



**NOTICE OF  
2007 ANNUAL AND SPECIAL GENERAL MEETING**

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**INFORMATION CIRCULAR**

**QUADRA MINING LTD.**

**NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the Annual and Special General Meeting (the "Meeting") of Shareholders of QUADRA MINING LTD. (the "Company") will be held on Thursday, May 10, 2007 at 2 p.m. (Vancouver time) at the Shaughnessy One Room of the Marriott Vancouver Pinnacle Downtown Hotel, 1128 West Hastings Street, Vancouver, British Columbia, for the following purposes:

1. to receive the audited consolidated financial statements of the Company for the fiscal year ended December 31, 2006 and the auditor's report thereon;
2. to appoint the auditor for the ensuing year at a remuneration to be fixed by the Directors;
3. to elect Directors of the Company for the ensuing year;
4. to consider and approve, by ordinary resolution, the amendment of the Company's Stock Option Plan. The full text of this resolution is set out in Schedule "A" to the accompanying Information Circular;
5. to approve, confirm and ratify, by ordinary resolution, a Shareholder Rights Plan. The full text of this resolution is set out in Schedule "B" to the accompanying Information Circular; and
6. to transact such further and other business as may properly come before the Meeting or any adjournment or adjournments thereof.

Accompanying this Notice of Meeting are (i) an Information Circular; (ii) an Instrument of Proxy; and (iii) a reply card for use by shareholders who wish to receive the Company's interim financial statements.

If you are a *registered shareholder* of the Company and are unable to attend the Meeting in person, please date and execute the accompanying form of proxy and deposit it with Computershare Investor Services Inc., Proxy Dept. 100 University Avenue 9th Floor, Toronto, Ontario, M5J 2Y1, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the Meeting or any adjournment thereof.

If you are a *non-registered shareholder* of the Company and receive materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or such other intermediary. **If you are a non-registered shareholder and do not complete and return the materials in accordance with such instructions, you may lose the right to vote at the Meeting, either in person or by proxy.**

DATED at Vancouver, British Columbia, this 12th day of April, 2007.

BY ORDER OF THE BOARD

(Signed) PAUL M. BLYTHE  
President and Chief Executive Officer

**QUADRA MINING LTD.**

**ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS**

**THURSDAY, MAY 10, 2007**

**MANAGEMENT INFORMATION CIRCULAR**

containing information as at April 10, 2007  
(unless otherwise noted)

**GENERAL PROXY INFORMATION**

**SOLICITATION OF PROXIES**

This Information Circular is furnished in connection with the solicitation of proxies by management of **QUADRA MINING LTD.** (the “Company” or “Quadra”) for use at the Annual and Special General Meeting of shareholders (the “Meeting”) to be held on May 10, 2007 and any adjournment thereof at the time and place and for the purposes set forth in the accompanying Notice of Meeting.

While it is expected that the solicitation will be primarily by mail, proxies may be solicited personally or by telephone by the directors, officers and regular employees of the Company at nominal cost. All costs of solicitation of proxies by management will be borne by the Company.

**APPOINTMENT OF PROXYHOLDER**

The persons named in the accompanying instrument of proxy are officers and directors of the Company. **A shareholder wishing to appoint some other person (who need not be a shareholder) to represent him or her at the Meeting has the right to do so, either by inserting such person's name in the blank space provided in the accompanying proxy (the “Instrument of Proxy”) and striking out the two printed names, or by completing another proxy. If a shareholder appoints one of the persons designated in the accompanying Instrument of Proxy as a nominee and does not direct the said nominee to vote either for or against or withhold from voting on a matter or matters with respect to which an opportunity to specify how the shares registered in the name of such shareholder shall be voted, the proxy shall be voted FOR such matter or matters.**

The Instrument of Proxy must be in writing and signed by the shareholder or by the shareholder’s attorney duly authorized in writing or, if the shareholder is a body corporate or association, signed by any individual authorized by a resolution of the directors or governing body of the body corporate or association. An Instrument of Proxy will only be valid if it is duly completed, signed, dated and received at the office of the Company’s registrar and transfer agent, Computershare Investor Services Inc., Proxy Dept. 100 University Avenue 9th Floor, Toronto, Ontario M5J 2Y1 (fax: (416) 263-9261) not less than 48 hours (excluding Saturdays, Sunday and holidays) before the commencement of the Meeting or any adjournment thereof, unless the Chairman of the Meeting elects to exercise his discretion to accept proxies received subsequently.

If you have any questions about the procedures to be followed to vote at the Meeting or about obtaining, completing and depositing the required Instrument of Proxy, please contact Computershare Investor Services Inc. by telephone at (416) 263-9200.

**REVOCAION OF PROXY**

A shareholder who has given an Instrument of Proxy may revoke it by an instrument in writing signed by the shareholder or by the shareholder’s attorney authorized in writing or, if the shareholder is a

corporation or association, signed by any individual authorized by a resolution of the directors or governing body of the body corporate or association, and delivered to the registered office of the Company located at Suite 2600, Three Bentall Centre, P.O. Box 49314, 595 Burrard Street, Vancouver, B.C. V7X 1L3 at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof at which the Instrument of Proxy is to be used, or to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof or in any other manner provided by law. A revocation of an Instrument of Proxy does not affect any matter on which a vote has been taken prior to the revocation.

The Chairman of the Meeting will have the discretion to accept or reject proxies otherwise deposited.

### VOTING OF PROXIES

THE MANAGEMENT REPRESENTATIVES DESIGNATED IN THE ENCLOSED INSTRUMENT OF PROXY WILL VOTE OR WITHHOLD FROM VOTING THE SHARES IN RESPECT OF WHICH THEY ARE APPOINTED PROXY ON ANY POLL THAT MAY BE CALLED FOR IN ACCORDANCE WITH THE INSTRUCTIONS OF THE SHAREHOLDER AS INDICATED ON THE INSTRUMENT OF PROXY AND, IF THE SHAREHOLDER SPECIFIES A CHOICE WITH RESPECT TO ANY MATTER TO BE ACTED UPON, THE SHARES WILL BE VOTED ACCORDINGLY. WHERE NO CHOICE OR WHERE BOTH CHOICES ARE SPECIFIED IN THE INSTRUMENT OF PROXY, IT IS INTENDED THAT SUCH SHARES WILL BE VOTED "FOR" THE MATTERS OR PERSONS DESCRIBED THEREIN AND IN THIS INFORMATION CIRCULAR.

The enclosed Instrument of Proxy confers discretionary authority upon the person appointed proxy thereunder to vote with respect to amendments or variations of matters identified in the Notice of Meeting and with respect to other matters that may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting or any other business is properly brought before the Meeting, it is the intention of the persons designated in the enclosed Instrument of Proxy to vote in accordance with their best judgment on such matters or business. At the time of the printing of this Information Circular, management of the Company knows of no such amendment, variation or other matter which may be presented to the Meeting.

### NON-REGISTERED SHAREHOLDERS

Only registered shareholders or their duly appointed proxyholders are permitted to vote at the Meeting. Most shareholders of the Company are "non-registered" shareholders because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased their shares. **More particularly, a person is not a registered shareholder in respect of shares which are held on behalf of that person (the "Non-Registered Holder") but which are registered either: (a) in the name of an intermediary (an "Intermediary") that the Non-Registered Holder deals with in respect of the shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited ("CDS")) of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101, the Company has distributed copies of the Notice of Meeting, this Information Circular and the Instrument of Proxy (collectively, the "Meeting Materials") to the clearing agencies and Intermediaries for distribution to Non-Registered Holders.**

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receiving Meeting Materials will either:

- (a) be given an Instrument of Proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. Because the Intermediary has already signed the Instrument of Proxy, this form of proxy is not required to be signed by the Non-Registered Holder when submitting the proxy. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the Instrument of Proxy and deposit it with Computershare Investor Services Inc. as provided above, OR
- (b) more typically, be given a voting instruction form which is not signed by the Intermediary, and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions (often called a “proxy authorization form”) which the Intermediary must follow. Typically, the proxy authorization form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form the proxy authorization form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label containing a bar-code and other information. In order for the form of proxy to validly constitute a proxy authorization form, the Non-Registered Holder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and return it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of this procedure is to permit Non-Registered holders to direct the voting of the shares which they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to vote at the Meeting in person, the Non-Registered Holder should strike out the names of the Management proxyholders named in the form and insert the Non-Registered Holder’s name in the blank space provided. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or proxy authorization form is to be delivered.**

#### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Other than as disclosed in this Information Circular, no current or nominee director or executive officer at any time since the beginning of the Company’s last financial year, or any associate or affiliate of such persons, or any person on behalf of whom this solicitation is made, has any material interest, direct or indirect, in any matter to be acted upon at the Meeting other than the election of directors or the appointment of auditors.

#### **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

The Company is authorized to issue 1,000,000,000 common shares (the “Shares”), of which 38,135,690 Shares are issued and outstanding as of the date hereof. The holders of the Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company, and each Share confers the right to one vote in person or by proxy at all meetings of the shareholders of the Company.

The holders of Shares at the close of business on April 10, 2007 (the “Record Date”) are entitled to vote or to have their Shares voted at the Meeting. On a show of hands, every individual who is present as a shareholder or as an authorized representative of one or more corporate or association shareholders, or who is holding an Instrument of Proxy on behalf of a shareholder who is not present at the Meeting, will have one vote. On a poll, every shareholder present in person or represented by an Instrument of Proxy and every person who is a representative of one or more corporate or association shareholders, will have one vote for each Share registered in the shareholder’s name on the list of shareholders, which is available for inspection during normal business hours at Computershare Investor Services Inc. and will be available at the Meeting.

To the knowledge of the directors and executive officers of the Company, no person beneficially owns, directly or indirectly, or exercises control or direction over, Shares carrying more than 10% of the voting rights attached to all of the issued and outstanding Shares other than as disclosed below:

<b>Name of Shareholder</b>	<b>Number of Voting Securities</b>	<b>Percentage of Outstanding Voting Securities</b>
Sprott Asset Management	7,456,400	19.56
Sentry Select Capital management	4,808,200	12.61

### **QUORUM AND VOTES NECESSARY**

Under the Company's Articles, the quorum for the transaction of business at the Meeting consists of two persons present in person, each being a shareholder entitled to vote or a duly appointed proxy or representative for an absent shareholder so entitled, and representing in the aggregate not less than 5% of the outstanding Shares of the Company.

With respect to the proposed appointment of auditor, authorization of the directors to fix the remuneration of the auditor and the election of directors, the *Business Corporations Act* (British Columbia) and the Company's Articles require that shareholders approve the proposed actions by ordinary resolution. An "ordinary resolution" means that the resolution must be passed by a majority of the votes cast by the shareholders of the Company who voted, either in person or by proxy at the Meeting, in respect of the resolution.

### **RECEIPT OF FINANCIAL STATEMENTS**

The audited consolidated financial statements of the Company for the fiscal year ended December 31, 2006 and accompanying Auditor's Report thereon will be presented at the Meeting.

### **ELECTION OF DIRECTORS**

The term of office of each of the present directors expires at the Meeting. Management of the Company proposes to nominate the persons named below for election as directors of the Company at the Meeting. Each director elected will hold office until the next annual general meeting of the Company or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated in accordance with the Articles of the Company or with the provisions of the *Business Corporations Act* (British Columbia).

Unless such authority is withheld, the persons named in the accompanying Instrument of Proxy intend to vote for the election of the nominees whose names are set forth herein. Management does not contemplate that any of these nominees will be unable to serve as a director. If, prior to the Meeting, any of the nominees is unable or declines to so serve, the persons named in the accompanying Instrument of Proxy will vote for another nominee of management if presented, or to reduce the number of directors accordingly, in their discretion.

The following table and notes thereto state the name of each person proposed to be nominated by management for election as a director, the municipality, province or state and country in which he is ordinarily resident, all offices of the Company now held by him, his principal occupation, the period of time for which he has been a director of the Company, and the number of Shares beneficially owned by him, directly or indirectly, or over which he exercises control or direction, as at April 10, 2007.

Name, Position and Residence	Principal Occupation During the Past 5 Years	Director Since	Number of Common Shares Held
William H. Myckatyn Chairman of the Board Horsefly, British Columbia, Canada	Chief Executive Officer, Quadra Mining Ltd., May 2002 to June 2006.	May 15, 2002	980,000
Paul M. Blythe Director, President and Chief Executive Officer Collingwood, Ontario, Canada	President and Chief Executive Officer, Quadra Mining Ltd., July 2006 to present. President, Quadra Mining Ltd., May 2002 to June 2006.	May 15, 2002	925,000
Geoffrey S. Belsher <sup>(2)(3)</sup> Director, Secretary Chicago, Illinois, USA	Partner, Blake, Cassels & Graydon (U.S.) LLP (law firm)	February 16, 2004	nil
George W. Poling <sup>(3)(4)</sup> Director Vancouver, British Columbia, Canada	Senior Vice-President, Rescan Environmental Services Ltd.	February 16, 2004	15,000
Ken Williamson <sup>(1)(4)</sup> Director Dwight, Ontario, Canada	President, K.F. Williamson Consulting Inc. (management consulting company)	February 16, 2004	6,000
Neil MacKenzie <sup>(3)(4)</sup> Director Vancouver, British Columbia, Canada	Partner, Chancellor Partners Management Consultants Inc. (management consulting company)	February 16, 2004	21,500
Gregory Van Staveren <sup>(1)(2)</sup> Director Etobicoke, Ontario, Canada	President, Strategic Financial Services, October 2001 to present.	June 14, 2005	10,000
John A. Brough Director Nominee Vero Beach, Florida, USA	President, Wittington Properties Limited (Canada) and Torwest, Inc. (United States), February 1998 to present (real estate companies)	Director Nominee	nil

Notes:

- (1) Current member of the Audit Committee.
- (2) Current member of the Corporate Governance and Nominating Committee.
- (3) Current member of the Environmental and Safety Committee.
- (4) Current member of the Compensation Committee.

The information as to the municipality, province or state and country of residence, principal occupation, business or employment and the number of shares beneficially owned by each nominee or over which each nominee exercises control or direction set out in the above table is not within the knowledge of the Company and has been furnished by the individual nominees as at April 10, 2007.

### **Corporate Cease Trade Orders or Bankruptcies**

Other than as disclosed herein, no proposed director of the Company is, or, within the past ten years before the date of this Information Circular has been, a director or executive officer of any other issuer that, while such person was acting in that capacity:

- (i) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under securities legislation, for a period of more than 30 consecutive days; or
- (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (iii) 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; or

has, within the past ten years before the date of this Information Circular, become 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 the assets of that individual.

No proposed director of the Company has been subject to 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 has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

### **AUDIT COMMITTEE**

For information regarding the structure, composition and mandate of the Audit Committee, as contemplated in Multilateral Instrument 52-110 “Audit Committees”, please see Item 9: “Directors and Officers” – “Audit Committee” in the Company’s Annual Information Form dated as of March 28, 2007, a copy of which is available from the Company or on SEDAR at [www.sedar.com](http://www.sedar.com).

### **EXECUTIVE COMPENSATION**

Unless indicated otherwise, all amounts in this Information Circular are in Canadian dollars.

#### **Summary Compensation Table**

The following table sets forth the compensation paid during the periods indicated to the individuals who served as Chief Executive Officer and Chief Financial Officer of the Company for the financial year ended December 31, 2006; each of the Company’s three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive directors at the end of the most recently completed financial year and whose salary and bonus exceeded \$150,000; and any individual who would have satisfied this criteria but for the fact that individual was not serving as an officer at December 31, 2006 (collectively, the “Named Executive Officers”):

## Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long Term Compensation	
		Salary	Bonus	Other Annual Compensation	Securities Under Options Granted	All Other Compensation
Paul M. Blythe, President, CEO	2006	\$349,667	\$298,000 <sup>(1)</sup>	\$20,980	50,000	—
	2005	\$306,333	\$210,000	\$18,380	85,000	—
	2004	\$214,972	\$163,013	\$12,898	275,000	—
Derek White Chief Financial Officer	2006	\$159,883 <sup>(2)</sup>	\$205,150 <sup>(2)</sup>	\$14,100	26,900	—
	2005	\$30,000 <sup>(2)</sup>	\$130,279	\$12,450	45,000	—
	2004	\$30,000	\$82,179	\$8,769	150,000	—
Jack Miller Chief Operating Officer	2006	\$235,000	\$167,865 <sup>(1)</sup>	\$14,100	26,900	—
	2005	\$207,500	\$114,841	\$12,450	45,000	—
	2004	\$127,847	\$85,523	\$7,671	200,000	—
William H. Myckatyn, Former CEO <sup>(4)</sup>	2006	\$169,203 <sup>(3)</sup>	\$150,000	\$13,293 <sup>(1)</sup>	50,000	—
	2005	\$292,511	\$175,000	\$18,380	85,000	—
	2004	\$214,972 <sup>(3)</sup>	\$166,556	\$12,898	275,000	—
Guy Le Bel Vice-President, Business Development	2006	\$144,375	\$116,480	\$8,663	8,800	—
	2005	\$131,875	\$73,178	\$7,913	15,000	—
	2004	\$65,000	\$17,745	\$3,900	50,000	—
John Bailey Vice-President, Commercial	2006	\$147,180	\$83,574	\$8,831	8,800	—
	2005	\$117,700	\$67,342	\$7,062	15,000	—
	2004	N/A	N/A	N/A	25,000	—

Notes:

- (1) These bonus payments were based on performance in 2006, but were not paid until 2007.
- (2) In addition, the Company contributed \$72,117 and \$177,500 in 2006 and 2005 respectively to a retirement compensation plan for the benefit of Mr. White.
- (3) The Company contributed \$13,293 to an Individual Pension Plan for the benefit of Mr. Myckatyn.
- (4) Mr. Myckatyn resigned as CEO and become Chairman effective June 30, 2006.

### Long Term Incentive Plans

Quadra does not currently have any long term incentive plans, and has not granted any stock appreciation rights.

### Option Grants During the Most Recently Completed Financial Year

On December 17, 2003, the Board of Directors and shareholders of Quadra adopted the Company's Stock Option Plan (the "Plan") which became effective upon the completion of the Company's initial public offering on April 8, 2004 (the "Offering"). The Plan was adopted by the Board of Directors in order to have a stock option plan which complies with the rules and policies of the TSX in place upon completion of the Offering.

The Plan provides that the total number of Shares which may be issued pursuant to the Plan shall not exceed a number of Shares equal to 10% of the issued and outstanding Shares from time to time. There are currently 3,813,569 Shares reserved for issuance under the Plan. Certain restrictions contained in the Plan include:

- (a) the number of Shares which may be issued pursuant to the Plan (or any other employee-related plan or options for services) to any one person may not exceed 5% of the Shares issued and outstanding on a non-diluted basis from time to time;
- (b) the number of Shares which may be reserved for issuance pursuant to the Plan (or any other employee-related plan or options for services) to all insiders may not exceed 10% of the issued and outstanding Shares on a non-diluted basis from time to time; and
- (c) the number of Shares which may be issued pursuant to the Plan (or any other employee-related plan or options for services) (i) to all insiders of the Company within a one-year period may not exceed 10% of the issued and outstanding Shares on a non-diluted basis from time to time and (ii) to any one insider within a one-year period may not exceed 5% of the issued and outstanding Shares on a non-diluted basis from time to time.

The Board, with the assistance of the Compensation Committee, administers the Plan and has full and final authority with respect to the granting of options thereunder. Options may be granted under the Plan to such directors, officers, employees or consultants of Quadra and its subsidiaries as the Committee may from time to time designate. The exercise price of any options granted under the Plan shall be determined by the Compensation Committee, but in any event will be in compliance with the rules and policies of the TSX and shall not be less than the closing price of the Shares on the Toronto Stock Exchange for the last market trading day prior to the date of the grant of the option. Quadra may provide financial assistance to eligible persons to purchase Shares under the Plan, subject to applicable law and the rules and policies of any securities regulatory authority or stock exchange with jurisdiction over the Company or a trade in its securities. Any financial assistance so provided will be repayable with full recourse and the term of any such financing shall not exceed the term of the option to which the financing applies.

The term of any options granted shall be determined by the Compensation Committee at the time of the grant but, subject to earlier termination in the event of termination of employment or in the event of death or disability, the term of any options granted under the Plan shall not exceed ten years. If desired by the Compensation Committee, options granted under the Plan may be subject to vesting provisions. Options granted under the Plan are not transferable or assignable other than by will or otherwise by operation of law. Subject to certain exceptions, in the event that an option holder ceases to provide services to Quadra, options granted to such option holder under the Plan will expire 30 days later. In the event of death or disability of an option holder, options granted under the Plan expire one year from the death or disability of the option holder.

Quadra's Board of Directors may at any time terminate or amend the Plan in certain respects, provided however, that the board may not, without the approval of the shareholders, amend the Plan or any option granted thereunder in any manner that requires shareholder approval under applicable law or the rules and policies of any stock exchange or quotation system upon which the common shares are listed or quoted.

The following table sets forth information regarding individual grants of options to purchase or acquire securities of the Company or any of its subsidiaries made during the most recently completed financial year to each Named Executive Officer:

Name	Securities, Under Options Granted (#)	Percent of Total Options Granted to Employees in Financial Year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options on the Date of Grant (\$/Security)	Expiration Date
Paul Blythe	50,000	7%	\$11.25	\$11.25	May 12, 2011
Derek White	26,900	4%	\$11.25	\$11.25	May 12, 2011
Jack Miller	26,900	4%	\$11.25	\$11.25	May 12, 2011
William Myckatyn <sup>(1)</sup>	13,700	7%	\$11.25	\$11.25	May 12, 2011
	36,300		\$ 9.50	\$ 9.50	Nov. 7, 2011
Guy Le Bel <sup>(2)</sup>	8,800	1%	\$11.25	\$11.25	May 12, 2011
John Bailey <sup>(3)</sup>	8,800	1%	\$11.25	\$11.25	May 12, 2011

Note:

(1) Mr. Myckatyn resigned as Chief Executive Officer effective June 30, 2006 and was subsequently appointed Chairman of the Board.

### Aggregated Option Exercises During The Most Recently Completed Financial Year And Financial Year-End Option Values

The following table sets forth information regarding each exercise of options to purchase or acquire securities made during the most recently completed financial year by each Named Executive Officer and the financial year-end value of unexercised options, on an aggregated basis:

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at FY-End (#) Exercisable/ Unexercisable	Value of Unexercised in-the-Money Options at FY-End (\$) Exercisable/ Unexercisable <sup>(1)</sup>
Paul Blythe	200,000	\$1,032,000	148,333 / 61,667	\$480,250 / \$80,750
Derek White	100,000	\$424,130	88,967 / 32,933	\$298,000 / \$42,750
Jack Miller	150,000	\$603,000	88,967 / 32,933	\$298,000 / \$42,750
William Myckatyn	275,000	\$1,477,500	73,350 / 25,400	\$170,575 / \$98,900
Guy Le Bel	32,000	\$157,120	30,933 / 10,867	\$124,620 / \$14,250
John Bailey	17,500	\$105,000	20,433 / 10,867	\$60,375 / \$14,250

Note:

(1) Based on a closing price of \$10.25 on December 29, 2006.

### Option Repricings During the Most Recently Completed Financial Year

During the financial year ended December 31, 2006, the Company did not reprice any of the stock options previously granted to the Named Executive Officers or directors who were not Named Executive Officers.

### Defined Benefit or Actuarial Plan

The Company does not have a defined benefit or actuarial plan for the Named Executive Officers under which benefits are determined primarily by final compensation (or average final compensation) and years of service.

### **Termination of Employment, Change in Responsibilities and Employment Contracts**

Quadra has entered into employment arrangements with each of its Named Executive Officers. Quadra is party to employment contracts providing for a per annum salary of \$400,000 for Mr. Blythe, \$250,000 for Mr. Miller, \$165,000 for Mr. Le Bel and \$165,000 for Mr. Bailey plus options, as disclosed above. In addition, these contracts provide that Messrs. Blythe, Miller, Le Bel and Bailey will be eligible to participate in any executive bonus plan implemented by the Compensation Committee.

The employment agreements also provide for the payment of compensation that will be triggered by a termination of the Named Executive Officer's employment by either Quadra or the Named Executive Officer following a change of control of Quadra, or by Quadra at any time, other than for "cause". In such event, Mr. Blythe will be entitled to receive an amount equal to three years' annual salary plus bonus, pro rated to the date of termination, and all existing benefits for a period of three years. Mr. Miller shall be entitled to receive an amount equal to two years' annual salary plus bonus, pro rated to the date of termination, and all existing benefits for a period of two years. Messrs. Le Bel and Bailey shall be entitled to receive an amount equal to eighteen months' salary plus bonus, pro rated to the date of termination, and a lump sum of \$11,115 in lieu of benefit programs that were in place with the Company. A change of control is defined as (a) any person or combination of persons acting jointly or in concert that acquires or becomes the beneficial owner of, directly or indirectly, more than 30% of the voting securities of the Company, whether through the acquisition of previously issued and outstanding voting securities, or of voting securities that have not been previously issued, or any combination thereof or any other transaction having a similar effect; or (b) the sale or transfer of the majority of the operating assets of the Company to an entity not controlled by the Company (the "New Company") and the employee subject to the employment agreement is not offered employment with the New Company on substantially the same terms as the terms of that employee's employment with the Company.

The Company has also entered into an employment agreement and retirement compensation allowance agreement with Mr. White. The employment agreement provides for payment of a per annum salary of \$250,000 inclusive of payment to the retirement compensation allowance. Until April 30, 2006, the Company contributed \$104,998 to a retirement compensation allowance (the "RCA Plan") for the benefit of Mr. White. From May 2007 onward the payments to the RCA Plan will have ceased. The employment agreement also provides for the payment of compensation that will be triggered by a termination of Mr. White's employment by Quadra at any time, other than for "cause". In such event, Mr. White will be entitled to receive an amount equal to two years' annual salary plus bonus, pro rated to the date of termination, and all existing benefits for a period of two years. In the event of a termination of Mr. White's employment by either Quadra or Mr. White following a change of control of Quadra, Mr. White and Quadra will enter into a new agreement pursuant to which Mr. White (or his nominee) will provide consulting services to the Company for up to 12 months in exchange for payments equal to two years' annual salary.

Except as described above, and the payment of directors' fees, if applicable, there are no service contracts of any director or officer of Quadra and there is no arrangement or agreement made or proposed to be made between Quadra and any of its Named Executive Officers pursuant to which a payment or other benefit is to be made or given by way of compensation in the event of that officer's resignation, retirement or other termination of employment, or in the event of a change of control of Quadra or a change in the Named Executive Officer's responsibilities following such change in control.

## **Composition of the Compensation Committee**

The Compensation Committee is comprised of George W. Poling, Ken Williamson and Neil MacKenzie. Messrs. Poling and Williamson are independent directors. Mr. MacKenzie may not be considered an independent director as he is a partner with Chancellor Partners Management Consultants Inc., which provides human resources services to Quadra.

## **Report on Executive Compensation**

The Company's compensation structure is designed to motivate and reward performance, and to be competitive with the compensation arrangements of similar companies in the mining industry. The compensation objective of the Company is to attract high quality individuals and motivate them for high performance. It is therefore the policy of the Company to pay executive salaries at the median of their peers in the mining industry. In support of this policy, the Committee commissioned specific studies of mining industry comparables to guide the setting of salaries for its executives. Each executive officer's position is evaluated based on the skill requirements and degree of responsibility required of the individual. This evaluation provides a basis for both the internal and external comparison of positions.

The Compensation Committee makes recommendations to the Board regarding all the four major components of compensation for all of the Company's executive officers:

1. Base salaries;
2. Extended group benefits;
3. Short term incentives; and
4. Stock option incentives.

### *Performance, Planning and Review Process*

An annual performance assessment is conducted by the Compensation Committee for each of the executive officers as part of the Company's Performance, Planning and Review Process. This performance assessment drives both the short term incentive awards and the stock option incentive awards.

### *Base Salaries*

The first component of the executive officers' compensation is base salaries. Based on its review of market data for similar positions in the mining industry, the salary for each executive's position was determined having regard to the officer's responsibilities, individual performance factors, overall corporate performance, potential for advancement, and the assessment by the Compensation Committee of other such matters as are presented by management.

### *Extended Group Benefits*

The second component of the executive officers' compensation is extended group benefits. The Company makes available an array of quality group benefit alternatives to address employee health and well-being concerns, and those of their families and dependents.

### *Short Term Incentives*

The third component of the executive officers' compensation is the annual cash bonus awarded under the guidelines of the Company's Short Term Incentive Plan. The performance criteria and objectives developed for determining the short term incentive cash bonus include Quadra's performance as

measured against its strategic plan and budget, and each individual executive officer's individual targets, set based on each officer's relative responsibilities, accountabilities and contributions.

Specific key performance indicators relating to the achievement of mutually agreed upon individual performance objectives for each position are established during the Company's annual Performance, Planning and Review Process. Each key performance indicator is weighted based on its relative importance and combined to obtain an overall individual performance indicator. The overall individual performance indicator is combined with measures of Company performance to achieve an aggregate performance measure, which is expressed as a percentage of attainment of target objectives. Target short term incentive awards are determined based on mining industry practices.

For 2006, the Company agreed to pay an aggregate cash bonus of \$1,021,069 to the six Named Executive Officers, predominantly in consideration and recognition of the completion of a number of objectives including the following:

- Completion of an equity financing in January 2006;
- Record net revenues generated by Robinson Operation;
- Commencement of Sierra Gorda Project drill program;
- Completion of the purchase of the concentrate trans-load facility based in Wendover, Utah
- Net gain on the cancellation of an option for the failed bid for the shares of Equatorial Mining Limited; and
- Approval of the construction of the Carlota Copper Project subject to financing.

Each objective is assigned a weight, determined in consultation between management and the committee. The weighting given to an objective may be different for each executive and reflects the importance of each objective to the Company and the degree of responsibility which each executive has for fulfilling the objective. For example, the CFO's goals and objectives were broken down into three main categories consisting of financial management (50%), governance and board interface (30%) and corporate development (20%), the COO's goals and objectives were categorized mostly based on project-related matters at Robinson (54%) and Carlota (36%) and the managers' goals and objectives related to corporate-related matters.

#### *Stock Options*

The fourth component of the executive officers' compensation is stock options. The Board, upon recommendation of the Compensation Committee, may from time to time grant stock options to executive officers under the Company's Stock Option Plan. Grants of stock options are intended to help attract and retain employees by providing them with an opportunity to participate in the future success of the Company and align their interests with those of the Company and its shareholders. Options are granted to newly hired executive officers at the time of their initial hire. The Company places strong reliance on stock options in terms of the total overall compensation of its executive officers in keeping with compensation trends in the mining industry and to assist the Company to conserve its cash resources.

#### *Continuous Monitoring*

The Company's compensation practices are monitored regularly by the Compensation Committee and will be amended or modified as required in order to ensure that it maintains its competitiveness as an employer in the mining industry and appropriately recognizes growth and change within the organization.

#### *Compensation of CEO*

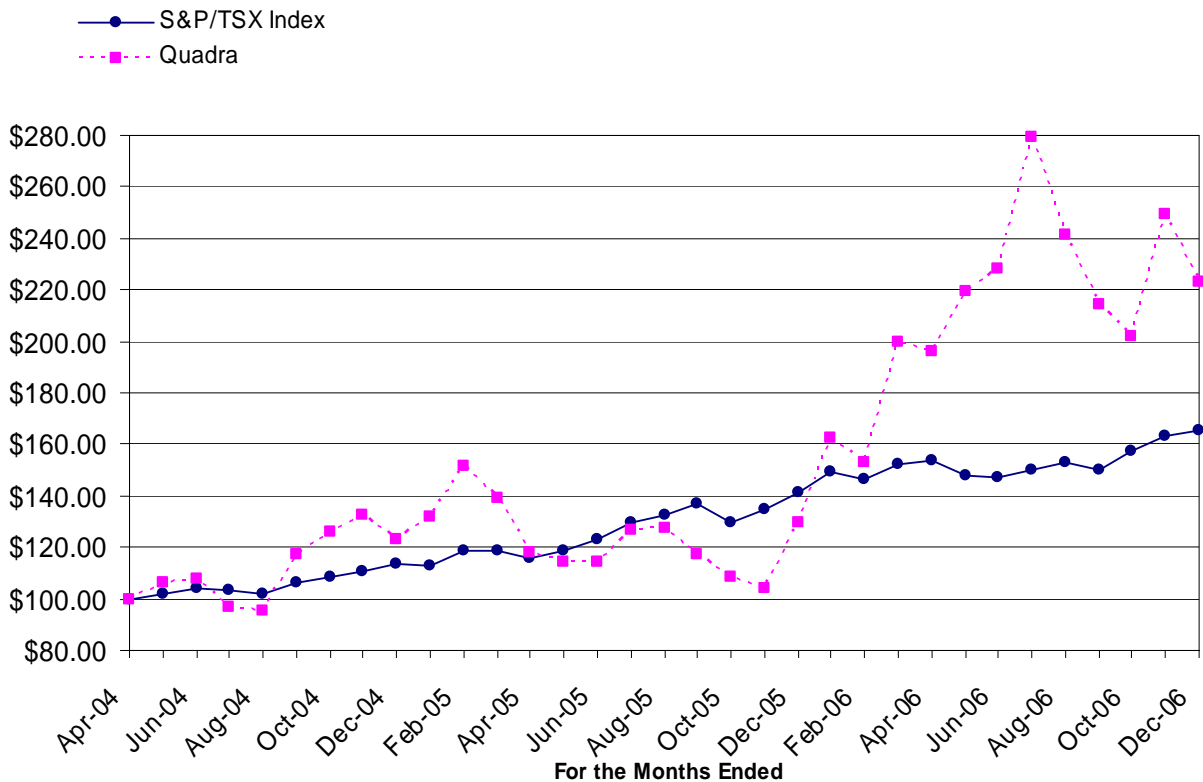
Mr. Paul Blythe, in addition to the office of President, became, Chief Executive Officer of the Company effective July 1, 2006. Mr. Blythe had a base salary for 2006 of \$349,667. The overall base salary compensation for Mr. Blythe was determined based on a review of market data for similar positions in the mining industry. Mr. Blythe's salary was set at the median of such comparables.

For the year ended December 31, 2006, the Compensation Committee determined that Mr. Blythe's short term incentive cash bonus was based predominantly in consideration and recognition of his personal contribution to the Company achieving its corporate objectives. In particular, Mr. Blythe's performance goals and objectives consisted of Company growth (30%) milestones tied to the Company's current operations and projects (46%), share price performance (15%), financing-related goals (3%) and implementing certain corporate programs (6%). The Company attained the operations and projects targets, as well as most of its financing goals; however, it did not meet the share price and growth objectives. Mr. Blythe received a bonus of \$298,000 for 2006.

### Performance Chart

The Company's Shares were listed on the TSX in April, 2004. The following chart compares the cumulative total return on \$100 invested in the Company's shares and the TSX Composite Index for the last day of each month from listing to December 31, 2006.

Performance Chart - Since IPO



	April 30, 2004	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006
QUA	100	123	129	223
S&P/TSX	100	114	141	165

## Compensation of Directors

The Board has approved the following cash compensation for non-executive directors: the Chairman is paid an annual fee of \$70,000 and other directors receive an annual fee of \$35,000; directors receive a per meeting fee of \$1,000; the Chair of the Audit Committee receives an annual fee of \$10,000; other Committee Chairs, including the Lead Independent Director, receive an annual fee of \$5,000; and committee members receive a per meeting fee of \$1,000. Non-executive directors who travel to director and committee meetings with a two-way trip time of four hours or more receive an additional \$1,000 long distance travel fee. During Quadra's most recently completed financial year, directors received a total of \$412,250 compensation from Quadra in their capacity as directors of Quadra.

Effective May 12, 2006, and November 7, 2006 the Board granted stock options to non-executive directors entitling them to acquire up to 122,500 and 160,500 Shares respectively in the aggregate at a price of \$11.25 and 9.50 per Share respectively expiring May 12, 2011 and November 7, 2011 respectively.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information regarding the Plan in the aggregate as of December 31, 2006.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	2,467,366	\$7.86	1,345,536
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	2,467,366	\$7.86	1,345,536

## INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

None of the directors, executive officers or employees or former directors, executive officers or employees of Quadra or any of its subsidiaries, is indebted to Quadra or any of its subsidiaries, nor are any of these individuals indebted to another entity which indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Quadra or any of its subsidiaries.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth elsewhere in this Information Circular, no informed person, nor any proposed nominee for election as a director of the Company, nor any associate or affiliate of the foregoing, has any material interest, direct or indirect in any transaction since the commencement of the Company's last financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries. An "informed person" means (a) a director or executive officer of the Company; (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Company; (c) any person or company who beneficially owns, directly or indirectly, voting securities of the Company or who exercises control or direction over voting securities of the

Company or a combination of both carrying more than 10% of the voting rights other than voting securities held by the person or company as underwriter in the course of a distribution; and (d) the Company if it has purchased, redeemed or otherwise acquired any of its Shares, for so long as it holds any of its Shares.

### **APPOINTMENT OF AUDITOR**

The auditor of the Company is PricewaterhouseCoopers LLP. Shareholders will be asked to (a) reappoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the close of the next annual general meeting of the Company and to (b) authorize the directors to fix the remuneration of the auditors. PricewaterhouseCoopers LLP was originally appointed on June 29, 2004.

Unless such authority is withheld, the persons named in the accompanying Instrument of Proxy intend to vote for Pricewaterhouse Coopers LLP to serve as auditors of the Company for the fiscal year ending December 31, 2007 at remuneration determined by the directors.

### **MANAGEMENT CONTRACTS**

The Company was not party to any management contracts for the year ended December 31, 2006.

### **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The following disclosure conforms to Form 58-101F1 which was enacted pursuant to National Instrument 58-101 "Disclosure of Corporate Governance Practices" which came into effect on July 1, 2005.

The Company's practices are consistent with or exceed the best practices recommended by Canadian Securities Administrators' National Policy 58-201 - Corporate Governance Guidelines ("NP 58-201"), except as disclosed below. The Board of Directors is committed to maintaining high standards of corporate governance and accordingly reviews its corporate governance practices from time to time to assess the effectiveness and appropriateness of such practices.

#### **Board of Directors**

The Board currently consists of eight individuals and eight individuals are nominated for election at the Meeting. The Board has determined that five current directors, Messrs. Alexander (Sandy) Laird, George Poling, Ken Williamson, Greg Van Staveren and Geoffrey Belsher are "independent" as defined in NI 58-101. Mr. Laird is not standing for re-election at the Meeting. The Board has nominated John Brough as a replacement for Mr. Laird. The Board has concluded that Mr. Brough is independent. The Board has concluded that three directors, Messrs. Blythe, Myckatyn and MacKenzie are not independent as defined in NI 58-101. Mr. Blythe is not independent as he is President and Chief Executive Officer of the Company and Mr. Myckatyn is not independent as he was the Chief Executive Officer of the Company until June 30, 2006. The Board has concluded that Neil MacKenzie is not independent because Chancellor Partners Management Consultants Inc., of which he is a partner, provided material human resources and other consulting services to the Company during 2006.

The Board notes that Geoffrey Belsher is a partner of an affiliate of Blake, Cassels & Graydon LLP ("Blakes"), which provides legal services to the Company. The Board has considered this relationship and has determined that Mr. Belsher is an "independent" director. In making this determination, the Board concluded that Mr. Belsher does not have a relationship with the Company which could, in the reasonable judgement of the Board, be reasonably expected to interfere with the exercise of his independent judgement. In this regard, the Board considered, among other matters, the lack of materiality

to Blakes of the fees paid to it by the Company, the fact that Mr. Belsher receives no compensation tied to the fees paid to Blakes by the Company and that Mr. Belsher is not the Blakes legal contact providing day-to-day legal advice to the Company.

The Board has adopted a Policy that the independent directors shall hold regularly scheduled meetings at least four times per year at which members of management and non-independent directors are not in attendance. In lieu of such meetings, the independent directors may meet during a portion of regularly scheduled Board meetings, provided that time is specifically scheduled and devoted to meeting without members of management and non-independent directors. Such sessions were held during four regularly scheduled Board meetings in 2006. The non-management directors may also meet from time to time with members of management in attendance.

Currently, the following directors serve on the following boards of directors of other public companies:

<b>Name</b>	<b>Reporting Issuer</b>
Bill Myckatyn	First Point Minerals Corp. Pacific Rim Mining Corporation
George Poling	Trigon Uranium Corp. Minterra Resource Corp. BioteQ Environmental Technologies Inc.
Ken Williamson	Goldcorp Inc. SXR Uranium One Inc. BioteQ Environmental Technologies Inc.
Geoffrey Belsher	Digital Dispatch Systems Inc.
Greg Van Staveren	North American Palladium Ltd. MacMillan Gold Corp. Royal Laser Corp.
Derek White	Oro Silver Resources Ltd.

Mr. William Myckatyn retired as an officer of the Company effective June 30, 2006 and was subsequently appointed Chairman of the Board. As Chairman, Mr. Myckatyn is responsible for coordinating communications between the Board and management of the Company, and fulfilling the other roles and responsibilities set out in the position description for the Chairman of the Board adopted by the Board.

Because the Chairman is not an independent director, the Board has adopted a position description for, and has appointed, a Lead Independent Director. Mr. Alexander (Sandy) Laird currently serves as the Lead Independent Director. As Mr. Laird is not standing for re-election at the Meeting, the Governance and Nominating Committee has recommended that, if all nominees for director are elected, Mr. Ken Williamson be appointed Lead Independent Director after the Meeting. Pursuant to the position description adopted for the Lead Independent Director, he shall: (i) assist the Chairman to manage the Board and its committees in a manner that ensures that these relationships are effective and efficient and further the best interests of the Company (ii) oversee the process of evaluation of the Board, its committees and individual directors; (iii) be the primary contact for whistleblowers under the Company's Code of Business Conduct and Ethics and Whistleblower Policy; (iv) act as the principal sounding board and counsellor for the Chairman; (v) ensure that the Chairman is aware of the concerns of the independent

directors, shareholders and other stakeholders; (vi) work with the Chairman to assist the Chairman in fulfilling his responsibilities in managing the Board; (vii) work with the Chairman to co-ordinate the agenda for Board meetings; (viii) chair and manage all meetings of the independent directors; (ix) attend committee meetings when it is appropriate to do so; (x) meet from time to time with the Chairman and the CEO to convey and discuss concerns of the independent directors; and (xi) meet from time to time with the Chairman and CEO to understand the feedback being received from shareholders.

Between January 1, 2006 and December 31, 2006, the Board of Directors and its committees held the following number of meetings:

Board of Directors.....	12
Audit Committee.....	6
Compensation Committee.....	8
Corporate Governance and Nominating Committee.....	2
Environmental and Safety Committee.....	2
Total number of meetings held .....	30

The attendance of the directors at such meetings was as follows:

<b>Director</b>	<b>Board Meetings Attended</b>	<b>Committee Meetings Attended</b>
William H. Myckatyn	12 of 12	5 of 5
Alexander M. Laird	11 of 12	12 of 12
Paul M. Blythe	12 of 12	5 of 5
Geoffrey S. Belsher	11 of 12	4 of 4
George W. Poling	12 of 12	9 of 10
Ken Williamson	11 of 12	15 of 16
Neil Mackenzie	11 of 12	9 of 9
Gregory Van Staveren	12 of 12	7 of 7

### **Board Mandate**

The Board of Directors has adopted a written mandate in its Board Governance Manual as follows:

In meeting its obligations, the Board shall act as a whole or as permitted by applicable laws through a committee of the Board. The Board's mandate falls into the following seven categories:

1. Selection of Management

The Board has the responsibility for:

- (a) appointing, monitoring and reviewing the performance of, approving the remuneration for, providing counsel and advice to and replacing the CEO;

- (b) approving the appointment of all executive officers, taking into account the advice of the CEO; and
- (c) to the extent feasible, satisfying itself as to the integrity of the CEO and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the Company.

## 2. Strategic Planning

The Board has the responsibility for:

- (a) adopting a strategic planning process and approving, on at least an annual basis, a strategic plan that takes into account, among other things, the opportunities and risks of the Company's business;
- (b) monitoring the Company's progress towards its goals, and to revise and alter its direction in light of changing circumstances; and
- (c) taking action when the Company's performance falls short of its goals or in other special circumstances (for example, mergers and acquisitions or changes in control).

## 3. Risk Identification

The Board has the responsibility for identifying principal risks of the Company's business and ensuring the implementation of appropriate systems to manage those risks.

## 4. Communications

The Board has the responsibility for:

- (a) ensuring that the financial results of the Company are reported fairly and in accordance with applicable laws;
- (b) ensuring the timely reporting of material information in compliance with applicable laws; and
- (c) adopting a communications policy to ensure that communications to the public regarding the Company are timely, factual, accurate and broadly disseminated in accordance with applicable laws.

## 5. Succession Planning

The Board has the responsibility for:

- (a) planning for the succession of senior management, including appointing, training and monitoring; and
- (b) planning for the succession of the directors.

## 6. Internal Controls

The Board has the responsibility for ensuring that internal control and information management systems are implemented and maintained.

## 7. Corporate Governance

The Board has the responsibility for:

- (a) developing the Company's approach to corporate governance, including reviewing and amending as appropriate the Governance Manual;
- (b) monitoring compliance with the corporate governance guidelines established in the Governance Manual; and
- (c) confirming that the Company operates at all times in compliance with applicable laws and in accordance with high ethical and moral standards established by the Board from time to time. (See Section 19 - Code of Business Conduct and Ethics available from the Company's website at [www.quadramining.com](http://www.quadramining.com)).

### **Position Descriptions**

The Board has adopted a position description for the Chairman, the Lead Independent Director, Chief Executive Officer and the Chairman of each committee of the Board.

The Board has developed key performance indicators for the CEO, representing the objectives of the Company, against which their performance is measured. The Board has developed an annual CEO Review Process.

### **Orientation and Continuing Education**

The Board has assumed responsibility to develop and provide an orientation and education program for new directors and shall provide continuing education opportunities for all directors. The Board delegates the orientation and continuing education process to the Governance and Nominating Committee. In this regard, the Governance and Nominating Committee has developed and the Board has adopted a Policy on Orientation and Continuing Education to, among other things, educate new directors with respect to the role of the Board, its committees and directors as well as the nature and operation of the Company's business generally.

### **Ethical Business Conduct**

The Board has adopted a Code of Business Conduct and Ethics (the "Code"). A shareholder may obtain a copy of the Code by contacting the Company or directly from the Company's website – [www.quadramining.com](http://www.quadramining.com).

The Board monitors compliance with the Code and only the Board is permitted to grant waivers of this Code for directors or officers of the Company. The Board has established a "whistleblower policy". Persons who are concerned that there may be a violation of the Code may contact the Lead Independent Director through a confidential voicemail box, email or mail as set forth in the Code and available on the Company's website.

The Board has established other policies to encourage and promote a culture of ethical business conduct, including a Disclosure Policy, an Environmental and Safety Policy and an Employee Safety Rule Book.

### **Nomination of Directors**

The Board has appointed a Governance and Nominating Committee, currently comprised of Messrs. Geoffrey Belsher, Alexander (Sandy) Laird and Gregory Van Staveren, all of whom are “independent” directors.

The purpose of the Governance and Nominating Committee is to, among other things: (a) identify individuals qualified to become new Board members and to recommend to the Board new director nominees from time to time; and (b) assist the Chairman in overseeing the process of evaluation of the Board, its committees and individual directors.

On an annual basis in advance of the nominations for election of directors at the Company’s annual shareholders meetings, the Governance and Nominating Committee: (i) considers what competencies and skills the Board, as a whole, should possess; and (ii) assesses what competencies and skills each existing director possesses. In addition, each member of the Board completes a Board Review Questionnaire, a summary of which is shared with all directors.

The Board has adopted a Policy that it will annually consider its size and will increase or decrease the number of directors to facilitate more effective leadership and decision-making. The Board has delegated such annual consideration to the Governance and Nominating Committee but the Board reserves for itself the responsibility for recommending to shareholders the size of the Board.

The Governance and Nominating Committee has adopted a written Charter that sets out the Committee’s purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subcommittees) and manner of reporting to the Board. A copy of the Charter is attached as Schedule “D”.

Each committee of the Board, including the Governance and Nominating Committee, has the authority to engage independent counsel and other advisors that it considers necessary to carry out its duties and to set and commit the Company to pay the compensation for any such advisors.

## **Compensation**

The Board has appointed a Compensation Committee, currently comprised of Messrs. Ken Williamson, George W. Poling and Neil MacKenzie. Messrs. Williamson and Poling are “independent” directors. The Board has determined that Mr. Mackenzie is not “independent” by virtue of the fact that Chancellor Partners Management Consultants Inc., a firm in which he is a partner, has been retained by the Company to provide material advice with respect to human resources (“HR”) and other matters. The Board notes that NP 58-201 recommends that all members of the Compensation Committee should be “independent” directors. The Board believes that the inclusion of Mr. MacKenzie on the Compensation Committee is appropriate taking into account his unique expertise in providing compensation advisory services to companies, including companies in the mining industry, and the Board currently intends that he will continue to serve on this Committee in the coming year. As Mr. MacKenzie is a non-management director and is only one member of the Compensation Committee, the Board believes that there is an objective process for determining compensation.

The Company does not have an officer level position responsible for HR. The Company has retained Mr. Eric White, a Partner at Chancellor Partners and a professional HR consultant, to provide ongoing HR consulting and managerial and employee recruitment services. During 2006, the Company paid Chancellor Partners a combination of a fixed retainer and success based recruiting fees for Mr. White’s services. The Audit Committee has reviewed the fees paid to Chancellor Partners for these services and believes that they are within the range of fees ordinarily paid to an outside consultant for similar services. The Company also granted Mr. White stock options. The Company also retained Mr. Mackenzie, a Director of the Company and a Partner at Chancellor Partners, to act as a facilitator for strategic planning

sessions involving management and certain directors. The Company paid Chancellor Partners \$32,974.31 during the year for these strategic planning services.

During 2006, the Compensation Committee retained Roger Gurr & Associates to review and make recommendations with respect to the compensation of the Company's directors.

The Compensation Committee has adopted a written Charter that sets out the Committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subcommittees) and manner of reporting to the Board. A copy of the Charter is attached as Schedule "E". The Charter provides that the Compensation Committee shall be responsible for reviewing the compensation of the CEO, director compensation and option awards, among other matters.

### **Other Standing Board Committees**

The Board has established an Audit Committee in compliance with National Instrument 52-110, details of which are set out in the Company's Annual Information Form.

The Board has established an Environmental and Safety Committee. The purpose of the Environmental and Safety Committee is to: (a) review and recommend to the Board environmental and occupational health and safety policies and policy improvements that will assist the Company, its subsidiaries and managed joint ventures to comply with all applicable laws and regulations during exploration, operation and closure activities; (b) monitor, on behalf of the Board, the Company's, its subsidiaries' and managed joint ventures' compliance with its approved environmental and occupational health and safety policies and with appropriate laws and regulations; and monitor, on behalf of the Board, the Company's, its subsidiaries' and managed joint ventures' permits and permitting processes.

### **Assessments**

The Board has adopted a Policy on Board Review Process.

The Board Review Process: (a) provides directors with an opportunity once each year to evaluate the Board's and each Board committee's performance and to make suggestions for its improvement; (b) provides an opportunity for the Board to comment on the Chairman's leadership; (c) provides an opportunity for the Chairman to evaluate each director's individual performance and to make suggestions for improvement; (d) provides directors with the opportunity to comment on the performance of the Lead Independent Director; and (e) relates directly to the description of the roles and responsibilities of the Board, each of its committees, the Chairman, Lead Independent Director and each individual director.

The Board review process is overseen by the Lead Independent Director. Reviews of the Lead Independent Director are overseen by the Chairman of the Corporate Governance and Nominating Committee.

## **AMENDMENT TO THE STOCK OPTION PLAN**

### **Background**

The shareholders and Directors of the Company have previously approved the current Stock Option Plan under which directors, officers, employees and consultants of the Company may be granted stock options to acquire Shares. The Company adopted and shareholders approved this Stock Option Plan on December 17, 2003. The principal purpose of the Stock Option Plan is to provide a competitive and effective means to give the Company personnel the opportunity to purchase stock in the Company.

Granting equity is intended to assist the Company in attracting, retaining and motivating high calibre personnel whose contributions are important to the success of the Company.

## **Proposed Amendments to the Stock Option Plan**

### *U.S. Tax Amendments*

The employees to whom the options under the Stock Option Plan are granted include employees of the Company's U.S. subsidiaries who reside in the United States and are either U.S. citizens and/or U.S. residents. The Stock Option Plan has been drafted and approved in a manner that the options granted would be non-qualified stock options ("NQSOs"), subject to tax under the United States Internal Revenue Code.

A NQSO is a right granted to an employee (or independent contractor) by the corporate employer to purchase the company's stock (or that of its parent) at a fixed price and for a stated period of time. NQSOs may be issued pursuant to a plan or individually, as approved by the Company's board of directors. The options are not 'qualified' under any provision of the US Internal Revenue Code and are therefore not afforded any special tax treatment. The difference between the fair market value and the exercise price is taxed as compensation income. The employer is entitled to a deduction for amounts included in the income of the employee or independent contractor if the amounts are reported by the employer.

An Incentive Stock Option ("ISO") is a tax advantaged form of stock option for US employees. The tax consequences of ISOs are governed by the United States Internal Revenue Code. Under these provisions ISOs generally do not produce ordinary income recognition at the time of grant or exercise. Instead, the stock's appreciation is treated as a capital gain and is not recognized until the employee sells the underlying stock provided certain conditions are met. The employer is not entitled to any deduction for any amount included in the employee's income.

The Board of Directors would like to amend the Stock Option Plan to cause the options to qualify as ISOs which are a tax advantaged form of stock option for US employees. The changes will not affect the Stock Option Plan as it currently applies to the Company's non-U.S. employees.

In addition, the Stock Option Plan authorizes the issuance of options to purchase up to 10% of the issued and outstanding Shares of the Company from time to time. In order for Options to qualify as ISOs, the Stock Option Plan must provide for a fixed maximum number of Shares reserved for issuance. Accordingly, the Board of Directors would like to amend the Stock Option Plan by limiting the maximum number of shares which may be issued to 10% of the issued and outstanding common shares of the Company from time to time, provided that the number of common shares reserved and available for issuance pursuant to the Stock Option Plan (together with those common shares which may be issued pursuant to any other employee related plan of the Company or options for services granted by the Company) shall not exceed 10,000,000 common shares.

### *Shares Authorized for Issuance*

As at the date of this Information Circular, options to purchase a total of 3,637,766 Shares have been granted, representing approximately 9.5% of the issued and outstanding Shares. Of these, 1,067,066 Shares have been issued, leaving 2,570,700 options outstanding. This means that only 175,803 Shares or 0.5% are available for further option grants. The Board of Directors wishes to be able to continue to provide option-based incentives to directors and employees in appropriate circumstances.

Accordingly, the amended Stock Option Plan contains a "reload" provision whereby the number of Shares issued pursuant to the exercise of options granted under the amended Stock Option Plan shall once

again be available for new grants of options under the amended Stock Option Plan. The Board of Directors would also like to “reload” those Shares that have been issued pursuant to the exercise of options granted under the existing Stock Option Plan, such that those Shares shall be available for issuance under the amended Stock Option Plan as part of the maximum number of Shares reserved and available for issuance. The result of this amendment will be that the full amount of 10% of the Company’s outstanding Shares will be available for option grants, 7% of which will already be subject to grants and 3% of which will be available for further grants.

### *TSX Amendments*

#### Amending Provision

The Stock Option Plan currently provides that subject to any required regulatory or shareholder approvals and to the rules of any applicable stock exchange, the Board of Directors may make any such amendments to the Stock Option Plan as it deems advisable. On June 6, 2006, the TSX published a Staff Notice regarding amending procedures for security based compensation arrangements. Previously, shareholder approval was required for security based compensation arrangements if the TSX considered the amendments to be material, or if the plan itself required shareholder approval for the specific amendment. The new rules published by the TSX allow shareholders to determine the types of amendments that require shareholder approval. The TSX now advises that security based compensation plans should contain detailed provisions that specify those amendments that require shareholder approval and those that can be made without shareholder approval. Effective as of June 30, 2007, if a security based compensation arrangement does not contain a detailed amendment procedure, then every amendment will require specific shareholder approval, even simple “housekeeping” amendments.

The Board of Directors has determined that it would be advisable to amend the Stock Option Plan to specify those amendments that can be made to the Stock Option Plan by the Board of Directors without shareholder approval. These amendments are set out in section 6.5 of the Stock Option Plan, and include amendments related to:

- formal minor or technical modifications to any of the provisions of the Stock Option Plan;
- corrections of any ambiguity, defective provision, error or omission in the provisions of the Stock Option Plan;
- changes to the vesting provisions of options;
- changes to the termination provisions of the Stock Option Plan or of an option as long as the change does not permit the Company to grant an option with a termination date that extends beyond the original expiry date of the options;
- additions of cashless exercise features to the Stock Option Plan which provide for the payment in cash or securities on exercise of options; and
- the addition of, or changes to, provisions relating to any form of financial assistance provided by the Company to participants that would facilitate the purchase of securities under the Stock Option Plan,

provided, however, that no such amendments may be made without the consent of each affected participant in the Stock Option Plan if the amendment would adversely affect the rights of such affected participant. In addition, the amendments provide that shareholder approval is specifically required for any amendment that results in (i) an increase in the number of common shares issuable under options granted under the Stock Option Plan; (ii) a reduction in the exercise price of an option granted to insiders

of the Company; (iii) the cancellation and reissue of any option; (iv) an extension of the term of an option granted under the Stock Option Plan benefiting an insider of the Company (within the meaning of the rules of the TSX); or (v) options becoming transferable or assignable other than for normal course estate settlement purposes.

### Blackout Periods

In addition, the TSX recognizes that for good corporate governance reasons many public companies have internal policies prohibiting certain employees from buying or selling the Company's securities and, in some cases, from exercising stock options during specific periods. The times that these restricted employees are not permitted to trade in a Company's securities are often called "blackout periods". Trading restriction policies are a component of good corporate governance and assist in fostering compliance with legal requirements that prohibit trading in a public company's securities when individuals have material information about the company that has not been released to the public. A blackout period is designed to prevent a person from trading with the knowledge of inside information that is not yet available to other shareholders or investors.

The TSX recognizes this may result in an unintended penalty to employees who are prohibited from exercising options during a blackout period because of their company's internal trading policies. As a result, the TSX now permits companies to extend the term of options that would expire during a blackout period.

The Company has an insider trading policy which provides for blackout periods commencing on the first day following the end of each fiscal quarter/year end and continuing through the close of trading on the second full business day after release of the quarterly or year end financial results to the public. A blackout period also occurs during the time that an employee or director knows of material information about the Company or its subsidiaries that has not been disclosed to the public.

The Board has proposed amendments to the Stock Option Plan to reflect the greater flexibility permitted by the TSX, so that options granted under the Plan expire at the later of the expiry date set for the option (usually 10 years after the grant date) or, if that date occurs during a blackout period or within two business days of it, 10 business days after the earlier of the end of the blackout period or, provided the blackout period has ended, the expiry date.

### **Recommendation of the Directors**

The proposed amendments to the Stock Option Plan are indicated in the copy of the Amended and Restated Plan attached to this Information Circular as Schedule "C".

The proposed Amended and Restated Plan must be approved by a majority of not less than 50% of the votes cast by shareholders who, being entitled to do so, vote in person or by proxy on the resolution.

The full text of the resolution to amend the Stock Option Plan and to provide for "reloading" those Shares issued under the existing Stock Option Plan is set out in Schedule "A" to this Information Circular.

The Board of Directors of the Company has unanimously concluded that the proposed amendments to the Stock Option Plan are in the best interest of the Company and its Shareholders, and recommends that Shareholders vote **IN FAVOUR** of the resolution to amend the Stock Option Plan and to "reload" those Shares issued under the existing Stock Option Plan.

The Company has been advised that the directors and senior officers of the Company intend to vote all common shares held by them in favour of the amendment of the Stock Option Plan.

## APPROVAL OF SHAREHOLDER RIGHTS PLAN

On April 12, 2007, the Board adopted a Shareholder Rights Plan Agreement (the “Rights Plan”) as summarized below. At the Meeting, the shareholders will be asked to consider a resolution confirming and ratifying the Rights Plan. The Rights Plan provides that it will terminate unless the shareholders vote at the Meeting to confirm its operation.

The Rights Plan has the following objectives: (a) to prevent creeping acquisitions of control; (b) to give adequate time for the Board and shareholders to properly assess a take-over bid without undue pressure; (c) to provide the Board and shareholders adequate time to consider the value of all assets of the Company and for the Company to undertake a value recognition program if necessary to demonstrate the value of one or more assets; (d) to provide the Board time to consider value-enhancing alternatives to a take-over bid and to possibly allow competing bids to emerge; and (e) to ensure that shareholders of the Company are provided equal treatment under a take-over bid. The Rights Plan is not intended to prevent take-over bids that treat shareholders fairly and has not been adopted in response to any proposal to acquire control of the Company.

**The summary of the Rights Plan below is qualified in its entirety by reference to the text of the Rights Plan, which is available upon request from the Secretary of the Company at Suite 2000 – 1177 West Hastings Street, Vancouver, British Columbia, V6E 2K3, Telephone (604) 689-8550 or Fax (604) 689-8556.** Capitalized terms used in the summary without express definition have the meanings ascribed thereto in the Rights Plan.

It is intended that all proxies received will be voted in favour of the approval of the Rights Plan, unless a proxy contains instructions to vote against the Rights Plan. The Rights Plan will become effective only if it is approved by greater than 50% of the votes cast by shareholders present in person or by proxy at the Meeting. The text of the resolution approving the Rights Plan (the “Rights Plan Resolution”) is set forth in Schedule “B” hereto.

### **Recommendation of the Board of Directors**

The Board has determined that the confirmation of the Rights Plan is in the best interests of the Company and the holders of its common shares. The Board unanimously recommends that shareholders vote **IN FAVOUR** of the confirmation and approval of the Right Plan.

The Company has been advised that the directors and senior officers of the Company intend to vote all common shares held by them in favour of the confirmation and approval of the Rights Plan.

### **Background and Objectives of the Rights Plan**

The Board wants to ensure that in the context of a bid for control of the Company through an acquisition of the Company’s common shares, shareholders are in a position to receive full and fair value for their shares. Of particular concern to the Board is the widely held view that existing Canadian securities legislation provides too short a response time to a company that is the subject of an unsolicited bid for control. An inadequate response time has been identified as an impediment to ensuring that shareholders are offered full and fair value for their shares. The Board believes that this is particularly true in the circumstances of the Company due to the early stage of development of its Sierra Gorda Property. Also of concern to the Board is the possibility that, under existing securities laws, the Company’s shareholders could be treated unequally in the context of a bid for control. These concerns are described in more detail below.

The adoption of the Rights Plan is not being considered in response to or in anticipation of any pending or threatened takeover bid, nor to deter takeover bids generally. As of the date of this Information Circular,

the Board was not aware of any third party considering or preparing any proposal to acquire control of the Company. Rather, the objectives of the Rights Plan are as stated above in the introduction. It is not the intention of the Board to secure the continuance in office of the existing members of the Board or to avoid an acquisition of control of the Company in a transaction that is fair and in the best interests of shareholders. The rights of shareholders under existing law to seek a change in the management of the Company or to influence or promote action of management in a particular manner will not be effected by the Rights Plan. The ratification and approval of the Rights Plan does not affect the duty of the Board to act honestly and in good faith with a view to the best interest of the Company and the shareholders.

In reviewing the Rights Plan, the Board considered the following concerns inherent in, or relating to, the existing legislative framework governing takeover bids in Canada:

- (a) *Time.* Current legislation permits a takeover bid to expire in 35 days. The Board is of the view that this is not sufficient time to permit shareholders to consider a takeover bid and to make a reasoned and unhurried decision. The Rights Plan provides a mechanism for minimum expiry periods for a takeover bid under various circumstances (described below under Permitted Bid Expiry Date), including that the bid must remain open for a further period of 10 Business Days after the Offeror publicly announces that the shares deposited or tendered and not withdrawn constitute more than 50% of the Voting Shares outstanding held by Independent shareholders (generally, shareholders other than the Offeror or Acquiring Person, their Associates and Affiliates, the persons acting jointly or in concert with the Offeror or Acquiring Person). The Rights Plan is intended to provide the Board and shareholders with adequate time to properly evaluate the offer and to provide the Board with sufficient time to explore and develop alternatives for maximizing shareholder value. Those alternatives could include, if deemed appropriate by the Board, the identification of other potential bidders, the conducting of an orderly auction or the development of a corporate restructuring alternative which could enhance shareholder value.
- (b) *Pressure to Tender.* A shareholder may feel compelled to tender to a bid which the shareholder considers to be inadequate out of concern that failing to tender may result in the shareholder being left with illiquid or minority discounted shares in the Company. This is particularly so in the case of a partial bid for less than all shares of a class, where the bidder wishes to obtain a control position but does not wish to acquire all of the Voting Shares. The Rights Plan provides a shareholder approval mechanism in the Permitted Bid provision which is intended to ensure that a shareholder can separate the tender decision from the approval or disapproval of a particular takeover bid. By requiring that a bid remain open for acceptance for a further 10 Business Days following public announcement that more than 50% of the Voting Shares held by Independent Shareholders have been deposited, a shareholder's decision to accept a bid is separated from the decision to tender, lessening the undue pressure to tender typically encountered by a shareholder of a company that is the subject of a takeover bid.
- (c) *Unequal Treatment.* While existing securities legislation has substantially addressed many concerns of unequal treatment, there remains the possibility that control of a company may be acquired pursuant to a private agreement in which a small group of shareholders dispose of shares at a premium to market price which premium is not shared with other shareholders. In addition, a person may slowly accumulate shares through stock exchange acquisitions which may result, over time, in an acquisition of control without payment of fair value for control or a fair sharing of a control premium among all shareholders. The Rights Plan addresses these concerns by applying to all acquisitions of greater than 20% of the Voting Shares, to better ensure that shareholders receive equal treatment.
- (d) *Stage of Development and Unique Circumstances of the Sierra Gorda Property.* The Board believes that the Sierra Gorda project has the potential to be a significant copper deposit. The

Board further believes that if an unsolicited offer was made for the Company in the near term that: (a) the value of the Sierra Gorda project will not be known and will not be reflected in the Company's share price at the time of the offer; and (b) the 35-day minimum time period will not provide the Company sufficient time to determine and demonstrate the potential value of the Sierra Gorda project. Accordingly, the Board believes that it may not be able to determine the value of the Company and to make a fully informed recommendation to shareholders, as required by law, within the statutorily imposed time periods. This is important for two reasons. First, determining the value of an early-stage project such as the Sierra Gorda project is not as easy as valuing a later-stage development project where a mineral resource or reserve has been determined or where there is an operating mine. In response to an unsolicited offer, the Board may have to undertake a detailed value recognition program so that the Board, third parties and ultimately the shareholders of the Company will be properly informed in making any decision with respect to the unsolicited offer. A value recognition program may include additional drilling, assay results, preliminary assessment (scoping study) and other matters. Second, the Sierra Gorda project may be of such a nature that there are only a limited number of companies able to advance and finance the project and, consequently, only a limited number of companies interested in proposing a competing bid or alternative transaction. These companies may at the time be unable to make a competing bid or alternative transaction for reasons entirely unrelated to the value of the Company or the quality of the Sierra Gorda project. In the absence of a credible third party that is at the time able to consider a competing offer or alternative transaction, it is very important for the Board to have time to establish the value of the Sierra Gorda project through a detailed value recognition program as described above. The Board believes that such a value recognition program cannot be properly completed within 35 days. Indeed, certain of the directors' prior experience has been that it can take significantly longer than 35 days from the date of announcement of an unsolicited offer for it to reasonably assess the underlying value of an important project. The Board believes that it becomes easier for the Board to determine the value of a property, such as the Sierra Gorda project and for a third party to consider whether to make a competing take-over bid or alternative transaction as the property is advanced. The Board also recognizes the securities regulatory authorities' desire to allow shareholders the opportunity to decide whether to accept or reject an unsolicited take-over bid. Accordingly, the "Permitted Bid" provisions of the Rights Plan have been drafted in a manner to reflect all of these considerations. The Rights Plan provides that the length of time a Permitted Bid must remain open will decrease from 90 days to 45 days depending on the status of development of the Sierra Gorda project and/or the passage of time. The passage of time requirement is included so that the length of time a Permitted Bid must remain open is reduced even if the Company does not advance the Sierra Gorda project.

### **General Impact of the Rights Plan**

In the past, shareholder rights plans have been criticized by some commentators on the basis that they may serve to deter takeover bids, to entrench management, and to place in the hands of boards of directors, rather than shareholders, the decision as to whether a particular bid for acquisition of control is acceptable. Critics of some shareholder rights plans have also alleged that they cast a needlessly wide net, thereby increasing the likelihood of an inadvertent triggering of the plan, while at the same time deterring shareholders from participating in legitimate corporate governance activities.

The Board has considered these concerns, and believes that they have been largely addressed in the Rights Plan.

It is not the intention of the Board to secure the continuance of existing directors or management in office, nor to avoid a bid for control of the Company. For example, through the Permitted Bid mechanism, described in more detail below, shareholders may tender to a bid which meets the Permitted Bid criteria without triggering the Rights Plan, regardless of the acceptability of the bid to the Board. Furthermore,

even in the context of a bid that does not meet the Permitted Bid criteria, the Board will continue to be bound to consider fully and fairly any bid for the Company's common shares in any exercise of its discretion to waive application of the Rights Plan or redeem the Rights. In all such circumstances, the Board must act honestly and in good faith with a view to the best interests of the Company and its shareholders.

The Rights Plan does not preclude any shareholder from utilizing the proxy mechanism of the *Business Corporations Act* (British Columbia) to promote a change in the management or direction of the Company, and has no effect on the rights of holders of outstanding voting shares of the Company to requisition a meeting of shareholders, in accordance with the provisions of applicable corporate and securities legislation, or to enter into agreements with respect to voting their common shares. The definitions of "Acquiring Person" and "Beneficial Ownership" have been developed to minimize concerns that the Rights Plan may be inadvertently triggered or triggered as a result of an overly-broad aggregating of holdings of institutional shareholders and their clients.

The Board believes that the dominant effect of the Rights Plan is to enhance shareholder value, and ensure equal treatment of all shareholders in the context of an acquisition of control.

The Rights Plan does not interfere with the day-to-day operations of the Company. The issuance of the Rights does not in any way alter the financial condition of the Company, impede its business plans or alter its financial statements. In addition, the Rights Plan is not dilutive and has not had any effect on the trading of common shares. However, if a Flip-In Event occurs and the Rights separate from the common shares, as described in the summary below, reported earnings per share and reported cash flow per share on a fully-diluted basis may be affected. In addition, holders of Rights not exercising their Rights after a Flip-In Event may suffer substantial dilution.

## **Terms of the Rights Plan**

All capitalized terms used without definition have the meanings ascribed to them in the Rights Plan.

The following is a summary of the terms of the Rights Plan. The summary is qualified in its entirety by the full text of the Rights Plan, a copy of which is available on request from the Company as described above.

### **1. Issue of Rights**

The Company will issue one right (a "Right") in respect of each Common Share outstanding at the close of business on the date of the implementation of the Rights Plan, and the Company will issue Rights on the same basis for each Common Share issued thereafter but prior to the earlier of the Separation Time and the Expiration Time (both defined below).

### **2. Rights Certificates and Transferability**

Before the Separation Time, the Rights will be evidenced by the certificates for the Common Shares and will not be transferable separate from the Common Shares. From and after the Separation Time, the Rights will be evidenced by separate Rights Certificates which will be transferable separate from and independent of the Common Shares.

### **3. Exercise of Rights**

Rights are not exercisable before the Separation Time. After the Separation Time and before the Expiration Time, each Right entitles the holder to acquire one Common Share for the Exercise Price of \$1,000 (subject to certain antidilution adjustments). This Exercise Price is expected to be in excess of the

estimated maximum value of the Common Shares during the term of the Rights Plan. Upon the occurrence of a Flip-In Event (defined below) prior to the Expiration Time, each Right (other than any Right held by an “Acquiring Person”, which will become null and void as a result of such Flip-In Event) may be exercised to purchase that number of Common Shares which have an aggregate Market Price equal to twice the Exercise Price of the Rights for a price equal to the Exercise Price. Effectively, this means a shareholder of the Company (other than the Acquiring Person) can acquire additional Common Shares from treasury at half their Market Price.

#### **4. Definition of “Acquiring Person”**

Subject to certain exceptions, an Acquiring Person is a person who is the Beneficial Owner (defined below) of 20% or more of the outstanding Common Shares.

#### **5. Definition of “Beneficial Ownership”**

A person is a Beneficial Owner if such person or its affiliates or associates or any other person acting jointly or in concert owns the securities at law or in equity, and has the right to acquire (immediately or within 60 days) the securities upon the exercise of any convertible securities or pursuant to any agreement, arrangement or understanding.

However, a person is not a Beneficial Owner under the Rights Plan where:

- (a) the securities have been deposited or tendered pursuant to a take-over bid, unless those securities have been accepted unconditionally for payment or exchange or have been taken up and paid for;
- (b) such person (including a fund manager, trust company, pension fund administrator, trustee or nondiscretionary client accounts of registered brokers or dealers) is engaged in the management of mutual funds or investment funds for others, as long as that person:
  - (i) holds those Common Shares in the ordinary course of its business for the account of others;
  - (ii) holds not more than 30% of the Common Shares (in the case of a pension fund administrator); and
  - (iii) is not making a take-over bid or acting jointly or in concert with a person who is making a takeover bid; or
- (c) such person is a registered holder of securities as a result of carrying on the business of or acting as a nominee of a securities depository.

#### **6. Definition of “Separation Time”**

Separation Time occurs on the tenth trading day after the earlier of:

- (a) the first date of public announcement that a person has become an Acquiring Person;
- (b) the date of the commencement or announcement of the intent of a person to commence a take-over bid (other than a Permitted Bid or Competing Permitted Bid) or such later date as determined by the Board; and

- (c) the date on which a Permitted Bid or Competing Permitted Bid ceases to qualify as such or such later date as determined by the Board.

#### **7. Definition of a “Flip-In Event”**

A Flip-In Event occurs when a person becomes an Acquiring Person, provided however, that the Flip-In Event shall be deemed to occur at the close of business on the tenth day (or such later date as the Board may determine) after the first date of public announcement that a person has become an Acquiring Person. Upon the occurrence of a Flip-In Event, any Rights that are beneficially owned by an Acquiring Person or any of its related parties to whom the Acquiring Person has transferred its Rights, will become null and void and the Acquiring Person's investment in the Company will be greatly diluted if a substantial portion of the Rights are exercised after a Flip-In Event occurs.

#### **8. Definition of “Permitted Bid”**

Permitted Bids are exempted from the operation of the Rights Plan. A Permitted Bid is a take-over bid made by a person (the “Offeror”) pursuant to a take-over bid circular that complies with the following conditions:

- (a) the bid is made to all registered holders of Common Shares (other than Common Shares held by the Offeror), and for all Common Shares (other than the Common Shares held by the Offeror);
- (b) the Offeror agrees that no Common Shares will be taken up or paid for under the bid before the close of business on the Permitted Bid Expiry Date (as described below) unless at such date more than 50% of the outstanding Common Shares held by shareholders other than the Offeror and certain related parties have been deposited pursuant to the bid and not withdrawn;
- (c) the Offeror agrees that the Common Shares may be tendered at any time up to the Permitted Bid Expiry Date and may be withdrawn from the take-over bid at any time before such Common Shares are taken up and paid for; and
- (d) if, on the date specified for take-up and payment, the condition in paragraph (b) above is satisfied, the bid shall remain open for an additional period of at least 10 business days to permit the remaining shareholders to tender their Common Shares.

#### **9. Definition of “Competing Permitted Bid”**

A Competing Permitted Bid is a take-over bid that:

- (a) is made while another Permitted Bid is in existence; and
- (b) satisfies all the requirements of a Permitted Bid except that the Common Shares under a Competing Permitted Bid may be taken up on the later of 35 days after the Competing Permitted Bid was made and 60 days after the earliest date on which any other Permitted Bid or Competing Permitted Bid that was then in existence was made, and at such date more than 50% of the outstanding Common Shares held by shareholders other than the Offeror and certain related parties have been deposited pursuant to the bid and not withdrawn.

#### **10. Permitted Bid Expiry Date**

The Permitted Bid provisions require that for a Take-Over Bid to be a Permitted Bid it must be left open until the Permitted Bid Expiry Date. The “Permitted Bid Expiry Date” means:

- (a) 90 days following the date of commencement of the Take-Over Bid;
- (b) 60 days following the date of commencement of the Take-Over Bid, after twelve months from the Effective Date; or
- (c) 45 days following the date of commencement of the Take-Over Bid, upon the earlier to occur of: (i) the completion of a Pre-Feasibility Study on the Sierra Gorda Property, and (ii) 24 months from the Effective Date.

#### **11. Redemption of Rights**

The Rights may be redeemed by the Board at its option with the prior approval of the shareholders at any time before a Flip-In Event occurs at a redemption price of \$0.00001 per Right. In addition, the Rights will be redeemed automatically in the event of a successful Permitted Bid, Competing Permitted Bid or a bid for which the Board has waived the operation of the Rights Plan.

#### **12. Waiver**

The Board, acting in good faith, may waive the application of the Flip-In provisions of the Rights Plan to any prospective Flip-In Event which would occur by reason of a take-over bid made by a take-over bid circular to all registered holders of Common Shares. However, if the Board waives the Rights Plan with respect to a particular bid, it will be deemed to have waived the Rights Plan with respect to any other take-over bid made by take-over bid circular to all registered holders of Common Shares before the expiry of that first bid. Other waivers of the "Flip-In" provisions of the Rights Plan will require prior approval of the shareholders of the Company. The Board may also waive the "Flip-In" provisions of the Rights Plan in respect of any Flip-In Event provided that the Board has determined that the Acquiring Person became an Acquiring Person through inadvertence and has reduced its ownership to such a level that it is no longer an Acquiring Person.

#### **13. Term of the Rights Plan**

Unless otherwise terminated, the Rights Plan will expire on the date immediately after the Company's annual meeting of shareholders to be held in 2010.

#### **14. Amending Power**

Except for minor amendments to correct typographical errors and amendments to maintain the validity of the Rights Plan as a result of a change of law, shareholder approval is required for amendments to the Rights Plan.

#### **15. Rights Agent**

Computershare Investor Services Inc. is the Rights Agent appointed under the Rights Plan.

### **OTHER MATTERS**

**Management knows of no matters to come before the meeting other than as set forth in the Notice of Meeting and this Information Circular. However, should any other matters properly come before the Meeting, the Shares represented by the proxy solicited hereby will be voted on such matters in accordance with the best judgement of the persons voting the Shares represented by the proxy, exercising discretionary authority.**

### AVAILABILITY OF DOCUMENTS

The Company will provide to any person or corporation, upon request, one copy of any of the following documents:

- (a) the Company's latest Annual Information Form, together with any document, or other pertinent pages of any document, incorporated therein by reference; and
- (b) the financial statements of the Company for the Company's most recently completed financial year, together with the auditor's report thereon and Management's Discussion and Analysis, and any interim financial statements of the Company subsequent to the financial statements for the Company's most recently completed financial year.

Copies of the above documents will be provided, upon request to the Secretary of the Company at Suite 2000 – 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2K3, free of charge to a shareholder of the Company. The Company may require the payment of a reasonable charge from any person or corporation who is not a shareholder of the Company and who requests a copy of any such document. The above documents, together with additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The contents and sending of this Information Circular have been approved by the Board of Directors of the Company.

DATED at Vancouver, British Columbia April 12, 2007

QUADRA MINING LTD.

"Paul M. Blythe"

(Signed) PAUL M. BLYTHE  
President and Chief Executive Officer

## SCHEDULE "A"

### TEXT OF RESOLUTION TO APPROVE THE AMENDED AND RESTATED STOCK OPTION PLAN

BE IT RESOLVED, as an ordinary resolution, that:

1. the Amended and Restated Stock Option Plan of the Company, as described in the Management Information Circular of the Company dated April 10, 2007 (the "Information Circular"), which incorporates the amendments indicated in the form of Stock Option Plan attached to this Information Circular as Schedule "C", and which includes amendments to:
  - (i) limit the maximum number of Shares reserved for issuance to 10% of the issued and outstanding Shares from time to time, provided that the number of Shares reserved and available for issuance shall not exceed 10,000,000 Shares;
  - (ii) automatically "reload" the number of Shares issued pursuant to the exercise of options such that those Shares will again be available for new grants of options;
  - (iii) cause the options granted under the Stock Option Plan to qualify as incentive stock options for U.S. employees;
  - (iv) specify those circumstances when the Board may, in its sole discretion and from time to time, amend the Stock Option Plan; and
  - (v) extend the expiry date of options that fall on or near a "black out" or similar period imposed under any insider trading policy or similar policy of the Company;

all as more particularly described in the Information Circular, be and is hereby approved;
2. those Shares that have been issued pursuant to the exercise of Options granted under the Stock Option Plan dated December 13, 2003 are approved to be available for new grants of Options under the amended Stock Option Plan; and
3. any director or officer of the Company be and is hereby authorized, for an on behalf of the Company, to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to this resolution.

## **SCHEDULE “B”**

### **TEXT OF RESOLUTION TO APPROVE THE SHAREHOLDER RIGHTS PLAN**

BE IT RESOLVED, as an ordinary resolution, that

1. the Shareholder Rights Plan Agreement between the Company and Computershare Trust Company of Canada, as described in the Management Information Circular of the Company dated April 10, 2007 be and is hereby approved, confirmed and ratified; and
2. any one director of the Company be and is hereby authorized, for and on behalf of the Company, to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to this resolution.

**SCHEDULE "C"**  
**QUADRA MINING LTD.**  
**STOCK OPTION PLAN**

[December 17, 2003, as amended \[●\], 2007](#)

**Purpose.** The purpose of this Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company, by offering them an opportunity to participate in the Company's future performance through awards of Options.

**ARTICLE I**  
**INTERPRETATION**

**1.1 Definitions and Interpretation.** As used in this Plan, the following words and terms will have the following meanings:

- (a) **"Board"** means the board of directors of the Company;
- (b) ["Code"](#) means the [United States Internal Revenue Code of 1986, as amended;](#)
- (c) ~~(b)~~ **"Committee"** means the committee appointed by the Board to administer this Plan, or if no committee is appointed, the Board;
- (d) ~~(e)~~ **"Company"** means Quadra Mining Ltd. or any successor corporation;
- (e) ~~(d)~~ **"Disability"** means the mental or physical state of an individual such that:
  - (i) the Board, other than such individual, determines that such individual has been unable, due to illness, disease, mental or physical disability or similar cause, to fulfil his or her obligations as an employee, independent contractor, consultant or director of the Company either for any consecutive 6 month period or for any period of 8 months (whether or not consecutive) in any consecutive 12 month period; ~~or~~
  - (ii) a court of competent jurisdiction has declared such individual to be mentally incompetent or incapable of managing his or her affairs; or
  - (iii) [in connection with a Participant holding an Incentive Stock Option, a condition in which the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted, or can be expected to last, for a continuous period of not less than 12 months;](#)
- (f) ["Effective Date"](#) means [\[●\], 2007;](#)

- (g) ~~(e)~~ **“Eligible Person”** means any person providing continuous services to the Company and who is:
- (i) a full-time employee or independent contractor of the Company or any of its subsidiaries or a part-time employee or independent contractor of the Company or any of its subsidiaries working not less than 20 hours per week; or
  - (ii) a consultant to the Company or any of its subsidiaries in respect of whom the Company is permitted to grant Options under applicable law and the rules and policies of any securities regulatory authority, stock exchange or quotation system with jurisdiction over the Company or the issuance of the Options; or
  - (iii) an ~~officer or director~~ Outside Director of the Company or any of its subsidiaries;
- (h) ~~(f)~~ **“Exercise Price”** means the price at which a holder of an Option may purchase the Shares issuable upon exercise of the Option;
- (i) ~~(g)~~ **“Expiry Date”** means the expiry date of an Option as determined by the Committee in accordance with the terms and conditions of this Plan, provided that in no event shall the date be more than ten years after the date of grant of the Option, and subject to any “black out” or similar periods as provided in section 2.3(e) to this Plan;
- (j) **“Incentive Stock Option”** means an Option intended to qualify under section 422 of the Code;
- (k) ~~(h)~~ **“Market Price”** means, as of any date, the value of the Shares, determined as follows:
- (i) if the Shares are listed on The Toronto Stock Exchange, the Market Price shall be the closing price of the Shares on The Toronto Stock Exchange for the last market trading day prior to the date of the grant of the Option;
  - (ii) if the Shares are listed on the TSX Venture Exchange, the Market Price shall be the closing price of the Shares on the TSX Venture Exchange for the last market trading day prior to the date of the grant of the Option less any discount permitted by the TSX Venture Exchange;
  - (iii) if the Shares are listed on an exchange other than The Toronto Stock Exchange or the TSX Venture Exchange, the Market Price shall be the closing price of the Shares (or the closing bid, if no sales were reported) as quoted on such exchange for the last market trading day prior to the date of the grant of the Option; and
  - (iv) if the Shares are not listed on an exchange, the Market Price shall be determined in good faith by the Board Committee.
- (l) **“Non Qualified Stock Option”** means an Option not intended to qualify as an Incentive Stock Option, as designated in the applicable Stock Option Certificate, as defined herein;
- (m) ~~(i)~~ **“Option”** means an award of an option to purchase Shares hereunder, including an Incentive Stock Option;

- (n) “Outside Director” means every director of the Company who is not a full-time employee or independent contractor of the Company or a part-time employee of independent contractor of the Company working not less than 20 hours per week for the Company;
- (o) ~~(j)~~ **“Participant”** means every Eligible Person who is approved for participation in the Plan by the Committee and includes a U.S. Participant;
- (p) ~~(k)~~ **“Plan”** means this Stock Option Plan, as may be amended from time to time;
- (q) ~~(l)~~ **“Shares”** means the Common shares in the capital of the Company and ~~include~~includes any shares of the Company into which such Common shares may be converted, reclassified, redesignated, subdivided, consolidated, exchanged or otherwise changed;
- (r) “10% Holder” means any U.S. Participant who has (i) direct or beneficial ownership of, (ii) control or direction over, or (iii) a combination of direct or indirect beneficial ownership of and control or direction over securities of the Company carrying more than 10% of the voting rights attached to all the Company’s outstanding voting securities;
- (s) ~~(m)~~ **“Termination”** or **“Terminated”** means, for purposes of this Plan with respect to a Participant, that the Participant has for any reason ceased to provide continuous services as an employee, independent contractor, consultant, officer or director to the Company. Notwithstanding the foregoing, an employee will not be deemed to have ceased to provide services in the case of:
- (i) sick leave; or
  - (ii) any other leave of absence approved by the Committee, provided that such leave is for a period of not more than 90 days unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to formal policy adopted from time to time by the Company and issued and promulgated to employees in writing.
- ~~The~~Notwithstanding anything to the contrary, the Committee will have sole discretion to determine whether a Participant has ceased to provide continuous services to the Company and the effective date on which the Participant ceased to provide services (the **“Termination Date”**); and
- (t) “U.S. Participant” means a participant who is a United States citizen or resident within the meaning of the Code.

## ARTICLE II THE PLAN/GRANT OF OPTIONS

### 2.1 **Number of Shares Available.** Subject to section 2.2 and Article 5,

- (a) the total number of Shares reserved and available for issuance pursuant to this Plan (together with those Shares which may be issued pursuant to any other employee- related

plan of the Company or options for services granted by the Company) shall not exceed ~~in the aggregate a number of Shares equal to~~ 10% of the issued and outstanding Shares of the Company ~~on the closing date of the Company's initial public offering; from time to time~~, provided however, ~~that if the stock exchange upon which the Shares are listed permits a "rolling" maximum number of Shares reserved and available for issuance, the total number of Shares that the number of shares reserved and available for issuance pursuant to this Plan shall not exceed in the aggregate a number of Shares equal to 10% of the issued and outstanding Shares of the Company from time to time~~ plan (together with those Shares which may be issued pursuant to any other employee related plan of the Company or options for services granted by the Company) shall not exceed 10,000,000 Shares;

- (b) the number of Shares reserved for issuance pursuant to this Plan (together with those Shares which may be issued pursuant to any other employee-related plan of the Company or options for services granted by the Company) to any one person shall not exceed 5% of the Shares outstanding on a non-diluted basis from time to time;
- (c) the number of Shares which may be reserved for issuance pursuant to this Plan (together with those Shares which may be issued pursuant to any other employee-related plan of the Company or options for services granted by the Company) to all insiders shall not exceed 10% of the Shares outstanding on a non-diluted basis from time to time;
- (d) the number of Shares which may be issued pursuant to this Plan (together with those Shares which may be issued pursuant to any other employee-related plan of the Company or options for services granted by the Company) to all insiders within a one-year period shall not exceed 10% of the Shares outstanding on a non-diluted basis from time to time; and
- (e) the number of Shares which may be issued pursuant to this Plan (together with those Shares which may be issued pursuant to any other employee-related plan of the Company or options for services granted by the Company) to any one insider and such insider's associates within a one-year period shall not exceed 5% of the Shares outstanding on a non-diluted basis from time to time.

Subject to section 2.2 and Article 5, any unissued Shares in respect of which Options are granted which cease to be issuable under ~~any such~~ Option for any reason ~~(other than exercise of such Option)~~, including without limitation the exercise of such Option, the expiry of the Option or surrender of the Option pursuant to an option exchange program, will again be available for grant and issuance in connection with future Options granted under this Plan. At all times the Company will reserve and keep available a sufficient number of Shares as will be required to satisfy the requirements of all outstanding Options granted under this Plan.

**2.2 Adjustment of Shares.** In the event that the number of outstanding Shares is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, consolidation, combination, reclassification or similar change in the capital structure of the Company without consideration, then:

- (a) the number of Shares reserved for issuance under the Plan; and
- (b) the number of Shares subject to outstanding Options; and
- (c) the Exercise Prices of outstanding Options;

will be proportionately adjusted, subject to any required action by the Board or the shareholders of the Company and in compliance with applicable securities laws; provided, however, that fractions of a Share will not be issuable under any Options- and will be rounded down to the nearest Share.

**2.3 Options.** The Committee may grant Options to Eligible Persons and will determine the number of Shares subject to the Option, the Exercise Price of the Option, the period during which the Option may be exercised, ~~the terms of vesting of the Options~~ and all other terms and conditions of the Option, subject to the following:

- (a) **Form of Option Grant.** Each Option granted under this Plan will be evidenced by a stock option ~~agreement or stock option~~ certificate ~~(in either case, in the form attached to this Plan as Exhibit A in the case of grants to Participants or Exhibit B in the case of grants to U.S. Participants, or in such other form as may be approved by the Committee, from time to time (called~~ the “**Stock Option Certificate**”) which will ~~be in such form and~~ contain such provisions (which need not be the same for each Participant) as the Committee may from time to time approve, and which will comply with and be subject to the terms and conditions of this Plan;
- (b) **Date of Grant.** The date of grant of an Option will be the date on which the Committee makes the determination to grant such Option, unless otherwise specified by the Committee. The Stock Option Certificate and a copy of this Plan will be delivered to the Participant within a reasonable time after the granting of the Option;
- (c) ~~**Vesting and Exercise Period of Options.**~~ Provided the Participant has not been Terminated, options may be exercisable, until the Expiry Date determined by the Committee and specified in the Stock Option Certificate. The Committee also may provide for Options to vest at one time or from time to time, periodically or otherwise, in such number of Shares or percentage of Shares as the Committee determines. If the application of vesting causes the Option to become exercisable with respect to a fractional Share, such Share shall be rounded down to the nearest whole Share;
- (d) ~~**Additional Provisions Concerning U.S. Participants.**~~ Options granted to a U.S. Participant will generally be Incentive Stock Options, provided however, that the Committee may, at its discretion, at the time of the grant of Options, make a determination as to whether the Options will be deemed Incentive Stock Options or Non Qualified Stock Options.

Options granted to an Eligible Person who is a United States citizen or resident within the meaning of the Code and who is not an employee of the Company or any of its subsidiaries within the meaning of section 424(f) of the Code (or any successor provision) will not be Incentive Stock Options. Any Stock Option Certificate with such an Eligible Person for a grant of Options under the Plan will state that the Options granted thereunder are Non Qualified Stock Options for U.S. income tax purposes.

If a U.S. Participant is granted an Incentive Stock Option under the Plan, the Stock Option Certificate with the U.S. Participant will contain acknowledgements by the U.S. Participant that:

- (A) notwithstanding a designation of Options granted to a U.S. Participant as Incentive Stock Options, to the extent that the aggregate Market Price, determined as of the date such Options were granted, of the

Shares issuable on exercise of Options which are exercisable for the first time by any U.S. Participant during any calendar year exceeds US\$100,000, such excess Options shall not be treated as Incentive Stock Options and will be Non Qualified Stock Options; and

(B) in order for Options granted under the Plan to be treated as Incentive Stock Options:

(I) Shares purchased on the exercise of an Option must not be sold or otherwise disposed of within 2 years from the date the Option was granted, or within 1 year from the date the Option was exercised; and

(II) If a U.S. Participant's employment with the Company terminates for any reason other than Disability or death as provided in (III) or (IV), the U.S. Participant must maintain his status as an employee of the Company at all times during the period beginning on the date the Option is granted and ending 3 months before the date an Option is exercised;

(III) If a U.S. Participant's employment with the Company terminates because of Disability, his or her Option must be exercised before the date that is 12 months after the date of termination; and

(IV) If a U.S. Participant dies while employed with the Company, his or her Option must be exercised within one year after the date of death;

and if the conditions in (A) and (B) above are not met, then preferential tax treatment under the Internal Revenue Code for Incentive Stock Options will not be available.

The acknowledgement of the U.S. Participant in (B)(II) above does not confer upon the U.S. Participant any right with respect to continuation of his employment relationship with the Company, nor will it interfere in any way with the Company's right to terminate his employment relationship at any time, with or without cause.

Notwithstanding this subsection 2.3(d), the Company does not assume responsibility for the income or other tax consequences for Participants or U.S. Participants under the Plan and they are advised to consult their own tax advisors.

(e) **Expiry.** The Option shall expire on the expiry date set forth in the Stock Option Certificate and must be exercised, if at all, on or before the expiry date. In no event shall an Option be exercisable during a period extending more than 10 years after the date of grant and, in the case of an Option granted to a 10% Holder, in no event shall the Option be exercisable during a period extending more than five years after the date of grant, provided that in the circumstance where the end of the term of an Option falls within, or within two business days after the end of, a "black out" or similar period imposed under any insider trading policy or similar policy of the Company (but not, for greater certainty, a restrictive period resulting from the Company or its insiders being the subject of a cease trade order of a securities regulatory authority). In such circumstances, the end of the

term of such Option shall be the tenth business day after the earlier of the end of such black out period or, provided the black out period has ended, the expiry date.

- (f) ~~(d)~~ **Exercise Price.** The Exercise Price of an Option will be determined by the Committee when the Option is granted and shall not be less than the Market Price of the Shares; In the case of an Option granted to a 10% Holder, the Exercise Price shall be no less than 110% of the Market Price of the Shares. Payment for the Shares purchased must be made in accordance with section 2.4 of this Plan.
- (g) ~~(e)~~ **Method of Exercise.** Options may be exercised only by delivery to the Company of a written stock option exercise agreement (the “**Exercise Agreement**”) in ~~a form~~the form attached to this Plan as Exhibit C, or in such other form as may be approved by the Committee (which need not be the same for each Participant), stating the Participant’s election to exercise the Option, the number of Shares being purchased, the restrictions imposed on the Shares purchased under such Exercise Agreement, if any, and such representations and agreements regarding Participant’s investment intent and access to information and other matters, if any, as may be required or desirable by the Company to comply with applicable securities laws, together with payment in full of the Exercise Price, and any applicable taxes, for the number of Shares being purchased. If someone other than the Participant exercises the Option, then such person must submit documentation reasonably acceptable to the Company that such person has the right to exercise the Option. The Option may not be exercised unless such exercise is in compliance with all applicable securities laws and the rules and policies of any exchange or quotation system upon which the Shares are listed or quoted, as they are in effect on the date of exercise;
- (h) ~~(f)~~ **Termination.** Subject to earlier termination pursuant to Article 55, and Article 2.3(d) in relation to U.S. Participants, and notwithstanding the exercise periods set forth in the Stock Option Certificate, exercise of an Option will always be subject to the following:
- (i) if the Participant is Terminated for any reason other than the Participant’s death or Disability, then the Participant may exercise such Participant’s Options; (but only to the extent that such Options would have been vested and exercisable upon the Termination Date), no later than thirty days after the Termination Date or such earlier period prescribed by law (but in any event; no later than the Expiry Date); and
  - (ii) if the Participant is Terminated because of the Participant’s death or Disability, then such Participant’s Options may be exercised; (but only to the extent that such Options would have been vested and exercisable by Participant on the Termination Date) by Participant (or Participant’s legal representative or authorized assignee), no later than 12 months after the Termination Date or such earlier period as may be prescribed by law (but in any event no later than the Expiry Date);
- (i) ~~(g)~~ **Limitations on Exercise.** The Committee may specify a reasonable minimum number of Shares that may be purchased on exercise of an Option, provided that such minimum number will not prevent Participant from exercising the Option for the full number of Shares for which it is then exercisable;

- (i) ~~(h)~~ **Modification, Extension or Renewal.** The Committee may modify, extend or renew outstanding Options, may modify vesting periods so that any such stock options, whether vested or unvested, may have an amended vesting schedule or may immediately vest and become exercisable, and may authorize the grant of new Options in exchange therefor, provided that any such action may not, without the written consent of a Participant, impair any of such Participant's rights under any Option previously granted; ~~and~~
- (k) ~~(i)~~ **Issuance of Shares.** Provided that the Exercise Agreement and payment are in form and substance satisfactory to the Company, the Company shall issue the Shares registered in the name of the Participant or Participant's legal representative and shall deliver certificates representing the Shares with the appropriate legends affixed thereto; ~~and~~
- (l) **Legends.** Unless and until Shares issuable upon the exercise of Options are registered under the United States Securities Act of 1933, Shares issued under this Plan to a U.S. Participant will contain the following legend, as amended or supplemented by applicable laws:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, OR OTHERWISE TRANSFERRED OR ASSIGNED EXCEPT (A) TO THE COMPANY, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT, IF AVAILABLE, OR (C) INSIDE THE UNITED STATES (1) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS OR (2) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS, AND, IN CONNECTION WITH ANY TRANSFERS PURSUANT TO (C)(1) OR (C)(2) ABOVE, THE SELLER HAS FURNISHED TO THE COMPANY AN OPINION OF COUNSEL OF RECOGNIZED STANDING, REASONABLY SATISFACTORY TO THE COMPANY, TO THAT EFFECT.

**2.4 Authority to Provide Financial Assistance.** The Company is authorized to provide financial assistance to Participants to purchase Shares under this Plan, subject to applicable law and the rules and policies of any securities regulatory authority, stock exchange or quotation system with jurisdiction over the Company or a trade in securities of the Company. Any financial assistance so provided will be repayable with full recourse and the term of any such financing shall not exceed the term of the option to which the financing applies.

### ARTICLE III ADMINISTRATION

**3.1 Committee Authority.** This Plan will be administered by the Committee. Subject to the general purposes, terms and conditions of this Plan, and to the direction of the Board, the Committee will have full power to implement and carry out this Plan including, without limitation, the authority to:

- (a) construe and interpret this Plan, any Stock Option Certificate and any other agreement or document executed pursuant to this Plan;
- (b) prescribe, amend and rescind rules and regulations relating to this Plan;
- (c) select Eligible Persons to receive Options;
- (d) determine the form and terms of Options and Stock Option Certificates, provided that they are not inconsistent with the terms of the Plan;
- (e) determine the Exercise Price of an Option;
- (f) determine the number of Shares to be covered by each Option;
- (g) determine whether Options will be granted alonesingly, in combination with, in tandem with, in replacement of, or as alternatives to, any other incentive or compensation plan of the Company;
- (h) grant waivers of Option conditions or amend or modify each Option, provided that they are not inconsistent with the terms of this Plan;
- (i) determine the vesting, exercisability and Expiry Dates of Options;
- (j) correct any defect, supply any omission, or reconcile any inconsistency in this Plan, any Option, any Stock Option Certificate or any Exercise Agreement;
- (k) determine whether an Option has been earned; and
- (l) make all other determinations necessary or advisable for the administration of this Plan.

**3.2 Committee Discretion.** Any determination made by the Committee with respect to any Option will be made in its sole discretion at the time of grant of the Option or, unless in contravention of any express term of this Plan or Option, at any later time, and such determination will be final and binding on the Company and on all persons having an interest in any Option under this Plan.

### ARTICLE IV RIGHTS OF OWNERSHIP

**4.1 No Rights of a Shareholder.** No Participant will have any of the rights of a shareholder with respect to any Shares until the Shares are issued as evidenced by the appropriate entry on the securities register of the Company.

**4.2 Transferability.** Options granted under this Plan, and any interest therein, will not be transferable or assignable by Participant, and may not be made subject to execution, attachment or similar process, otherwise than by will or by the operation of law. During the lifetime of the Participant, an Option will be exercisable only by the Participant and any elections with respect to an Option may be made only by the Participant. The terms of the Option shall be binding upon the executors, administrators and heirs of the Participant.

## **ARTICLE V CORPORATE TRANSACTIONS**

**5.1 Assumption or Replacement of Options by Successor.** In the event of:

- (a) a merger whether by way of amalgamation or arrangement in which the Company is not the surviving corporation (other than a merger with a wholly-owned subsidiary, or other transaction in which there is no substantial change in the shareholders of the Company or their relative shareholdings and the Options granted under this Plan are assumed, converted or replaced by the successor corporation, which assumption will be binding on all Participants);
- (b) a merger whether by way of amalgamation or arrangement in which the Company is the surviving corporation but after which shareholders of the Company immediately prior to such merger (other than any shareholder which merges, or which owns or controls another corporation which merges, with the Company in such merger) cease to own their shares or other equity interests in the Company; or
- (c) the sale of substantially all of the assets of the Company,

any or all outstanding Options may be assumed, converted or replaced by the successor corporation (if any), which assumption, conversion or replacement will be binding on all Participants or, in the alternative, the successor corporation may substitute equivalent Options or provide substantially similar consideration to Participants as was provided to shareholders (after taking into account the existing provisions of the Options).

**5.2 Dissolution or Liquidation.** In the event of the proposed dissolution or liquidation of the Company, to the extent that an Option has not been previously exercised, the option will terminate immediately prior to the consummation of such proposed action. The Committee may, in the exercise of its sole discretion in such instances, declare that any Option shall terminate as of a date fixed by the Committee and give each Participant the right to exercise his or her Option as to all or any part of the Shares thereof, including Shares as to which the Option would not otherwise be exercisable.

**5.3 Assumption of Options by the Company.** The Company, from time to time, also may substitute or assume outstanding options granted by another company, whether in connection with an acquisition of such other company or otherwise, by either:

- (a) granting an Option under this Plan in substitution of such other company's option; or
- (b) assuming such option as if it had been granted under this Plan if the terms of such assumed option could be applied to an Option granted under this Plan.

Such substitution or assumption will be permissible if the holder of the substituted or assumed option would have been eligible to be granted an Option under this Plan if the other company had applied the rules of this Plan to such grant. In the event the Company assumes an option granted by another company, the terms and conditions of such option will remain unchanged (except that the exercise price and the number and nature of shares issuable upon exercise of any such option will be adjusted appropriately). In the event the Company elects to grant a new Option rather than assuming an existing option, such new Option may be granted with a similarly adjusted Exercise Price.

## ARTICLE VI GENERAL

**6.1 No Obligation to Employ.** Nothing in this Plan or any Option granted under this Plan will confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or limit in any way the right of the Company to terminate Participant's employment or other relationship at any time, with or without cause. Neither any period of notice, if any, nor any payment in lieu thereof, upon termination of employment shall be considered as extending the period in which an Eligible Person is providing continuous services for the purposes of the Plan.

**6.2 Term of Plan.** Unless extended or earlier terminated as provided herein, the Plan will terminate 10 years from the Effective Date.

**6.3 Income Taxes.** As a condition of and prior to participation in the Plan any Participant shall on request authorize the Company in writing to withhold from any remuneration otherwise payable to him or her any amounts required by any taxing authority to be withheld for taxes of any kind, including social security, as a consequence of his or her participation in the Plan. If additional withholding is or becomes required (as a result of exercise of an Option or as a result of disposition of shares acquired pursuant to exercise of an Option) beyond any amount deposited before delivery of the certificates, the Participant shall pay such amount, in cash or by check, to the Company on demand. If the Participant fails to pay the amount demanded, the Company may withhold that amount from other amounts payable to the Participant, including salary, subject to applicable law.

**6.4 6.2-Governing Law.** This Plan and all agreements hereunder shall be governed by and construed in accordance with the laws of the Province of British Columbia.

**6.5 6.3-Termination and Amendment of Plan.** ~~The Board may at any time terminate or amend this Plan in any respect; provided however, that the Board will not, without the approval of the shareholders of the Company, amend this Plan or any Option in any manner that requires shareholder approval under applicable law or the rules or policies of any stock exchange or quotation system upon which the Shares are listed or quoted.~~ this Plan in any respect, provided that no such termination shall adversely affect the rights of any Participant under any Option previously granted except with the consent of such Participant. The Board may, without notice, at any time and from time to time, amend the Plan or any provisions thereof, or the form of Stock Option Certificate or instrument to be executed pursuant to the Plan, in such manner as the Board, in its sole discretion, determines appropriate:

- (a) for the purposes of making formal minor or technical modifications to any of the provisions of the Plan;

- (b) to correct any ambiguity, defective provisions, error or omission in the provisions of the Plan;
- (c) to change any vesting provisions of Options;
- (d) to change the termination provisions of the Options or the Plan which does not entail an extension beyond the original expiry date of the Options;
- (e) to add a cashless exercise feature to the Plan, providing for the payment in cash or securities on the exercise of Options, and
- (f) to add or change provisions relating to any form of financial assistance provided by the Company to Participants that would facilitate the purchase of securities under the Plan;

provided, however, that:

- (g) no such amendment of the Plan may be made without the consent of such affected Participant if such amendment would adversely affect the rights of such affected Participant under the Plan; and
- (h) shareholder approval shall be obtained in accordance with the requirements of the Toronto Stock Exchange for any amendment that results in:
  - (i) an increase in the number of Shares issuable under Options granted pursuant to the Plan;
  - (ii) a change in the persons who qualify as Eligible Persons under the Plan;
  - (iii) a reduction in the exercise price of an Option granted to insiders of the Company;
  - (iv) the cancellation and reissue of any Option;
  - (v) an extension of the term of an Option granted under the Plan benefiting an insider (within the meaning of the rules of the Toronto Stock Exchange) of the Company; or
  - (vi) Options becoming transferable or assignable other than for the purposes as described in section 4.2.

**6.6** ~~6.4~~ **Notices.** Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Participant shall be in writing and addressed to ~~participants~~ such Participant at the address indicated in the Stock Option Certificate or to such other address as such party may designate in writing from time to time to the Company. All notices shall be deemed to have been given or delivered upon: personal delivery; three business days after deposit in the mail by certified or registered mail (return receipt requested); one business day after deposit with any return receipt express courier (prepaid); or one business day after transmission by confirmed facsimile, rapidfax or telecopier.

6.7 ~~6.5~~ **Successors and Assigns.** The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company.

6.8 **Nonexclusivity of the Plan.** Neither the adoption of this Plan by the Board nor any provision of this Plan will be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

\* \* \* \*

~~Approved by the Board on December 17, 2003.~~

~~Approved by the members on December 17, 2003.~~

**EXHIBIT A**

**PARTICIPANT GRANT**

**Quadra Mining Ltd.**  
**(the "Company")**  
**Stock Option Certificate**  
**under**  
**Stock Option Plan**  
**(the "Plan")**

The Company hereby grants to a Participant an Option, the details of which are as follows:

Participant's Name:  
Social Insurance Number:  
Address:  
  
Total Option Shares:  
Exercise Price Per Share:  
Date of Grant:  
Expiration Date:

You agree that you may suffer tax consequences as a result of the grant of this Option, the exercise of the Option and the disposition of Shares. You acknowledge that you are not relying on the Company for any tax advice.

This Stock Option Certificate is subject to the terms and conditions of the Plan and, in the event of any inconsistency or contradiction between the terms of the Stock Option Certificate and the Plan, the terms of the Plan shall govern.

If you agree to accept the Option described above, subject to all of the terms and conditions of the Plan, please sign one copy of this letter and return it to \_\_\_\_\_ by \_\_\_\_\_.

**QUADRA MINING LTD.**

By: \_\_\_\_\_  
Authorized Signatory

I have received a copy of the Plan and agree to comply with, and agree that my participation is subject in all respects to, its terms and conditions.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
Address

**EXHIBIT B**

**U.S. PARTICIPANT GRANT**

**Quadra Mining Ltd.**  
**(the "Company")**  
**Stock Option Certificate**  
**under**  
**Stock Option Plan**  
**(the "Plan")**

The Company hereby grants to a Participant an Option, the details of which are as follows:

Participant's Name:

Social Security Number:

Address:

Total Option Shares:

Exercise Price Per Share:

Date of Grant:

Expiration Date:

Type of Option<sup>(1)</sup>: Incentive Stock Option:

Non Qualified Stock Option:

Note (1): the number of Incentive Stock Options shall be calculated in accordance with (a) below

You agree that you may suffer tax consequences as a result of the grant of this Option, the exercise of the Option and the disposition of Shares. You acknowledge that you are not relying on the Company for any tax advice.

If the Option is designated as an "Incentive Stock Option" as that term is defined in section 422 of the Internal Revenue Code, as amended, you acknowledge that:

- (a) notwithstanding the designation of the Option as an Incentive Stock Option, to the extent that the aggregate Market Price, determined as of the date such Option was granted, of the Shares issuable on exercise of the Option which are exercisable for the first time by you during any calendar year exceeds US\$100,000, such excess Option shall not be treated as an Incentive Stock Option and will be Non Qualified Stock Options; and
- (b) in order for the Option to be treated as an Incentive Stock Option:
  - (i) Shares purchased on the exercise of an Option must not be sold or otherwise disposed of within 2 years from the date the Option was granted, or within 1 year from the date the Option was exercised; and
  - (ii) If your employment with the Company terminates for any reason other than Disability or death as provided in (iii) or (iv), you must maintain your status as an employee of the Company at all times during the period beginning on the date the Option is granted and ending 3 months before the date an Option is exercised;
  - (iii) If your employment with the Company terminates because of Disability, your Option must be exercised before the date that is 12 months after the date of termination; and

(iv) If you die while employed with the Company, your Option must be exercised within one year after the date of death;

and if the conditions in (A) and (B) above are not met, then preferential tax treatment under the Internal Revenue Code for Incentive Stock Options will not be available.

This Stock Option Certificate is subject to the terms and conditions of the Plan and, in the event of any inconsistency or contradiction between the terms of the Stock Option Certificate and the Plan, the terms of the Plan shall govern.

If you agree to accept the Option described above, subject to all of the terms and conditions of the Plan, please sign one copy of this letter and return it to \_\_\_\_\_ by \_\_\_\_\_.

**QUADRA MINING LTD.**

By: \_\_\_\_\_  
Authorized Signatory

I have received a copy of the Plan and agree to comply with, and agree that my participation is subject in all respects to, its terms and conditions.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
Address

\_\_\_\_\_  
Address

EXHIBIT C

QUADRA MINING LTD.

NOTICE OF EXERCISE OF STOCK OPTION  
UNDER THE STOCK OPTION PLAN

TO: Quadra Mining Ltd.

FROM: \_\_\_\_\_

DATE: \_\_\_\_\_

RE: Exercise of Stock Option

I hereby exercise my Option to purchase \_\_\_\_\_ Shares (U.S. Participants select  Incentive Stock Options OR  Non-Qualified Stock Options (tick one)) for a per Share Exercise Price of \$ \_\_\_\_\_ (total aggregate exercise price of \$ \_\_\_\_\_), effective today's date, in accordance with the terms of my attached Stock Option Certificate.

Attached is a cheque payable to Quadra Mining Ltd. for the total aggregate exercise price of the Shares being purchased.

Please prepare the stock certificate in the following name(s):

\_\_\_\_\_  
\_\_\_\_\_

**NOTE: If the shares are to be registered in a name other than the Participant's name, please advise the Company. The Stock Option Plan requires the Company's approval for registration in a name other than your name and states the limited circumstances in which this will be permitted.**

Sincerely

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print or type name

Letter and consideration  
received on \_\_\_\_\_, 20\_\_\_\_.  
By: \_\_\_\_\_

## SCHEDULE “D”

### **Governance and Nominating Committee Charter**

#### **1. Purpose**

The purpose of the Governance and Nominating Committee is to:

- (a) develop and recommend to the Board a set of corporate governance principles applicable to the Corporation;
- (b) identify individuals qualified to become new Board members and to recommend to the Board new director nominees from time to time; and
- (c) assist the Chairman in overseeing the process of evaluation of the Board, its committees and individual directors.

#### **2. Composition and Qualification**

- (a) The Governance and Nominating Committee shall consist of a minimum of three directors.
- (b) All members of the Governance and Nominating Committee shall be independent directors (as defined in Section 4 of the Board Governance Manual).

#### **3. Member Appointment and Removal**

- (a) The Governance and Nominating Committee members are appointed by the Board on the recommendation of the Governance and Nominating Committee after consultation with the Chairman, the Lead Independent Director (if any) and the CEO and with consideration of the desires of individual Board members.
- (b) Consideration will be given to rotating the Governance and Nominating Committee members periodically.
- (c) The Governance and Nominating Committee Chairman is selected by the Board on the recommendation of Governance and Nominating Committee.
- (d) The Board may at any time remove a member from the Governance and Nominating Committee.

#### **4. Meetings**

The Governance and Nominating Committee will meet at least four times annually, or more frequently as circumstances may warrant. The Governance and Nominating Committee may meet with, and receive reports from, management.

A quorum for the transaction of business at all meetings of the Governance and Nominating Committee shall be a majority of members.

#### **5. Position Description and Responsibilities for Chairman**

The Chairman of the Governance and Nominating Committee shall be an independent director appointed by the Board on the recommendation of the Governance and Nominating Committee

on an annual basis following the election of the directors at the Corporation's Annual General Meeting of shareholders.

The Chairman shall:

- (a) work with the Chairman of the Board and the CEO, and manage the Governance and Nominating Committee, in an effective and efficient manner which furthers the best interests of the Corporation;
- (b) act as the principal sounding board and counsel for the directors and the CEO with respect to governance issues;
- (c) ensure that, as appropriate, the Chairman of the Board, the Lead Independent Director (if any) and the CEO are aware of concerns of the Governance and Nominating Committee;
- (d) provide strong leadership of the Governance and Nominating Committee;
- (e) work closely with the Chairman of the Board to coordinate matters to be brought forth to Board meetings from the Governance and Nominating Committee;
- (f) communicate with the Board to keep it current on all major developments involving governance and the nomination of Directors;
- (g) set the frequency of the Governance and Nominating Committee meetings and review such frequency as appropriate; and
- (h) chair and manage meetings of the Governance and Nominating Committee.

**6. Mandate and Responsibilities:**

The Governance and Nominating Committee shall:

- (a) develop the Corporation's approach to corporate governance issues and ensure that:
  - (i) governance of the Corporation is implemented in compliance with the Board Governance Manual;
  - (ii) the Corporation's governance and the adequacy thereof is reviewed at least annually; and
  - (iii) the Corporation complies to the extent practicable with the governance guidelines set out in applicable laws;
- (b) ensure that standards of ethical conduct are developed and monitored (see Section 19 – Code of Business Conduct and Ethics);
- (c) annually examine the size of the Board and, where appropriate, make recommendations to increase or decrease the number of directors;
- (d) annually examine the effectiveness and contribution of the Chairman of the Board and the Lead Independent Director (if any);
- (e) consider and recommend a desirable balance of skills and experience among Board members;

- (f) seek out and attract qualified candidates to fill Board positions;
- (g) recommend to the Board the appropriate nominees to fill vacancies on the Board or to be proposed as candidates for election as directors at the annual shareholder meeting;
- (h) ensure that new members of the Board are provided with the necessary information about the Corporation, its business and the factors which affect its performance and review and monitor the orientation of new Board members (See Section 22 – Orientation and Continuing Education);
- (i) review and approve officers' directorships in companies other than subsidiary companies and to review directors' relationships with other outside entities with regard to potential conflicts of interest;
- (j) provide advice to the Board regarding proposed committee nominations;
- (k) recommend to the Board the appointment of the Chairman of the Board and the Lead Independent Director (if any) following the election of the directors at the annual meeting of shareholders;
- (l) ensure that the performance evaluation of the Chairman of the Board and the Lead Independent Director (if any) is incorporated in the Board review process, which takes place annually;
- (m) review transactions or arrangements (financial or otherwise) between the Corporation and one or more directors or officers, other than compensation decisions, and make recommendations to the Board with respect thereto; and
- (n) perform any other activities consistent with this Charter and Applicable Laws as the Governance and Nominating Committee or the Board deems necessary or appropriate.

The Governance and Nominating Committee shall have the authority to delegate any of its responsibilities to subcommittees or individual members as the Governance and Nominating Committee deems appropriate.

**7. Authority**

The Governance and Nominating Committee shall have the authority:

- (a) to engage independent counsel and other advisors, including without limitation any search firm to be used to identify director candidates, that it determines are necessary to permit it to carry out its duties;
- (b) to set and pay the compensation for any advisors employed by the Governance and Nominating Committee; and
- (c) to set and pay the ordinary administrative expenses of the Governance and Nominating Committee that are necessary or appropriate in carrying out its duties.

**8. Reporting**

- (a) The Governance and Nominating Committee has a duty to report to the Board all matters that it considers to be important for Board consideration.

- (b) All minutes of the Governance and Nominating Committee should be attached to the Board minutes and forwarded to each member of the Board by the Secretary in a timely manner.

## **SCHEDULE “E”**

### **Compensation Committee Charter**

#### **1. Purpose**

The purpose of the Compensation Committee is to:

- (a) review and approve the corporate goals and objectives relevant to CEO compensation, evaluate the CEO’s performance in light of those corporate goal and objectives, and determine (or make recommendations to the Board with respect to) the CEO’s compensation level based on this evaluation (See Section 8 – CEO Review Process);
- (b) make recommendations to the Board with respect to non-CEO officer extraordinary bonuses, director compensation, incentive compensation plans and equity-based plans;
- (c) review executive compensation disclosure before the Corporation publicly discloses this information; and
- (d) propose option awards and restricted share grants to the Board with the input from the CEO.

#### **2. Composition and Qualification**

- (a) The Compensation Committee shall consist of a minimum of three directors.
- (b) At least a majority of the members of the Compensation Committee shall be independent directors (as defined in Section 4 of the Board Governance Manual).

#### **3. Member Appointment and Removal**

- (a) The Compensation Committee members are appointed by the Board on the recommendation of the Governance and Nominating Committee after consultation with the Chairman and the Lead Independent Director (if any) and with consideration of the desires of individual Board members.
- (b) Consideration will be given to rotating the Compensation Committee members periodically.
- (c) The Compensation Committee Chairman is selected by the Board on the recommendation of the Governance and Nominating Committee.
- (d) The Board may at any time remove a member from the Compensation Committee.

#### **4. Meetings**

The Compensation Committee will meet at least 2 times annually, or more frequently as circumstances may warrant. The Compensation Committee may meet with, and receive reports from, management.

A quorum for the transaction of business at all meetings of the Compensation Committee shall be a majority of members.

**5. Position Description and Responsibilities for Chairman**

The Chairman of the Compensation Committee shall be an independent director appointed by the Board on the recommendation of the Governance and Nominating Committee on an annual basis following the election of the Directors at the Corporation's Annual General Meeting of shareholders.

The Chairman shall:

- (a) work with the Chairman of the Board and the CEO, and manage the Compensation Committee, in a manner that ensures these relationships are effective and efficient and furthers the best interests of the Corporation;
- (b) act as the principal sounding board and counsel for the directors and the CEO with respect to compensation issues;
- (c) ensure that, as appropriate, the Chairman of the Board, the Lead Independent Director (if any) and the CEO are aware of concerns of the Compensation Committee;
- (d) provide strong leadership of the Compensation Committee in reviewing and monitoring the aims, strategy, policy and directions of the Compensation Committee in order to achieve its objectives;
- (e) communicate with the Board to keep it current on all major developments involving executive compensation;
- (f) set the frequency of the Compensation Committee meetings and reviews such frequency as appropriate;
- (g) work closely with the Chairman to coordinate matters to be brought forth to Board Meetings from the Compensation Committee; and
- (h) chair and manage meetings of the Compensation Committee.

**6. Mandate and Responsibilities**

The Compensation Committee shall review and make recommendations to the Board concerning the following:

- (a) the compensation of the CEO;
- (b) the compensation policy with respect to employees of the Corporation or any of its subsidiaries ensuring that the Corporation is in compliance with all legal compensation reporting requirements;
- (c) extraordinary bonus awards to executives under any STIP program in effect;
- (d) the succession plans and process for the CEO and executive team;
- (e) performance appraisal of the CEO;
- (f) the adequacy and form of compensation of directors, ensuring that compensation realistically reflects the responsibilities and risks involved in being an effective director;

- (g) if the Corporation or any of its subsidiaries has or adopts a pension plan, the performance of the pension plans and the pension fund managers with particular concern for:
  - (i) funding issues and the matching of assets and obligations;
  - (ii) the investment policy guidelines of the fund managers; and
  - (iii) the firm that is to be employed by the Corporation as the trustee, the actuary and the investment managers;
- (h) awards under the Corporation's Corporate Stock Option Plan;
- (i) human resources policy and strategy; and
- (j) perform any other activities consistent with this Charter and Applicable Laws as the Compensation Committee or the Board deems necessary or appropriate.

The Compensation Committee shall have the authority to delegate any of its responsibilities to subcommittees or individual members as the Compensation Committee deems appropriate.

**7. Authority**

The Compensation Committee shall have the authority:

- (a) to engage independent counsel and other advisors including, without limitation, executive compensation consulting firms, that it considers necessary to carry out its duties;
- (b) to set and pay the compensation for any advisors employed by the Compensation Committee for the purpose of carrying out its duties; and
- (c) to set and pay the ordinary administrative expenses of the Compensation Committee that are necessary or appropriate in carrying out its duties.

**8. Reporting**

- (a) The Compensation Committee has a duty to report to the Board all matters that it considers to be important for Board consideration.
- (b) All minutes of the Compensation Committee should be attached to the Board minutes and forwarded to each member of the Board by the Secretary in a timely manner.