participant for services rendered will entitle the Participant, subject to the Participant's satisfaction of any conditions, vesting periods, restrictions or limitations imposed pursuant to this Plan or as set out in the Share Unit grant letter, to receive payment following the Participant's Entitlement Date or, if applicable, the Deferred Payment Date through the issuance of Shares from treasury.

Subject to and following the receipt of the approval of the Stock Exchange and the Required Shareholder Approval, the Company shall have the power to satisfy any Share Unit obligation of the Company (including those granted prior to and conditional on such approvals) by the issuance of Shares from treasury at a rate of one Share for each Share Unit, subject to adjustment. For greater certainty, if the Required Shareholder Approval is not obtained, such conditional grants will be void and no Shares may be issued from treasury in respect of such Share Units.

## **ARTICLE IV GENERAL**

### **4.1 Effectiveness**

This Plan shall become effective upon Board approval, subject to the provisions of section 4.2 hereof. This Plan shall remain in effect until it is terminated by the Committee or the Board.

### **4.2 Discontinuance of Plan**

The Committee or the Board, as the case may be, may discontinue this Plan at any time in its sole discretion, and without shareholder approval, provided that such discontinuance may not, without the consent of the Participant, in any manner adversely affect the Participant's rights under any Share Unit granted under this Plan. In the event this Plan is discontinued by the Committee or the Board the balance of outstanding Share Units shall be maintained until the earlier of the Entitlement Date for, or the termination, resignation, retirement, death or disability of, each Participant as provided for under this Plan.

### **4.3 Non-Transferability**

Except pursuant to a will or by the laws of descent and distribution, no Share Unit and no other right or interest of a Participant is assignable or transferable.

### **4.4 Income Taxes**

The Company or its Affiliates may take such steps as are considered necessary or appropriate for the withholding of any taxes or other source deduction which the Company or its Affiliate is required by any law or regulation of any governmental authority whatsoever to withhold in connection with the issuance of Shares pursuant to this Plan, including a sale on behalf of a Participant of a sufficient number of Shares to fund such withholding obligation.

### **4.5 Amendments to the Plan**

The Committee may from time to time in its sole discretion, and without shareholder approval, amend, modify and change the provisions of this Plan and any Share Unit grant letter, in connection with (without limitation):

- (a) amendments of a housekeeping nature;
- (b) the addition or a change to any vesting provisions of a Share Unit;
- (c) changes to the termination provisions of a Share Unit or the Plan; and
- (d) amendments to reflect changes to applicable securities or tax laws.

However, other than as set out above, any amendment, modification or change to the provisions of this Plan which would:

- (a) materially increase the benefits to the holder of the Share Units who is an Insider to the material detriment of the Company and its shareholders;
- (b) increase the number of Shares or maximum percentage of Shares which may be issued pursuant to this Plan (other than by virtue of adjustments pursuant to section 4.9 of this Plan);
- (c) permit Share Units to be transferred other than for normal estate settlement purposes;
- (d) remove or exceed the Insider participation limits;
- (e) materially modify the eligibility requirements for participation in this Plan; or
- (f) modify the amending provisions of the Plan set forth in this section 4.5,

shall only be effective on such amendment, modification or change being approved by the shareholders of the Company. In addition, any such amendment, modification or change of any provision of this Plan shall be subject to the approval, if required, by any Stock Exchange having jurisdiction over the securities of the Company.

#### 4.6 Participant Rights

No holder of any Share Units shall have any rights as a shareholder of the Company. Except as otherwise specified herein, no holder of any Share Units shall be entitled to receive, and no adjustment is required to be made for, any dividends, distributions or any other rights declared for shareholders of the Company.

#### 4.7 No Right to Continued Employment or Service

Nothing in this Plan shall confer on any Participant the right to continue as an employee or officer of the Company or any Affiliate, as the case may be, or interfere with the right of the Company or Affiliate, as applicable, to remove such officer and/or employee.

#### 4.8 Adjustments

In the event there is any change in the Shares, whether by reason of a stock dividend, consolidation, subdivision, reclassification or otherwise, an appropriate adjustment shall be made to outstanding Share Units by the Committee, in its sole discretion, to reflect such changes. If the foregoing adjustment shall result in a fractional Share, the fraction shall be disregarded. All such adjustments shall be conclusive, final and binding for all purposes of this Plan.

#### 4.9 Effect of Take-Over Bid

If a bona fide offer (the “Offer”) for Shares is made to shareholders generally (or to a class of shareholders that would include the Participant), which Offer, if accepted in whole or in part, would result in the offeror (the “Offeror”) exercising control over the Company within the meaning of the Securities Act (Ontario), then the Company shall, as soon as practicable following receipt of the Offer, notify each Participant of the full particulars of the Offer. The Board will have the sole discretion to amend, abridge or otherwise eliminate any vesting schedule related to each Participant’s Share Units so that notwithstanding the other terms of this Plan, the underlying Shares may be conditionally issued to each Participant holding Share Units so (and only so) as to permit the Participant to tender the Shares received in connection with the Share Units pursuant to the Offer. If:

- (a) the Offer is not complied with within the time specified therein;
- (b) the Participant does not tender the Shares underlying the Share Units pursuant to the Offer; or
- (c) all of the Shares tendered by the Participant pursuant to the Offer are not taken up and paid for by the Offeror,

then at the discretion of the Committee or the Board, the Share Units shall be deemed not to have been settled and the Shares or, in the case of clause (c) above, the Shares that are not taken up and paid for, shall be deemed not to have been issued and will be reinstated as authorized but unissued Shares and the terms of the Share Units as set forth in this Plan and the applicable Share Unit grant letter shall again apply to the Share Units.

#### 4.10 Unfunded Status of Plan

This Plan shall be unfunded.

#### 4.11 Compliance with Laws

If any provision of this Plan or any Share Unit contravenes any law or any order, policy, by-law or regulation of any regulatory body having jurisdiction, then such provision shall be deemed to be amended to the extent necessary to bring such provision into compliance therewith.

#### 4.12 Governing Law

This Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

#### 4.13 Effective Dates and Amendments

Approved by the Board on March 26, 2014.

Approved by the Shareholders on May 9, 2014.

**SCHEDULE "A"**

**LUNDIN MINING CORPORATION – SHARE UNIT PLAN**

Notwithstanding anything to the contrary in the Plan, the provisions of this Schedule "A" shall apply to the Share Unit Awards made to a Participant during the period that he or she is a U.S. Taxpayer.

**1. Retirement**

Notwithstanding section 3.6 of the Plan, any unvested Share Units held by a Participant that is a U.S. Taxpayer will automatically vest on the date such Participant attains the age of 65 and the Shares underlying such Share Units will be issued to the Participant forthwith and in any event no later than March 15 of the following calendar year.

**2. Inability to Elect a Deferred Payment Date**

For greater certainty, a Participant who is a U.S. Taxpayer will not be entitled to elect a Deferred Payment Date.

**APPENDIX C**  
**LUNDIN MINING CORPORATION – INCENTIVE STOCK OPTION PLAN**

**ARTICLE I**  
**INTRODUCTION**

**1.1 Purpose of Plan**

The purpose of the Plan is to secure for the Company and its shareholders the benefits of incentive inherent in the share ownership by the Directors, key Employees and Consultants of the Company and its subsidiaries who, in the judgment of the Board, will be largely responsible for its future growth and success. It is generally recognized that a stock option plan of the nature provided for herein aids in retaining and encouraging Employees and Directors of exceptional ability because of the opportunity offered them to acquire a proprietary interest in the Company.

**1.2 Definitions**

- (a) **“Affiliate”** means any corporation that is an affiliate of the Company as defined in National Instrument 45-106 – *Prospectus and Registration Exemptions*, as may be amended from time to time.
- (b) **“Associate”** of any person or company, is as defined in the Securities Act, as may be amended from time to time.
- (c) **“Board”** means the board of directors of the Company, or any committee of the board of directors to which the duties of the board of directors hereunder are delegated.
- (d) **“Change of Control”** means the occurrence of any one or more of the following events:
  - (i) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Company or any of its Affiliates and another corporation or other entity, as a result of which the holders of Shares immediately prior to the completion of the transaction hold less than 50% of the outstanding shares of the successor corporation immediately after completion of the transaction;
  - (ii) the sale, lease, exchange or other disposition, in a single transaction or a series of related transactions, of all or substantially all of the assets, rights or properties of the Company and its subsidiaries on a consolidated basis to any other person or entity, other than transactions among the Company and its subsidiaries;
  - (iii) a resolution is adopted to wind-up, dissolve or liquidate the Company;
  - (iv) any person, entity or group of persons or entities acting jointly or in concert (the **“Acquiror”**) acquires, or acquires control (including, without limitation, the power to vote or direct the voting) of, voting securities of the Company which, when added to the voting securities owned of record or beneficially by the Acquiror or which the Acquiror has the right to vote or in respect of which the Acquiror has the right to direct the voting, would entitle the Acquiror and/or Associates and/or Affiliates of the Acquiror to cast or direct the casting of 30% or more of the votes attached to all of the Company’s outstanding voting securities which may be cast to elect directors of the Company or the successor corporation (regardless of whether a meeting has been called to elect directors);
  - (v) as a result of or in connection with: (A) a contested election of directors of the Company; or (B) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Company or any of its Affiliates and another corporation or other entity (a **“Transaction”**), fewer than 50% of the Directors are persons who were directors of the Company immediately prior to such Transaction; or
  - (vi) the Board adopts a resolution to the effect that a Change of Control as defined herein has occurred or is imminent.

For the purposes of the foregoing definition of Change of Control, **“voting securities”** means Shares and any other shares entitled to vote for the election of directors of the Company and shall include any security, whether or not issued by the Company, which are not shares entitled to vote for the election of directors but are convertible into or exchangeable for shares which are entitled to vote for the election of directors, including any options or rights to purchase such shares or securities.

- (e) **“Company”** means Lundin Mining Corporation and includes any successor corporation thereof.
- (f) **“Consultant”** means, in relation to the Company, an individual or a consultant company, other than an Employee, Director or Officer of the Company, that:
  - (i) is engaged to provide on a continuous bona fide basis, consulting, technical, management or other services to the Company or to an Affiliate of the Company, other than services provided in relation to a distribution, for a period of at least 12 months;

- (ii) provides the services under a written contract between the Company or the Affiliate and the individual or the consultant company;
  - (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or an Affiliate of the Company; and
  - (iv) has a relationship with the Company or an Affiliate of the Company that enables the individual to be knowledgeable about the business and affairs of the Company.
- (g) **“Consultant Company”** means for an individual Consultant, a company or partnership of which the individual is an employee, shareholder or partner.
  - (h) **“Director”** means a director of the Company or any of its subsidiaries.
  - (i) **“Disinterested Shareholder Approval”** means approval by a majority of the votes cast by all the Company’s shareholders at a duly constituted shareholders’ meeting, excluding votes attached to shares of the Company beneficially owned by Insiders of the Company to whom Options may be granted under the Plan and their Associates.
  - (j) **“Eligible Person”** means an Employee, Director or Officer of the Company or any of its subsidiaries or Affiliates, Consultant, and a Management Company Employee, and, except in relation to a Consultant Company, includes a company that is wholly-owned by such persons.
  - (k) **“Employee”** means an individual who is a bona fide employee of the Company or of any subsidiary of the Company and includes a bona fide permanent part-time employee of the Company or any subsidiary of the Company.
  - (l) **“Exchange”** means, as the context requires, the TSX, or any other stock exchange on which the Shares are listed for trading at the relevant time.
  - (m) **“Insider”** has the meaning ascribed to such term in the TSX Company Manual.
  - (n) **“Management Company Employee”** means an individual who is a bona fide employee of a company providing management services to the Company, which are required for the ongoing successful operation of the business enterprise of the Company.
  - (o) **“Market Price”** as at any date in respect of the Shares shall be the closing price of the Shares on the TSX, or if the Shares are not then listed on the TSX, on the principal stock exchange on which such Shares are traded, on the trading day of the Option grant. In the event that the Shares are not then listed and posted for trading on a stock exchange, the Market Price shall be the fair market value of such Shares as determined by the Board in its sole discretion.
  - (p) **“non-employee director”** means a director who is not also an officer of the Company.
  - (q) **“Officer”** means a senior officer of the Company or any of its subsidiaries.
  - (r) **“Option”** shall mean an option granted under the terms of the Plan.
  - (s) **“Option Commitment”** means the commitment of grant of an Option delivered by the Company hereunder to an Optionee and substantially in the form of Exhibit A hereto.
  - (t) **“Optionee”** shall mean a Participant to whom an Option has been granted under the terms of the Plan.
  - (u) **“Participant”** means, in respect of the Plan, an Eligible Person who elects to participate in the Plan.
  - (v) **“Plan”** means the Incentive Stock Option Plan, as may be amended from time to time.
  - (w) **“Resignation”** means the cessation of employment (as an Officer or Employee) of the Participant with the Company or an Affiliate as a result of resignation, other than as a result of Retirement.
  - (x) **“Retirement”** means the Participant ceasing to be an Employee or Officer of the Company or an Affiliate in accordance with the retirement policies of the Company or any subsidiary, if any, or such other time as the Company may agree with the Participant.
  - (y) **“Securities Act”** means the *Securities Act*, R.S.O. 1990, Chapter S.5.
  - (z) **“Shares”** mean the common shares in the capital of the Company.
  - (aa) **“Termination With Cause”** means the termination of employment (as an Officer or Employee) of the Participant with cause by the Company or an Affiliate (and does not include Resignation or Retirement).
  - (bb) **“Termination Without Cause”** means the termination of employment (as an Officer or Employee) of the Participant without cause by the Company or an Affiliate (and does not include Resignation or Retirement) and, in the case of an Officer, includes the removal of or failure to reappoint the Participant as an Officer of the Company or an Affiliate.
  - (cc) **“TSX”** means the Toronto Stock Exchange.

## **ARTICLE II STOCK OPTION PLAN**

### **2.1 Participation**

Options to purchase Shares may be granted hereunder to Eligible Persons.

### **2.2 Determination of Option Recipients**

The Board shall make all necessary or desirable determinations regarding the granting of Options to Eligible Persons and may take into consideration the present and potential contributions of a particular Eligible Person to the success of the Company and any other factors which it may deem proper and relevant.

### **2.3 Exercise Price**

The exercise price per Share under an Option shall be determined by the Board but, in any event, shall not be lower than the Market Price of the Shares of the Company on the date of grant of the Options.

### **2.4 Grant of Options**

The Board may at any time authorize the granting of Options to such Eligible Persons as it may select for the number of Shares that it shall designate, subject to the provisions of the Plan. A Director of the Company to whom an Option may be granted shall not participate in the decision of the Board to grant such Option. The date of each grant of Options shall be determined by the Board when the grant is authorized.

### **2.5 Option Commitment**

Each Option granted to an Optionee shall be evidenced by an Option Commitment detailing the terms of the Option and upon delivery of the Option Commitment to the Optionee by the Company, the Optionee shall have the right to purchase the Shares underlying the Option at the exercise price set out therein, subject to any provisions as to the vesting of the Option.

### **2.6 Term of Options**

The period within which Options may be exercised and the number of Options which may be exercised in any such period shall be determined by the Board at the time of granting the Options provided, however, that all Options must be exercisable during a period not extending beyond five (5) years from the date of the Option grant. Notwithstanding the foregoing, in the event that the expiry of an Option period falls within, or within two (2) days of, a trading blackout period imposed by the Company (the "**Blackout Period**"), the expiry date of such Option shall be automatically extended to the 10th business day following the end of the Blackout Period.

### **2.7 Exercise of Options**

Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Company of a written notice of exercise specifying the number of Shares with respect to which the Option is being exercised and accompanied by payment in full of the exercise price of the Shares to be purchased. Certificates for such Shares shall be issued and delivered to the Optionee within a reasonable time following the receipt of such notice and payment.

### **2.8 Vesting**

Options granted pursuant to the Plan shall vest and become exercisable by an Optionee at such time or times as may be determined by the Board at the date of the Option grant and as indicated in the Option Commitment related thereto.

### **2.9 Lapsed Options**

If Options are surrendered, terminated or expire without being exercised, in whole or in part, new Options may be granted covering the Shares not purchased under such lapsed Options.

### **2.10 Change of Control**

In the event of a Change of Control, all unvested Options outstanding shall automatically immediately vest on the date of such Change of Control. Upon a Change of Control, Participants shall not be treated any more favourably than shareholders of the Company with respect to the consideration that the Participants would be entitled to receive for the Shares issued upon exercise of their Options. Options may be cancelled if such Options are out of the money.



### 2.11 Death or Disability of Optionee

In the event of:

- (a) the death of a Participant, any unvested Options held by such Participant will automatically vest and become exercisable on the date of death of such Participant and all Options shall be exercisable for a period of 12 months after the date of death, subject to the expiration of such Options occurring prior to the end of such 12-month period; or
- (b) the disability of a Participant (as may be determined in accordance with the policies, if any, or general practices of the Company or any subsidiary), any unvested Options held by such Participant will automatically vest and become exercisable on the date on which the Participant is determined to be totally disabled and all Options shall be exercisable for a period of 12 months after the date the Participant is determined to be totally disabled, subject to the expiration of such Options occurring prior to the end of such 12-month period.

### 2.12 Retirement

In the event of Retirement of a Participant, any unvested Options held by such Participant will automatically vest and become exercisable on the date of Retirement and all Options shall be exercisable for a period of 12 months after the date of Retirement, subject to the expiration of such Options occurring prior to the end of such 12-month period.

### 2.13 Termination Without Cause

In the event of Termination Without Cause of a Participant that has been continuously employed by the Company, a subsidiary or Affiliate, or retained as a Consultant to the Company or a Management Company Employee, for at least two (2) years prior to the date of such Termination Without Cause inclusive of any notice period, if applicable, any unvested Options held by such Participant will automatically vest on the date of Termination Without Cause, and shall be exercisable for a period of 90 days after the date of Termination Without Cause, subject to the expiration of such Options occurring prior to the end of such 90-day period. In the event of Termination Without Cause of a Participant that has been continuously employed by the Company, a subsidiary or Affiliate, or retained as a Consultant to the Company or a Management Company Employee, for less than two (2) years prior to the date of such Termination Without Cause inclusive of any notice period, if applicable, any vested Options held by such Participant shall be exercisable for a period of 90 days after the date of Termination Without Cause, but any unvested Options held by the Participant shall become void and the Participant shall have no entitlement and will forfeit any rights to any issuance of Shares under this Plan in connection with such unvested Options, except as may otherwise be stipulated in the Participant's Option Commitment.

### 2.14 Resignation

In the event of Resignation of a Participant, all of the Participant's Options that have vested shall be exercisable for a period of 90 days after the date of Resignation, subject to the expiration of such Options occurring prior to the end of such 90-day period, and any unvested Options held by such Participant shall become void on the date of Resignation.

### 2.15 Termination With Cause

In the event of Termination With Cause of a Participant, all of the Participant's Options shall become void and the Participant shall have no entitlement and will forfeit any rights to any issuance of Shares under Options awarded under this Plan, except as may otherwise be stipulated in the Participant's Option Commitment, employment agreement or as may otherwise be determined by the Board in its sole and absolute discretion.

### 2.16 Subject to Employment/Severance Agreements

Sections 2.10, 2.11, 2.12, 2.13 and 2.14 shall be subject to any employment/severance agreement between the Participant and the Company or its Affiliates.

### 2.17 Effect of Take-Over Bid

If a bona fide offer (the "Offer") for Shares is made to shareholders generally (or to a class of shareholders that would include the Participant), which Offer, if accepted in whole or in part, would result in the offeror (the "Offeror") exercising control over the Company within the meaning of the Securities Act, then the Company shall, as soon as practicable following receipt of the Offer, notify each Participant of the full particulars of the Offer. The Board will have the sole discretion to amend, abridge or otherwise eliminate any vesting schedule related to each Participant's Options so that notwithstanding the other terms of this Plan, such Option may be conditionally exercised in whole or in part by the Optionee and the underlying Shares may be conditionally issued to each such

Participant so (and only so) as to permit the Participant to tender the Shares received in connection with the exercise of the Options pursuant to the Offer. If:

- (a) the Offer is not complied with within the time specified therein;
- (b) the Participant does not tender the Shares underlying the Options pursuant to the Offer; or
- (c) all of the Shares tendered by the Participant pursuant to the Offer are not taken up and paid for by the Offeror,

then at the discretion of the Board, the Options shall be deemed not to have been exercised and the Shares or, in the case of clause (c) above, the Shares that are not taken up and paid for, shall be deemed not to have been issued and will be reinstated as authorized but unissued Shares and the Options shall be reinstated and the terms of the Options as set forth in this Plan and the applicable Option Commitment shall again apply to the Options. If any Shares are returned to the Company under this Section, the Company shall refund the exercise price to the Optionee for such Shares without interest or deduction.

### **2.18 Adjustment in Shares Subject to the Plan**

In the event there is any change in the Shares, whether by reason of a stock dividend, consolidation, subdivision, reclassification or otherwise, an appropriate adjustment shall be made by the Board, in its sole discretion, to the exercise price of any outstanding Options as well as the number of Shares which may be issued upon exercise of the Options to reflect such changes. If the foregoing adjustment shall result in a fractional Share, the fraction shall be disregarded. All such adjustments shall be conclusive, final and binding for all purposes of this Plan.

## **ARTICLE III GENERAL**

### **3.1 Maximum Number of Shares**

- (a) The maximum number of Shares made available for issuance from treasury under this Plan, subject to adjustments pursuant to Section 2.18, is 30,000,000 Shares (including Shares underlying outstanding Options). Any Option which has been cancelled or terminated prior to exercise in accordance with the terms of the Plan will again be available under the Plan.
- (b) The grant of Options under the Plan is subject to the number of the Shares: (i) issued to insiders of the Company, within any one (1) year period, and (ii) issuable to Insiders of the Company, at any time, under the Plan, or when combined with all of the Company's other security based compensation arrangements, shall not exceed 10% of the Company's total issued and outstanding Shares, respectively. For the purposes of this Plan, "security-based compensation arrangement" shall have the meaning set out in the TSX Company Manual. For greater certainty, the number of Shares outstanding shall mean the number of Shares outstanding on a non-diluted basis on the date immediately prior to the proposed date of grant of the Options.
- (c) The aggregate number of Options granted pursuant to this Plan to any one non-employee Director, if ever applicable, within any one-year period shall not exceed a maximum value of Cdn\$100,000 worth of Options. The value of the Options shall be determined using a generally accepted valuation model.
- (d) The aggregate number of Shares reserved for issuance pursuant to this Plan to non-employee Directors as a group, if ever applicable, shall not exceed 1% of the number of issued and outstanding Shares of the Company, as calculated without reference to the initial options granted under the Plan to a person who is not previously an insider of the Company upon such person becoming or agreeing to become a director of the Company, and without reference to options held by former directors of the Company.

For the purposes of this Section 3.1, the number of Shares then outstanding shall mean the number of Shares outstanding on a non-diluted basis on the date immediately prior to the proposed grant date of the applicable Options.

### **3.2 Transferability**

Options are not assignable or transferable other than by will or by the applicable laws of descent. During the lifetime of an Optionee, all Options may only be exercised by the Optionee.

### **3.3 Employment**

Nothing contained in the Plan shall confer upon any Optionee any right with respect to employment or continuance of employment with the Company or any subsidiary, or interfere in any way with the right of the Company or any subsidiary, to terminate the Optionee's employment at any time. Participation in the Plan by an Optionee is voluntary.

### 3.4 No Shareholder Rights

An Optionee shall not have any rights as a shareholder of the Company with respect to any of the Shares covered by an Option until the Optionee exercises such Option in accordance with the terms of the Plan and the issuance of the Shares by the Company.

### 3.5 Record Keeping

The Company shall maintain a register in which shall be recorded the name and address of each Optionee, the number of Options granted to an Optionee, the details thereof and the number of Options outstanding.

### 3.6 Necessary Approvals

The Plan shall be effective only upon the approval of both the Board and the shareholders of the Company by ordinary resolution. The obligation of the Company to sell and deliver Shares in accordance with the Plan is subject to the approval of any governmental authority having jurisdiction or the Exchange which may be required in connection with the authorization, issuance or sale of such Shares by the Company. If any Shares cannot be issued to any Optionee for any reason including, without limitation, the failure to obtain such approval, then the obligation of the Company to issue such Shares shall terminate and any exercise price paid by an Optionee to the Company shall be returned to the Optionee without interest or deduction.

### 3.7 Delegation to Committee

All of the powers exercisable hereunder by the Board may, to the extent permitted by applicable law and by resolution of the Board, be exercised by the Human Resource & Compensation Committee of the Board, or such other committee as the Board may determine from time to time. The directors of such committee shall not be employees of the Company so long as they are on such committee.

### 3.8 Administration of the Plan

The Board is authorized to interpret the Plan from time to time and to adopt, amend and rescind rules and regulations for carrying out the Plan. The interpretation and construction of any provision of the Plan by the Board shall be final and conclusive. Administration of the Plan shall be the responsibility of the appropriate Officers of the Company and all costs in respect thereof shall be paid by the Company.

### 3.9 Income Taxes

The Company or its Affiliates may take such steps as are considered necessary or appropriate for the withholding of any taxes or other source deduction which the Company or its Affiliate is required by any law or regulation of any governmental authority whatsoever to withhold in connection with this Plan, including a sale on behalf of a Participant, of a sufficient number of Shares to fund such withholding obligation.

### 3.10 Amendments to the Plan

The Board may from time to time in its sole discretion, and without shareholder approval, amend, modify and change the provisions of this Plan and any Option Commitment, in connection with (without limitation):

- (a) amendments of a housekeeping nature;
- (b) the addition or a change to any vesting provisions of a Option;
- (c) changes to the termination provisions of an Option or the Plan which do not entail an extension beyond the original expiry date;
- (d) the addition of a cashless exercise feature, payable in cash or securities, whether or not providing for a full deduction of the number of underlying Shares from the Plan reserves; and
- (e) amendments to reflect changes to applicable securities or tax laws.

However, other than as set out above, any amendment, modification or change to the provisions of this Plan which would:

- (a) reduce the exercise price of an Option, cancel and reissue an Option or cancel an Option in order to issue an alternative entitlement;
- (b) amend the term of an Option to extend the term beyond its original expiry;

- (c) amend the limits imposed on non-employee Directors in Sections 3.1(c) and 3.1(d) (other than by virtue of adjustments pursuant to section 2.18 of this Plan);
- (d) materially increase the benefits to the holder of the Options who is an Insider to the material detriment of the Company and its shareholders;
- (e) increase the number of Shares or maximum percentage of Shares which may be issued pursuant to this Plan (other than by virtue of adjustments pursuant to Section 2.18 of this Plan);
- (f) permit Options to be transferred other than for normal estate settlement purposes;
- (g) remove or exceed the Insider participation limits;
- (h) materially modify the eligibility requirements for participation in this Plan; or
- (i) modify the amending provisions of the Plan set forth in this Section 3.10,

shall only be effective on such amendment, modification or change being approved by the shareholders of the Company. In addition, any such amendment, modification or change of any provision of this Plan shall be subject to the approval, if required, by the Exchange having jurisdiction over the securities of the Company.

### 3.11 **No Representation or Warranty**

The Company makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

### 3.12 **Interpretation**

The Plan will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

### 3.13 **Compliance with Applicable Law**

If any provision of the Plan or any agreement entered into pursuant to the Plan contravenes any law or any order, policy, by-law or regulation of any regulatory body or stock exchange having authority over the Company or the Plan then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

### 3.14 **Effective Dates and Amendments**

Approved by the Board on March 26, 2014.

Approved by the Shareholders on May 9, 2014.

**EXHIBIT A**

**LUNDIN MINING CORPORATION**

**INCENTIVE STOCK OPTION PLAN  
STOCK OPTION COMMITMENT**

Notice is hereby given that effective the \_\_\_\_\_ day of \_\_\_\_\_ (the "Effective Date"), Lundin Mining Corporation (the "Company") has granted to \_\_\_\_\_, an Option to acquire \_\_\_\_\_ Common Shares ("Shares") exercisable up to 5:00 p.m. Vancouver Time on the \_\_\_\_\_ day of \_\_\_\_\_ (the "Expiry Date") at an exercise price of Cdn. \$ \_\_\_\_\_ per share.

The shares may be acquired as follows:

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The grant of the Option evidenced hereby is made subject to the terms and conditions of the Company's Incentive Stock Option Plan, the terms and conditions of which are hereby incorporated herein.

To exercise your Option, deliver a written notice specifying the number of Shares you wish to acquire, together with cash or a certified cheque payable to the Company for the aggregate exercise price, to the Company. A certificate for the Shares so acquired will be issued by the transfer agent as soon as practicable thereafter.

**LUNDIN MINING CORPORATION**

\_\_\_\_\_  
Authorized Signatory





**lundin mining**