CERRO GRANDE MINING CORPORATION
1 King Street West, Suite 4009
Toronto, Ontario, M5H 1A1

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT the annual meeting (the "**Meeting**") of shareholders (the "**Shareholders**") of Cerro Grande Mining Corporation (the "**Company**") will be held at the offices of Norton Rose Fulbright Canada LLP, Royal Bank Plaza, South Tower, Suite 3800, 200 Bay Street, Toronto, Ontario, on Tuesday, April 14, 2015, at 4:00 p.m. (Toronto time), for the following purposes:

1. to receive the audited consolidated financial statements of the Company for the financial year ended September 30, 2014, together with the report of the auditors thereon;

2. to consider and, if deemed advisable, to pass an ordinary resolution electing, as directors for the ensuing year, the nominees proposed by management of the Company in the accompanying management information circular dated March 6, 2015 (the "**Circular**") to hold office until the close of the next annual meeting of shareholders of the Company;

3. to consider and, if deemed advisable, to pass an ordinary resolution reappointing KPMG LLP, Chartered Accountants, as the auditors of the Company and to authorize the directors of the Company to fix the auditors' remuneration and terms of engagement; and

4. to transact such other business as may properly come before the Meeting, or any adjournment or postponement thereof.

The specific details of the matters to be put before the Meeting as identified above are set forth in the Circular accompanying this Notice. This Notice and the accompanying Circular have been sent to each director of the Company, each shareholder of the Company entitled to notice of the Meeting and the auditors of the Company.

Shareholders, including those who are able to attend the Meeting in person, are requested to sign and return the enclosed form of proxy to Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 so as to arrive no later than 4:00 p.m. (Toronto time) on April 10, 2015 or the second business day preceding the date of any adjournment(s) or postponement(s) of the Meeting. Notwithstanding the foregoing, the Chair of the Meeting has the sole discretion to accept proxies received after such deadline but is under no obligation to do so.

DATED the 6th day of March, 2015.

BY ORDER OF THE BOARD OF DIRECTORS

"Stephen W. Houghton" (signed)
Stephen W. Houghton
Chief Executive Officer

CERRO GRANDE MINING CORPORATION
1 King Street West, Suite 4009
Toronto, Ontario, M5H 1A1

MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

The information contained in this management information circular (the "Circular"), which is dated March 6, 2015 is furnished in connection with the solicitation of proxies to be used at the annual meeting of the shareholders of Cerro Grande Mining Corporation (the "Company") to be held at the offices of Norton Rose Fulbright Canada LLP, Royal Bank Plaza, South Tower, Suite 3800, 200 Bay Street, Toronto, Ontario, at 4:00 p.m. (Toronto time) on Tuesday, April 14, 2015 (the "Meeting") for the purposes set forth in the notice of meeting (the "Notice of Meeting") accompanying this Circular and at any adjournment(s) or postponement(s) thereof. It is expected that the solicitation will be made primarily by mail but proxies may also be solicited personally by directors, officers or employees of the Company. The costs of the solicitation of proxies will be at the Company's expense. **The solicitation of proxies by this Circular is being made by or on behalf of the management of the Company.**

APPOINTMENT AND REVOCATION OF PROXIES

A form of proxy is enclosed and, if it is not your intention to be present in person at the Meeting, you are asked to complete and return the form of proxy in the envelope provided. The proxy must be executed by the shareholder or the attorney of such shareholder, duly authorized in writing. Proxies to be used at the Meeting must be deposited with Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 so as to arrive no later than 4:00 p.m. (Toronto time) on the second business day preceding the date of the Meeting or the date of any adjournment(s) or postponement(s) thereof.

The persons named in the enclosed form of proxy accompanying this Circular are directors and/or officers of the Company. **A shareholder of the Company has the right to appoint a person or company other than the persons specified in such form of proxy and who need not be a shareholder of the Company to attend and act for him or her and on his or her behalf at the Meeting. Such right may be exercised by striking out the names of the persons specified in the form of proxy, inserting the name of the person or company to be appointed in the blank space provided in the form of proxy, signing the form of proxy and returning it in the reply envelope in the manner set forth in the accompanying Notice of Meeting.**

In accordance with section 148(4) of the *Canada Business Corporations Act* (the "**CBCA**") a shareholder who has given a proxy may revoke it at any time to the extent that it has not been exercised. A proxy may be revoked by an instrument in writing, including another completed form of proxy, executed by the shareholder or the shareholder's attorney authorized in writing, deposited at the registered office of the Company, or at the offices of Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, no later than 4:00 p.m. (Toronto time) on the last business day preceding the date of the Meeting, or any adjournment(s) or postponement(s) thereof. Notwithstanding the foregoing, the Chair of the Meeting has the sole discretion to accept proxies received after such deadline but is under no obligation to do so.

VOTING OF SHARES REPRESENTED BY MANAGEMENT PROXIES

The persons named in the enclosed form of proxy will vote or withhold from voting the common shares of the Company (each, a "**Common Share**") in respect of which they are appointed by proxy on any ballot that may be called for in accordance with the instructions thereon. **In the absence of such specifications, such Common Shares will be voted in favour of each of the matters referred to herein.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to or variations of matters identified in the Notice of Meeting and with respect to other matters, if any, which may properly come before the Meeting. At the date of this Circular, the management of the Company knows of no such amendments, variations, or other matters to come before the Meeting. However, if any other matters which are not known to management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxy.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

As of the close of business on March 6, 2015 the Company had outstanding 174,977,010 Common Shares, each carrying one vote. Each holder of a Common Share of record at the close of business on March 6, 2015, the record date established for notice of and voting at the Meeting, will, unless otherwise specified herein, be entitled to one vote for each Common Share held by such holder on the matters proposed to come before the Meeting.

As of the date hereof, to the knowledge of the directors or executive officers of the Company, no person beneficially owns, or controls or directs, directly or indirectly, more than 10% of the issued and outstanding Common Shares, except (i) Mario Hernandez, a director and the Executive Vice President, Claims and Land Management of the Company who beneficially owns, or controls or directs, directly or indirectly, 54,922,201 Common Shares, representing approximately 31.39% of the outstanding Common Shares as at the date hereof, and (ii) David R.S. Thomson, a director and the Executive Vice President, Exploration of the Company who beneficially owns, or controls or directs, directly or indirectly, 52,718,929 Common Shares, representing approximately 30.13% of the outstanding Common Shares as at the date hereof.

CURRENCY

Any reference to "$" or "dollars" in this Circular is a reference to the lawful currency of Canada unless otherwise indicated.

BUSINESS OF THE MEETING

Election of Directors

The number of directors on the board of directors of the Company (the "**Board**") must consist of not more than 15 and not less than 3 directors to be elected annually. Each of the present directors will hold office until the Meeting. At the Meeting, nine directors will be nominated for election. All directors so elected will hold office until the next annual meeting of shareholders of the Company or until their successors are elected or appointed. **The persons named in the enclosed form of proxy intend to cast the votes to which the Common Shares represented by such proxy are entitled for the election of the nominees whose names are set forth below, unless the shareholder who has given such proxy has directed that the Common Shares be withheld from voting on the election of directors.** Management of the Company does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason at or prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their discretion.

The following table and the notes thereto set out the name and the province or state and country of residence of each person proposed to be nominated for election as a director, his current position and office with the Company, his present principal occupation(s) or employment, the date on which he was first elected or appointed a director of the Company, and the approximate number of Common Shares of the Company beneficially owned, or controlled or directed, directly or indirectly as at the date of this Circular:

Nominee and Province or State and Country of Residence	Position held in Company	Principal Occupation[1]	Director Since	Number of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly[2]
Paul J. DesLauriers[3][4][5][6] Ontario, Canada	Chairman and Director	Executive Vice President, Director of Corporate Finance and Director of Loewen, Ondaatje, McCutcheon Limited, a brokerage firm	February 5, 2002	235,606[7]
Mario Hernandez Santiago, Chile	Executive Vice President, Claims and Land Management and Director	Executive Vice President, Claims and Land Management and a director of the Company	March 13, 1997	54,922,201[8]
Stephen W. Houghton New York, U.S.A.	Chief Executive Officer and Director	Chief Executive Officer and a director of the Company	May 12, 1994	2,874,963
Frederick D. Seeley[3][4][5] Massachusetts, U.S.A.	Director	Chairman Givens Hall Bank and Trust Ltd., Cayman Islands, BVI, a bank and trust company	May 12, 1994	126,920
David R.S. Thomson Santiago, Chile	Executive Vice-President, Exploration and Director	Executive Vice-President, Exploration and a director of the Company	March 13, 1997	52,718,929[9]
William Hill[3][5][6] Ontario, Canada	Director	President of Wm. Hill Associates, a mining consulting firm	May 15, 2007	Nil
Juan Proaño[6] Maryland, U.S.A.	Director	Director of Minera Poderosa S.A., a gold company located in Peru	May 31, 2007	Nil
Richard J. Lachcik[5][6] Ontario, Canada	Secretary and Director	Partner of the law firm Norton Rose Fulbright Canada LLP, Toronto, Canada	March 11, 2008	Nil
Fernando Saenz Poch Concepcion, Chile	Director	General Manager, MADESAL S.A., a real estate company and fitness center operator located in Concepcion, Chile	April 19, 2010	6,334,428[10]

Notes:
(1) Information respecting the principal occupation of each proposed director has been provided by such proposed director.
(2) Information respecting holdings of Common Shares of each proposed director has been provided by such proposed director.
(3) Member of the Audit Committee (as defined below).
(4) Member of the Compensation Committee.
(5) Member of the Corporate Governance and Nominating Committee.
(6) Member of the Technical Committee.
(7) Held by a company of which Mr. DesLauriers owns all of the issued and outstanding shares.
(8) Of such Common Shares, 54,371,868 Common Shares are held by companies which are wholly owned by Mr. Hernandez. The remaining 547,333 Common Shares are held by Mr. Hernandez personally.
(9) Of such Common Shares, David Thomson owns 56% of Auromin (defined below) which owns 90% of Davimat Inversiones S.P.A. which owns 66% of Rutherford Exploration Limited which owns 8,765,642 Common Shares and Auromin holds 43,953,287 Common Shares.
(10) Of such Common Shares, 2,309,468 and 3,865,560 are held by Inversiones FERSA S.A. and Lyss Investments C.V., respectively, both of which are companies wholly-owned by Mr. Saenz's father, and 159,400 are registered in the name of his father's spouse.

Except as described below, no proposed director of the Company is, as at the date of this Circular, or has been, within ten years before the date of this Circular, a director, chief executive officer or chief financial officer of any company that,

1. 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, that was issued while the proposed director was acting in such capacity; or

2. 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, that was issued after the proposed director ceased to act in such capacity and which resulted from an event that occurred while that person was acting in such capacity.

As a result of not filing its audited financial statements for the year ended December 31, 2004 by the filing deadline, Eurasia Gold Inc. (which was then named Eurasia Gold Corp.) ("**Eurasia**") was made subject to an issuer cease trade order issued by the British Columbia, Alberta and Ontario securities commissions which was revoked on June 29, 2005 (following the filing of the required records). Mr. Richard J. Lachcik, a director of the Company, was a director of Eurasia during the time such cease trade order was in effect.

No proposed director of the Company is, as at the date of this Circular, or has been within 10 years before the date of this Circular, a director or executive officer of any company 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.

No proposed director of the Company or any personal holding company of such person has, within the 10 years before 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 the proposed director or personal holding company, as the case may be.

No proposed director of the Company or any personal holding company of such person has been subject to (i) 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 (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a security holder in deciding whether to vote for a proposed director.

Appointment of Auditors

KPMG LLP, Chartered Accountants, are the current auditors of the Company and were first appointed auditors of the Company in 2013. Shareholders of the Company will be asked at the Meeting to reappoint KPMG LLP as the Company's auditors, to hold office until the close of the next annual meeting of shareholders of the Company at such remuneration as may be approved by the directors of the Company. **The resolution approving such reappointment must be passed by a majority of the votes cast by shareholders at the Meeting in respect of such resolution. Unless otherwise specified, the persons named in the enclosed form of proxy will vote FOR the said reappointment of KPMG LLP.**

EXECUTIVE COMPENSATION

Applicable securities law requires that a "Statement of Executive Compensation" in accordance with Form 51-102F6 be included in this Circular. Form 51-102F6 prescribes the disclosure requirements in respect of the compensation of certain executive officers and directors of reporting issuers. The following addresses the applicable items identified in Form 51-102F6. As the Company is engaged in mineral exploration and development and until recently had no material income, cash compensation to executives is kept to a minimum. Directors receive minimum cash payments and may receive options under the Share Option Plan (as defined below) and Common Shares under the Bonus Plan (as defined below) embedded within the Share Option Plan.

The purpose of this Compensation Discussion and Analysis ("**CD&A**") is to provide information about the Company's executive compensation philosophy, objectives, and processes and to discuss compensation decisions relating to the Company's senior leaders, being the identified named executive officers (the "**NEOs**") during the financial year ended September 30, 2014. The NEOs who are the focus of the CD&A and who appear in the compensation tables of this Circular are Stephen W. Houghton, Chief Executive Officer of the Company (the "**CEO**"), Peter W. Hogg, Chief Financial Officer of the Company (the "**CFO**"), David R.S. Thomson, Executive Vice-President, Exploration of the Company (the "**EVP Exploration**") and Mario Hernandez, Executive Vice-President, Claims and Land Management (the "**EVP CLM**").

Compensation Committee

In order to assist the Board in fulfilling its oversight responsibilities with respect to executive compensation and the Company's equity compensation plans, the Board established the Compensation Committee. During the most recently completed financial year, the Compensation Committee was comprised of two directors, both of whom are independent within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**"), namely Paul DesLauriers and Frederick Seeley.

The Compensation Committee's purpose is to: (i) establish the philosophy and objectives that will govern the Company's compensation program; (ii) oversee and approve the compensation and benefits paid to the CEO and other senior officers; (iii) recommend to the Board for approval executive and other compensation and benefits plans and arrangements; (iv) oversee the Company's stock option plan and all other compensation plans; and (v) promote the clear and complete disclosure to shareholders of material information regarding executive compensation. In performing its duties, the Compensation Committee has the authority to engage such advisors, including executive compensation consultants, as it considers necessary.

Compensation Program

The primary goal of the Company's executive compensation program is to retain top quality individuals at the executive level. The program is designed to ensure that the compensation provided to the Company's senior officers is determined with regard to the Company's business strategy and objectives and financial condition, such that the financial interests of the senior officers are matched with the financial interests of the Company's shareholders. The Company strives to ensure that the Company's senior officers are compensated fairly and commensurately with their contributions to furthering the Company's strategic direction and objectives.

Neither the Company nor the Compensation Committee currently has any contractual arrangement with any executive compensation consultant who has a role in determining or recommending the amount or form of senior officer or director compensation. The Compensation Committee relies on the knowledge and experience of the members of the Compensation Committee and the recommendations of the CEO to set appropriate levels of compensation for senior officers.

Compensation Program Design

The total compensation mix was designed on the basis of the Company's compensation objectives. Standard compensation arrangements for the Company's senior officers are composed of the following elements, which are linked to the Company's compensation and corporate objectives.

Base Salary

Base salary is determined for each of the Company's executive officers on an individual basis, taking into consideration the individual's experience, performance and contributions to the Company's success and competitive industry pay practices for comparable positions with the primary goal of retaining highly qualified executives in a competitive market environment.

Stock Options and Bonus Shares

The Compensation Committee believes that stock options and the Bonus Shares under the Bonus Plan which forms part of the Share Option Plan encourage the Company's executive officers to own and hold shares in the Company which aligns their long-term interests directly to those of the shareholders and helps to achieve the Company's objective of retaining highly qualified executives. Under the terms of the Share Option Plan, the Compensation Committee may propose and the Board may designate employees, including executive officers, eligible to receive options to acquire such numbers of Common Shares as the Board determines at an exercise price not less than the market price determined in accordance with the terms of the Share Option Plan and to receive Bonus Shares.

When granting options pursuant to the Share Option Plan, consideration is given to the exercise price of the aggregate options that would be held by an individual after the award. In determining the individual grants, the Board considers the following factors: the executive officer's relative position and performance as well as past equity grants.

Since the Company does not grant incentive stock options at a discount to the prevailing market price of the Common Shares, the incentive stock options granted to executive officers accrete value only if, and to the extent that, the market price of the Common Shares increases, thereby linking equity-based executive compensation to shareholder returns.

The Compensation Committee regularly assesses the individual performance of the Company's executive officers and makes recommendations to the Board. Based on these recommendations, the Board makes decisions concerning the nature and scope of the equity-based compensation to be paid to the Company's executive officers. The criteria upon which these recommendations are based reflect the Compensation Committee's views as to the nature and value of the contributions made by the executive officers to the achievement of the Company's corporate plans and objectives. The Compensation Committee considers option grants at regularly scheduled intervals following the end of each quarter, except in exceptional circumstances.

Compensation Process

The Board has ultimate responsibility for the Company's compensation program and compensation decisions and receives recommendations from the Compensation Committee. The Compensation Committee seeks the advice of the CEO and confers with the Company's legal counsel on matters that fall within their realm of responsibility in preparing its recommendations.

The compensation of the Company's senior officers is based, in substantial part, on industry compensation practices, trends in the mining industry as well as achievement of our business objectives. Such objectives are established and modified as necessary to reflect changes in market conditions. The Compensation Committee did not establish any quantifiable criteria with respect to the level of equity compensation granted during its financial year ended September 30, 2014.

The Compensation Committee uses all the data available to it to ensure that the Company is maintaining a level of compensation that is both commensurate with the size of the Company and sufficient to retain personnel it considers essential to the success of the Company. Given the stage of development of the Company, the use of traditional performance standards, such as corporate profitability is considered by the Compensation Committee to be inappropriate in the evaluation of corporate and NEO performance. In reviewing comparative data, the Compensation Committee does not engage in benchmarking for the purpose of establishing compensation levels relative to any predetermined level. A periodic informal survey of compensation paid to persons occupying similar positions with mining exploration companies of comparable size and stage of development provides the Compensation Committee with insight into what is considered fair compensation.

In addition, when considering senior officer compensation, the Compensation Committee evaluates the CEO's performance, including reviewing the Company's performance relative to corporate objectives and strategic and annual business plans and the CEO's achievements during the financial year, and reviews the performance of other senior officers (as evaluated by the CEO based on their performance relative to their achievements during the financial year). The Compensation Committee reviews the various elements of the NEOs' compensation in the context of the total compensation package (including base salary and stock option and Bonus Share grants) and recommends the NEOs' compensation packages. The Compensation Committee's recommendations regarding NEO compensation are presented to the Board for their consideration and approval.

Option Granting

Typically, the Compensation Committee considers option grants at regularly scheduled intervals following the end of each quarter except in exceptional circumstances. The Board determines individual grants including the particulars with respect to all options granted to senior officers in accordance with the terms of the Share Option Plan. In determining the nature and scope of such grants the Board considers the recommendations of the Compensation Committee and the senior officer's relative position, performance and past equity grants. See *"Securities Authorized for Issuance Under Equity Compensation Plans*" below for more information regarding the Share Option Plan.

Managing Compensation-Related Risk

Although the Company does not have a formal policy relating to the management of compensation-related risk, the Board and, as applicable, the Compensation Committee, consider and assess, as necessary, risks relating to compensation prior to entering into or amending employment contracts with NEOs and when setting the compensation of directors. The Board and the Compensation Committee believe that the Company's compensation policies and practices are appropriate for its industry and stage of business and that such policies and practices do not have associated with them any risks that are reasonably likely to have a material adverse effect on the Company or which would encourage an NEO to take any inappropriate or excessive risks. The Compensation Committee will continue to review the Company's compensation policies and practices, including its compensation-related risk profile, as necessary, to ensure its compensation policies and practices are not reasonably likely to have a material adverse effect on the Company or encourage an NEO to take any inappropriate or excessive risks, and may consider adopting a formal policy in this regard in the future, if necessary.

Restrictions on Financial Instruments

The Company does not have a policy that would prohibit an NEO or director from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director. However, management is not aware of any NEO or director purchasing such an instrument.

Summary Compensation Table

The following table provides a summary of the compensation earned by the NEOs (being the CEO and the CFO of the Company), for services rendered in all capacities during the financial years ended September 30, 2012, 2013 and 2014:

Name and Principal Position	Year	Salary (US$)	Share-based awards (US$)	Option-based awards (US$)	Non-equity incentive plan compensation (US$)		Pension Value (US$)	All other Compensation (US$)	Total Compensation (US$)
					Annual Incentive Plans	Long-Term Incentive Plans			
Stephen W. Houghton CEO	2014	88,436[(1)]	Nil	Nil	Nil	Nil	Nil	6,134[(2)]	94,570
	2013	107,249[(1)]	Nil	51,319[(3)]	Nil	Nil	Nil	12,551[(4)]	171,119
	2012	110,000	Nil	Nil	Nil	Nil	Nil	59,804[(5)]	169,804
Peter W. Hogg CFO	2014	48,0000[(6)]	Nil	Nil	Nil	Nil	Nil	Nil	48,0000
	2013	52,000[(6)]	Nil	Nil	Nil	Nil	Nil	Nil	52,000
	2012	51,121[(6)]	Nil	Nil	Nil	Nil	Nil	Nil	51,121
David R.S. Thomson EVP Exploration	2014	110,000	Nil	Nil	Nil	Nil	Nil	Nil	110,000
	2013	110,000	Nil	55,595[(3)]	Nil	Nil	Nil	Nil	165,595
	2012	110,000	Nil	Nil	Nil	Nil	Nil	Nil	110,000
Mario Hernandez EVP CLM	2014	110,000	Nil	Nil	Nil	Nil	Nil	Nil	110,000
	2013	110,000	Nil	55,595[(3)]	Nil	Nil	Nil	Nil	165,595
	2012	110,000	Nil	Nil	Nil	Nil	Nil	Nil	110,000

Notes:

(1) Mr. Houghton is entitled to a base salary of US$110,000 pursuant to the Houghton Agreement (as defined below); however, on July 1, 2013, Mr. Houghton agreed to a reduction of his salary until such time as the Board believes the Company's profitability has improved. Any amounts by which Mr. Houghton's salary has been reduced may be paid by the Company to Mr. Houghton in the future, depending on the profitability of the Company.

(2) This amount reflects reimbursement in 2014 of maintenance, insurance and gas costs for the vehicle purchased by the Company for Mr. Houghton.

(3) Includes the dollar amount of options granted based on the grant date fair value. The grant date fair value of the stock options issued during the financial year ended September 30, 2013 has been calculated using the Black-Scholes option pricing model, based on the following assumptions: risk-free interest rate of 0.58%; expected life of 5 years; weighted expected volatility of 146.05% and expected dividend yield of zero.

(4) This amount reflects reimbursement in 2013 of maintenance, insurance and gas costs for the vehicle purchased by the Company for Mr. Houghton.

(5) This amount reflects reimbursement in 2012 of maintenance, insurance and gas costs for the vehicle purchased by the Company for Mr. Houghton.

(6) These amounts were paid to Palmer Services Inc., a company controlled by Mr. Hogg.

Incentive Plan Awards

The following table provides details regarding outstanding NEO option based awards as at September 30, 2014.

Outstanding option-based awards					*Outstanding share-based awards*		
Name	**Number of securities underlying unexercised (#)**	**Option exercise price ($)**	**Option expiration date**	**Aggregate value of unexercised in-the-money options ($)[1]**	**Number of shares or units of shares that have not vested (#)**	**Market or payout value of share-based awards that have not vested ($)**	**Market or payout value of vested share-based awards not paid out or distributed ($)**
Stephen W. Houghton CEO	600,000	0.10	April 16, 2018	Nil	Nil	Nil	Nil
	200,000[2]	0.79[2]	April 29, 2016	Nil	Nil	Nil	Nil
	437,000[2]	0.35[2]	April 19, 2015	Nil	Nil	Nil	Nil
	800,000[2][3]	0.45[2]	October 19, 2014	Nil	Nil	Nil	Nil
Peter W. Hogg CFO	100,000[2]	0.35[2]	April 19, 2015	Nil	Nil	Nil	Nil
David R.S. Thomson EVP Exploration	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Mario Hernandez EVP CLM	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:
(1) Based on the closing price of the Common Shares on the CSE of $0.035 on September 30, 2014.
(2) Adjusted to give effect to the Consolidation.
(3) All of these options expired unexercised on October 19, 2014.

The following table provides details regarding option and share-based awards vested, and the non-equity incentive plan compensation provided to the NEOs, during the financial year ended September 30, 2014.

Incentive plan awards - value vested or earned during the year			
Name	**Option-based awards - Value vested during the year ($)[1]**	**Share-based awards - Value vested during the year ($)[1]**	**Non-equity incentive plan compensation - Value earned during the year ($)**
Stephen W. Houghton, CEO	Nil	Nil	Nil
Peter W. Hogg, CFO	Nil	Nil	Nil
David R.S. Thomson, EVP Exploration	Nil	Nil	Nil
Mario Hernandez, EVP CLM	Nil	Nil	Nil

Note:
(1) No share or option-based awards vested during the financial year ended September 30, 2014.

Termination and Change of Control Benefits

The Company and Mr. Stephen W. Houghton entered into an employment agreement (the "**Houghton Agreement**"). Under the terms of the Houghton Agreement, Mr. Houghton is employed as the CEO and carries out the normal duties performed by a chief executive officer. Mr. Houghton reports directly to the Board.

The Houghton Agreement was made effective as of October 7, 2009 for a two-year term, which will automatically renew at the end of each year for an additional two years at a base salary rate of US$110,000. The base salary will be reviewed by the Compensation Committee of the Company at the end of each year to determine if an increase to the base salary is warranted. Mr. Houghton may be paid by a subsidiary of the Company.

Pursuant to the terms of the Houghton Agreement, Mr. Houghton is entitled to a severance payment from the Company of 36 months' salary, plus the greater of three times the bonus received by him in the previous bonus year (paid in cash or Common Shares), to be paid if (a) his employment is terminated without cause, or (b) there is a "change of control" of the Company and within 12 months of such "change of control" (i) the Company gives notice of its intention to terminate his employment for any reason other than just cause, or (ii) a "triggering event" occurs and he elects to terminate his employment. Any stock options granted which have not vested at the time of termination will immediately vest and shall remain exercisable until the earlier of (i) the normal expiry date of such option, or (ii) the date which is 36 months from the date of such termination. In addition he shall continue to be entitled to participate, at the expense of the Company, in the Company's health and medical plans (or the Company will pay for equivalent coverage if he is not covered under the Company's current plan), until the earlier of obtaining alternate coverage under the terms of any new employment or the third anniversary of the date of such termination. The reduction in Mr. Houghton's salary for the years ended September 30, 2013 and September 30, 2014, as set out in note (1) to the "Summary Compensation Table" above, will not be taken into account in determining the amount of severance payment provided for in the Houghton Agreement.

Mr. Houghton's estate shall also be paid one year's salary in the event of his death during the term of the Houghton Agreement.

In addition, during the term of the Houghton Agreement, Mr. Houghton is entitled be provided with a Toyota or Nissan 4x4 diesel truck or its equivalent with all expenses paid by the Company.

For the purposes of the Houghton Agreement,

1. a "change of control" occurs when: (a) less than 50% of the Board is composed of (i) directors of the Company at the time the relevant agreement was entered into, or (ii) any director who subsequently becomes a director with the agreement of at least a majority of the members of the Board at the time the relevant agreement was entered into; (b) the acquisition by any person or persons acting jointly or in concert of 40% or more of the Common Shares; (c) the sale by the Company of property or assets aggregating more than 50% of its consolidated assets or which aggregates more than 50% of its consolidated operating income of cash flows during the most recently completed financial year or during the current financial year; or (d) the Company becoming insolvent or the like; and

2. a "triggering event" includes: (a) an adverse change in any of the officer's duties, powers, rights, discretion, prestige, salary, benefits, perquisites or financial entitlements; (b) a diminution of title and/or responsibilities; (c) a change in the person or body to whom the officer reports, except if such person or body is of equivalent rank of stature or such change is a result of the resignation or removal if such person or the persons comprising such body; (d) a change in the hours during or location at which the officer is regularly required to carry out the terms of this employment; or (e) an increase in the amount of travel the officer is required to conduct on behalf of the Company.

The following are estimates of the incremental amounts payable to Mr. Houghton upon termination of the Houghton Agreement by the Company without cause, termination of the Houghton Agreement by the Company within twelve months of a change of control or termination of the Houghton Agreement by Mr. Houghton if within twelve months of a change of control, a triggering event occurs, assuming each such event took place on September 30, 2014:

Salary/Severance	US$330,000
Benefits	Nil
Perquisites	Nil
Total Compensation	**US$330,000**

The Company and Minera Auromin Limitada ("**Auromin**") entered into a services contract on October 19, 2009 (the "**Auromin Agreement**"). The services of Auromin under the Auromin Agreement are provided by, among others, David Thomson who acts as EVP Exploration of the Company. Auromin reports to the CEO and the Board.

The Auromin Agreement is effective for a two year term beginning January 1, 2009 and will be renewed every two years for a subsequent two year term unless terminated by the Company for justified cause. Pursuant to the Auromin Agreement, the Company will pay to Auromin aggregate service fees of US$300,000 per year. Auromin, at its sole option, may request that all or a portion of such payment be made through the issuance of Common Shares.

Pursuant to the terms of the Auromin Agreement, Auromin is entitled to a payment from the Company equal to three year's of service fees if (a) the Auromin Agreement is unilaterally terminated by the Company, in advance or without cause, or (b) there is a "change of control" of the Company.

The Company and Minera Chanar Blanco S.A. ("**Chanar**") entered into a services contract on October 19, 2009 (the "**Chanar Agreement**"). The services of Chanar under the Chanar Agreement are provided by Mario Hernandez who acts as EVP CLM. Chanar reports to the CEO and the Board.

The Chanar Agreement is effective for a two year term beginning January 1, 2009 and will be renewed every two years for a subsequent two year term unless terminated by the Company for justified cause. Pursuant to the Chanar Agreement, the Company will pay to Chanar aggregate service fees of US$110,000 per year. Chanar, at its sole option, may request that all or a portion of such payment be made through the issuance of Common Shares.

Pursuant to the terms of the Chanar Agreement, Chanar is entitled to a payment from the Company equal to three year's of service fees if (a) the Chanar Agreement is unilaterally terminated by the Company, in advance or without cause, or (b) there is a "change of control" of the Company.

For the purposes of the Auromin Agreement and the Chanar Agreement, a "change of control" occurs when any person or entity other than the shareholders at the date of the respective agreements acquires more than 40% of the Common Shares or if assets representing more than 50% of the assets or the cash flow of the Company are sold.

The following are estimates of the incremental amounts payable to Auromin and Chanar upon unilateral termination of the Auromin Agreement and Chanar Agreement, respectively, in advance and without cause or change of control as defined under the Auromin Agreement or Chanar Agreement, as the case may be, assuming each such event took place on September 30, 2014:

	Auromin	**Chanar**
Salary/Severance	US$900,000	US$330,000
Benefits	Nil	Nil
Perquisites	Nil	Nil
Total Compensation	**US$900,000**	**US$330,000**

DIRECTOR COMPENSATION

The director compensation program is designed to achieve the following goals: (i) compensation should attract and retain the most qualified people to serve on the Board; (ii) compensation should align directors' interests with the long-term interests of shareholders; (iii) compensation should fairly pay directors for risks and responsibilities related to being a director of an entity of the Company's size and scope; and (iv) the structure of the compensation should be simple, transparent and easy for shareholders to understand.

Directors may receive options as compensation for their services as recommended by the Compensation Committee and determined by the Board. The exercise price of such options is determined by the Board, but shall in no event be less than the market price of the Common Shares at the time of the grant of the options. During the financial year ended September 30, 2014, other than as described herein, there were no standard or other arrangements pursuant to which the Company compensated the directors for their services in their capacity as directors, and there were no amounts paid for special assignments.

Summary of Director Compensation in 2014

The following compensation table sets out the compensation paid to each of the Company's directors in the financial year ended September 30, 2014, other than the compensation paid to Messrs. Stephen Houghton, David R.S. Thomson and Mario Hernandez which is set out under "*Executive Compensation*".

Name	Fees Earned (US$)	Share-Based Awards (US$)[1]	Option-based Awards (US$)[1]	Non-equity Incentive Plan Compensation (US$)	All Other Compensation (US$)	Total (US$)
Paul J. DesLauriers	9,000	Nil	Nil	Nil	Nil	9,000
Frederick D. Seeley	9,000	Nil	Nil	Nil	Nil	9,000
William Hill	8,000	Nil	Nil	Nil	Nil	8,000
Juan Proaño	7,000	Nil	Nil	Nil	Nil	7,000
Richard J. Lachcik	Nil[2]	Nil	Nil	Nil	Nil	Nil[2]
Fernando Saenz Poch	5,000	Nil	Nil	Nil	Nil	5,000

Notes:
(1) No share or option-based awards were issued to directors during the financial year ended September 30, 2014.
(2) During the financial year ended September 30, 2014, the Company incurred legal expenses of $164,000 to Norton Rose Fulbright Canada LLP, which acts as legal counsel to the Company. Mr. Richard J. Lachcik is a partner of Norton Rose Fulbright Canada LLP.

Incentive Plan Awards to Directors

The following table provides details regarding the outstanding option-based awards held by directors as at September 30, 2014, other than the outstanding option-based awards held by Messrs. Stephen Houghton, David R.S. Thomson and Mario Hernandez which are set out under "*Executive Compensation*".

Outstanding option-based awards				
Name	**Number of securities underlying unexercised (#)**	**Option exercise price ($)**	**Option expiration date**	**Aggregate value of unexercised in-the-money options ($)[1]**
Paul J. DesLauriers	375,000	0.10	April 16, 2018	Nil
	271,428	0.79	April 29, 2016	Nil
	128,571[2]	0.35[2]	April 19, 2015	Nil
	100,000[2]	0.35[2]	April 19, 2015	Nil

Outstanding option-based awards				
Name	**Number of securities underlying unexercised (#)**	**Option exercise price ($)**	**Option expiration date**	**Aggregate value of unexercised in-the-money options ($)[1]**
Frederick D. Seeley	375,000	0.10	April 16, 2018	Nil
	100,000	0.79	April 29, 2016	Nil
	250,000[2]	0.35[2]	April 19, 2015	Nil
	150,000[2]	0.35[2]	April 19, 2015	Nil
William Hill	300,000	0.10	April 16, 2018	Nil
	100,000[2]	0.35[2]	April 19, 2015	Nil
Juan Proaño	300,000	0.10	April 16, 2018	Nil
	100,000[2]	0.35[2]	April 19, 2015	Nil
Richard J. Lachcik	233,953	0.15	May 9, 2018	Nil
	100,000[2]	0.35[2]	April 19, 2015	Nil
Fernando Saenz Poch	Nil	Nil	Nil	Nil

Notes:
(1) Based on the closing price of the Common Shares on the CSE of $0.035 on September 30, 2014.
(2) Adjusted to give effect to the Consolidation.

The following table provides details regarding the option and share-based awards vested, and the non-equity incentive plan compensation provided to the directors, during the financial year ended September 30, 2014.

Incentive plan awards - value vested or earned during the year			
Name	**Option-based awards - Value vested during the year ($)[1]**	**Share-based awards - Value vested during the year ($)[1]**	**Non-equity incentive plan compensation - Value earned during the year ($)**
Paul J. DesLauriers	Nil	Nil	Nil
Frederick D. Seeley	Nil	Nil	Nil
William Hill	Nil	Nil	Nil
Juan Proaño	Nil	Nil	Nil
Richard J. Lachcik	Nil	Nil	Nil
Fernando Saenz Poch	Nil	Nil	Nil

Note:
(1) No share or option-based awards vested during the financial year ended September 30, 2014.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table (presented in accordance with Form 51-102F5) sets out as at September 30, 2014 the number of securities to be issued upon exercise of outstanding options and rights, the weighted average exercise price of outstanding options and rights and the number of securities remaining available for future issuance under equity compensation plans of the Company, being the Share Option Plan (excluding the Bonus Shares issuable under the Share Option Plan):

Plan Category	Number of shares to be issued upon exercise of outstanding options and rights outstanding as at September 30, 2014	Weighted-average exercise price of outstanding options and rights outstanding as at September 30, 2014	Number of shares remaining available for future issuance under the Company's Share Option Plan as at September 30, 2014
Equity compensation plans approved by shareholders[(1)]	5,669,953	$0.32	2,985,298[(2)(3)]
Equity compensation plans not approved by shareholders	N/A	N/A	N/A
Total	**5,669,953**	**$0.32**	**2,985,298**[(2)(3)]

Notes:
(1) The only equity compensation plan of the Company approved by shareholders is the Company's Share Option Plan.
(2) Includes Bonus Shares available for issuance under the Bonus Plan. As of September 30, 2014, (i) an aggregate of 8,868,447 Common Shares (on a post-Consolidation basis) had been issued pursuant to the exercise of options granted under the Share Option Plan, excluding 421,302 options (on a post-Consolidation basis) which were removed from the Stock Option Plan in December 2001 and May 2002; and (ii) an aggregate of 5,000,000 Bonus Shares had been issued pursuant to the Bonus Plan (on a post-Consolidation basis), excluding 25,000 Bonus Shares (on a post-Consolidation basis) which were removed from the Bonus Plan in June 2004.
(3) As at the date hereof, an aggregate of 2,985,298 Common Shares are available for further option grants pursuant to the Share Option Plan and no Bonus Shares are available for issuance pursuant to the Bonus Plan.

Overview of the Share Option Plan

The Company's share option plan, dated March 31, 1994, (the "**Share Option Plan**") was initially approved by shareholders of the Company on May 12, 1994. The Share Option Plan was amended on January 28, 1997, subject to the approval of shareholders of the Company which was received on March 13, 1997. The Share Option Plan was further amended, as approved by the shareholders of the Company, on March 29, 2001, on March 27, 2002, on March 27, 2003, on March 30, 2004, on April 16, 2006, on March 6, 2008, on March 26, 2009, on March 28, 2011 and on March 25, 2013.

In addition, on March 29, 2001, the shareholders of the Company approved the creation of a share bonus plan embedded within the Share Option Plan (the "**Bonus Plan**"). The Bonus Plan was created to allow the Board to issue Common Shares to eligible participants under the Share Option Plan, in consideration of such participants' contributions to the success of the Company. The Bonus Plan was further amended on March 27, 2002, on March 27, 2003, on March 30, 2004, on April 16, 2006, on March 6, 2008, on March 26, 2009, on March 28, 2011 and on March 25, 2013. The determination regarding the number of Common Shares issued pursuant to the Bonus Plan (the "**Bonus Shares**") to each Eligible Employee (as defined below) will take into consideration the Eligible Employee's present and potential contribution to the success of the Company and shall be determined from time to time by the Board.

The purpose of the Share Option Plan is to enable the Company during the period of time up until it has profits to compensate officers, directors, full or part time employees and other persons who perform services for the Company or any subsidiary of the Company (collectively, the "**Eligible Employees**" and individually, an "**Eligible Employee**") and thereafter to promote the profitability and growth of the Company by encouraging Eligible Employees to extend greater efforts and to become shareholders in the Company.

The Share Option Plan is administered by the Board or, in the Board's discretion, by a committee appointed by the Board for that purpose.

Subject to the provisions of the Share Option Plan, in the event that options granted under the Share Option Plan are surrendered, terminate or expire without being exercised in whole or in part, new options may be granted covering the Common Shares not purchased under such lapsed options. No option may be granted to any Eligible Employee which would have the effect of increasing the aggregate number of shares of any class of shares of the Company subject to all options granted under the Share Option Plan or otherwise with respect to such class to such Eligible Employee to more than five per cent (5%) of the then issued and outstanding shares of such class.

The purchase price per Common Share subject to each option shall be determined by the Board or committee, as applicable. The price at which an Eligible Employee may purchase shares of the Company pursuant to an option granted to such employee under the Share Option Plan shall not be less than the closing price on the CSE for a board lot on the last day immediately preceding the day of the grant that the CSE is open for business (or if the Common Shares of the Company are not listed on the CSE, on such stock exchange in Canada on which the Common Shares are listed and posted for trading as may be selected for such purpose by the Board). In the event that such Common Shares did not trade on such business day, the purchase price shall be the average of the bid and ask prices in respect of such Common Shares at the close of trading on such date. In the event that such Common Shares are not listed and posted for trading on the CSE or any stock exchange, the purchase price shall be the fair market value of such Common Shares as determined by the Board in its sole discretion.

Options shall not be granted for a term exceeding ten years (the "**Option Period**"). Options may be exercised by an Eligible Employee in whole at any time, or in part from time to time, during the Option Period, subject to the provisions of the Share Option Plan. Options granted under the Share Option Plan may not be assigned or otherwise transferred by a participant other than pursuant to a will, by the laws of descent and distribution or under certain limited circumstances as set out in the Share Option Plan. Options granted under the Share Option Plan may vest at the discretion of the Board or committee, as applicable.

An option granted pursuant to the Share Option Plan may give to the Eligible Employee to whom it is granted the right, in lieu of exercising the option in part or in full and obtaining Common Shares, to receive from the Company a cash payment in an amount determined by deducting from the fair market value of the shares with respect to which the right is exercised the amount that the Eligible Employee would have had to pay for such shares if he or she had exercised the option. If such right is exercised, then the number of shares subject to such option shall be reduced accordingly. For this purpose, the fair market value shall be the weighted average trading price of shares of the Company traded on the CSE during the five consecutive trading days immediately preceding the day on which the right is exercised and a "trading" day shall be a day during which the said CSE is open for normal business.

The right to purchase shares of the Company pursuant to any option granted under the Share Option Plan shall expire on the earlier of the expiry date of the option and the 30th day following the day of the termination of employment by the Company of such Eligible Employee but if: (a) the Eligible Employee is given a payment in lieu of a notice of termination of employment, then such employee shall be informed of the period of time with respect to which such payment is made and the said period of 30 days shall expire at the end of such period, or (b) if the Eligible Employee dies while still in the employment of the Company, such right to purchase shall continue for a period being the lesser of 12 months following the day of death or such period as may be determined by any law or administrative body, including a stock exchange to which the Company is subject, or (c) if the Eligible Employee retires from employment by the Company at normal retirement age as determined by the Board or at such earlier age but without thereafter assuming other full-time or part-time employment, such right to purchase shall continue for a period being the lesser of three years following the day of retirement or such period as may be determined by any law or administrative body, including a stock exchange to which the Company is subject.

The Board has the power and authority to make certain amendments to the Share Option Plan or the options granted thereunder, without having to obtain shareholder approval, to the extent such amendments relate to:

(a) complying with the requirements of any applicable regulatory authority;

(b) complying with the rules, policies and notices of the CSE or of any stock exchange on which the Company's securities are listed;

(c) altering, extending or accelerating the terms and conditions of vesting of any options;

(d) extending the term of options held by a person other than a person who, at the time of the extension, is an Insider (as such term is defined in the *Ontario Securities Act*) of the

Company that is subject to insider reporting requirements pursuant to National Instrument 51-101 - *Insider Reporting Exemptions* and associates and affiliates of such person;

(e) determining, subject to all applicable regulatory requirements, that the provisions of the Share Option Plan concerning the effect of termination of an optionee's status as an Eligible Employee shall not apply to an optionee for any reason acceptable to the Board;

(f) accelerating the expiry date of any options;

(g) amending the definitions contained within the Share Option Plan;

(h) amending the categories of persons who are Eligible Employees and entitled to be granted options pursuant to the Share Option Plan;

(i) allowing the grant of short-term financial assistance to optionees for the purpose of exercising options granted under the Share Option Plan, subject to compliance with all applicable regulatory requirements;

(j) authorizing the addition or modification of a cashless exercise feature, payable in cash or Common Shares, which provides for a full deduction of the number of underlying securities from the Share Option Plan reserve;

(k) the assignability or transferability of options, with respect to Eligible Employees generally and/or with respect to any participant under the Share Option Plan;

(l) amending or modifying the mechanics of exercise of options; and

(m) amendments of a "housekeeping" nature, including, without limitation, amending the wording of any provisions of the Share Option Plan for the purpose of clarifying the meaning of existing provisions or to correct or supplement any provision of the Share Option Plan that is inconsistent with any other provision of the Share Option Plan.

The Company has not provided any financial assistance to Eligible Employees to facilitate the purchase of Common Shares under the Share Option Plan.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

The following table (presented in accordance with Form 51-102F5) sets out the aggregate indebtedness of all directors, executive officers, employees and former directors, executive officers and employees of the Company and its subsidiaries outstanding as at March 6, 2015.

Aggregate Indebtedness		
Purpose	**To the Company or its subsidiaries**	**To Another Entity**
Share purchases	Nil	Nil
Other	US$208,000	Nil

No director, executive officer or proposed director of the Company and no associate of the foregoing persons is or has been indebted to the Company (including its subsidiaries) at any time since the beginning of the most recently completed financial year of the Company except Mr. Stephen W. Houghton, the Chief Executive Officer and director of the Company, as described in the table below.

Name and Principal Position	Involvement of Company or Subsidiary	Largest Amount Outstanding During the Period Between September 30, 2013 and September 30, 2014	Amount Outstanding as at March 6, 2015	Financially Assisted Securities Purchases During the Period Between September 30, 2013 and September 30, 2014	Security for Indebted-ness	Amount Forgiven During the Period Between September 30, 2013 and September 30, 2014
Stephen W. Houghton, Chief Executive Officer and Director	Lender	US$196,000	US$208,000(1)	Nil	653,200 Common Shares	Nil

Note:
(1) Such amount is a non-interest-bearing note receivable without specific repayment terms and is secured by 653,200 Common Shares owned by Mr. Houghton. Such funds were advanced to Mr. Houghton over a twelve-year period during which time he received no salary from the Company. There have been no adjustments to the terms of such indebtedness during the Company's most recently completed financial year.

CORPORATE GOVERNANCE

The Board believes in the importance of maintaining sound corporate governance practices. The statement of corporate governance practices addresses the Company's compliance with National Policy 58-201 - *Corporate Governance Guidelines* and National Instrument 58-101 - *Disclosure of Corporate Governance Practices* (collectively, the "**Guidelines**").

General Statement of Corporate Governance Practices

The Board has considered the foregoing and have concluded that, while the Company is not in full compliance with all provisions of the Guidelines, given the size of the Company, certain of the Guidelines would be too costly or inappropriate to implement at this time. Currently, the Board has five independent members and four members who are not independent. In addition, no member of management is a member of the Company's audit committee (the "**Audit Committee**") or the Compensation Committee, and the Company will continue to attempt to fulfill the Guidelines as resources become available.

The Company conducts all of its business through subsidiary companies which are active in Chile. Messrs. Hernandez and Thomson are residents of Chile and Mr. Houghton spends substantially all of his time in Chile, with the result that the affairs of the Company are closely supervised.

The Board of Directors

A director is considered "independent" if he has no direct or indirect material relationship with the Company. A "material relationship" is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment.

The Board currently consists of nine individuals. Messrs. DesLauriers, Seeley, Hill, Proaño and Poch are independent directors. Messrs. Houghton, Thomson and Hernandez are not considered to be independent as they are members of the Company's management team. Mr. Lachcik is not considered to be independent as he is a partner of Norton Rose Fulbright Canada LLP which acts as counsel to the Company. The majority of the directors are therefore independent. The independent directors do not hold regularly scheduled meetings but do meet frequently. The Board believes that its current size and composition facilitate effective decision-making but intends to review these characteristics periodically.

The following table sets out details of directorships held by each director in other public issuers as of the date hereof:

Name of Director	Name of Issuer
Richard J. Lachcik	Loncor Resources Inc. and Gentor Resources Inc.

The Chairman of the Board is Paul J. DesLauriers, an independent director. The responsibilities of the Chairman include, but are not limited to, the following:

(a) preside at, call and schedule each meeting of the Board;
(b) manage the affairs of the Board to ensure that the Board is organized properly and functions effectively;
(c) communicate with each Board member to ensure that each director has the opportunity to be heard and participate in decision making and is accountable to the Board and to each Board committee on which he or she serves; and
(d) coordinate with management and the secretary of the Company to ensure that the Board has an opportunity to question executive officers, management, employees, external auditors, experts and advisors regarding any and all matters of importance to the Board.

Meetings of the Board

The frequency of Board meetings and the nature of the meeting agendas depend upon the nature of the business and affairs of the Company from time to time. Since the beginning of the Company's financial year ended September 30, 2014 until the date of this Circular, the Board and its Audit Committee met 13 and 7 times, respectively, and the Board's Compensation Committee, Corporate Governance and Nominating Committee and Technical Committee did not meet. The following is the record of attendance for each director at Board, Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee, and Technical Committee meetings since the beginning of the Company's financial year ended September 30, 2014 until the date of this Circular:

Director	Board Meetings	Audit Committee Meetings	Compensation Committee Meetings	Corporate Governance and Nominating Committee Meetings	Technical Committee Meetings
Paul J. DesLauriers	13/13	7/7	0/0	0/0	0/0
Mario Hernandez	10/13	N/A	N/A	N/A	N/A
Stephen W. Houghton	13/13	N/A	N/A	N/A	N/A
Frederick Seeley	13/13	7/7	0/0	0/0	N/A
David R.S. Thomson	13/13	N/A	N/A	N/A	N/A
William Hill	12/13	7/7	N/A	0/0	0/0
Juan Proaño	11/13	N/A	N/A	N/A	0/0
Richard J. Lachcik	12/13	N/A	N/A	0/0	0/0
Fernando Saenz Poch	8/13	N/A	N/A	N/A	N/A

Board Mandate

The Board does not have a written mandate. The Board is responsible for the supervision of the management of the Company's business and affairs. Under its governing statute, the CBCA, the Board is required, in carrying out its duties, to act honestly and in good faith with a view to the best interests of the Company. To assist it in fulfilling this responsibility, the Board has recognized its responsibility for the following areas:

(a) adoption of a strategic planning process;

(b) identification of the principal risks of the Company's business and monitoring the implementation of appropriate systems to manage these risks;

(c) implementation of a communication policy to facilitate communications with shareholders and others involved with the Company; and

(d) integrity of the Company's internal control and management information systems.

Position Descriptions

The Board has developed written position descriptions for the Chairman of the Board, the chair of each of the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee and the CEO. The Board has not yet developed a written position description for the chair of the Technical Committee. The chairman of the Technical Committee calls and chairs the meetings of the Technical Committee.

Orientation and Continuing Education

Given that the Board is small, that three of the current directors are also members of management and that the other six current directors have considerable experience in areas related to the Company's business, it has not been necessary to this point for the Company to provide a formal continuing education program to its directors. The Corporate Governance and Nominating Committee co-ordinates an orientation program for new directors which includes, but is not limited to, a director manual regarding the duties of the Board, individual directors, each Committee, the chairman of the Board, the chairman of each committee of the Board and the executive officers of the Company, information regarding the nature and operation of the Company's business and organizational structure and copies of any mandates of the committees of the Board and any position descriptions of the chairman of the Board and the chairman of each committee of the Board. New directors also conduct site visits to the Company's operating facilities. Directors of the Company receive continuous background information and are provided with updates on the Company's current and future plans. The Board also keeps the directors apprised of corporate governance requirements.

Ethical Business Conduct

The Company has adopted a written business conduct policy (the "**Code**"). A copy of the Code is available under the Company's SEDAR profile at www.sedar.com. Pursuant to the Code, each employee of the Company must complete a certificate of compliance to certify compliance with the Code annually and employees whose positions may include involvement with foreign operations may be asked to complete such certificate of compliance on a more frequent basis. A director with a material interest in transactions and agreements considered by the Company are required to declare their interest and abstain from voting on the resolutions respecting such matters. The Corporate Governance and Nominating Committee reviews such conflicts of interest and any departures from the Code and makes recommendations to the Board regarding such conflicts and departures.

Nomination of Directors

The Corporate Governance and Nominating Committee is comprised of three directors, two of which are considered to be independent. None of the members of the Corporate Governance and Nominating Committee are members of management of the Company. The Corporate Governance and Nominating Committee is responsible for reviewing the Board's composition, having regard to the size of the Board with a view to facilitating effective decision making and, when applicable, recommending nominees for election as directors and appointments as members of the committees of the Board and the chairmen thereof.

Compensation

The Company has a Compensation Committee which determines the compensation of directors, officers and employees in light of the Company's current financial circumstances. The Compensation Committee consists solely of independent directors. No members of the Compensation Committee are officers or employees of the Company.

Additional information regarding the Compensation Committee and the compensation of the Company's directors and officers is set out under "*Director Compensation*" and "*Executive Compensation*" herein.

Other Board Committees

In addition to the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee, the Board also has a Technical Committee which is responsible for reviewing any potential acquisitions for the Company. Other than the Audit Committee, the Compensation Committee, Corporate Governance and Nominating Committee, and the Technical Committee the Board does not have any standing committees. It is the view of the Board that its current size is small enough to make such additional committees counter-productive. In addition to regularly scheduled meetings of the Board, its members are in continuous contact with one another and with the members of senior management. If the size of the Board were to be enlarged, consideration would at that point be given to the appropriateness and cost-effectiveness of forming additional committees.

Assessments

Board members are in continual communications, often daily, regarding Company matters and are able to assess each others' effectiveness and contributions. Individual assessments are not performed.

AUDIT COMMITTEE INFORMATION

The Audit Committee's Charter

The complete text of the Charter for the Audit Committee (the "**Charter**"), is attached hereto as Schedule "A".

Composition of the Audit Committee

The Audit Committee has three members all of whom are independent. All of the members of the Audit Committee are financially literate.

Name of Member	Independent[(1)]	Financially Literate[(2)]	Relevant Education and Experience
Paul J. DesLauriers	Yes	Yes	Concordia University, BA, BC[(3)]
Frederick D. Seeley	Yes	Yes	Princeton University, BA[(4)]
William Hill	Yes	Yes	University of Toronto, PE[(5)]

Notes:

(1) To be considered independent, a member of the Audit Committee must not have any direct or indirect "material relationship" with the Company. A "material relationship" is a relationship which could, in the view of the board of directors of the Company, be reasonably expected to interfere with the exercise of a member's independent judgment.

(2) To be considered financially literate, a member of the Audit Committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

(3) Mr. DesLauriers has more than 30 years experience in the stock brokerage business and is Executive Vice President of Loewen Ondaatje McCutcheon Ltd.

(4) Mr. Seeley has more than 30 years experience as a banker with the Schroder Group and is currently a Director of Givens Hall Bank and Trust Ltd.

(5) Mr. Hill has more than 30 years experience as a professional engineer and has been a director of more than 10 mining companies several of which he was a member of the audit committee.

Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Company's board of directors.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in Section III of the Charter entitled "Responsibilities and Duties - External Auditors".

External Auditor Service Fees (By Category)

The following table discloses the fees billed to the Company and its subsidiaries for professional services rendered by its external auditors, during the financial years ended September 30, 2014 and 2013. The figures in the following table are stated in United States dollars.

Financial Period Ending	Audit Fees[(1)]	Audit-Related Fees[(2)]	Tax Fees	All Other Fees[(3)]
September 30, 2014	$150,000	Nil	Nil	$6,500
September 30, 2013	$145,000	Nil	Nil	$7,250

Notes:
(1) The aggregate fees billed for audit services.
(2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not disclosed in the "Audit Fees" column consisting of reimbursement of out-of-pocket expenses incurred by the auditors.
(3) The aggregate fees billed for professional services other than those listed in the other columns consisting of initial fees relating to International Financing Reporting Standards (IFRS) and reimbursement of Canadian Public Accounting Board Fees.

KPMG, Chartered Accountants, Licensed Public Accountants, have prepared the each of the Company's Independent Auditors Reports dated January 26, 2015 and December 9, 2013 in respect of the Company's consolidated audited financial statements as at and for the years ended September 30, 2014 and September 30, 2013. KPMG has advised the Company that they are independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

Exemption

The Company is relying on an exemption provided by section 6.1 of NI 52-110 which provide , in part, that the Company, as a venture issuer, is not required to comply with Part 5 (Reporting Obligations) of NI 52-110.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed below, no director or executive officer of the Company, no proposed director of the Company, no person or company who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares (a "**10% Shareholder**") and no director or executive officer of a 10% Shareholder or of a subsidiary of the Company and no associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any transaction since the beginning of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

During the financial year ended September 30, 2014, the Company completed a private placement (the "**Private Placement**") of units of the Company with Messrs. Hernandez and Thomson (or holding companies of such directors) for aggregate cash proceeds of US$700,000. Pursuant to the Private Placement, the Company issued an aggregate of 15,743,000 units of securities of the Company with each unit comprising one Common Share and one Common Share purchase warrant entitling the holder thereof to purchase one Common Share at $0.07 each for a period of five years. The Company also completed a concurrent debt settlement with Messrs. Hernandez and Thomson pursuant to which the Company extinguished its outstanding indebtedness in the aggregate amount of US$2,162,972 owed to Messrs. Hernandez and Thomson by the issuance of an aggregate of 48,645,220 Common Shares in full and final settlement thereof.

INTERESTS OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No person who has been a director or executive officer of the Company at any time since the beginning of the Company's last financial year, no proposed director of the Company and no associate or affiliate of the foregoing persons has any material interest, direct of indirect, by way of beneficial ownership of securities of the Company or otherwise in any matter to be acted upon, except as disclosed in this Circular.

MANAGEMENT CONTRACTS

No management functions of the Company or any of its subsidiaries are, to any substantial degree, performed other than by the directors and officers of the Company or its subsidiaries.

GENERAL

The audited consolidated financial statements of the Company as at and for the financial year ended September 30, 2014, together with the auditors' report thereon, will be placed before the Meeting.

Additional information relating to the Company is available electronically on SEDAR at www.sedar.com. Financial information is provided in the Company's consolidated financial statements and management's discussion and analysis for its most recently completed financial year. Shareholders may contact the Chief Financial Officer of the Company at (416) 369-9359 to request copies of the Company's consolidated financial statements and management's discussion and analysis.

SHAREHOLDER PROPOSALS

A shareholder intending to submit a proposal at the Company's next annual meeting of shareholders must comply with the applicable provisions of the CBCA. The Company will include a shareholder proposal in management's information circular prepared for such annual meeting of shareholders provided such proposal is received by the Company at its head office on or before December 7, 2015 and provided such proposal is required by the CBCA to be included in management's information circular.

DIRECTORS' APPROVAL

The Board has approved the contents and sending of this Circular.

BY ORDER OF THE BOARD OF DIRECTORS

March 6, 2015

"Stephen W. Houghton" (signed)
Stephen W. Houghton
Chief Executive Officer

SCHEDULE "A"

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

I. PURPOSE

The audit committee (the "**Audit Committee**") is a committee of the board of directors (the "**Board of Directors**") of South American Gold and Copper Limited (the "**Corporation**"). The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to the financial accounting and reporting process and internal controls for the Corporation by:

- reviewing the financial reports and other financial information before such reports and other financial information is provided by the Corporation to any governmental body or the public;
- recommending the appointment and reviewing and appraising the audit efforts of the Corporation's external auditors and providing an open avenue of communication among the external auditors, financial and senior management and the Board of Directors;
- serving as an independent and objective party to monitor the Corporation's financial reporting process and internal controls, the Corporation's processes to manage business and financial risk, and its compliance with legal, ethical and regulatory requirements; and
- encouraging continuous improvement of, and fostering adherence to, the Corporation's policies, procedures and practices at all levels.

The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Part III of this Charter. The Audit Committee's primary function is to assist the Board of Directors in fulfilling its responsibilities. It is, however, the Corporation's management which is responsible for preparing the Corporation's financial statements and it is the Corporation's external auditors which are responsible for auditing those financial statements.

II. COMPOSITION AND MEETINGS

The Audit Committee is to be comprised of such number of directors as determined by the Board of Directors, all of whom must be "independent" directors (as such term is defined in Appendix I). All members of the Audit Committee must, to the satisfaction of the Board of Directors, be "financially literate" (as such term is defined in Appendix I).

The members of the Audit Committee must be elected by the Board of Directors at the annual organizational meeting of the Board of Directors and serve until their successors are duly elected. Unless a Chairman is elected by the full Board of Directors, the members of the Audit Committee may designate a Chairman by majority vote of the full Audit Committee membership.

The Audit Committee is to meet at least four times annually (and more frequently if circumstances require). The Audit Committee is to meet prior to the filing of quarterly financial statements to review and discuss the unaudited financial results for the preceding quarter and the related management's discussion & analysis ("**MD&A**") and is to meet prior to filing the annual audited financial statements and MD&A in order to review and discuss the audited financial results for the year and related MD&A.

As part of its role in fostering open communication, the Audit Committee should meet at least annually with management and the external auditors in separate executive sessions to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately.

The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their oversight related duties, members of the Audit Committee are to be provided with full access to all corporate information and are

to be permitted to discuss such information and any other matters relating to the financial position of the Corporation with senior employees, officers and external auditors of the Corporation.

A quorum for the transaction of business at any meeting of the Audit Committee is (the presence in person or by telephone or other communication equipment of) a simple majority of the total number of members of the Audit Committee or such greater number as the Audit Committee may by resolution determine. If within one hour of the time appointed for a meeting of the Audit Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, the quorum for the adjourned meeting will consist of the members then present.

Should a vacancy arise among the members of the Audit Committee, the remaining members of the Audit Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.

Meetings of the Audit Committee are to be held from time to time at such place as the Audit Committee or the Chairman of the Audit Committee may determine, within or outside Nova Scotia, upon not less than three days' prior notice to each of the members. Meetings of the Audit Committee may be held without three days' prior notice if all of the members entitled to vote at such meeting who do not attend, waive notice of the meeting and, for the purpose of such meeting, the presence of a member at such meeting shall constitute waiver on his or her part. The Chairman of the Audit Committee, any member of the Audit Committee, the Chairman of the Board of Directors, the Corporation's external auditors, or the Chief Executive Officer, Chief Financial Officer or Secretary of the Corporation is entitled to request that the Chairman of the Audit Committee call a meeting. A notice of the Audit Committee may be given verbally, in writing or by telephone, fax or other means of communication, and need not specify the purpose of the meeting.

The Audit Committee shall keep minutes of its meetings which shall be submitted to the Board of Directors. The Audit Committee may, from time to time, appoint any person who need not be a member, to act as secretary at any meeting.

All decisions of the Audit Committee will require the vote of a majority of its members present at a meeting at which quorum is present. Action of the Audit Committee may be taken by an instrument or instruments in writing signed by all of the members of the Audit Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Audit Committee called for such purpose. Such instruments in writing may be signed in counterparts each of which shall be deemed to be an original and all originals together shall be deemed to be one and the same instrument.

III. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Audit Committee shall:

Generally

1. Create an agenda for the ensuing year.

2. Review and update this Charter at least annually, prepare revisions to its provisions where conditions so dictate and submit such proposed revisions to the Board of Directors for approval.

3. Describe fully in the Corporation's management information circular or its annual information form ("**AIF**") the Audit Committee's composition and responsibilities and how they were discharged, and otherwise assist management in providing the information required by applicable securities

legislation (including the form requirements under Multilateral Instrument 52-110) in the Corporation's AIF.

4. Report periodically to the Board of Directors.

5. Conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities. The Audit Committee shall be empowered to retain and compensate independent counsel, accountants and other professionals to assist it in the performance of its duties as it deems necessary.

6. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law, as the Audit Committee or the Board of Directors deems necessary or appropriate.

Documents/Reports Review

7. Review the Corporation's interim and annual financial statements, results of audits as well as all interim and annual MD&A and interim and annual earnings press releases prior to their publication and/or filing with any governmental body, or the public.

8. Review policies and procedures with respect to directors' and senior officers' expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures related to executive travel and entertainment, and review the results of the procedures performed in these areas by the external auditors, based on terms of reference agreed upon by the external auditors and the Audit Committee.

9. Satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure addressed in paragraph 7 of this part, and periodically assess the adequacy of such procedures.

10. Review the audited annual financial statements to satisfy itself that they are presented in accordance with general accepted accounting principles.

11. Provide insight to related party transactions entered into by the Corporation.

External Auditors

12. Recommend to the Board of Directors the selection of the external auditors, considering independence and effectiveness, and approve the fees and other compensation to be paid to the external auditors. Instruct the external auditors that the Board of Directors, as the shareholders' representative, is the external auditors' client.

13. Monitor the relationship between management and the external auditors, including reviewing any management letters or other reports of the external auditors and discussing and resolving any material differences of opinion between management and the external auditors.

14. Review and discuss, on an annual basis, with the external auditors all significant relationships they have with the Corporation to determine their independence.

15. Pre-approve all audit and non-audit services to be provided to the Corporation or its subsidiaries by the external auditors.

16. Oversee the work and review the performance of the external auditors and approve any proposed discharge of the external auditors when circumstances warrant. Consider with management and

the external auditors the rationale for employing accounting/auditing firms other than the principal external auditors.

17. Periodically consult with the external auditors out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the completeness and accuracy of the Corporation's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.

18. Ensure that the external auditors report directly to the Audit Committee, ensure that significant findings and recommendations made by the external auditors are received and discussed with the Audit Committee on a timely basis and arrange for the external auditors to be available to the Audit Committee and the full Board of Directors as needed.

19. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the Corporation's external auditors.

Financial Reporting Processes

20. In consultation with the external auditors, review the integrity of the Corporation's financial reporting processes, both internal and external.

21. Consider the external auditors' judgments about the quality and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, particularly about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates and whether those principles are common practices.

22. Consider and approve, if appropriate, major changes to the Corporation's accounting principles and practices as suggested by management with the concurrence of the external auditors and ensure that management's reasoning is described in determining the appropriateness of changes in accounting principles and disclosure.

Process Improvement

23. Establish regular and separate systems of reporting to the Audit Committee by each of management and the external auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.

24. Review the scope and plans of the external auditors' audit and reviews prior to the audit and reviews being conducted. The Audit Committee may authorize the external auditors to perform supplemental reviews or audits as the Audit Committee may deem desirable.

25. Following completion of the annual audit, review separately with management and the external auditors any significant changes to planned procedures, any difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information and the cooperation that the external auditors received during the course of the audit.

26. Review and resolve any significant disagreements between management and the external auditors in connection with the preparation of the financial statements.

27. Where there are significant unsettled issues, the Audit Committee is to assist in arriving at an agreed course of action for the resolution of such matters.

28. Review with the external auditors and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Audit Committee.

29. Review activities, organizational structure, and qualifications of the Corporation's Chief Financial Officer and staff in the financial reporting area and see to it that matters related to succession planning within the Corporation are raised for consideration to the full Board of Directors.

Ethical and Legal Compliance

30. Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

31. Review management's monitoring of the Corporation's systems in place to ensure that the Corporation's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.

32. Review, with the Corporation's counsel, legal and regulatory compliance matters, including corporate securities trading policies, and matters that could have a significant impact on the Corporation's financial statements.

Risk Management

33. Review management's program of risk assessment and steps taken to address significant risks or exposures, including insurance coverage, and obtain the external auditors' opinion of management's assessment of significant financial risks facing the Corporation and how effectively such risks are being managed or controlled.

The foregoing list is not exhaustive. The Audit Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its responsibilities and duties.

Appendix I
SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED
CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS

Independence and Financial Literacy

Independence Requirement of Multilateral Instrument 52-110

Multilateral Instrument 52-110 - Audit Committees ("**MI 52-110**") provides, in effect, that a member of the Audit Committee is "**independent**" if that member has no direct or indirect material relationship with the Corporation which could, in the view of the Board of Directors, reasonably interfere with the exercise of the member's independent judgment. MI 52-110 provides that the following individuals are considered to have a "**material relationship**" with the Corporation and, as such, would not be considered independent:

(a) an individual who is, or has been, an employee or executive officer of the Corporation, unless the prescribed period has elapsed since the end of the service or employment;

(b) an individual whose immediate family member is, or has been, an executive officer of the Corporation, unless the prescribed period has elapsed since the end of the service or employment;

(c) an individual who is, or has been, an affiliated entity of, a partner of, or employed by, a current or former internal or external auditor of the Corporation, unless the prescribed period has elapsed since the person's relationship with the internal or external auditor, or the auditing relationship, has ended;

(d) an individual whose immediate family member is, or has been, an affiliated entity of, a partner of, or employed in a professional capacity by, a current or former internal or external auditor of the Corporation, unless the prescribed period has elapsed since the person's relationship with the internal or external auditor, or the auditing relationship, has ended;

(e) an individual who is, or has been, or whose immediate family member is or has been, an executive officer of an entity if any of the Corporation's current executive officers serve on the entity's compensation committee, unless the prescribed period has elapsed since the end of the service or employment;

(f) an individual who

  (i) has a relationship with the Corporation pursuant to which the individual may accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation or any subsidiary entity of the Corporation, other than as remuneration for acting in his or her capacity as a member of the Board of Directors or any committee of the Board of Directors, or as a part-time chair or vice-chair of the Board of Directors or any committee of the Board of Directors; or

  (ii) receives, or whose immediate family member receives, more than Cdn$75,000 per year in direct compensation from the Corporation, other than as remuneration for acting in his or her capacity as a member of the Board of Directors or any committee of the Board of Directors, or as a part-time chair or vice-chair of the Board of Directors or any committee of the Board of Directors, unless the prescribed period since he or she ceased to receive more than Cdn$75,000 per year in such compensation; and

(g) an individual who is an affiliated entity of the Corporation or any of its subsidiary entities.

For purpose of the definition of "material relationship", the terms set out below shall have the following meanings:

"affiliated entity" - a person or company is considered to be an affiliated entity of another person or company if (a) one of them controls or is controlled by the other or if both persons or companies are controlled by the same person or company, or (b) the person or company is (i) both a director and an employee of an affiliated entity, or (ii) an executive officer, general partner or managing member of an affiliated entity. A person will not be considered to be an affiliated entity of the Corporation if the person (a) owns, directly or indirectly, 10% or less of any class of voting securities of the Corporation; and (b) is not an executive officer of the Corporation;

"company" - any corporation, incorporated association, incorporated syndicate or other incorporated organization;

"control" - the direct or indirect power to direct or cause the direction of the management and policies of a person or company, whether through ownership of voting securities or otherwise;

"executive officer" of an entity – means an individual who is (a) a chair of the entity; (b) a vice-chair of the entity; (c) the president of the entity; (d) a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production; (e) an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or (f) any other individual who performs a policy-making function in respect of the entity;

"person" - an individual partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative;

"prescribed period" - means the shorter of: (a) the period commencing on March 30, 2004 and ending prior to the date the determination as to the independence of the individual by the Board of Directors is made; and (b) the three year period ending immediately prior to the date the determination as to the independence of the individual by the Board of Directors is made; and

"subsidiary entity" - a person or company is considered to be a subsidiary entity of another person or company if (a) it is controlled by (i) that other, or (ii) that other and one or more persons or companies each of which is controlled by that other, or (iii) two or more persons or companies, each of which is controlled by that other; or (b) it is a subsidiary entity of a person or company that is the other's subsidiary entity.

Financial Literacy

MI 52-110 provides that a director will be considered "**financially literate**" if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.