

# **lundin mining**

2016

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
AND  
MANAGEMENT INFORMATION CIRCULAR  
WITH RESPECT TO THE  
ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON  
MAY 13, 2016  
FOR  
LUNDIN MINING CORPORATION

MARCH 24, 2016



# lundin mining

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

**NOTICE** is hereby given that an annual 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 13, 2016 at 10:00 a.m. Toronto time ("Meeting"), for the following purposes:

1. To receive the audited consolidated financial statements of the Corporation for the year ended December 31, 2015 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 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 a management information circular (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 11, 2016 (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 24, 2016. Accordingly, shareholders registered on the books of the Corporation at the close of business on March 24, 2016 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 24th day of March, 2016.

### 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 24, 2016 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 (the “Corporation” or “Lundin Mining”) for use at the annual meeting of the Corporation’s shareholders to be held on Friday, May 13, 2016 (“Meeting”) at the time and place and for the purposes set forth in the accompanying Notice of Annual 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 18, 2016.

Unless otherwise stated, the information contained in this Circular is as of March 24, 2016.

### 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, reference to € is to Euros, reference of £ is to British Pounds Sterling and reference to CLP is to Chilean Pesos). The Corporation has used the following annual average exchange rate for each year for all currency conversions throughout this Circular, unless indicated otherwise:

2015:	US\$0.7831 to C\$1.00	US\$1.1096 to €1.00
2014:	US\$0.9055 to C\$1.00	US\$1.6476 to £1.00
2013:	US\$0.9710 to C\$1.00	US\$1.5646 to £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 (as defined below) on any ballot that may be called for and, if the Registered Shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the Common 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 of the Company. A Registered Shareholder appointing a proxy holder may indicate the manner in which the appointed proxy holder is to vote regarding any specific item by checking the space opposite the item on the proxy. If the Registered Shareholder giving the proxy wishes to confer discretionary authority regarding any item of business, the space opposite the item should be left blank. The Common Shares represented by the proxy submitted by a Registered Shareholder will be voted or withheld from voting in accordance with the directions, if any, given in the proxy. If a Registered 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 and **FOR** the appointment of the auditors.

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 11, 2016 (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). 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.

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).

## **REVOCATION 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, provided that if such proxy is delivered following the proxy cut-off time, while it will revoke a previous proxy it may not be a valid proxy, at the discretion of the Chairman of the Meeting), 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 (as defined below) 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. Most shareholders of Lundin Mining are “non-registered” shareholders (“Beneficial Shareholders”) because the Common Shares they own are not registered in their names. Common Shares beneficially owned by a Beneficial Shareholder are registered either: (i) in the name of an intermediary (“Intermediary”) that the Non-Registered Shareholder deals with in respect of the common shares of Lundin Mining (Intermediaries include, among others, banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (ii) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc. or The Depository Trust & Clearing Corporation) of which the Intermediary is a participant. This Circular and related Meeting materials are being sent to both Registered Shareholders and Beneficial Shareholders. 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 (as defined below) 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.

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, then in almost all cases the name of such Beneficial Shareholder will not appear on the share register of the Corporation. Such shares can only be voted by Intermediaries 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 instructions provided by their Intermediary with this Circular and ensure that they direct the voting of their shares in accordance with those instructions.

In accordance with applicable securities law requirements, Lundin Mining has distributed copies of the Notice, the Circular and the form of proxy (which includes a place to request to receive copies of annual and/or interim financial statements and MD&A or to waive the receipt of such documents) to the Intermediaries and clearing agencies for distribution to Beneficial Shareholders. Intermediaries are required to forward the materials to Beneficial Shareholders.

Applicable regulatory policies require Intermediary to seek voting instructions from Beneficial Shareholders in advance of a shareholders' meeting. Each 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 Intermediary is limited to instructing the registered holder on how to vote their shares on behalf of the Beneficial Shareholder. Most Intermediaries in Canada now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“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 with respect to the voting of shares at the Meeting. A Beneficial Shareholder who receives 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 24, 2016 (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.

## **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

The Corporation is authorized to issue an unlimited number of Common Shares and one special share, of which 719,628,357 Common Shares and no special 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:

<b>Name of Shareholder</b>	<b>Number of Common Shares</b>	<b>Percentage of Common Shares</b>
Lorito Holdings S.à.r.l. (“Lorito”) <sup>(1)</sup> Luxembourg	37,557,844	Approximately 5.2%
Zebra Holdings and Investments S.à.r.l. (“Zebra”) <sup>(1)</sup> Luxembourg	54,964,854	Approximately 7.6%

<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, 2015, including the report of the auditors thereon, will be tabled at the Meeting and will be received by the shareholders. These audited consolidated financial statements of the Corporation for the year ended December 31, 2015 and the report of the auditors 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.

The board of directors of the Corporation (the “Board”) has accepted a recommendation of the Corporate Governance and Nominating Committee (the “CGNC”) of the Corporation and has determined that the size of the Board should be eight directors. The number of directors to be elected is eight. All eight nominees are presently members of the Board and the dates on which they were first elected or appointed are indicated below. Each director nominee elected will hold office until his or her successor is elected at the next annual meeting of shareholders, or any postponement(s) or adjournment(s) thereof, or until his or her successor is otherwise elected or appointed.

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.

### **Director Nominee 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 the ensuing year.

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

<b>LUKAS H. LUNDIN</b> Vaud, Switzerland Chairman Age: 58  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>	<b>Common Shares Owned<sup>(1)</sup></b>
	Board	2,271,449
<b>PAUL K. CONIBEAR</b> British Columbia, Canada President & Chief Executive Officer and Director Age: 58  Director since: June 30, 2011	President and Chief Executive Officer of the Corporation since June 30, 2011; Senior Vice President, Corporate Development of the Corporation 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>	<b>Common Shares Owned<sup>(1)</sup></b>
	Board	789,904
	Health, Safety, Environment and Community Committee	
<b>DONALD K. CHARTER</b> Ontario, Canada Director Age: 59  Director since: October 31, 2006	Currently a corporate director with experience in executive leadership positions in mining and financial services as well as mergers and acquisitions and finance. Prior thereto, he was the President and Chief Executive Officer of Corsa Coal Corp. from August 2010 to July 2013 and a corporate director and consultant since January 2006. Currently a director of Adriana Resources Inc., IAMGold and Dream Real Estate Investment Trust.	
	<b>Lundin Mining Board and Board committees</b>	<b>Common Shares Owned<sup>(1)</sup></b>
	Board	42,424
	Human Resources/Compensation Committee (Chair)	
	Corporate Governance and Nominating Committee	
<b>JOHN H. CRAIG</b> Ontario, Canada Director Age: 68  Director since: June 11, 2003	Lawyer, partner of Cassels Brock & Blackwell LLP ("Cassels") until December 31, 2015. Counsel to Cassels since January 1, 2016. Also a director of a number of publicly traded companies.	
	<b>Lundin Mining Board and Board committees</b>	<b>Common Shares Owned<sup>(1)</sup></b>
	Board	213,849
	Health, Safety, Environment and Community Committee	
<b>PETER C. JONES</b> Alberta, Canada Director Age: 68  Director since: September 20, 2013	Corporate director and retired executive with over 40 years of experience in the global mining industry. 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>	<b>Common Shares Owned<sup>(1)</sup></b>
	Board	61,482
	Health, Safety, Environment and Community Committee (Chair)	
	Human Resources/Compensation Committee	
<b>DALE C. PENIUK</b> British Columbia, Canada Director Age: 56  Director since: October 31, 2006	Chartered Professional Accountant (CPA, CA) and corporate director; formerly an assurance partner with KPMG LLP; director of a number of publicly traded companies.	
	<b>Lundin Mining Board and Board committees</b>	<b>Common Shares Owned<sup>(1)</sup></b>
	Board	50,000
	Audit Committee (Chair)	
	Corporate Governance and Nominating Committee	
<b>WILLIAM A. RAND</b> British Columbia, Canada Lead Director Age: 73  Director since: September 9, 1994	President and director of Rand Investments Ltd. since July 1986; director of a number of publicly traded companies.	
	<b>Lundin Mining Board and Board committees</b>	<b>Common Shares Owned<sup>(1)</sup></b>
	Board	223,424
	Audit Committee	
	Human Resources/Compensation Committee	
<b>CATHERINE J. G. STEFAN</b> Ontario, Canada Age: 63  Director since: May 8, 2015	President of Stefan & Associates, a consulting firm, which Ms. Stefan formed in 1990. Ms. Stefan served as Chief Operating Officer of O&Y Properties Inc. from 1996 to 1998. From 1999 until 2008, Ms. Stefan was Managing Partner of Tivona Capital Corporation, a private investment firm. Ms. Stefan obtained her Bachelor of Commerce degree from the University of Toronto in 1973. Ms. Stefan is a Chartered Professional Accountant (CPA, CA) and a member of the Institute of Corporate Directors, with 30 years of business experience, primarily in senior management of public companies in the real estate sector. Mining related experience includes that gained in her position as a Board member of Denison Mines Corp. ("DMC") where she has served as a Director since 2006. From 2004 to 2006, Ms. Stefan was a Board member of DMC's predecessor, Denison Mines Inc.	
	<b>Lundin Mining Board and Board committees</b>	<b>Common Shares Owned<sup>(1)</sup></b>
	Board	55,000
	Audit Committee	
	Corporate Governance and Nominating Committee (Chair)	

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



## 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, 2015 to December 31, 2015:

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>
Donald K. Charter <sup>(2)</sup>	6	6	3	3	9	9	1	1	-	-
Paul K. Conibear	6	6	-	-	-	-	-	-	4	4
John H. Craig <sup>(3)</sup>	6	6	-	-	-	-	3	3	2	2
Peter C. Jones	6	6	-	-	9	9	-	-	4	4
Lukas H. Lundin	6	6	-	-	-	-	-	-	-	-
Dale C. Peniuk	6	6	5	5	-	-	4	4	-	-
William A. Rand	6	6	5	5	9	9	-	-	-	-
Catherine J. G. Stefan <sup>(4)</sup>	3	3	2	2	-	-	1	1	-	-

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

<sup>(2)</sup> Mr. Charter ceased to be a member of the Audit Committee on May 8, 2015 and was appointed as a member of the CGNC on May 8, 2015.

<sup>(3)</sup> Mr. Craig ceased to be a member of the CGNC on May 8, 2015 and was appointed as a member of the Health, Safety, Environment and Community Committee on May 8, 2015.

<sup>(4)</sup> Ms. Stefan was elected to the Board on May 8, 2015 and was appointed as a member of the Audit Committee and Chair of the CGNC on May 8, 2015. She attended all meetings held subsequent to her appointment.

### 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. Among other things, the advance notice by-law fixes a deadline by which holders of record of Common Shares must submit director nominations to the Corporation prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include in the notice to the Corporation. In the case of an annual meeting of shareholders, notice to the Corporation must be provided not less than 30 days nor more than 65 days prior to the date of the annual meeting.

As at the date of this Circular, the Corporation has not received notice of any director nominations in connection with the Meeting.

### 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.

Mr. Jones was a director of Lakota Resources Inc. ("Lakota") between September 2008 and October 2009. In May and August 2009, cease trade orders were issued against Lakota for failure to file financial statements on July 13, 2009. Lakota was delisted from the TSX Venture Exchange for failure to maintain listing requirements. The cease trade order was revoked in 2011.

Mr. Rand was a director of New West Energy Services Inc. 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.

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 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.

On November 8, 2013, Mr. Craig resigned as a director of Sirocco Mining Inc. ("Sirocco"). On January 31, 2014, Messrs. Conibear and Lundin both resigned as directors of Sirocco. On both such dates, Sirocco was financially solvent. Pursuant to a plan of arrangement completed on January 31, 2014, Canada Lithium Corp. ("Canada Lithium") acquired Sirocco. The final step in the plan of arrangement transaction was the amalgamation of Canada Lithium and Sirocco to form RB Energy Inc. ("RBI"). On October 13, 2014, RBI announced that, among other things, the board of directors of RBI approved a filing for an initial order to commence proceedings under the *Companies' Creditors Arrangement Act* ("CCAA") from the Quebec Superior Court. On October 15, 2014, RBI further announced that the Quebec Superior Court issued an amended and restated initial order in respect of RBI and certain of its subsidiaries under the CCAA. RBI was then put under the protection of the Quebec Superior Court. KPMG LLP was appointed as monitor under the court order. The Toronto Stock Exchange ("TSX") delisted RBI's common shares effective at the close of business on November 24, 2014 for failure to meet the continued listing requirements of the TSX. Since that time, RBI's common shares have been suspended from trading. On May 8, 2015, the Quebec Superior Court appointed Duff & Phelps Canada Restructuring Inc. as receiver of RBI and its subsidiaries to administer and realize upon the assets of RBI.

#### **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, Licensed Public 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. The Corporation also proposes that the remuneration to be paid to the auditors be determined by the directors of the Corporation.

The disclosure required by National Instrument 52-110 – *Audit Committees* ("NI 52-110"), including the text of the Audit Committee's charter and the fees paid to the Corporation's external auditors, can be found in the "Audit Committee" section of the Corporation's Annual Information Form dated March 30, 2016 as filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## EXECUTIVE COMPENSATION

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### MESSAGE FROM THE HUMAN RESOURCES/COMPENSATION COMMITTEE

What will follow under the “Compensation Discussion and Analysis” is a detailed review of the compensation policies and procedures which are followed and applied in determining the annual salaries, cash incentive and equity incentive awards. In addition, there is then also the regulatory mandated disclosure of compensation in the format required by the rules and regulations. These disclosures are different as the mandated disclosure requirements do not necessarily reflect the approach and method of compensation applied. The result is a very long detailed disclosure section. While all of this disclosure is important and we hope that the detailed descriptions allow our shareholders to understand in detail how we approach compensation, it is important to keep our basic approach and philosophy in mind.

#### **How do we tie compensation to performance?**

Our fundamental premise is that compensation must have a direct link to long-term performance while being fair to all stakeholders. The majority of compensation for the executive group is “at risk” incentive awards. The incentive program, as discussed below in great detail, is comprised of a cash bonus incentive plan and equity incentive plans that are tied directly to both corporate performance (including share price performance) and individual performance, primarily on a long-term basis. The result is that consistent long-term corporate and individual performance attracts the greatest incentive awards and value.

#### **How is it done?**

The Corporation sets an annual budget which is prepared in the context of a five year forward-looking forecast and in conjunction with the full “life of mine” plans. We believe that the targets set require management to “outperform” but operate responsibly in order to achieve the targets. The nature of mining operations requires a long-term outlook to determine the optimum mine design and operation based upon a long-term commodity price view. This determines not only reserves but the mine plans and operations. It also looks at the critical issue of reserve replacement (exploration) given the very nature of the resource extraction business and the constant need to replenish mined reserves. Accordingly, the annual budget, which is the basis for the objectives for the year, is done with a view to how this is best positioned with the long-term outlook to create and sustain shareholder value. This prevents putting operations at risk from short-term thinking and short-term commodity price swings. As a result, the annual targets, which are established as benchmarks for management at both the corporate and individual level, are tied to a long-term outlook rather than in isolation and reflect the key drivers of value creation. This is also an important part of our risk management.

The cash bonus incentives are therefore based on annually achieving goals which have been consistently determined to best ensure long-term value creation.

The equity incentive awards are based on the consistent achievement of the corporate and individual performance goals over a three year period. We review the goals achievement for the current year and then review the historical goal achievement over the last three years in determining the amount of the equity awards. As a result, higher equity awards are made for consistent higher corporate and individual goal achievement over a three year period. Once granted, the equity awards have vesting periods of between three and four years (depending on share units or options) with the end result that the ultimate value of the equity awards requires further corporate performance over the vesting period. The result for the equity awards is that the final value to an executive, when actually realized, is based upon at least a six year period of long-term performance in corporate, individual and share price results. It is important to remember that the results of operational and financial performance can often take time to be reflected in share price which is why only one part of corporate performance is current share price return. This format best reflects this reality. In addition, our new executive share ownership guidelines encourage the continued holding of vested equity incentives.

#### **Why this approach?**

We are of the view that this approach provides greater control over the amount of equity incentive awards and the link to performance than pre-determined fixed awards with arbitrary post grant vesting goals that, in the context of the volatility of the commodity space, are difficult to properly determine. The Corporation can often be required to take quick action in response to commodity prices or in response to rapid growth, such as the Corporation has demonstrated. Pre-determined post grant performance benchmarks are very difficult to set given the volatility of this sector and therefore run the very real risk of unintended results or quickly become a disincentive to executives, both of which are poor outcomes of a compensation structure. It significantly reduces the ability to properly apply the type of discretion required to ensure fair outcomes.

Another factor that is best served by our approach is the inherent difficulty of dollar based equity awards with share price volatility. The use of a formula tied directly to a Black Scholes equation on options and a one day closing price on share units can very easily result in unfair outcomes. Having maintained the discretion around the size of the equity incentive awards greatly reduces this type of outcome.

To date, we believe the result has shown a strong relationship of executive “at risk” compensation to long-term corporate and executive performance.

## **How have we performed?**

Since 2013, we have seen a significant transformation in the Corporation with two significant acquisitions. The financing of these purchases, together with the disciplined approach to acquisitions the team has demonstrated, has resulted in a company with a significantly improved production profile while establishing a strong financial and capital structure. The follow up integration of these acquisitions, together with ahead of budget performance, demonstrates the long-term outlook we consider important. It is our view that it is important to keep the action of 2013/2014 in mind when also looking at the achievements of 2015.

It was our view that the performance of management in 2015 was strong and that the incentive awards should reflect this performance. You will read in more detail below the various levels of achievement against the corporate and individual performance goals which were set in December of 2014 for 2015 performance. We have experienced a lower commodity price environment than expected which forced management to continually reassess the budget and operations to react to this decline while maintaining the position of the Corporation for a price turn around and long-term growth. When share price is down and earnings lessen with an across the board lower commodity price environment, it is important to ensure a motivated and committed team to achieve the operational excellence and cost savings required. It is important that the team understands that achieving high performance against these measures will be rewarded appropriately.

The Corporation achieved strong operational results on a number of metrics including production, costs, and recoveries. We noted that the management team responded quickly to the new commodity price environment with appropriate cost cutting in operations and general and administrative costs as well as in the use of development capital and exploration expenditures while at the same time keeping the long-term goals and mine life requirements in mind. Had commodity prices remained at budget levels, we would have exceeded budgeted cash flow from operations by a significant amount. We particularly noted the very strong performance at the newly acquired Candelaria operations, which were in the process of integration during the year. We would like to point out to our shareholders that it was management's recommendation to implement the executive salary freeze.

As a result of the commodity price declines we, as would be expected, experienced a share price decline along with the industry in general and our peer group. We would like to comment on total share return performance and how we assessed it for 2015. The calculation of relative total share return performance is set out in detail below. Our guidelines indicate that if the Corporation's share performance is negative, the starting point is a zero score in the absence of a reason to exercise discretion to the contrary. We used our discretion to provide a scoring close to the target score. While the one year return was negative it was considerably better than the average return of the peer group. We also reviewed, as we always do, a three year and a five year comparison of the Corporation's share performance and market cap change to various criteria including the TSX, TSX mines and minerals index, copper price, peer group and, where determined, the proxy advisory firm peer group. We also looked at the financial performance of the Corporation and, in particular, the balance sheet status and the comparison of debt to equity and market cap showing the relative strength of the Corporation's balance sheet to the peer group. The trading performance of the listed debentures was also reviewed and the relative performance of the debt compared generally to the sector compares well. This puts the share performance in a wider context. The share performance of the Corporation compares very well against all of these additional performance metrics as well as its peer group. We believe this is a result of management's efforts over the last few years.

## **Executive Share Ownership**

You will see in the detailed discussion that we have adopted a policy on executive shareholdings. This fits well with our philosophy on long-term performance. We follow the increase and decrease in the value of the equity awards which have been granted from year to year which reflects that management's interests are very much aligned with shareholder interests in share price performance over the long-term. This guideline includes unvested performance share units but does not include options.

## **Conclusion**

Please review the detailed Compensation Discussion and Analysis which is set out below. We believe it will demonstrate how we have consistently applied the basic philosophy we summarized above and supports our conclusions regarding the performance of your management team.

*Donald K. Charter*

Donald K. Charter  
Chair of the Human Resources/Compensation Committee

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## **COMPENSATION DISCUSSION AND ANALYSIS**

### **Introduction**

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 to its Chief Executive Officer, Chief Financial Officer and its three other most highly compensated executives during the financial year ended December 31, 2015 (the "NEOs"). While this discussion relates to the NEOs, the other executives of the Corporation participate in the same plans and are subject to a similar process. The NEOs for the financial year ended December 31, 2015 were:

<b>Name</b>	<b>Title</b>
Paul Conibear	President and Chief Executive Officer ("CEO")
Marie Inkster	Senior Vice President and Chief Financial Officer ("CFO")
Peter Quinn	Chief Operating Officer ("COO")
Paul McRae	Senior Vice President, Projects ("SVP, Projects")
Julie Lee Harrs	Senior Vice President, Corporate Development ("SVP, Corporate Development")

## **COMPENSATION GOVERNANCE**

### **Role of the Human Resources/Compensation Committee (the "HRCC")**

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. In overseeing the Corporation's compensation guidelines and practices, 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, equity awards and other benefits, direct and indirect, of the CEO, and to approve all 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
- implementing and administering human resources and executive compensation policies approved by the Board.

## Composition of the HRCC

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

The current members of the HRCC are Messrs. Charter (Chair), Jones and Rand, all of whom are independent within the meaning of NI 52-110 and have the skills and experience required by the Board and the HRCC mandate to carry out the responsibilities of the HRCC.

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 as well as mergers and acquisitions and finance. Mr. Charter's business experiences which are relevant to the HRCC includes that he was the President and Chief Executive Officer of a publicly traded producing coal mining company; he was Chief Executive Officer of a large financial services company; and he is a member or former member of the compensation committees of several Canadian publicly traded companies. As such, Mr. Charter has been directly involved with compensation matters. Of these 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 global mining industry. Mr. Jones' business experiences which are relevant to the HRCC include serving 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 former member of the compensation committee of Concordia Resources and Red Crescent Resources. As such, Mr. Jones has been directly involved with compensation matters. As a member of these committees and his executive positions, Mr. Jones 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. 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 NEX 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. The Corporation's approach is to encourage management to make decisions and take actions that will create long-term sustainable growth and long-term shareholder value.

The Corporation's executive compensation program is based on the following objectives:

- compensation must be guided by a pay for performance philosophy;
- compensation must be market-competitive to attract and retain the leadership talent required to drive business results;
- compensation must incorporate an appropriate balance of short and long-term performance;
- compensation must foster an environment of accountability, teamwork, and cross-functional collaboration;
- compensation must be linked 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; and
- compensation must motivate high performers to achieve exceptional levels of performance.

Critical criteria for the Corporation in all compensation mechanisms are as follows:

- Simple to understand and communicate
- Linked to measurable benchmarks
- Motivating

## Peer Groups

### 2015 Peer Groups

The composition of the Corporation's 2015 peer group for benchmarking executive compensation, as set in 2014, 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 talent. 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.

2015 Peer Group for Total Compensation	
First Quantum Minerals Ltd.	Pan American Silver Corp.
Cameco Corp.	Cliffs Natural Resources Inc.
Yamana Gold Inc.	IAMGOLD Corp.
Kinross Gold Corp.	Sherritt International Corp.
Eldorado Gold Corp.	Capstone Mining Corp.
HudBay Minerals Inc.	

The composition of the Corporation's 2015 peer group for measuring the stock price performance, as set in 2014, is listed below. These peers are used to provide an accurate and fair measure of the stock price performance, as these entities have similar operational or metals characteristics and would attract a similar investor base to that of the Corporation.

2015 Peer Group for Stock Price Performance Benchmarking	
Boliden AB	HudBay Minerals Inc.
First Quantum Minerals Ltd.	Capstone Mining Corp.

### 2016 Peer Groups

After a review, the HRCC decided to maintain the same peer group from 2015 with respect to total executive compensation.

The composition of the Corporation's 2016 peer group for measuring the stock price performance, as set in 2015, is listed below. These peers are used to provide an accurate and fair measure of the stock price performance, as these entities have similar operational or metals characteristics and would attract a similar investor base to that of the Corporation.

2016 Peer Group for Stock Price Performance Benchmarking	
Boliden AB	Capstone Mining Corp.
First Quantum Minerals Ltd.	Antofagasta Plc
HudBay Minerals Inc.	

The Corporation's HRCC will evaluate and, if appropriate, update the composition of the peer groups 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, cash bonus incentive and equity incentive. The combination of elements is designed to encourage executives to achieve strong results which drive long-term sustainable growth and long-term shareholder value. The Corporation regularly reviews all elements of executive compensation to ensure that it continues to be aligned with the strategic plan of the Corporation and industry practices.

Compensation Component	Objectives	Form
<b>Base Salary</b>	To provide fixed compensation that reflects the market value of the role, skills and experience of the executive.  To attract, retain and motivate a competent, strong and effective executive management group.	Cash
<b>Cash Bonus Incentive</b>	To pay for performance and provide alignment with the Corporation's annual and long-term business strategy. This is "at risk" compensation.	Cash <ul style="list-style-type: none"><li>• 100% performance-based</li><li>• 100% at risk</li></ul>
<b>Equity Incentive</b>	To provide alignment with shareholder interests and the Corporation's long-term business strategy. This is "at risk" compensation.	Equity <ul style="list-style-type: none"><li>• 100% performance-based</li><li>• 100% at risk</li></ul>



The HRCC has not established a strict policy regarding the mix of base salary, cash and equity incentives to be paid or awarded to executives. Incentive plan awards are not fixed nor guaranteed; they are completely “at risk” and performance-based. 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 Corporation’s executives should come from the variable, performance-based elements, and the mix of compensation should be structured to balance the need to drive results based on the particular executive’s position as well as to support the long-term growth of the Corporation overall.

The HRCC believes the Corporation’s compensation programs are reasonable and fair to both executives and shareholders, and competitive with compensation made available by the Corporation’s peers.

## **2015 COMPENSATION**

The following provides a detailed discussion of the decisions made in order to determine each NEOs’ total compensation for 2015, which comprises base salary and cash bonus and equity incentives.

### **Summary of 2015 Performance Highlights**

In addition to the specific corporate performance metric of KPIs (as defined below), 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, during its 2015 financial year, the Corporation achieved strong overall production and financial results, despite an increasingly tough base metal price environment. Total sales for the year were US\$1.7 billion, with cash flows from operations of US\$713.9 million, not including the Corporation’s attributable cash flows related to Tenke Fungurume, which aggregated to an additional US\$32.9 million. As a result of the significant decline in metal prices, a number of asset impairments were taken which resulted in a net loss attributable to the Corporation’s shareholders of US\$294.1 million (US\$0.41 per share).

The Corporation has completed a period of significant growth, with its Eagle Mine now fully operational and the acquisition of Candelaria, now fully integrated into the Corporation, exceeding most expectations with both assets. During 2015, the Corporation generated the highest cash flow in our history and ended the year with a cash balance of approximately US\$556.5 million.

More specifically:

- **Safety:** Overall performance was the best we have achieved in the Corporation’s history
- **Environmental:** Performance has met expectations with no Level 3 incidents experienced during the year.
- **All operations:** Achieved or exceeded targets on production, however financial results were negatively impacted by a lower metal price environment. Aggregate capital spending was well below guidance as a result of proactive spending restraint measures adopted to react to lower price environment.
- **Candelaria Mine:** The operation, while undergoing a disruptive integration resulting from its acquisition by the Corporation, exceeded expectations in all aspects. In addition, exploration drilling at the Candelaria Mine has led to published mine life and copper reserve increases of greater than 20%, and the Corporation completed a significantly improved mine plan which is expected to result in an improved production and operating cost profile over the next four year period.
- **Eagle Mine:** Eagle’s operational results were excellent, with both nickel and copper production exceeding expectations. During the year, the Corporation announced that exploration drilling near the Eagle Mine had intersected a new zone of high-grade massive and semi-massive nickel-copper sulphide mineralization.
- **Neves-Corvo Mine:** Annual copper production exceeded expectations while zinc production was below expectation due largely to lower mill throughput and lower zinc recoveries. The zinc expansion study was completed, however an investment decision on zinc expansion continues to be deferred pending improved metal markets.
- **Zinkgruvan:** The best safety performance in Zinkgruvan’s history was achieved. Full year zinc production achieved a new record high, while annual total mine ore production and plant throughput set new record levels as well. A construction decision was made to proceed with a low cost brownfield plant improvement project focused primarily on increased grinding capacity and improved plant availability. The capital investment for the project is expected to total approximately \$16 million.
- **Aguablanca Mine:** Nickel and copper production exceeded expectations for the year. During 2015, the Corporation was formally notified that Spanish environmental authorities would require a full environmental evaluation of the transition from open pit to underground mining. The process plant completed milling of stockpiled ore in October 2015. In January 2016, the Corporation advised local authorities and employees that, in light of the current market prices for nickel and copper and expectations of continued financial losses, the Aguablanca Mine would be permanently closed.



## Base Salary

The overall objective of the base salary paid to the Corporation's executives is to provide fixed compensation that reflects the market value of the role, skills and experience of the executive. The salary structure includes market competitive ranges for the executives. The HRCC reviewed base salaries by reviewing industry trends, competitive market data, 2016 Peer Group compensation, including base salary levels, internal equality among executive positions and individual performance measured against the achievement of business and operating goals. The change in the size and complexity of the Corporation is also taken into account over time. Given the current commodity price environment, the HRCC accepted management's recommendation that base salaries, for the NEOs and other executives, remain unchanged for 2016. The table below summarizes each NEO's base salary.

NEO	2015 Base Salary Local Currency	2015 Base Salary (US\$) <sup>(1)</sup>	Increase to Base Salary	2016 Base Salary Local Currency	2016 Base Salary (US\$) <sup>(1)</sup>
Paul Conibear CEO	C\$866,745	678,763	-	C\$866,745	678,763
Marie Inkster CFO	C\$445,161	348,613	-	C\$445,161	348,613
Peter Quinn COO	US\$420,000	420,000	-	US\$420,000	420,000
Paul McRae SVP, Projects	€413,880	459,253	-	€413,880	459,253
Julie Lee Harrs SVP, Corporate Development	C\$405,022	317,180	-	C\$405,022	317,180

<sup>(1)</sup> During 2015, all the NEOs were paid in C\$, except Mr. McRae who was paid in € and Mr. Quinn who was paid in US\$. The above uses the average exchange rates for 2015: US\$ US\$0.7831 to C\$1.00 and US\$1.1096 to €1.00.

## Cash Bonus Incentive Plan

### Introduction

The Corporation's Cash Bonus Incentive Plan ("CBIP") provides a performance-based "at risk" annual cash payment based on a targeted amount for each position based on the results against specific performance measures, including each executive's Key Performance Indicators ("KPIs" or "personal objectives") and corporate level objectives. The amount of the target CBIP award is set as a percent of base salary as set out in the table below, and is subject to an overall cap of 1.5 times target, subject to HRCC discretion to grant a higher award where considered appropriate. Consistent with the overriding discretion of the HRCC, all CBIP awards are subject to the ability of the Corporation to make such awards based upon its financial performance and situation.

The CBIP award is the outcome of a process that links long-term business planning and annual budgeting with an evaluation of the benchmarks which include an executive's KPIs together with specific corporate performance targets. Each year the Corporation completes a rigorous budget process. The annual budget is determined in conjunction with a five year forward looking forecast, full life of mine plans for each operation and a long-term strategic plan, all of which are done based upon a long-term price outlook. Accordingly, the annual budget and therefore the specific performance benchmarks for management are determined to be in line with the long-term outlook and are set to build over time long-term value. The CBIP links the award amount to management's performance relative to these benchmarks. Accordingly, the targets all reflect goals which are aimed at long-term shareholder value.

Each individual CBIP award is based on KPI scores and corporate performance against the benchmarks. The chart below shows how the KPI scores translate into a CBIP award.

KPI Score Adjusted with Competency Rating	CBIP Award (%)*
1	0
2	0 – 75
3	75 – 105
4	105 – 120
5	120 – 150

\* Represents % of target CBIP, not salary, assuming the corporate result is 100%

The proportion of cash bonus incentive linked to corporate objectives and KPIs is based on the position 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 a CBIP award that does not accurately reflect actual performance, and accordingly, the knowledge and experience of the HRCC should be the ultimate determinant of final, overall compensation within the context of those pre-determined guidelines.

## 2015 CBIP Award

With respect to the corporate performance benchmarks of relative stock price performance and operational budget, the Corporation achieved, in the view of the HRCC a result of On-Target resulting in 100% of each executive's corporate objective weighting to be awarded. With respect to the individual's KPI performance, each individual exceeded the benchmarks set out for the year. In view of the overall performance for the year discussed above together with the CBIP guidelines, each NEO achieved a weighting above his/her respective CBIP target. The table below sets out each NEO's 2015 target CBIP with the respective corporate and personal weightings; 2015 actual CBIP paid:

NEO	2015 Target CBIP as a Percentage of Base Salary	Target CBIP Corporate Weighting	Target CBIP Personal Weighting	2015 CBIP Paid (Local Currency)	2015 CBIP Paid (US\$) <sup>(1)</sup>
Paul Conibear CEO	120%	50%	50%	C\$1,050,000	822,273
Marie Inkster CFO	80%	50%	50%	C\$375,000	293,669
Peter Quinn COO	75%	35%	65%	US\$350,000	350,000
Paul McRae SVP, Projects	55%	35%	65%	€245,000	271,859
Julie Lee Harrs SVP, Corporate Development	65%	35%	65%	C\$350,000	274,091

<sup>(1)</sup> During 2015, all the NEOs were paid in C\$, except Mr. McRae who was paid in € and Mr. Quinn who was paid in US\$. See heading "Currency" on page 1 for the exchange rates.

### Cash Bonus Incentive Plan – Corporate Performance

The table below outlines the 2015 financial performance and safety targets, share price performance targets and results. The 2015 share price performance objectives were measured against the 2015 Peer Group discussed earlier.

If the overall results of the corporate objectives are at (i) On-Target, 100% of the *On-Target* payment will be allocated, (ii) Stretch, 150% of the On-Target payment will be allocated, and (iii) Threshold, 75% of the On-Target payment will be allocated. The amounts in between are not necessarily applied on a straight line basis but rather at the discretion of the HRCC.

#### Financial and Total Shareholder Return Targets:

	Threshold	On-Target	Stretch	Weighting
<b>Stock Price<sup>(1)</sup> (Performance vs 2015 Peer Group)</b> (November to November VWAP <sup>(2)</sup> )	-15%	Equal to Simple Average of Peer Group	+20%	40%
<b>Operating Cash Flow</b> (factored for actual metal prices vs budget price deck)	-15%	Per Budget	+20%	40%

#### Safety Targets:

	Threshold	On Target	Stretch	Weighting
Fatalities	0	0	0	10%
Total Recordable Incident Frequency	< 1.1	0.9	< 0.7	10%

<sup>(1)</sup> The Corporation's executive compensation guidelines indicate that if the Corporation's share performance is negative, the starting point is a zero score in the absence of a reason to exercise discretion to the contrary. The HRCC applied its discretion to provide a scoring close to the On Target score. While the one year return was negative, it was better than the average return of the peer group. The HRCC also reviewed a three year and a five year comparison of the Corporation's share performance and market cap change to various criteria including the TSX, TSX mines and minerals index, copper price, peer group and, where determined, the proxy advisory firm peer group. The HRCC also looked at the financial performance of the Corporation and, in particular, the balance sheet status and the comparison of debt to equity and market cap showing the relative strength of the Corporation's balance sheet to the peer group. The trading performance of the listed debentures was also reviewed and the relative performance of the debt compared generally to the sector compares well. This puts the share performance in a wider context. The share performance of the Corporation compares very well against all of these additional performance metrics as well as its peer group. The HRCC believes this is a result of management's efforts over the last few years.

<sup>(2)</sup> Volume weighted average price ("VWAP") is the ratio of the value traded to total volume traded over a particular time period. It is a measure of the average share price of a stock traded at over the time period.

The Corporation's overall performance for 2015 was at least On-Target resulting in 100% of each executive's corporate objective weighting being awarded.

### **Cash Bonus Incentive Plan – Performance Measurement**

Annually, performance of the NEOs and each member of the senior management team is measured through a comprehensive system of pre-set, formally documented KPIs. Achievements against the KPI's are evaluated by the CEO and discussed with and confirmed by the HRCC. Below is a summary of the NEOs 2015 KPI achievements.

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#### **Paul Conibear CEO**

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2015 has been a very successful year for the Corporation under Mr. Conibear's leadership. Lundin Mining's share price outperformed almost all other sector peers, mine production exceeded expectations and operating costs were on or better than budget. Capital costs came in under budget, and together with favourable operating financial performance, the Corporation maintained and improved a widely recognized, strong balance sheet.

In terms of growth, Eagle Mine completed its first full year of production achieving excellent operating results and high profit margins despite a declining metals market. The Candelaria Mine in Chile was successfully integrated into the Corporation's asset base, and a number of milestones were achieved including a significant reserve increase, extension of the mine life by 25%, obtaining a critical operating permit and new tailings facility approvals and exceeding profit expectations. This acquisition of the Candelaria Mine has repositioned the Corporation as a top 20 copper producer.

Mr. Conibear continues to drive performance improvement initiatives at existing operations, and to this end he appointed Mr. Quinn as COO in August, a move which not only further focused the Corporation's mines in a challenging year of declining metal prices, but also positions the Corporation for future growth.

In 2015, the Corporation did, unfortunately, have a fatality, at its Neves-Corvo Mine in Portugal. Except for that tragic incident, Total Recordable Incident Frequency and other safety performance measures were on target for the year, and each operation had improvements in safety performance compared to the prior year.

In regards to responsible mining initiatives, the Corporation improved environmental performance compared to prior years, improved environmental and community interaction policies, expanded public reporting, added depth to both environmental and social program staffing, and community investments were at record levels.

Mr. Conibear continued a successful investor relations program and has continued to favourably position the Corporation in the marketplace with analysts and investors, with a number of our top 10 shareholders maintaining and increasing their shareholdings in a period of challenging commodity markets.

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#### **Marie Inkster CFO**

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During 2015, Ms. Inkster led a finance strategy that enabled the Corporation to improve an already strong balance sheet, preserving a relatively unlevered financial position differentiating Lundin Mining from most other industry peers where high debt levels and fragile company financial positions were more the norm.

Ms. Inkster led three successive and timely financial restraint initiatives as commodity prices stepped down during the year. She also continues to lead improved working capital management and predictability through refined financial controls and forecasting with shorter turnaround times enabling greater confidence in balance sheet management and outcomes.

Ms. Inkster is also responsible for information technology ("IT") across the Corporation. Her team completed the successful SAP accounting system implementation at the Candelaria Mine, a complex initiative that was achieved on schedule and budget. 2015 also saw the improvement and standardization of various IT systems across the Corporation and enabled cross business connection through the further implementation of SharePoint and other new IT sharing systems.

Ms. Inkster was instrumental in advancing the Corporation's reputation as an excellent corporate citizen by implementing monthly tracking and reporting of social investment on the Corporation's assets, and drove the establishment of a new Candelaria charitable foundation to carry out social and environmental improvement programs on behalf of the Corporation in Chile.

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**Peter Quinn**  
**COO**

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Mr. Quinn joined the Corporation from Freeport-McMoRan Inc. (“Freeport”) in connection with the acquisition of the Candelaria Mine, initially as the head of the Candelaria Mine and now as COO for the Corporation. Immediately on taking up his COO responsibilities, Mr. Quinn advanced a number of strategic operational performance improvement activities in the areas of safety, production, operating costs, environmental performance, community investment, brownfields growth and cross operations talent sharing.

2015 has been a challenging year for the mining sector and under Mr. Quinn’s guidance the Corporation’s operations have performed extremely well. He advanced timely and appropriate cost restraint measures enabling the Corporation to maintain a very competitive business position.

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

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Mr. McRae is responsible for major projects for the Corporation. The highly successful Eagle Project was handed over early to the operating teams and it achieved better than nameplate performance in its first full quarter of operation starting January 2015.

During the balance of the year, Mr. McRae was significantly involved in the efficient integration of the Candelaria Mine with the Corporation, and upon receipt of the Chilean authority approvals on Candelaria Project 2030, he led the kick-off of the Los Diques tailings project, with owner’s self-perform and contractor mobilization for early works activities advancing on target.

Mr. McRae effectively sponsored other major initiatives across the Corporation including the Zinkgruvan Mine’s new tailings facility re-permitting process, the Zinkgruvan plant expansion 1350 project, and the Neves-Corvo zinc expansion study, in addition to his involvement with due diligence activities on the Timok project acquisition.

Prior to the appointment of Mr. Quinn as COO, Mr. McRae was responsible for safety over the last several years. He transferred safety management responsibilities mid-year 2015 to the new COO, and the Corporation’s 2015 safety performance was its best ever, a testament to the progress made on safety culture improvement initiatives that Mr McRae led progressively since 2012.

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

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Ms. Lee Harrs has continued to outperform, contributing to many of the Corporation’s most important strategic issues. She is responsible for commercial aspects of our closure projects, particularly in Ireland and Honduras, and in the fourth quarter of 2015, she led legal and commercial planning for key aspects of the Aguablanca Mine closure currently underway.

Ms. Lee Harrs is also responsible for partnership relationships and has quickly built relationships with Sumitomo Mining and Metals, Sumitomo Corp and Franco Nevada on Candelaria, and she has performed effectively as the Corporation’s main sponsor on the Freeport relationship for Tenke. It is on the basis of such positive relationships with Freeport that enabled us to position ourselves uniquely on the Serbian Timok project acquisition initiative, as announced in February 2016.

Throughout the year we have undertaken a number of due diligence processes, ultimately making timely no-bid decisions on each opportunity, except for Timok. Her team has a watching brief to create value for the Corporation by continually reviewing possible growth and divestment opportunities. She is also responsible for the legal strategy of the Corporation, and supporting the operations with key issues such as royalty arrangements and complex contract negotiations.

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**Equity Incentive Plans****Introduction**

The Corporation provides performance-based equity incentives currently through grants of share units and stock options (collectively, the “Equity Awards”).

The Corporation believes its equity incentive plans provides executives an opportunity to build ownership in the business and align their interests with those of shareholders. The recipients of Equity Awards achieve an increase in value only to the extent the Corporation’s shareholders benefit from the increase in the Corporation’s stock price. Share units vest 36 months after the award date. Stock option grants vest over three years from the date of grant and have a five-year term.

An Equity Award will be awarded based on a range, which varies by seniority, but is generally between 0 to 3.0 times the CBIP awards. The HRCC, when determining any Equity Award, will review and base an Equity Award on corporate and personal performance achievement targets for the year as well as over the last three years, prior equity grants, and while not set as specific benchmarks will take into consideration long-term total share performance over a three to five year period against a variety of relevant comparisons such as commodity prices and indexes and total compensation. The purpose of basing an Equity Award in this manner, is that an executive who consistently demonstrates high performance in meeting and exceeding goals will over the long-term receive higher levels of Equity Awards and consistent strong performance of the Corporation will result in executives receiving higher equity grants. The vesting periods ensure a long-term performance connection for executives and provides a significant retention factor, particularly, in connection with the Corporation’s newly established executive share ownership guidelines.

For 2016 compensation, Equity Awards will be targeted to be 100% share units for the President and CEO and approximately 50% share units and 50% stock options for the other executives. The HRCC and/or Board will review the composition of share units and stock options from time to time and make changes to the composition as may be required.

Equity Awards are made after the release of the Corporation's annual financial statements.

## 2015 Equity Awards

The following share units and stock options were granted in 2015, including share units and stock options that were granted in 2016 with respect to 2015 compensation to each NEO. The share units vest on the third anniversary of the date of grant. The stock options will vest one-third on the first, second and third anniversary of the date of grant and expire five years after the date of grant.

NEO	Number of Share Units Awarded	Value of Share Units Awarded (US\$) <sup>(1)(3)</sup>	% of Total Share Units Granted to All Employees in the Financial Year <sup>(2)</sup>	Number of Stock Options Awarded	Value of Stock Options Awarded (US\$) <sup>(1)(4)</sup>	% of Total Options Granted to All Employees in the Financial Year <sup>(2)</sup>
Paul Conibear CEO	300,000	1,014,000	27.6%	-	-	-
Marie Inkster CFO	60,000	202,800	5.5%	246,000	270,600	4.9%
Peter Quinn COO	114,000	429,060 <sup>(6)</sup>	10.5%	600,000	866,400 <sup>(5)</sup>	12.1%
Paul McRae SVP, Projects	42,000	141,960	3.9%	195,000	214,500	3.9%
Julie Lee Harrs SVP, Corporate Development	42,000	141,960	3.9%	195,000	214,500	3.9%

<sup>(1)</sup> See heading "Currency" on page 1 for the exchange rates.

<sup>(2)</sup> A total of 1,087,700 share units were granted with respect to the 2015 financial year, excluding 967,900 share units that were granted on February 20, 2015 which related to 2014 compensation and including the 1,046,200 share units that were granted on March 8, 2016 relating to 2015 compensation. A total of 4,973,565 stock options were granted with respect to the 2015 financial year, excluding 3,345,970 stock options that were granted on February 20, 2015 which related to 2014 compensation and including the 3,769,965 stock options that were granted on March 8, 2016 relating to 2015 compensation.

<sup>(3)</sup> The value of share units awarded was determined based on the fair value of the Common Shares on the grant date of C\$4.32 (US\$3.38).

<sup>(4)</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\$1.40 (US\$1.10). When determining the number of stock options to be awarded, the Black-Scholes fair value is just one of the factors considered by the HRCC.

<sup>(5)</sup> In addition to Mr. Quinn's annual grant of stock options issued on March 8, 2016, Mr. Quinn received an initial grant of 300,000 stock options on January 1, 2015 at an exercise price of C\$5.72 (US\$4.48) and a subsequent grant of 90,000 stock options on February 20, 2015 at an exercise price of C\$5.35 (US\$4.19).

<sup>(6)</sup> In addition to Mr. Quinn's annual grant of share units issued on March 8, 2016, Mr. Quinn received a grant of 54,000 share units on February 20, 2015 with a fair market value on the grant date of US\$5.35 (US\$4.19).

## Executive Share Ownership Guidelines

To further align the interests of the Corporation's executive officers interests with the interests of the Corporation's shareholders, the HRCC adopted executive share ownership guidelines. Executive officers are expected to acquire and retain Common Shares of the Corporation as set out below.

Position	Number of Common Shares (Range)
Chief Executive Officer	225,000 to 300,000
Chief Financial Officer and Chief Operating Officer	60,000 to 85,000
Other SVPs and VPs	51,000 to 70,000

Executive officers will have five years from the date of their respective appointments (or from March 1, 2016, the date upon which these guidelines were initially adopted) to meet the share ownership guidelines above. The HRCC in its discretion may extend the period of time for attainment of these ownership levels in appropriate circumstances. For purposes of these guidelines an executive officer's share ownership shall include the following:

- Common Shares purchased on the open market
- Common Shares owned jointly with, or separately, by the executive officer's immediate family members (spouse and/or dependent children)
- Common Shares held in trust for the executive officer or immediate family member
- Common Shares obtained through the exercise of stock options
- Unvested Share Units and any other form of equity compensation as determined by the HRCC

In the event an executive officer does not meet the requirement, he or she will not be permitted to sell Common Shares until the requirement is met.

## **EQUITY COMPENSATION PLANS**

At the Annual and Special Shareholder's meeting held on May 9, 2014, the shareholders approved, among other things, the adoption of a new Share Unit Plan (the "SU Plan"), and the adoption of a new Incentive Stock Option Plan (the "ISOP") replacing the 2006 Incentive Stock Option Plan (the "2006 ISOP").

### ***SU Plan***

The SU Plan has the dual purpose of (i) attracting, incentivizing and retaining those key employees of the Corporation who are considered by the Board to be key to the growth and success of the Corporation; and (ii) aligning the interests of key employees with those of the shareholders through longer term equity ownership in the Corporation.

The following is a summary of the key terms of the SU Plan:

- 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.
- The SU Plan has reserved 6,000,000 Common Shares for issuance under the SU Plan, which represents approximately 0.8% of the Corporation's issued and outstanding Common Shares. Any Common Shares subject to an SU which has 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, 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 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 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 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.

Any of the following amendments 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.

As of date of this Circular, there were 2,037,400 SUs outstanding under the SU Plan, representing approximately 0.28% of the Corporation's current issued and outstanding Common Shares.

#### **2006 ISOP**

Effective May 9, 2014, no further options may be granted under the 2006 ISOP; however, any outstanding options granted under the 2006 ISOP shall remain outstanding and shall continue to be governed by the provisions of the 2006 ISOP as set out below:

- The Board had the authority under the 2006 ISOP to establish the option price at the time each share option was granted but, the price was not to be lower than the market price of the Common Shares on the date of grant of the options. The market price was 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 was not a trading day, the closing price of the Common Shares on the last trading day prior to the date of grant.
- The Board had the authority at the time of grant to set the periods within which options could be exercised and the number of options which may be exercised in any such period. All options granted under the 2006 ISOP were required to 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 commitments related thereto.
- 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 (as defined in the 2006 ISOP) 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 Person). 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 Corporation provides no financial assistance to facilitate the purchase of Common Shares by optionees who hold options granted under the 2006 ISOP.

As of date of this Circular, there were 7,881,150 stock options outstanding under the 2006 ISOP, representing approximately 1.1% of the Corporation's current issued and outstanding Common Shares.

### **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) aligning the interests of key employees and consultants with those of the shareholders through longer term equity ownership in the Corporation.

The following is a summary of the key terms of the ISOP:

- The aggregate number of Common Shares available at all times for issuance under the ISOP is 30,000,000, which represents approximately 4.2% 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 ISOP will again be available under the ISOP.
- 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 ISOP is a maximum of five years.
- Options granted pursuant to the 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 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 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 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 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 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 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 ISOP to the HRCC of the Board, or such other committee as the Board may determine from time to time.
- The specific amendment provisions for the 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 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 ISOP reserves; and
- amendments to reflect changes to applicable securities or tax laws.

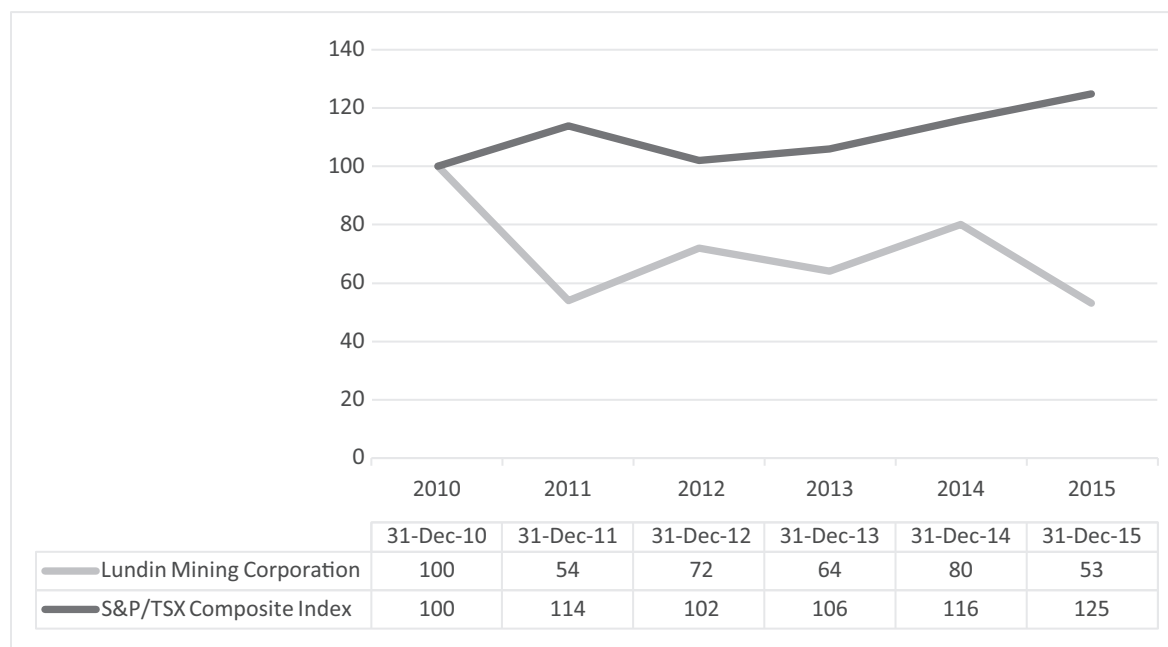
Any of the following amendments shall also require shareholder approval:

- 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 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 ISOP (other than by virtue of adjustments permitted under the ISOP);
- permit options to be transferred other than for normal estate settlement purposes;
- remove or exceed the insider participation limits of the ISOP;
- materially modify the eligibility requirements for participation in the ISOP; or
- modify the amending provisions of the ISOP.

As of date of this Circular, there were 9,781,735 stock options outstanding under the ISOP, representing approximately 1.36% of the Corporation's current issued and outstanding Common Shares.

### **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, 2010 against the cumulative total shareholder return of the S&P/TSX Composite Index for the five most recently completed financial years of the Corporation.



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.

## SUMMARY COMPENSATION TABLE

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<sup>(1)</sup>. The Corporation does not have a pension plan.

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\$)		All other compensation (US\$) <sup>(5)</sup>	Total compensation (US\$)
					Annual incentive plans (US\$) <sup>(4)</sup>	Long-term incentive plans		
Paul Conibear <sup>(6)</sup> CEO	2015	678,763	1,014,000	-	822,273	-	38,533	2,553,569
	2014	713,489	1,545,719 <sup>(7)(8)</sup>	-	950,775	-	776,643 <sup>(10)</sup>	3,986,626
	2013	750,098	323,329 <sup>(9)</sup>	558,000	990,129	-	62,274 <sup>(11)</sup>	2,683,830
Marie Inkster CFO	2015	348,613	202,800	270,600	293,669	-	29,878	1,145,560
	2014	376,722	261,360 <sup>(8)</sup>	388,680	452,750	-	33,269	1,512,781
	2013	396,051	-	521,172	380,214	-	30,767	1,328,204
Peter Quinn COO <sup>(12)</sup>	2015	420,000	429,060 <sup>(13)</sup>	866,400 <sup>(14)</sup>	350,000	-	380,033 <sup>(15)</sup>	2,445,493
	2014	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2013	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Paul McRae SVP, Projects	2015	459,253	141,960	214,500	271,859	-	44,439 <sup>(16)</sup>	1,132,011
	2014	542,658	203,280 <sup>(8)</sup>	308,100	449,795	-	81,347 <sup>(17)</sup>	1,585,180
	2013	505,217	-	390,600	315,768	-	104,714 <sup>(18)</sup>	1,316,299
Julie Lee Harris SVP, Corporate Development	2015	317,180	141,960	214,500	274,091	-	26,366	974,097
	2014	349,283	203,280 <sup>(8)</sup>	308,100	452,750	-	29,348	1,342,761
	2013	350,046	-	390,600	273,035	-	26,867	1,040,548

<sup>(1)</sup> During 2015, all the NEOs were paid in C\$, except Mr. McRae who was paid in € and Mr. Quinn who was paid in US\$. See "Currency" on page 1 for the applicable exchange rates. Prior to 2015, Mr. McRae was paid in £.

<sup>(2)</sup> The value of the SUs that were granted on March 8, 2016, relating to 2015 compensation, was determined based on the fair value of the Common Shares on the grant date of C\$4.32 (US\$3.38) (converted at the average exchange rate for 2015 as this relates to 2015 compensation).

<sup>(3)</sup> The value of the stock options that were granted on March 8, 2016, relating to 2015 compensation, was determined based on the Black-Scholes fair value of the Common Shares on the grant date of C\$1.40 (US\$1.10). The fair value of stock option awards on the grant date were calculated using the Black Scholes model according to IFRS2 *Share-based payment* since it is used consistently by comparable companies. Below are the key assumptions and estimates:

	Volatility (%)	Risk-Free Rate (%)	Exercise Price (C\$ / US\$) <sup>(1)</sup>
March 8, 2016*	43.7%	0.51%	C\$4.32/US\$3.38
February 20, 2015**	43.7%	0.57%	C\$5.35/US\$4.84
February 25, 2014***	48.1%	1.44%	C\$5.18/US\$5.03

<sup>(1)</sup> The 2016 award was converted at the average exchange rate for 2015 as this relates to 2015 compensation.  
The 2015 award was converted at the average exchange rate for 2014 as this relates to 2014 compensation.  
The 2014 award was converted at the average exchange rate for 2013 as this relates to 2013 compensation.

\* The 2016 stock option grants are included in 2015 compensation.

\*\* The 2015 stock option grants are included in 2014 compensation.

\*\*\* 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.

<sup>(6)</sup> Mr. Conibear is also a director of the Corporation but does not receive any compensation for his services as director.

<sup>(7)</sup> This amount represents US\$1,452,000 being the fair value of the SUs awarded in 2015 relating to 2014 compensation and US\$93,719 being the fair value of the 250,000 Phantom Share Appreciation Rights ("PSARs"), on the date of grant calculated using the Black-Scholes model according to IFRS 2 *Share-based payment* since it is used consistently by comparable companies. These PSARs were cancelled after December 31, 2014 in accordance with the terms of Mr. Conibear's amended employment agreement, in light of the implementation of the SU Plan. There are currently no PSARs outstanding and no further PSARs will be granted.

<sup>(8)</sup> The value of the SUs that were granted on February 20, 2015, relating to 2014 compensation, were determined based on the fair value of the Common Shares on the grant date of C\$5.35 (US\$4.84). (converted at the average exchange rate for 2014 as this relates to 2014 compensation)

<sup>(9)</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* 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\$. These PSARs matured on April 30, 2014 and the value is included in "All other compensation".

<sup>(10)</sup> Included in this amount is the cash value of US\$742,510 for Mr. Conibear's 2013 PSARs that matured in 2014.

<sup>(11)</sup> Mr. Conibear received the cash value for his 2011 PSARs that matured in 2013.

- <sup>(12)</sup> Mr. Quinn was appointed Chief Operating Officer of the Corporation on August 1, 2015, prior thereto, he was the General Manager of the Candelaria Mine since January 1, 2015.
- <sup>(13)</sup> In addition to Mr. Quinn's annual grant of share units issued on March 8, 2016, Mr. Quinn received a grant of 54,000 share units on February 20, 2015 with a fair market value on the grant date of C\$5.35 (US\$4.19). (converted at the average exchange rate for 2015 as this relates to 2015 compensation)
- <sup>(14)</sup> In addition to Mr. Quinn's annual grant of stock options issued on March 8, 2016, Mr. Quinn received an initial grant of 300,000 stock options on January 1, 2015 at an exercise price of C\$5.72 (US\$4.48) and a subsequent grant of 90,000 stock options on February 20, 2015 at an exercise price of C\$5.35 (US\$4.19) (converted at the average exchange rate for 2015 as this relates to 2015 compensation)
- <sup>(15)</sup> Mr. Quinn received a bonus in February 2015 relating to 2014 which was paid by the Corporation as a result of the acquisition of the Candelaria Mine in accordance with his employment agreement with the Corporation. In accordance with Mr. Quinn's employment agreement, he is entitled to tax equalization. For 2015, the estimated tax equalization is US\$53,742 (US\$1.00:CLP\$0.01533). This is an estimated value as his tax returns will not be finalized under after the date of the Circular.
- <sup>(16)</sup> As an expat, Mr. McRae also received expat benefits, relocation costs, 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 Portugal.
- <sup>(17)</sup> 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.
- <sup>(18)</sup> 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.

## 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.

NEO	Grant date	Option-based Awards				Share-based Awards		
		Number of securities underlying unexercised options (#)	Option exercise price (US\$) <sup>(1)(2)</sup>	Option expiration date	Value of unexercised in-the-money options (US\$) <sup>(2)(3)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (US\$) <sup>(2)(3)</sup>	Market or payout value of vested share-based awards not paid out or distributed (US\$)
Paul Conibear CEO	Dec 10/12	250,000	3.62	Dec 9/17	- <sup>(4)</sup>	-	-	-
	Feb 25/14	300,000	3.74	Feb 24/19	- <sup>(5)</sup>	-	-	-
	Feb 20/15	-	-	-	-	300,000	825,000	-
Marie Inkster CFO	Dec 12/11	300,000	2.81	Dec 11/16	- <sup>(4)</sup>	-	-	-
	Dec 10/12	225,000	3.62	Dec 9/17	- <sup>(4)</sup>	-	-	-
	Feb 25/14	280,200	3.74	Feb 24/19	- <sup>(5)</sup>	-	-	-
	Feb 20/15	246,000	3.87	Feb 19/20	- <sup>(6)</sup>	54,000	148,500	-
Peter Quinn COO	Jan 1/15	300,000	4.13	Dec 30/19	- <sup>(7)</sup>	-	-	-
	Feb 20/15	90,000	3.87	Feb 19/20	- <sup>(6)</sup>	54,000	148,500	-
Paul McRae SVP, Projects	Oct 31/11	300,000	2.82	Jan 2/17	- <sup>(4)</sup>	-	-	-
	Dec 10/12	150,000	3.62	Dec 9/17	- <sup>(4)</sup>	-	-	-
	Feb 25/14	210,000	3.74	Feb 24/19	- <sup>(5)</sup>	-	-	-
	Feb 20/15	195,000	3.87	Feb 19/20	- <sup>(6)</sup>	42,000	115,500	-
Julie Lee Harrs SVP, Corporate Development	Dec 10/12	150,000	3.62	Dec 9/17	- <sup>(4)</sup>	-	-	-
	Feb 25/14	210,000	3.74	Feb 24/19	- <sup>(5)</sup>	-	-	-
	Feb 20/15	195,000	3.87	Feb 19/20	- <sup>(6)</sup>	42,000	115,500	-

<sup>(1)</sup> All stock options are granted in C\$. Below are the exercise prices in C\$:

October 31, 2011	-	C\$3.91
December 12, 2011	-	C\$3.89
December 10, 2012	-	C\$5.01
February 25, 2014	-	C\$5.18
January 1, 2015	-	C\$5.72
February 20, 2015	-	C\$5.35

<sup>(2)</sup> Based on the closing exchange rate of C\$1.00:US\$0.7225 on December 31, 2015.

<sup>(3)</sup> In respect of stock options, the value is based on the closing price of the Common Shares on the TSX on December 31, 2015 of C\$3.80 (US\$2.75) per Common Share, less the exercise price of the in-the-money stock options. These stock 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. In respect of SUs, the value is based on the closing price of the Common Shares on the TSX on December 31, 2015 of C\$3.80 (US\$2.75) per Common Share. These SUs are currently not vested and the actual gain will depend on the value of the Common Shares on the vesting date.

<sup>(4)</sup> These values represent all vested stock options.

<sup>(5)</sup> These values represent one-third vested stock options. The remaining two-thirds will vest on February 25, 2016 and February 25, 2017, respectively.

<sup>(6)</sup> As of December 31, 2015, none of the stock options are vested and therefore have no value.

## INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED IN 2015

The following table provides information regarding the value on vesting of incentive plan awards for the financial year ended December 31, 2015, plus a summary of cash awards made under the CBIP for 2015 performance (paid in 2016).

### Incentive Plan Awards Vested or Earned in 2015

NEO	Option-based awards – value vested during the year (US\$) <sup>(1),(2)</sup>	Share-based awards – value vested during year (US\$) <sup>(1)</sup>	Non-equity incentive plan compensation – value earned during year (US\$) <sup>(1),(3)</sup>
Paul Conibear CEO	21,000 <sup>(4)(5)</sup>	-	822,273
Marie Inkster CFO	19,614 <sup>(6)(7)</sup>	-	293,669
Peter Quinn COO	-	-	350,000
Paul McRae SVP, Projects	14,700 <sup>(8)(9)</sup>	-	271,859
Julie Lee Harrs SVP, Corporate Development	14,700 <sup>(10)(11)</sup>	-	274,091

<sup>(1)</sup> Based on the closing exchange rate of C\$1.00:US\$0.7225 and €1.00:US\$1.1096 on December 31, 2015.

<sup>(2)</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>(3)</sup> This column represents only the cash CBIP payments referred to earlier in the Circular. CBIP is paid in 2016 for 2015 performance.

<sup>(4)</sup> 83,333 options which have an exercise price of C\$5.01 (US\$3.62) vested during 2015. The TSX closing price of the Common Shares on the vesting date (December 10, 2015) was C\$3.60 (US\$2.60).

<sup>(5)</sup> 100,000 options which have an exercise price of C\$5.18 (US\$3.74) vested during 2015. The TSX closing price of the Common Shares on the vesting date (February 25, 2015) was C\$5.46 (US\$3.95).

<sup>(6)</sup> 75,000 options which have an exercise price of C\$5.01 (US\$3.62) vested during 2015. The TSX closing price of the Common Shares on the vesting date (December 10, 2015) was C\$3.60 (US\$2.60).

<sup>(7)</sup> 93,400 options which have an exercise price of C\$5.18 (US\$3.74) vested during 2015. The TSX closing price of the Common Shares on the vesting date (February 25, 2015) was C\$5.46 (US\$3.95).

<sup>(8)</sup> 50,000 options which have an exercise price of C\$5.01 (US\$3.62) vested during 2015. The TSX closing price of the Common Shares on the vesting date (December 10, 2015) was C\$3.60 (US\$2.60).

<sup>(9)</sup> 70,000 options which have an exercise price of C\$5.18 (US\$3.74) vested during 2015. The TSX closing price of the Common Shares on the vesting date (February 25, 2015) was C\$5.46 (US\$3.95).

<sup>(10)</sup> 50,000 options which have an exercise price of C\$5.01 (US\$3.62) vested during 2015. The TSX closing price of the Common Shares on the vesting date (December 10, 2015) was C\$3.60 (US\$2.60).

<sup>(11)</sup> 70,000 options which have an exercise price of C\$5.18 (US\$3.74) vested during 2015. The TSX closing price of the Common Shares on the vesting date (February 25, 2015) was C\$5.46 (US\$3.95).

## 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 cash bonus incentives, and granting of equity incentives provides a balanced performance focus;
- capped payout opportunity within the CBIP of 1.5 times the target CBIP % which is subject to Board discretion;
- awards are granted annually;
- SUs vest three years after the award date.
- stock options vest over three years and have a five year term; and

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

## **HEDGING**

Directors and officers are prohibited from purchasing financial instruments that are designed to hedge or offset any decrease in the market value of the Corporation's equity securities that are held directly or indirectly by them or granted as compensation to them. Such prohibited financial instruments with respect to the Corporation's equity securities include prepaid variable forward contracts, equity swaps, collars, put or call options, and similar financial instruments.

## **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, cash and equity incentives for the executives and other members of management, excluding the CEO. The HRCC approves any base salary adjustments, cash and equity incentive awards for the executives and recommends to the Board all compensation for the CEO, based on the results of the key strategic deliverables, the results of each executive's KPIs and in context of total compensation. As part of the final determination of the total compensation, the HRCC also refers to compensation of 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**

No compensation consultants were retained in 2015.

In 2014, 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, cash incentives, equity incentives, total cash compensation, total compensation and compensation mix. The HRCC also independently engaged Hugessen Consulting Inc. ("Hugessen") in 2014 to confirm the findings. Neither consultant provided services to the Corporation, its affiliated or subsidiary entities, or to any of its directors or members of management, other than those services related to compensation. At the Corporation's Annual and Special Shareholder's meeting held on May 9, 2014, the shareholders approved, among other things, the adoption of the SU Plan and ISOP. Following the acquisition of the Candelaria Mine, Mercer updated the compensation peer group analysis and NEO benchmarking and the Board approved a new peer group for 2015 total executive compensation.

<b>Advisor</b>	<b>Type of Work</b>	<b>2015 Fees (C\$)</b>	<b>2014 Fees (C\$)</b>
Mercer	Executive Compensation-Related Fees	-	57,040
	All Other Fees	-	-
Hugessen	Executive Compensation-Related Fees	-	59,672
	All Other Fees	-	-

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

### **INTRODUCTION**

Each of the Corporation's NEOs as of December 31, 2015 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 event 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 the NEOs have their employment terminated without cause. If such agreements are terminated by the Corporation without cause, or if the agreement is terminated by certain of the NEOs for good reason, then payment of salary and, in some cases, short-term incentives, long-term incentives and benefits will be due as provided for in their respective agreements.

Following the termination of Mr. Conibear's employment by the Corporation without cause, the Corporation will be required to pay him on termination 24 months' base salary, plus two times the average of the bonus received in the previous two years. All unvested SUs will automatically vest and that all unvested stock options awarded pursuant to the Corporation's ISOP, as amended or replaced from time to time, shall automatically vest and Mr. Conibear will have 90 days from the date following termination to exercise such stock options. Furthermore, the terms of termination without cause, as set out in Mr. Conibear's employment agreement, will prevail over the terms regarding termination without cause as contained in the SU Plan and/or ISOP, as may be amended or replaced from time to time, unless such terms contained in the SU Plan and/or ISOP are more favourable, in which case the terms in the SU Plan and/or ISOP, as applicable, shall prevail. 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 her on 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 of the bonus received in the previous two years and participation in the Corporation's health and medical benefits for 12 months following termination.

Following the termination of Mr. Quinn's employment by the Corporation without cause, the Corporation will be required to pay statutory requirements under US employment law.

Following the termination of Mr. McRae's employment by the Corporation without cause, Mr. McRae will receive an amount consisting of his base salary, a pro-rated bonus calculated as the average of the bonus received in the previous two years, and pro-rated benefits 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.

Following the termination of Ms. Lee Harrs' employment by the Corporation without cause, Ms. Lee Harrs will receive an amount consisting of her base salary, a pro-rated bonus calculated as the average of the bonus received in the previous two years, and pro-rated benefits 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.

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

The following table provides details regarding the estimated incremental payments payable by the Corporation to the NEOs assuming termination of employment without cause on December 31, 2015.

NEO	Base Salary (US\$) <sup>(1)</sup>	CBIP (US\$) <sup>(1)</sup>	Value of Benefits (US\$) <sup>(1)</sup>	Equity (US\$) <sup>(1)(2)</sup>	Total (US\$) <sup>(1)</sup>
Paul Conibear CEO	1,252,447	1,495,358	62,870	825,000	<b>3,635,675</b>
Marie Inkster CFO	321,629	322,080	34,484	148,500	<b>826,693</b>
Peter Quinn COO	-	-	-	-	-
Paul McRae SVP, Projects	449,722	351,815	23,521	115,500	<b>940,558</b>
Julie Lee Harrs SVP, Corporate Development	292,628	282,205	30,086	115,500	<b>720,419</b>

<sup>(1)</sup> Based on the closing exchange rate of C\$1.00:US\$0.7225, €1.00:US\$1.0866 and £1.00:US\$1.4819 on December 31, 2015.

<sup>(2)</sup> Values represent the gain on all vested options, assuming a TSX closing price on December 31, 2015 of C\$3.80 (US\$2.75). In accordance with the ISOP and SU Plan, all options vest and become exercisable and all share units automatically vest following a termination of employment without cause, if an individual has been continuously employed with the Corporation for two years. Values represent the gain on all vested and unvested options and all unvested share units, assuming a TSX closing price on December 31, 2015 of C\$3.80 (US\$2.75).

## CHANGE OF CONTROL

If there is a change of control of the Corporation, and within 12 months of such change of control (i) Mr. Conibear is terminated without cause or (ii) a triggering event (as defined in Mr. Conibear's employment agreement such as a significant diminution of his duties or responsibilities) occurs and Mr. Conibear elects to terminate his employment, Mr. Conibear will be entitled to receive the termination provisions of his employment agreement for termination without cause.

After the expiration of a six month period following a change of control of the Corporation (except in the case of a reduction in compensation (other than any year-over-year change in their awards under incentive compensation plans) or a material change in the place of employment), Ms. Inkster may terminate her employment with the Corporation following a change of control 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 a six month period following a change of control of the Corporation (except in the case of a reduction in compensation (other than any year-over-year change in their awards under incentive compensation plans) or a material change in the place of employment), Ms. Lee Harrs may terminate her employment with the Corporation following a change of control and will be entitled to a termination payment of her base salary, a pro-rated bonus calculated as the average of the bonus received in the previous two years, and pro-rated benefits for a period of 12 months. If this election is not made within 12 months of the date of the change of control then this right will lapse.

In the event there is no change of control provision provided for in an executive's employment agreement, if there is a change of control of the Corporation, and the executive is termination without cause, the executive is entitled to receive the greater of (a) the amount required by local governing employment law, or (b) the amount as set out in their respective employment agreements for termination without cause (also noted above).

Other than as set forth herein, 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 NEOs employment with the Corporation.

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, 2015.

NEO	Severance: Base Salary (US\$) <sup>(1)</sup>	Severance: CBIP (US\$) <sup>(1)</sup>	Severance: Value of Benefits (US\$) <sup>(1)</sup>	Equity (US\$) <sup>(1)(2)</sup>	Total (US\$) <sup>(1)</sup>
Paul Conibear CEO	1,252,447	1,495,358	62,870	825,000	<b>3,635,675</b>
Marie Inkster CFO	321,629	-	2,874	148,500	<b>473,003</b>
Peter Quinn COO	-	-	-	148,500	<b>148,500</b>
Paul McRae SVP, Projects	-	-	-	115,500	<b>115,500</b>
Julie Lee Harrs SVP, Corporate Development	292,628	282,205	30,086	115,500	<b>720,419</b>

<sup>(1)</sup> Based on the closing exchange rate of C\$1.00:US\$0.7225 on December 31, 2015.

<sup>(2)</sup> Values represent the gain on all vested options, assuming a TSX closing price on December 31, 2015 of C\$3.80 (US\$2.75). In accordance with the ISOP and SU Plan, all options vest and become exercisable and all share units automatically vest following a change of control. Values represent the gain on all vested and unvested options and all unvested share units, assuming a TSX closing price on December 31, 2015 of C\$3.80 (US\$2.75).



## 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, 2015:

Name	Fees earned (US\$) <sup>(1)</sup>	Share-based awards (US\$)	Option-based awards (US\$)	Non-equity incentive plan compensation (US\$)	Pension value (US\$)	All other Compensation (US\$)	Total (US\$) <sup>(1)</sup>
Lukas H. Lundin	203,606	-	-	-	-	-	203,606
Donald K. Charter	139,841	-	-	-	-	-	139,841
John H. Craig	121,381	-	-	-	-	-	121,381
Brian D. Edgar <sup>(2)</sup>	45,903	-	-	-	-	-	45,903
Peter C. Jones	133,127	-	-	-	-	-	133,127
Dale C. Peniuk	140,958	-	-	-	-	-	140,958
Catherine J. G. Stefan <sup>(3)</sup>	88,953	-	-	-	-	-	88,953
William A. Rand	156,620	-	-	-	-	-	156,620

<sup>(1)</sup> See heading "Currency" on page 1 for the exchange rates.

<sup>(2)</sup> Mr. Edgar ceased to be a director on May 8, 2015.

<sup>(3)</sup> Ms. Stefan was elected to the Board on May 8, 2015

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, 2015, the Chairman of the Board received annual remuneration in the amount of C\$260,000. The Lead Director received annual base remuneration of C\$175,000 and each non-executive director received annual base remuneration of C\$150,000. The Chair of the Audit Committee received additional annual remuneration of C\$25,000 and each committee member received additional annual remuneration of C\$15,000. The Chair of the HRCC received additional annual remuneration of C\$20,000 and each committee member received additional annual remuneration of C\$10,000. The Chair of each of the other Board committees received additional annual remuneration of C\$10,000 and each committee member received additional annual remuneration of C\$5,000. All of these amounts were paid in monthly installments.

Non-executive directors do not receive any equity incentives or cash incentives.

During the most recently completed financial year, approximately C\$1.3 million was paid or accrued to the law firm of Cassels Brock & Blackwell LLP, of which Mr. Craig, a director of the Corporation, is currently counsel to the firm and prior to December 31, 2015, a lawyer/partner of the firm, 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 awards or option-based awards were outstanding for non-management directors at December 31, 2015.

### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors or executive officers of the Corporation, proposed nominees for election as directors, or associates of any of the foregoing persons, is as at the date hereof, or has been, during the year ended December 31, 2015, indebted to the Corporation or any of its subsidiaries in connection with a purchase of securities or otherwise. In addition, no indebtedness of these individuals to another entity has been the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

## 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, 2015:

Plan Category	Number of securities to be issued upon exercise of outstanding options and SUs	Weighted-average exercise price of outstanding options and SUs (C\$)	Number of securities remaining available for future issuance under equity compensation plans
Equity Compensation Plans approved by security holders	14,089,720 (stock options) 983,000 (SUs)	\$4.92 (stock options) N/A (SUs)	24,044,930 (stock options) 4,994,700 (SUs)
Equity Compensation Plans not approved by security holders	-	-	-
<b>Total</b>	14,089,720 (stock options) 983,000 (SUs)	-	24,044,930 (stock options) 4,994,700 (SUs)

## 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* (collectively, the “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.

### OVERVIEW OF GOVERNANCE

The CGNC ensures our governance policies and practices are sound and support the Board in carrying out its duties.

### WHAT WE DO

<input checked="" type="checkbox"/>	<b>Independent Board</b>	Five of our eight directors or 62.5% are independent. (see page 33)
<input checked="" type="checkbox"/>	<b>Non-Executive Chair Leads the Board</b>	We maintain separate chair and CEO positions and also have a non-executive, independent lead director. (see page 33)
<input checked="" type="checkbox"/>	<b>Majority Voting Policy</b>	In February 2013, the Board adopted a Majority Voting Policy in order to promote enhanced director accountability. (see page 34)
<input checked="" type="checkbox"/>	<b>Director Share Ownership</b>	We require our directors to own shares in the Corporation to align their interests with those of our shareholders. (see page 34)
<input checked="" type="checkbox"/>	<b>Director Engagement</b>	Board members are fully engaged in their duties as directors, which is demonstrated in 2015 by 100% director attendance at Board and relevant committee meetings, and inter-meeting participation in the business as required. (see page 5)
<input checked="" type="checkbox"/>	<b>Regular In-Camera Sessions</b>	We hold regular in-camera (independent directors only) Board and Board committee discussions.
<input checked="" type="checkbox"/>	<b>Independent Director Committees</b>	The Audit Committee, the CGNC and the HRCC are comprised entirely of independent directors.
<input checked="" type="checkbox"/>	<b>Regular Review of Board and Committee Mandates</b>	Written mandates for each of the Board and its committees are reviewed and updated regularly to maintain continued relevancy and, collectively, provide an effective framework for a high standard of governance.
<input checked="" type="checkbox"/>	<b>Annual Formal Assessment Process</b>	The directors complete an annual formal assessment that reviews the Board overall, the committees and their individual performance (see page 36)
<input checked="" type="checkbox"/>	<b>Board Diversity</b>	The Board has a diverse mix of skills, background and experience. In March 2016, the Board adopted a Diversity Policy. (see page 35)
<input checked="" type="checkbox"/>	<b>Independent Advice</b>	The Board committees can obtain independent advisors to assist them with carrying out their duties and responsibilities
<input checked="" type="checkbox"/>	<b>Code of Conduct, Ethical Values and Anti-Corruption Policy</b>	Directors, officers, employees, consultants and contractors must comply with the Corporation’s Code of Conduct (defined below). Directors, officers and employees must confirm their compliance every year. (see page 32)
<input checked="" type="checkbox"/>	<b>Risk Oversight</b>	The Board and committees oversee the Corporation’s risk management and strategic business, financial and operational risks.
<input checked="" type="checkbox"/>	<b>Environmental and Social Risk Oversight</b>	The Health, Safety, Environment and Community Committee oversees risk management for environmental and social risks.
<input checked="" type="checkbox"/>	<b>Compensation Risk Management</b>	The HRCC evaluates potential risks relating to the Corporation’s compensation policies and practices. (see page 25)
<input checked="" type="checkbox"/>	<b>Succession Planning</b>	Director and executive succession planning programs to develop and maintain a deep diversified pool of talent within the Corporation.
<input checked="" type="checkbox"/>	<b>Executive Share Ownership Guidelines</b>	We implemented guidelines for our executives to own shares in the Corporation to align their interests with those of our shareholders effective March 1, 2016. (see page 17)

## WHAT WE DON'T DO

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- No slate voting**
  - No stock option awards or other form of equity awards for non-executive directors**
  - No discrimination to director nominees on the basis of race, gender, age, tenure or other arbitrary factors**
  - No over-boarding of directors.** The CGNC annually reviews the performance and attendance of the directors, including the number of directorships held. Based on this robust review process, the CGNC discusses the performance of each director and their directorships with the Board to determine if any of the directors are over-boarded. During the annual assessment process held for 2015, it was determined that none of the Corporation's directors are over-boarded based on their high level of performance during 2015 with the Corporation.  
(See page 34)
  - Interlocks between directors.** The CGNC annually reviews the interlocks between directors. Based on this review, the CGNC discusses interlocks between directors with the Board to determine if there are any concerns or conflicts. During the annual assessment process held for 2015, it was determined there are no concerns or conflicts arising from the interlocks between directors.
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## GOVERNANCE PRINCIPLES

### *Policies and Guidelines*

### **ETHICAL BUSINESS CONDUCT**

The Board has adopted a formal written Code of Conduct, Ethical Values and Anti-Corruption Policy (the "Code of Conduct") for the directors, officers, employees, consultants and contractors of Lundin Mining and its subsidiaries with respect to conducting the business and affairs of the Corporation.

The Corporation strives to ensure the health and safety of its employees, contractors and consultants and works proactively to eliminate health risks and develop safe workplace environments. Employees, contractors and consultants are expected to continuously assess the risks and impacts of operations in an effort to avoid injury and death and damage to property and the environment.

The Code of Conduct prohibits the provision of gifts of significant value and the illegal payment of any kind, directly or indirectly, from corporate funds or assets, to government personnel or other officials for the purpose of influencing the performance of official duties or for any other improper purpose or business advantage. Further, employees of the Corporation are prohibited from accepting gifts or other favours having more than a nominal value from any organization that does, or is seeking to do, business with the Corporation.

Employees are required to avoid all situations in which their personal interests conflict or might conflict with their duties to the Corporation or with the economic interest of the Corporation. Individuals governed by the Code of Conduct who have executive, managerial or supervisory responsibilities are required to ensure that actions and decisions within his or her jurisdiction are free from the influence of any conflict of interest with respect to the Corporation.

Employees, officers and directors of the Corporation who are involved in the issuance of regulatory and financial reports have a responsibility to fairly present all information in a truthful, accurate and timely manner. The Corporation maintains all records in accordance with laws and regulations regarding the retention of business records. Employees must maintain the confidentiality of information, including all non-public information that might be harmful to the Corporation or its partners or associates.

Individuals governed by the Code of Conduct are required to report violations or suspected violations of the Code of Conduct on a confidential and, if preferred, anonymous basis by raising such concern with his or her immediate supervisor or, if impractical to do so, with senior management of the Corporation, who will treat the matter in confidence, disclosing information only as required for the purposes of conducting a proper investigation. Any retaliation against an individual disclosing a violation in good faith is prohibited by the Code of Conduct. To monitor compliance with the Code of Conduct, on an annual basis, or otherwise upon request from the Board, the Chair of the Audit Committee prepares a report to the Board summarizing all complaints received during the prior year, all outstanding unresolved complaints, how such complaints are being handled, the results of any investigations and any corrective actions implemented.

The foregoing is a summary of the Code of Conduct only. 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).

## **WHISTLEBLOWER POLICY**

The Board, through the Audit Committee, has also established a Whistleblower Policy to establish procedures for the receipt, retention and treatment of complaints received, on a confidential and anonymous basis, by the Corporation and its subsidiaries from its directors, officers, employees, consultants and contractors regarding any known or suspected accounting, financial or auditing irregularities or any known or suspected violations of the Corporation's Code of Conduct. Individuals governed by the Whistleblower Policy are required to report any such irregularities or violations by submitting a report via the Corporation's confidential and anonymous online reporting service or by sending a letter to the Chair of the Audit Committee. The Chair of the Audit Committee is responsible for assessing and evaluating any such reports or letters and conducting investigations, and, from time to time, may engage independent advisors to assist in investigations and recommend appropriate action.

## **ABOUT THE BOARD**

The Board is responsible for overseeing management and our strategy and business affairs. Its goal is to ensure we operate as a successful business, optimizing financial returns while effectively managing risk.

The Board carries out its responsibilities directly and through its four standing committees. This provides proper oversight and accountability for specific aspects of governance, risk and the Corporation's business activities and affairs, and frees up the Board to focus more on our strategic priorities and broader oversight of enterprise risk and other matters.

### ***Independence and Lead Director***

The Board has considered the relationship and status of each of the nominated directors. If the shareholders' approve the directors set forth in the Circular for re-election at the Meeting, the Board will continue to comprise eight directors and a majority of the nominated directors will be independent.

The independent directors standing for re-election at the Meeting are Messrs. Charter, Jones, Peniuk, Rand and Ms. Stefan. 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 NI 52-110 for the purposes of sitting on the Corporation's Audit Committee.

The non-independent directors of the Board are Messrs. Craig, Conibear and Lundin. Mr. Craig has been determined by the Board to not be independent as a result of the legal fees incurred by the Corporation from Mr. Craig's law firm. 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 CGNC 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 Mr. 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.

### ***Our Expectations for Directors***

We expect each member of the Board to act honestly and in good faith, and to exercise business judgment that is in the Corporation's best interest. We expect our directors to bring their skills, experience and functional expertise to the Board. They are expected to draw on a variety of resources to support their decision making, including materials prepared by management, their own research and business experience, independently-prepared media reports on the Corporation and the industry and knowledge gained from serving on other boards.

We also expect each director to:

- Comply with our Code of Conduct
- Promptly report on any perceived, potential or actual conflicts of interest
- Develop an understanding of the Corporation's strategy, business environment, operations, performance, financial position and markets we operate in
- Diligently prepare for each Board and committee meeting
- Attend all Board meetings, their committee meetings and the annual meeting of shareholders
- Actively participate in each meeting and seek clarification from management and outside advisors to fully understand the issues
- Participate in the annual Board, committee and director assessment process

### **Majority Voting Policy**

On February 21, 2013, the Board adopted a majority voting policy (the “Majority Voting Policy”) in order to promote enhanced director accountability. The Majority Voting 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 CGNC 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 Share Ownership Policy**

On July 27, 2010, the Board approved a share ownership policy for the directors of the Corporation, which was subsequently amended in March 2015 and March 2016. All directors are required to own, at a minimum, two times their annual retainer fee in Common Shares of the Corporation, based on the greater of cost and market value. The directors are required to attain this level within five years of implementation of the policy or within five years after becoming a director. Furthermore, if the annual retainer fees increase, directors will have an additional five years to attain the new required level.

### **Membership on Other Boards**

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

<b>Director</b>	<b>Public Company Board Membership</b>
Donald K. Charter	Adriana Resources Inc. (TSX-V), DREAM Real Estate Investment Trust (TSX), IAMGOLD Corporation (TSX)
Paul K. Conibear	Lucara Diamond Corp. (TSX/OMX-Nasdaq), NGEx Resources Inc. (TSX/OMX-Nasdaq)
John H. Craig	Africa Oil Corp. (TSX), BlackPearl Resources Inc. (TSX), Consolidated HCI Holdings Corp. (TSX), Corsa Coal Corp. (TSX-V)
Peter C. Jones	Royal Nickel Corporation (TSX),
Lukas H. Lundin	Denison Mines Corp. (TSX/NYSE MKT), Lucara Diamond Corp. (TSX/OMX-Nasdaq), Lundin Gold Inc. (TSX/OMX-Nasdaq); Lundin Petroleum AB (TSX/OMX-Nasdaq), NGEx Resources Inc. (TSX/OMX-Nasdaq), Newmarket Gold Inc. (TSX-V)
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-Nasdaq), New West Energy Services Inc. (TSX-V), NGEx Resources Inc. (TSX/OMX-Nasdaq)
Catherine J. G. Stefan	Denison Mines Corp. (TSX/NYSE MKT)

#### **Legend:**

TSX	Toronto Stock Exchange
TSX-V	TSX Venture Exchange
NYSE	New York Stock Exchange
NYSE	MKT NYSE MKT LLC
OMX-Nasdaq	Nasdaq OMX Stockholm Exchange

### ***Internal Controls***

The Board and Board committees are responsible for monitoring the integrity of our internal controls and management information systems.

The Audit Committee is responsible for overseeing the internal controls, including controls over accounting and financial reporting systems.

### ***Succession Planning and Leadership Development***

The Board oversees succession planning to ensure we have a pool of strong, diverse candidates for senior management positions, and that we nurture talent and attract and retain key people for our long-term success. The Corporation's approach to leadership development focuses on building competencies throughout the organization, identifying high-potential employees and preparing those employees to take on executive officer positions in the future.

### ***Term Limits***

The Corporation does not impose term limits on its directors. The Corporation believes that the best means to achieving Board renewal is for it to happen organically, and in concert with a robust nomination process that considers a range of factors including performance, attendance, skills and diversity as a whole, when identifying and selecting candidates for election or re-election to the Board. The Corporation has had recent Board turnover with the appointment of Mr. Conibear in 2011, Mr. Jones in 2013 and Ms. Stefan in 2015.

### ***Diversity***

In March 2016, the Corporation adopted a Diversity Policy. The Corporation recognizes the benefits arising from Board, senior management and employee diversity, including introducing different perspectives and benefiting from all available talent, accessing a broader pool of quality employees and improving employee retention.

The Diversity Policy is intended to provide a framework for the Corporation to achieve (a) a diverse and skilled workforce; (b) a workforce that best represents the talent available where the Corporation's assets and employees are located; (c) a work environment that values and utilizes the contributions of employees with diverse backgrounds, experiences and perspectives; (d) a workplace culture characterized by inclusive practices and behaviours; (e) an environment that encourages the development of necessary skills and experience for leadership roles; (f) improved employment and career development opportunities for women; (g) awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity; and (h) workplaces that are free from all forms of discrimination and harassment.

To achieve these objectives, the Corporation, among other things, recruits from a diverse pool of candidates for all positions, including senior management and Board appointments, and reviews succession plans to ensure an appropriate focus on diversity.

The Board is committed to workplace diversity, with a particular focus on supporting the representation of women in senior management and on the Board. The CGNC is responsible for making recommendations to the Board on the election or re-election of Board nominees and considers a range of factors, including performance, skills and diversity, including identification and nomination of women directors, when identifying and selecting candidates for election or re-election. See "Women on the Board and Executive Leadership" below.

### ***Women on the Board and Executive Leadership***

Currently, the Corporation has one woman director representing 20% of the five independent directors or 12.5% of the eight directors. The executive officers of the Corporation comprises four women executives representing approximately 36% of the 11 executive officers. The Corporation's major subsidiary, Candelaria, has one woman executive representing approximately 25% of the four executive officers.

The Corporation will strive to maintain its current level of female representation among directors, and that, as turnover occurs the CGNC will consider gender diversity as part of the nomination process. Furthermore, the Corporation will strive to maintain its current level of gender diversity among its women executives and will consider gender diversity as part of the hiring decision as turnover occurs.

### ***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 2015, five non-executive directors and one executive director visited the Candelaria Mine and were able to meet with on-site personnel to further acquaint themselves this key mining asset.

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 from management 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. Each director is expected to maintain the necessary level of expertise to perform his or her responsibilities as a director.

### ***Annual 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 directors also complete an annual skills self-assessment.

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 also prepares and delivers an annual Board skills self-assessment form to each member of the Board. The Chair of the CGNC also conducts one-on-one interviews with each of the directors upon receipt of the completed questionnaire and skills self-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.

## **ROLE OF THE BOARD**

### ***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 to ensure 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 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 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, Lead Director, the Chair of each Board committee, and the President and CEO.

#### **Chairman and Lead Director**

The Chairman of the Board is Mr. Lundin and the Lead Director is Mr. Rand. The Board has established a written position description for the 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 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 CGNC is Ms. Stefan. The Board has established a written position description for the Chair of the CGNC, who is responsible for, among other things, acting as liaison between the CGNC and the Board, chairing all meetings of the CGNC, proposing nominees for the Board and each committee of the Board, ensuring that the meetings of the CGNC are held as required, monitoring the preparation of the statement of corporate governance to be provided to the shareholders of the Corporation each year, and reporting regularly to the Board on matters within the authority of the CGNC.

#### **Chair of the Health, Safety, Environment and Community Committee (the "HSEC")**

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

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

The Chair of the HRCC is 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, the CEO and management, 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 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 Chair 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 on behalf of the Corporation in its communications to its shareholders and the public.

#### **Board Committees**

To assist the Board in its responsibilities, the Board has established four standing committees including the Audit Committee, the CGNC, the HSEC and the HRCC. Each committee has a written mandate and reviews its mandate annually.

#### **Audit Committee**

The Audit Committee comprises three directors. The current members of the Audit Committee are Mr. Peniuk (Chair), Mr. Rand and Ms. Stefan, all of whom are independent and financially literate for the purposes of NI 52-110.

The Audit Committee 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 Audit Committee. The Audit Committee 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 Audit Committee 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 Audit Committee also oversees the annual audit process, the quarterly review engagements, the Corporation's internal accounting controls, the Corporation's Whistleblower Policy, any complaints and concerns regarding any known or suspected accounting, financial or auditing irregularities or any known or suspected violations of the Corporation's Code of Conduct, and the resolution of issues identified by the Corporation's external auditors. The Audit Committee recommends to the Board annually the firm of independent auditors to be nominated for appointment by the shareholders at the annual general meeting of shareholders.

The Board appoints the members of the Audit Committee 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 Audit Committee and may fill any vacancy in the Audit Committee.

The Audit Committee meets a minimum of four times a year. The Audit Committee 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, 2015, a copy of which is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

#### **Human Resources/Compensation Committee**

The HRCC comprises three directors, all of whom are independent within the meaning of the Governance Guidelines. The current members of the HRCC are Mr. Charter (Chair), Mr. Jones and Mr. Rand.

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 CGNC comprises three directors, all of whom are independent within the meaning of the Governance Guidelines. The current members of the CGNC are Ms. Stefan (Chair), Mr. Charter and Mr. 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 of nominees to the Board 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, 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, in the event of a vacancy on the Board, the CGNC will consider whether to recommend to the Board to fill the vacancy and if the vacancy is to be filled, the CGNC will recommend an individual to the Board to fill such vacancy, and, in the event of a vacancy occurring on a committee of the Board, the CGNC will recommend to the Board an individual for appointment as a member to the applicable committee of the Board to fill such vacancy.

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 HSEC comprises three directors. The current members of the HSEC are Mr. Jones (Chair), Mr. Conibear and Mr. Craig.

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 four 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.

## **COMPENSATION OF DIRECTORS AND OFFICERS**

The extent and level of director 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, the HRCC 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.

Given the rapid growth and change in the Corporation, the Board has yet to adopt say-on-pay guidance for the Meeting. Going forward, we anticipate the Board addressing this.

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

## **MANAGEMENT CONTRACTS**

Management functions of the Corporation and its subsidiaries are performed by the directors and executive officers of the Corporation and are not performed, to any substantial degree, other than by the directors or executive officers of the Corporation.

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

To the best of the Corporation's knowledge, no informed person of the Corporation, proposed nominees for election as directors, or any associate or affiliate of any informed person or proposed nominee, has or has had any material interest, direct or indirect, in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction 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 consolidated audited financial statements and related management's discussion and analysis for the year ended December 31, 2015. 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, 2015 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 24<sup>th</sup> day of March, 2016.

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

*Paul K. Conibear*

Paul K. Conibear  
President, Chief Executive Officer and Director

## **APPENDIX A**

### **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.





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