



## **HEDGING COMMITTEE CHARTER**

### **Terms of Reference and Mandate**

#### **1. Purpose**

The Hedging Committee is responsible for assisting the directors of the Corporation (the “Board”) in fulfilling its oversight responsibilities in relation to risk management relative to exposures to commodity price, interest rates and foreign exchange rate fluctuations.

In pursuance of the obligations set out herein, it is hereby defined as follows:

The primary objectives shall be:

1. to ensure continuity of production in adverse market environments.
2. opportunistically fix sales revenues for up to 18 months forward or further at the discretion of the hedging committee subject to Board approval and up to 70% of hedgeable mine production. CMC is exempted from these guidelines due to its bank loan arrangements.
3. opportunistically manage risk, by realising hedge gains and/or restructuring hedges to reflect market outlook whilst taking into consideration of (1) above.

Hedging Committee:

1. authorisations to include instruments, counterparties, trading authorisations, limits. Management shall have responsibility for implementation of the Hedging Committee decisions and micro management of positions.
2. to ensure correct matching and allocation with concentrate sales to ensure compliance with accounting measures (hedge accounting).

Hedging Committee process and monitoring:

1. high level exposure monitoring (a) hedge positions in relation to sales production profile positions (b) credit margins (c) position stress testing
2. limit monitoring, counterparty exposure, margin calls
3. adherence of hedging execution to policy

4. meet quarterly (or more regularly as may be required) to review positions in conjunction with market outlook, monitor position changes undertaken by management and ratify any decisions to undertake new hedges or restructure existing positions.

## 2. Members

The members of the Hedging Committee will consist of a minimum of three directors including the Chief Executive Officer of the Corporation. The members of the Hedging Committee will be selected by the Board on the recommendation of the Corporate Governance and Nominating Committee. Any member of the Hedging Committee may be removed and replaced at any time by the Board. The Board will fill vacancies on the Hedging Committee by appointment from among qualified members of the Board on the recommendation of the Corporate Governance and Nominating Committee. If a vacancy exists on the Hedging Committee, the remaining members may exercise all of its powers so long as a quorum remains.

## 3. Structure and Operation

A quorum at any meeting of the Hedging Committee shall be two members. Each year, the Board will appoint one Board member to be Chairman of the Hedging Committee. If, in any year, the Board does not appoint a Chairman, the incumbent Chairman will continue in office until a successor is appointed. The Hedging Committee Chairman shall set the agenda for each meeting of the Hedging Committee.

## 4. Duties

The Hedging Committee is responsible for performing the duties set out below as well as any other duties that are delegated to the Hedging Committee by the Board.

### (a) Hedging Strategy

The Hedging Committee will develop the Corporation's hedging strategy. That strategy will include analyzing current and forecast market conditions and evaluating existing hedge programs. The Hedging Committee will be responsible for executing the hedging strategy within the constraints of the Hedging Policy.

### (b) Hedging Policy

The Hedging Committee will review the Hedging Policy at least annually and recommend any required modifications to the Board. The Hedging Committee will monitor and ensure compliance by the Corporation with the Hedging Policy.

### (c) Hedging Position and Program

The Hedging Committee will periodically review the Corporation's ongoing hedging position. The hedge position review will include a detailed summary of current hedge positions consisting of quantities hedged, pricing, commodity/currency hedged, counterparty to each transaction, counterparty credit rating, maturity/deliver date, option premiums earned/paid, gross value of transaction and the mark-to-market gain or loss.

(d) Counterparty Approval

The Hedging Committee will review potential counterparties and approve the counterparties suitable for completing transactions. Counterparty risk considerations include: credit ratings; industry reputation; type of transaction contemplated; and the materiality of the transaction. Based on its review, the Hedging Committee may approve transactions with a given counterparty but impose additional limits on transaction type, gross value and tenure.

(e) Hedge Reporting/ Information

The Hedging Committee is responsible for ensuring adequate controls and information systems are maintained for hedging transactions and outstanding hedge positions. **The Hedging Policy will specify the format, frequency and documentation for hedging activities.**

5. Reporting

The Hedging Committee will regularly report to the Board all significant matters it has addressed with respect to matters that are within its mandate.