



ANDEAN AMERICAN MINING CORP.

BOARD MANDATE AND CORPORATE GOVERNANCE GUIDELINES

The following Board Mandate and Corporate Governance Guidelines have been approved by the Board of Directors (the “**Board**”) of Andean American Mining Corp. (the “**Company**”), and along with the charters and key practices of the committees of the Board, provide the framework for the governance of Andean American and its subsidiaries (collectively the “**Company**”).

1. MISSION AND PRIMARY RESPONSIBILITIES OF THE BOARD

The mission of the Board is to oversee the business affairs of the Company in order to ensure the long-term financial strength of the Company and the creation of enduring shareholder value. The Board must also maintain a sense of responsibility to the Company’s employees, customers, suppliers and the communities in which it operates.

The primary responsibilities of the Board are to:

- (a) develop, monitor and, where appropriate, modify the Company’s strategic plan;
- (b) review and, where appropriate, approve the financial and business goals and objectives, major corporate actions and internal controls of the Company;
- (c) regularly monitor the effectiveness of management policies and decisions;
- (d) select, evaluate and compensate the Chief Executive Officer (the “**CEO**”) .
- (e) assess major risks facing the Company and review options for their mitigation;
- (f) ensure that the Company’s business is conducted with the highest standards of ethical conduct and in conformity with applicable laws and regulations;
- (g) review, with input from the Audit Committee, the financial performance and financial reporting of the Company and assess the scope, implementation and integrity of the Company's internal control systems;





- (h) appoint the officers of the Company, ensuring that they are of the calibre required for their roles and planning their succession as appropriate from time to time; and
- (i) establish and oversee committees of the Board as appropriate, approve their mandates and approve any compensation of their members.

2. DIRECTOR QUALIFICATIONS AND SELECTION

The directors will be elected each year by the shareholders at the annual meeting of shareholders. The Board will propose a slate of nominees to the shareholders for election to the Board at such meeting. Between annual meetings of shareholders, the Board may elect directors to serve until the next such meeting.

Each director should possess the following minimum qualifications: (a) the highest personal and professional ethics, integrity and values; (b) commitment to representing the long-term interest of the shareholders; (c) relevant business or professional experience; and (d) sufficient time to effectively fulfill duties as a Board member. The non-management directors will endeavour to recommend qualified individuals to the Board who, if added to the Board, would provide the mix of director characteristics and diverse experiences, perspectives and skills appropriate for the Company.

The Board will have a sufficient number of directors who meet the criteria for independence as defined in Multilateral Instrument 52-110, *Audit Committees*, as may be amended or replaced from time to time.

3. BOARD LEADERSHIP AND TERM

3.1 Board Leadership

The Board selects the Chairman of the Board in the manner and based on the criteria that it deems best for the Company at the time of selection. The Board does not have a policy on whether the role of the Chairman and Chief Executive Officer should be separate or combined. Unless the Chairman is an independent director, the Board will have a designated lead director of the Board, who will meet the Company's independence criteria. The lead director will (a) preside over all meetings of the Board at which the Chairman is not present, including non-management directors meetings; (b) serve as liaison between the Chairman and other independent directors; (c) consult with the Chairman regarding meeting agendas and information sent to the Board; and (d) notify other members of the Board regarding any legitimate shareholder concerns of which he becomes aware.





3.2 Directors' Tenure Policy

The Board believes that it is in the best interests of the Company that:

- (a) any management director whose employment at the Company terminates for any reason (including normal retirement) is expected to promptly resign from the Board, unless expressly agreed otherwise in advance; and
- (b) any director who has a change of employer or primary occupation, or whose occupational responsibilities are substantially changed from when the director was elected to the Board (excluding retirement), will submit an offer of resignation to the Chairman of the Board. Such resignation may be accepted or rejected by the Board, in accordance with the recommendation of the Corporate Governance and Compensation Committee, based on whether the new occupation of the director is consistent with the specific rationale for originally selecting that individual.

3.3 Term Limits and Re-election

The Board does not believe it is appropriate or necessary to limit the number of terms a director may serve because of the time and effort necessary for each director to become familiar with the business of the Company. As an alternative to term limits, the Corporate Governance and Compensation Committee, will review critically each director's continuation on the Board every year.

4. DUTIES OF BOARD MEMBERS

4.1 Director Responsibilities

All directors must exercise their business judgment to act in a manner they reasonably believe to be in the best interest of the Company and its shareholders. Directors must be willing to devote sufficient time and effort to learn the business of the Company, and must ensure that other commitments do not materially interfere with service as a director. In discharging their obligations, directors are entitled to rely on management and the advice of the Company's outside advisors and auditors, but must at all times have a reasonable basis for such reliance. Directors are expected to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

The directors are entitled to have the Company purchase reasonable directors' and officers' liability insurance on their behalf, and to the benefits of indemnification to the fullest extent permitted by law, the Company's charter documents and any indemnification agreements.

4.2 Service on Other Boards

The Company recognizes that its directors benefit from service on boards of other companies, so long as such service does not conflict with the interests of the Company. The Corporate





Governance and Compensation Committee will take into account the nature of and time involved in a director's service on other boards in evaluating the suitability of individual directors for election or re-election.

Directors should advise the Chairman of the Board and the Chairman of the Corporate Governance and Compensation Committee in advance of accepting an invitation to serve on the board of another company, which is a potential competitor of the Company.

4.3 Conflicts of Interest

Directors are required to disclose to the Board and any applicable committee any financial interest or personal interest in any contract or transaction that is being considered by the Board or committee for approval. The interested director shall abstain from voting on the matter and, in most cases, should leave the meeting while the remaining directors discuss and vote on such matter. Disclosed conflicts of interest will be documented in the minutes of the meeting.

If a director has any significant conflict of interest with the Company that cannot be resolved, the director will promptly resign.

4.4 Company Loans and Corporate Opportunities

The Company will not make any personal loans or extensions of credit to directors or executive officers of the Company.

A director who possesses a business opportunity related to the Company's business shall make such business opportunity available to the Company. The director may pursue the business opportunity for the director's own account or on the account of another if the Company informs the director in writing that the Company will not pursue the opportunity.

4.5 Director Orientation and Continuing Education

The Chief Financial Officer will be responsible for providing an orientation for new directors, and for periodically providing materials for all directors on subjects relevant to their duties as directors. Director orientation and on-going training will include presentations by senior management to familiarize directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Business Conduct and Ethics, its principal officers and its independent auditors.

Each director is encouraged to visit one of the Company's significant properties at least once every two years.

4.6 Share Ownership Guidelines

All directors are encouraged to have a significant long-term financial interest in the Company, but no director is required to be a shareholder of the Company.





5. DIRECTORS' COMPENSATION

Directors are entitled to receive reasonable compensation for their services as directors and committee members as may be determined from time to time by the Corporate Governance and Compensation Committee and the Board, as well as reimbursement of expenses incurred on Company business or in attending Board or committee meetings.

Directors may be compensated in cash and/or equity for their expert advice and contribution towards the success of the Company. The form and amount of such compensation will be evaluated by the Corporate Governance Compensation Committee, which will be guided by the following goals: (i) compensation should be commensurate with the time spent by directors in meeting their obligations and reflective of the compensation paid by companies similar in size and business to the Company; and (ii) the structure of the compensation should be simple, transparent and easy for shareholders to understand. Shareholders will be given the opportunity to vote on all new or substantially revised equity compensation plans for directors in accordance with regulatory policies.

6. BOARD MEETINGS AND COMMUNICATIONS

6.1 Attendance at Meetings

The number of scheduled Board meetings will vary with the circumstances, but the Board will meet at least once every financial quarter including following the annual meeting of shareholders held each year. In addition, special Board meetings will be called as necessary. Directors should make reasonable efforts to attend all meetings of the Board and of all Board committees upon which they serve. Any director candidate nominated for election at the annual meeting of shareholders is expected to attend such shareholders' meeting.

6.2 Board Agendas

The Chairman of the Board will establish the agenda for each Board meeting in advance. Each director is free to suggest the inclusion of items on the agenda and to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review the Company's long-term strategic plans and the principal issues that the Company will face in the future during at least one Board meeting each year.

6.3 Board Material Distribution

Meeting agendas and other materials for review, discussion and/or action of the Board should, to the extent practicable, be distributed sufficiently in advance of meetings to allow time for review prior to the meeting. Directors are required to review such materials before Board meetings to facilitate a full discussion at the meetings. Presentations to the Board may rely on directors





having reviewed information set forth in the briefing materials, thus allowing more time for discussion, clarification and feedback.

6.4 Access to Management and Independent Advisors

Directors have full and free access to officers and employees of the Company. Any meetings or contacts that a director wishes to initiate may be arranged through the CEO or the Corporate Secretary. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company.

The Board has the power to hire independent legal, financial or other advisors as it may deem necessary.

6.5 Executive Sessions of Non-Management Directors

If requested by one or more independent directors, time will be allotted for non-management directors to meet in executive session at a scheduled Board meeting. The Board will designate a lead independent director to chair such sessions.

7. EVALUATION, SUCCESSION AND COMPENSATION

7.1 Annual Performance Evaluation

The Board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Corporate Governance and Compensation Committee, will establish a process for the evaluation of the performance of the Board and each of its committees, which should include a solicitation of comments from all directors and a report annually to the Board on the results of this evaluation.

7.2 CEO Evaluation

The independent members of the Corporate Governance and Compensation Committee will conduct an annual review of the CEO's performance. The Board will review the Committee's report in order to ensure that the CEO is providing the best leadership for the Company. The evaluation should be based on criteria including performance of the business, accomplishment of long-term strategic objectives, the handling of extraordinary events and development of management. The criteria should ensure that the CEO's interests are aligned with the long-term interests of the Company's shareholders. The evaluation will be used by the Corporate Governance and Compensation Committee in the course of its deliberations when considering the compensation of the CEO.





7.3 Management Succession

The Corporate Governance and Compensation Committee should make an annual report to the Board on succession planning which should include policies and principles for CEO selection and performance review as well as policies regarding succession in the event of an emergency or the retirement of the CEO. The entire Board will work with the Corporate Governance and Compensation Committee to evaluate and nominate potential successors to the CEO.

7.4 Compensation Committee Mandate

The Corporate Governance and Compensation Committee shall:

- (a) review and recommend to the Board the overall compensation strategy and policies for directors, officers and employees of the Company;
- (b) review and recommend to the Board the corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluate the performance of the Chief Executive Officer in light of those goals and objectives, and recommend to the Board the compensation level of the Chief Executive Officer based on this evaluation;
- (c) Review and approve the annual compensation of all other senior executive officers of the Company, as recommended by the Chief Executive Officer;
- (d) Administer the Company's Stock Option Plan, in accordance with the terms of the Plan;
- (e) Review and approve the annual disclosure relating to executive compensation contained in the Management Information Circular of the Company;

8. BOARD COMMITTEES

8.1 Committee Structure

The Board will have at all times an Audit Committee. The Board may from time to time establish additional committees as necessary or appropriate, delegating to such committees all or part of the Board's powers. Such additional committees will have a number of independent members as is required to meet the requirements of any applicable laws, rules and regulations and this Board Mandate and Corporate Governance Guidelines. In general, committees of the Board are utilized to focus on issues that may require in-depth scrutiny. All significant findings of a committee are presented to the full Board for discussion and review.





8.2 Corporate Governance and Compensation Committee

The Corporate Governance and Compensation Committee will be composed of a majority of independent directors. The Corporate Governance and Compensation Committee should review these Guidelines on an annual basis or as otherwise needed, and make recommendations to the Board regarding any suggested changes. The Corporate Governance and Compensation Committee will also perform such other tasks as indicated in this policy, or as assigned by the Board from time to time.

8.3 Committee Charters and Responsibilities

Each key committee will have its own charter. The charters will establish the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. The charters will also provide that each committee will annually evaluate its performance.

8.4 Committee Agendas

The Chairman of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chairman of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda.

8.5 Compensation of Committee Members

The members of committees are entitled to receive such fees as the Board determines.

8.6 Advisors

The Audit Committee and the Corporate Governance and Compensation Committee, each have the power to hire independent legal, financial or other advisors as they may deem necessary. Any other committee has the power to hire independent legal, financial or other advisors as they deem necessary, with prior approval of the Board.

9. CODE OF BUSINESS CONDUCT AND ETHICS

All directors, officers and employees are required to comply with the Company's Code of Business Conduct and Ethics, which reaffirms the Company's high standards of business conduct. The Code of Business Conduct and Ethics is part of the Company's continuing effort to ensure that it complies with all applicable laws, has an effective program to prevent and detect violations of law, and conducts its business with fairness, honesty and integrity. In the unlikely event of a waiver, any such waivers of the Code of Business Conduct and Ethics for directors or executive officers will be approved by the Board and such waiver will be promptly disclosed to





shareholders as required by law. Any waivers of the Code of Business Conduct and Ethics for other employees may be made by the Chair of the Audit Committee after consultation with the CEO.

10. MISCELLANEOUS

These guidelines are not intended to modify, extinguish or in any other manner limit the indemnification, exculpation and similar rights available to the directors of the Company under applicable law and/or the Company's articles and/or its charter documents. Although these Corporate Governance Guidelines have been approved by the Board, it is expected that these guidelines will evolve over time as customary practice and legal requirements change. In particular, guidelines that encompass legal, regulatory or exchange requirements, as they currently exist, will be deemed to be modified as and to the extent such legal, regulatory or exchange requirements are modified. In addition, the guidelines may also be amended by the Board at any time as it deems appropriate.

Nothing in these guidelines should be construed or interpreted as limiting, reducing or eliminating the obligation of any director, officer or employee of the Company to comply with all applicable laws. Conversely, nothing in these guidelines should be construed or interpreted as expanding applicable standards of liability under provincial or federal law for directors or officers of the Company.

