

**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 Cerro Grande Mining Corporation, Santa Maria 2224, Providencia, Santiago, Chile on March 29, 2019 at 4:00 p.m., (Chilean time) for the following purposes:

1. to receive the audited consolidated financial statements of the Company for the financial year ended September 30, 2018, 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 February 14, 2019 (the "**Circular**") to hold office until the close of the next annual meeting of shareholders of the Company;
3. to consider and, and if deemed advisable, to pass an ordinary resolution reappointing Davidson & Company LLP, Chartered Accountants, as the auditors of the Company and to authorize the directors of the Company to fix the auditor's 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., 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 so as to arrive no later than 4:00 p.m. (Toronto time) on or before March 27, 2019, 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 14th day of February, 2019.

**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 February 14, 2019 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 Cerro Grande Mining Corporation, Santa Maria 2224, Providencia, Santiago, Chile, at 4:00 p.m. (Chilean time) on March 29, 2019 (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., 8<sup>th</sup> 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., 8<sup>th</sup> 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, and, if the securityholder specifies a choice with respect to any matter to be acted upon, the applicable Common Shares will be voted accordingly. **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 the date hereof the Company had outstanding 339,390,784 Common Shares, each carrying one vote. Each holder of a Common Share of record at the close of business on February 27, 2019 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 10.00% 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, 132,384,709 Common Shares, representing approximately 39.00% 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, 35,288,303 Common Shares, representing approximately 10.39% 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, seven 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 any director.** 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 <sup>(1)</sup>	Director Since	Number of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly <sup>(2)</sup>
Paul J. DesLauriers <sup>(3)(4)(5)(6)</sup> 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 <sup>(7)</sup>
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	132,384,709 <sup>(8)</sup>
Stephen W. Houghton Santiago, Chile	Chief Executive Officer and Director	Chief Executive Officer and a director of the Company	May 12, 1994	2,874,963
Frederick D. Seeley <sup>(3)(4)(5)</sup> Massachusetts, U.S.A.	Director	Chairman of Givens Hall Bank and Trust Ltd., Cayman Islands, BVI, a Bank and Trust Company	May 12, 1994	165,780
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	35,288,303 <sup>(9)</sup>
William Hill <sup>(3)(5)(6)</sup> Ontario, Canada	Director	President of Wm. Hill Associates, a mining consulting firm	May 15, 2007	Nil
Peter Hogg Ontario, Canada	Chief Financial Officer and Director	President of Palmer Services Inc., an accounting and bookkeeping services firm	May 31, 2018	Nil

**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.
- (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) All of such Common Shares are held by a company which is wholly owned by Mr. Hernandez.
- (9) Of such Common Shares, 8,765,642 Common Shares are held by Rutherford Exploration Limited (David Thomson owns 56% of Minera Auromin Limitada ("Auromin"), which owns 90% of Davimat Inversiones S.P.A., which in turn owns 66% of Rutherford Exploration Limited), 6,849,957 Common Shares are held by Auromin and 19,672,704 Common Shares are held personally by Mr. Thomson.

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 and management's discussion and analysis for the year ended September 30, 2017, together with the required certificates, by the filing deadline, the Company was made subject to a cease trade order issued by the Ontario Securities Commission which was revoked on May 4, 2018 (following the filing of the required financial information). Other than Mr. Hogg, who was the Chief Financial Officer of the Company at the relevant time), all of the Company's current Board members were directors of the Company at the time the cease trade order was in effect.

As a result of not filing its audited financial statements for the year ended September 30, 2015 and the first fiscal quarter ended December 31, 2015 Financial Statements by the filing deadline, the Company was made subject to a management cease trade order issued by the British Columbia, Alberta and Ontario securities commissions which was revoked on March 11, 2016 (following the filing of the required records). Other than Mr. Hogg, who was the Chief Financial Officer of the Company at the relevant time), all of the Company's current Board members were directors of the Company at the time such cease trade order was in effect.

Except as described below, 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.

On May 12, 2017, the Corporation reported the closure of its Pimenton mine which was then held by the Corporation's wholly owned subsidiary Compania Minera Pimenton due to a combination of a lack of adequate working capital and a series of snow storms that affected operations at the mine. Compania Minera Pimenton was placed into voluntary bankruptcy effective May 31, 2017. On such date, Mr. Mario Hernandez, Mr. David Thomson and Mr. Stephen Houghton who had been the legal representatives (i.e. directors) of Compania Minera Pimenton until the filing of voluntary bankruptcy ceased being the legal representatives of Compania Minera Pimenton.

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

Davidson & Company LLP, Chartered Accountants, are the current auditors of the Company and were first appointed auditors of the Company in 2017. At the Meeting, Shareholders will be requested to reappoint Davidson & Company as the Company's auditors to hold office until the next annual meeting of Shareholders or until a successor is appointed, and to authorize the Board to fix the auditors' remuneration.

**The appointment of Davidson & Company as auditors of the Company and the authorization of the Board to fix their remuneration must be approved by a majority of the votes cast at the Meeting. Unless otherwise specified, the persons named in the enclosed form of proxy will vote FOR the said appointment of Davidson & Company.**

## 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 has no material income, cash compensation to executives is kept to a minimum. Directors receive minimum cash payments and may receive options under the Plan (as defined below) and Common Shares under the Bonus Plan (as defined below) embedded within the 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, 2018. 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**"), and Peter W. Hogg, Chief Financial Officer of the Company (the "**CFO**").

### 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 following is a brief summary of the experience of each of the Compensation Committee members relevant to his responsibilities in executive compensation.

Paul DesLauriers – Mr. DesLauriers is currently the Executive Vice President, Director of Corporate Finance and a Director of Loewen, Ondaatje, McCutcheon Limited and a graduate of Concordia University. In addition, Mr. DesLauriers was previously a member of the compensation committee of Agriminco Corp. (formerly Ethiopian Potash Corp) and has been a member of the Compensation Committee since June 1, 1996.

Frederick Seeley – Mr. Seeley is Chairman of Givens Hall Bank and Trust Ltd and a graduate of Princeton University and New York University. In addition, Mr. Seeley has been a member of the Compensation Committee since June 1, 1996.

The significant industry experience of each of the Compensation Committee members provides them with a suitable perspective to make decisions on the appropriateness of the Corporation's

compensation policies and practices. All members of the Compensation Committee have been determined to be “financially literate” within the meaning of NI 52-110 - *Audit Committees* (“**NI 52-110**”), and are knowledgeable about the Corporation’s compensation program.

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 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 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 Plan and to receive Bonus Shares.

When granting options pursuant to the 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, 2018.

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 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 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 a 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 a 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 a 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, 2016, 2017 and 2018:

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	2018	76,257 <sup>(1)</sup>	Nil	3,925 <sup>(4)</sup>	Nil	Nil	Nil	5,240 <sup>(2)</sup>	85,422
	2017	74,395 <sup>(1)</sup>	Nil	Nil	Nil	Nil	Nil	10,007 <sup>(2)</sup>	84,402
	2016	54,045 <sup>(1)</sup>	Nil	30,886 <sup>(5)</sup>	Nil	Nil	Nil	10,385 <sup>(2)</sup>	95,316
Peter W. Hogg CFO	2018	23,000 <sup>(3)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	23,000
	2017	37,303 <sup>(3)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	37,303
	2016	56,000 <sup>(3)</sup>	Nil	6,066 <sup>(5)</sup>	Nil	Nil	Nil	Nil	62,066

### 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 accrued but unpaid reimbursement in 2016, 2017 and 2018, as applicable, of maintenance, insurance and gas costs for the vehicle purchased by the Company for Mr. Houghton.
- (3) These amounts were paid to Palmer Services Inc., a company indirectly controlled by Mr. Hogg.
- (4) On August 27, 2018, Mr. Houghton was granted 1,200,000 options pursuant to the Plan, each such option having an exercise price of \$0.05 per share (US\$0.04 per share) and expiring on August 27, 2023. Such options vest in equal amounts over a two-year period, with the first 1/3 of such options vesting upon grant. The estimated fair value of the individual options as at the grant date was US\$0.01 per option, calculated using the Black-Scholes option pricing model using the Common Share price on the date of grant of US\$0.005, with the key valuation factors being share price volatility of 202%, risk free rate of 1.01% per annum, no dividend yield and expected option life of three years. Such fair value is calculated in accordance with IFRS 2 *Share-based Payment*. An exchange rate of US\$0.77 per \$1, being the average of the noon and closing exchange rate on August 27, 2018 reported by the Bank of Canada, was used for the purposes of such calculations.
- (5) On March 23, 2016, Messrs. Houghton and Hogg were respectively granted 2,037,000 and 400,000 options pursuant to the Plan, each such option having an exercise price of \$0.02 per share (US\$0.015 per share) and expiring on March 23, 2021. Such options vest in equal amounts over a two-year period, with the first 1/3 of such options vesting upon grant. The estimated fair value of the individual options as at the grant date was US\$0.015 per option, calculated using the Black-Scholes option pricing model using the Common Share price on the date of grant of US\$0.015, with the key valuation factors being share price volatility of 374%, risk free rate of 0% per annum, no dividend yield and expected

option life of five years. Such fair value is calculated in accordance with IFRS 2 *Share-based Payment*. An exchange rate of US\$0.75 per \$1, being the average of the noon and closing exchange rate on March 23, 2016 reported by the Bank of Canada, was used for the purposes of such calculations.

## Incentive Plan Awards

The following table provides details regarding outstanding option-based awards and share-based awards as at September 30, 2018.

<i>Outstanding option-based awards</i>					<i>Outstanding share-based awards</i>		
Name	Number of securities underlying unexercised (#)	Option exercise price (US\$) <sup>(1)</sup>	Option expiration date	Aggregate value of unexercised in-the-money options (US\$) <sup>(2)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (US\$)	Market or payout value of vested share-based awards not paid out or distributed (US\$)
Stephen W. Houghton CEO	1,200,000	0.04	August 27, 2023	Nil	Nil	Nil	Nil
	2,037,000	0.015	March 23, 2021	22,407	Nil	Nil	Nil
Peter W. Hogg CFO	400,000	0.015	March 23, 2021	4,400	Nil	Nil	Nil

### Notes:

- (1) An exchange rate of US\$0.76 per \$1, as reported by the Bank of Canada on February 7, 2019, was used for the purposes of such calculations. The options expiring March 23, 2021 were granted pursuant to the Plan and have an exercise price of \$0.02, while the options expiring on August 27, 2023 have an exercise price of \$0.05.
- (2) Based on the closing price of the Common Shares on the CSE of \$0.035 (US\$0.026) on September 28, 2018 (the last trading day in September 2018)

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, 2018.

<i>Incentive plan awards - value vested or earned during the year</i>			
Name	Option-based awards - Value vested during the year (US\$) <sup>(1)</sup>	Share-based awards - Value vested during the year (US\$)	Non-equity incentive plan compensation - Value earned during the year (US\$)
Stephen W. Houghton, CEO	Nil	Nil	Nil
Peter W. Hogg, CFO	Nil	Nil	Nil

### Note:

- (1) Calculated as the aggregate dollar value that would have been realized if the options which vested during the fiscal year ended September 30, 2018 were exercised on the vesting date thereof. None of the options granted to the NEOs which vested during the fiscal year ended September 30, 2018 were in-the-money at the time of vesting.

## 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, and automatically renews at the end of each year for an additional two years at a base salary rate of US\$110,000. The base salary is 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 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, Mr. Houghton would 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, 2016, 2017 and September 30, 2018, 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 would 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 to 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, 2018:

Salary/Severance	US\$330,000
Benefits	Nil
Perquisites	Nil
<b>Total Compensation</b>	<b>US\$330,000</b>

## 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, 2018, 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

The following compensation table sets out the compensation paid to each of the Company's directors in the financial year ended September 30, 2018, other than the compensation paid to the NEOs, Mr. Houghton and Mr. Hogg, who are also directors of the Company, which is set out under "*Executive Compensation*".

Name	Fees Earned (US\$)	Share-Based Awards (US\$)	Option-based Awards (US\$)	Non-equity Incentive Plan Compensation (US\$)	All Other Compensation (US\$)	Total (US\$)
Paul J. DesLauriers	5,000 <sup>(1)</sup>	Nil	1,226 <sup>(2)</sup>	Nil	Nil	6,226
Frederick D. Seeley	5,000 <sup>(1)</sup>	Nil	1,226 <sup>(2)</sup>	Nil	Nil	6,226
William Hill	4,000 <sup>(1)</sup>	Nil	981 <sup>(1)</sup>	Nil	Nil	4,981
David R.S. Thomson	Nil	Nil	Nil	Nil	Nil	Nil
Mario Hernandez	Nil	Nil	Nil	Nil	Nil	Nil

#### Notes:

- (1) Such amounts have accrued but, as agreed to by the respective directors, have not been paid.
- (2) On August 27, 2018, Messrs. DesLauriers, Seely and Hill were respectively granted 375,000, 375,000 and 300,000 options pursuant to the Plan, each such option having an exercise price of \$0.05 per share (US\$0.04 per share) and expiring on August 27, 2023. Such options vest in equal amounts over a two-year period, with the first 1/3 of such options vesting upon grant. The estimated fair value of the individual options as at the grant date was US\$0.01 per option, calculated using the Black-Scholes option pricing model using the Common Share price on the date of grant of US\$0.005, with the key valuation factors being share price volatility of 202%, risk free rate of 1.01% per annum, no dividend yield and expected option life of three years. Such fair value is calculated in accordance with IFRS 2 *Share-based Payment*. An exchange rate of US\$0.77 per \$1, being the average of the noon and closing exchange rate on August 27, 2018 reported by the Bank of Canada, was used for the purposes of such calculations.

### Incentive Plan Awards to Directors

The following table provides details regarding the outstanding option-based awards held by directors as at September 30, 2018, other than the outstanding option-based awards held by the NEOs, Mr. Houghton and Mr. Hogg, who are also directors of the Company, which are set out under "*Executive Compensation*".

<b>Outstanding option-based awards</b>				
<b>Name</b>	<b>Number of securities underlying unexercised (#)</b>	<b>Option exercise price (US\$)<sup>(1)</sup></b>	<b>Option expiration date</b>	<b>Aggregate value of unexercised in-the-money options (US\$)<sup>(1)(2)</sup></b>
Paul J. DesLauriers	875,000	0.015	March 23, 2021	9,625
	375,000	0.04	August 27, 2023	Nil
Frederick D. Seeley	875,000	0.015	March 23, 2021	9,635
	375,000	0.04	August 27, 2023	Nil
William Hill	400,000	0.015	March 23, 2021	4,400
	300,000	0.04	August 27, 2023	Nil
David R.S. Thomson	Nil	Nil	Nil	Nil
Mario Hernandez	Nil	Nil	Nil	Nil

**Notes:**

- (1) An exchange rate of US\$0.76 per \$1, as reported by the Bank of Canada on February 7, 2019, was used for the purposes of such calculations. The options expiring March 23, 2021 were granted pursuant to the Plan and have an exercise price of \$0.02, while the options expiring on August 27, 2023 have an exercise price of \$0.05.
- (2) Based on the closing price of the Common Shares on the CSE of \$0.035 (US\$0.026) on September 28, 2018 (the last trading day in September 2018).

The following table provides details regarding the option and share-based awards vested, and the non-equity incentive plan compensation provided to the directors, other than with respect to by the NEOs, Mr. Houghton and Mr. Hogg, who are also directors of the Company, as such information is set out under “*Executive Compensation*”, during the financial year ended September 30, 2018.

<b>Incentive plan awards - value vested or earned during the year</b>			
<b>Name</b>	<b>Option-based awards - Value vested during the year (US\$)<sup>(1)</sup></b>	<b>Share-based awards - Value vested during the year (US\$)<sup>(1)</sup></b>	<b>Non-equity incentive plan compensation - Value earned during the year (US\$)</b>
Paul J. DesLauriers	Nil	Nil	Nil
Frederick D. Seeley	Nil	Nil	Nil
William Hill	Nil	Nil	Nil
David R.S. Thomson	Nil	Nil	Nil
Mario Hernandez	Nil	Nil	Nil

**Note:**

- (1) Calculated as the aggregate dollar value that would have been realized if the options which vested during the fiscal year ended September 30, 2018 were exercised on the vesting date thereof. None of the options granted to the directors which vested during the fiscal year ended September 30, 2018 were in-the-money at the time of vesting.

### **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The Company has a share option plan (the “**Plan**”) whereby, from time to time at the discretion of the Board of Directors, share options are granted to directors, officers, employees, certain consultants and certain providers. The Board of Directors determines the vesting period for each award granted under the Plan at its discretion. Certain details regarding the Plan are set out in the table below.

<b>Plan Category</b>	<b>Number of shares to be issued upon exercise of outstanding options and rights outstanding as at September 30, 2018</b>	<b>Weighted-average exercise price of outstanding options and rights outstanding as at September 30, 2018 (\$US)</b>	<b>Number of shares remaining available for future issuance under the Plan as at September 30, 2018</b>
<b>Equity compensation plans approved by shareholders</b>	Nil	Nil	Nil
<b>Equity compensation plans not approved by shareholders</b>	9,049,000	0.025 <sup>(1)</sup>	24,890,074 <sup>(1)(2)(3)</sup>
<b>Total</b>	<b>9,049,000</b>	<b>0.025<sup>(1)</sup></b>	<b>24,890,074<sup>(1)(2)(3)</sup></b>

**Notes:**

- (1) An exchange rate of US\$0.76 per \$1, as reported by the Bank of Canada on February 7, 2019, was used for the purposes of such calculation. The weighted-average exercise price of outstanding options is \$0.03.
- (2) The aggregate number of shares which may be issued shall not exceed 10% of the issued and outstanding shares of the Company.
- (3) The maximum number of Bonus Shares (as defined below) issued pursuant to the Plan cannot exceed 2% of the issued and outstanding Common Shares.
- (4) Includes 5,000,000 Bonus Shares.

The Plan was approved by the Board of Directors on May 29, 2015 and is subject to, among others, the following restrictions:

- (a) Shares Reserved under the Plan – the aggregate number of Common Shares which may be issued shall not exceed 10% of the issued and outstanding Common Shares.
- (b) Share Bonus Plan (the “**Bonus Plan**”) – the maximum number of Common Shares cannot exceed 2% of the issued and outstanding Common Shares. These Common Shares are included in the maximum indicated in (a) above.

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 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 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 Plan, in the event that options granted under the 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 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 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 Plan. Options granted under the 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 Plan. Options granted under the Plan may vest at the discretion of the Board or committee, as applicable.

An option granted pursuant to the 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 Plan shall expire on the earlier of the expiry date of the option and the 30<sup>th</sup> 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 Plan or the options granted there under, 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 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 Plan;
- (h) amending the categories of persons who are Eligible Employees and entitled to be granted options pursuant to the Plan;
- (i) allowing the grant of short-term financial assistance to optionees for the purpose of exercising options granted under the 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 Plan reserve;
- (k) the assignability or transferability of options, with respect to Eligible Employees generally and/or with respect to any participant under the 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 Plan for the purpose of clarifying the meaning of existing provisions or to correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan.

The Company has not provided any financial assistance to Eligible Employees to facilitate the purchase of Common Shares under the 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 the date hereof.

Aggregate Indebtedness		
Purpose	To the Company or its subsidiaries	To Another Entity
Share purchases	Nil	Nil
Other	US\$601,000	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 a 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, 2017 and September 30, 2018	Amount Outstanding as at the date hereof	Financially Assisted Securities Purchases During the Period Between September 30, 2017 and September 30, 2018	Security for Indebtedness	Amount Forgiven During the Period Between September 30, 2017 and September 30, 2018
Stephen W. Houghton, Chief Executive Officer and Director	Lender	US\$469,000 <sup>(1)</sup>	US\$307,000 <sup>(2)</sup>	Nil	653,200 Common Shares	Nil

**Notes:**

- (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.
- (2) The amount is net of amounts owed by the Company or its subsidiaries to Mr. Houghton.

### 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 three 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 seven individuals. Messrs. DesLauriers, Seeley and Hill are independent directors. Messrs. Houghton, Hogg, Thomson and Hernandez are not considered to be independent as they are members of the Company's management team. Currently, three (3) of the seven (7) proposed directors are 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 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, 2018 until the date of this Circular, the Board and its Audit Committee met 8 and 4 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, 2018 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	8	4	0/0	0/0	0/0
Mario Hernandez	5	N/A	N/A	N/A	N/A
Stephen W. Houghton	8	N/A	N/A	N/A	N/A
Frederick Seeley	8	4	0/0	0/0	N/A
David R.S. Thomson	7	N/A	N/A	N/A	N/A
Peter Hogg	6	N/A	N/A	N/A	N/A
William Hill	7	4	N/A	0/0	0/0

## 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 four of the current directors are also members of management and that the other three 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](http://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, all of whom 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 <sup>(1)</sup>	Financially Literate <sup>(2)</sup>	Relevant Education and Experience
Paul J. DesLauriers	Yes	Yes	Concordia University, BA, BC <sup>(3)</sup>
Frederick D. Seeley	Yes	Yes	Princeton University, BA, New York University, MBA <sup>(4)</sup>
William Hill	Yes	Yes	University of Toronto, PE <sup>(5)</sup>

**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, 2018 and 2017. The figures in the following table are stated in Canadian dollars.

Financial Period Ending	Audit Fees <sup>(1)</sup>	Audit-Related Fees <sup>(2)</sup>	Tax Fees	All Other Fees
September 30, 2018	\$30,000	\$6,000	\$3,978	Nil
September 30, 2017	\$78,000	Nil	Nil	Nil

**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.

Davidson & Company LLP has advised the Company that they are independent in accordance with the rules of professional standards of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

**Exemption**

The Company is relying on an exemption provided by section 6.1 of NI 52-110 which provides, 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 noted 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.

Both David Thomson and Mario Hernandez, who are directors and officers of the Company, have provided and continue to provide funds to the Company which have enabled the Company to continue its operations.

### **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 or 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, 2018, 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](http://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 November 15, 2019 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**

Dated February 14, 2019.

*"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 Cerro Grande Mining Corporation (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**  
**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.