



## **MONETA PORCUPINE MINES INC.**

### **NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**NOTICE** is hereby given that the annual and special meeting (the “**Meeting**”) of holders of common shares (“**Shareholders**”) of **MONETA PORCUPINE MINES INC.** (the “**Corporation**”) will be held at the offices of Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, Canada, M5L 1B9 on June 21, 2011 at 2:00 p.m. (Toronto time), for the following purposes:

1. To receive the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2010, together with the auditors’ report thereon;
2. To elect the directors of the Corporation;
3. To appoint Sievert & Sawrantschuk LLP, Chartered Accountants, as the auditors of the Corporation and to authorize the directors to fix the remuneration to be paid to the auditors; and
4. To transact such further and other business as may properly come before the Meeting or any adjournment thereof.

This notice is accompanied by a form of proxy, the Circular and the Corporation’s audited consolidated financial statements of the Corporation for the financial year ended December 31, 2010. Reference should be made to the accompanying Circular, which provides information relating to the matters to be dealt with at the Meeting and forms part of this notice.

If you are not able to be present at the Meeting, please exercise your right to vote by signing and returning the enclosed form of proxy to the offices of Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department, so as to arrive not later than 4:00 p.m. (Toronto time) on the second business day preceding the date of the Meeting or any adjournment thereof. Proxies may also be sent by facsimile to Computershare Investor Services Inc. at 1-866-249-7775.

The Board of Directors has fixed the close of business on May 16, 2011 as the record date for the determination of holders of common shares of the Corporation entitled to notice of the Meeting, and any adjournment or postponement thereof.

DATED at Toronto, Ontario, Canada, this 16th day of May, 2011.

**BY ORDER OF THE BOARD OF DIRECTORS**

Ian C. Peres  
President, CEO & Director

## MANAGEMENT INFORMATION CIRCULAR SOLICITATION OF PROXIES

This Management Information Circular (the “**Circular**”) is furnished in connection with the solicitation by management of Moneta Porcupine Mines Inc. (the “**Corporation**”) of proxies to be used at the annual and special meeting (the “**Meeting**”) of holders of common shares (“**Shareholders**”) of the Corporation to be held at the offices of Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, Canada, M5L 1B9 on June 21, 2011 at 2:00 p.m. (Toronto time) and all adjournments thereof, for the purposes set out in the Notice of Annual and Special Meeting of Shareholders accompanying this Circular (the “**Notice of Meeting**”). Unless otherwise stated, all information contained in this Circular is presented as at May 16, 2011 and all references to \$ in this Circular are to Canadian dollars unless otherwise noted.

**The solicitation of proxies by this Circular is being made by or on behalf of the management of the Corporation.** It is expected that the solicitation will be made primarily by mail, but proxies may also be solicited personally, by telephone or by other forms of electronic communication by directors, officers, employees or agents of the Corporation. The total cost of the solicitation will be borne by the Corporation.

### APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy accompanying this Circular are directors and officers of the Corporation. **A Shareholder has the right to appoint a person (who need not be a Shareholder) other than the persons designated in the enclosed form of proxy to attend and to vote and act for and on behalf of such Shareholder at the Meeting, and any adjournment or postponement thereof. Such right may be exercised by striking out the name of the persons specified in the form of proxy, inserting the name of the person to be appointed in the blank space provided in the form of proxy, signing the form of proxy and returning it in the reply envelope to the offices of Computershare Investor Services Inc. at the address and in the manner set forth below.**

A Shareholder who has given a proxy may revoke it (a) by depositing an instrument in writing executed by such Shareholder or by such Shareholder’s attorney authorized in writing, or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized indicating the capacity under which such officer or attorney is signing (i) at the offices of Computershare Investor Services Inc. at 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department at any time up to 4:00 p.m. (Toronto time) on the second business day preceding the date of the Meeting or any adjournment thereof or (ii) with the Chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment thereof; or (b) in any other manner permitted by law.

### VOTING OF SHARES REPRESENTED BY MANAGEMENT PROXIES

The common shares represented by the proxy which is hereby solicited will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for and, where the Shareholder whose proxy is solicited specifies a choice with respect to any matter to be acted upon, the common shares shall be voted by the appointee accordingly. **Where a Shareholder fails to specify a choice with respect to a matter referred to in the Notice of Meeting, the common shares represented by such proxy will be voted for or in favour of such matter.**

**The enclosed form of proxy, when properly completed and signed, confers discretionary authority upon the proxyholder(s) named therein with respect to amendments or variations to matters identified in the Notice of the Meeting and with respect to other matters which may properly come before the Meeting.** At the date of this Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting.

## NON-REGISTERED HOLDERS

Only registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. In many cases, however, common shares of the Corporation beneficially owned by a person (a “**Non-Registered Holder**”) are registered either:

- (a) in the name of an intermediary such as a bank, trust company, securities dealer, trustee or administrator of self-administered RRSPs, RRIFs, RESPs and similar plans (each an “**Intermediary**”) that represents the Non-Registered Holder in respect of its common shares; or
- (b) in the name of a depository (a “**Depository**”, such as CDS Clearing and Depository Services Inc.) of which the Intermediary is a participant.

In accordance with the requirements of National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*, the Corporation will have distributed copies of the Notice of Meeting, the Circular, the form of proxy and the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2010 (which includes management’s discussion and analysis) (collectively, the “**Meeting Materials**”) to the Intermediaries for onward 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 such materials. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive the Meeting Materials will receive a package from their Intermediary containing either:

- (a) a voting instruction form that must be properly completed and signed by the Non-Registered Holder and returned to the Intermediary in accordance with the instructions on the voting instruction form;

or, less typically

- (b) a form of proxy that has already been stamped or signed by the Intermediary that is restricted as to the number of common shares beneficially owned by the Non-Registered Holder but which otherwise has not been completed. In this case, the Non-Registered Holder who wishes to submit a proxy should properly complete the form of proxy and deposit it with Computershare Investor Services Inc. at the address set forth in the Notice of Meeting.

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of common shares of the Corporation that they beneficially own. **Should a Non-Registered Holder, who receives either a voting instruction form or a form of proxy, wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the Non-Registered Holder’s (or such other person’s) name in the blank space provided or, in the case of a voting instruction form, follow the corresponding instructions on the form. In either case, Non-Registered Holders should carefully follow the instructions of their Intermediaries and service companies. If you are a Non-Registered Holder and have not received such a package, please contact your Intermediary.**

A Non-Registered Holder may revoke a proxy or voting instruction form which has been given to an Intermediary by written notice to the Intermediary or by submitting a proxy or voting instruction form bearing a later date. In order to ensure that an Intermediary acts upon a revocation of a proxy or voting instruction form, the written notice should be received by the Intermediary well in advance of the Meeting.

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

Except as otherwise disclosed, to the knowledge of the Corporation, no director or executive officer since the commencement of the Corporation's last completed financial year, and no proposed nominee for election as a director, or any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any of the matters to be acted upon at the Meeting other than the election of directors.

## VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

As of the close of business on the record date of May 16, 2011, there were 157,307,097 common shares in the capital of the Corporation issued and outstanding, being the only class of shares outstanding and entitled to vote at the Meeting. Each Shareholder on the record date will, unless otherwise specified in this Circular, be entitled to one (1) vote for each common share held by such holder on all matters proposed to come before the Meeting.

To the knowledge of the directors and executive officers of the Corporation, no persons, firms or corporations beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the common shares.

## PARTICULARS OF MATTERS REQUIRING SHAREHOLDER APPROVAL

A quorum of Shareholders will be present at the Meeting if the holders of not less than 5% of the shares entitled to vote at the meeting are present in person or represented by proxy, and at least two persons entitled to vote at the meeting are actually present at the meeting.

### Item 1: Financial Statements

The consolidated financial statements of the Corporation for the fiscal year ended December 31, 2010, together with the auditor's report thereon, will be placed before the Shareholders at the Meeting.

### Item 2: Election of Directors

At the Meeting, Management of the Corporation proposes to nominate the persons listed below for election as directors. All directors elected will hold office until the next annual meeting of Shareholders or until their successors are elected or appointed, unless his or her office is vacated earlier in accordance with the by-laws of the Corporation or with the provisions of the *Business Corporations Act* (Ontario).

**Management of the Corporation does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason at or prior to the Meeting or should any of the nominees withdraw their candidacy at or prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.**

The following table sets forth certain information with respect to all persons proposed to be nominated by management:

Name, Place of Residence and Position with Corporation	Principal Occupation	Period Served as a Director	Common Shares Beneficially Owned or Controlled
Warren Bates, P. Geo. <sup>(1),(2),(3)</sup> Oakville, Ontario Director	Senior Vice President, Exploration of Pelangio Exploration Inc.	Since 6/16/2009	132,353
Richard Boulay, B.Sc. Calgary, Alberta Interim CFO and Director	Chairman and CEO of Strikepoint Gold Inc.	Since 5/11/2010	1,125,500
Alex D. Henry, C.A. <sup>(1),(2),(3)</sup> Toronto, Ontario Director	Principal of Hampton-Metrix Capital Partners Inc.	Since 6/24/2005	2,070,000
Ian C. Peres, CA Toronto, Ontario President and CEO and Director	President and Chief Executive Officer	Since 8/7/2008	4,477,222
Dr. K. Sethu Raman, Ph.D. <sup>(1)(2)</sup> Toronto, Ontario Director	Independent director to TSX-listed mining companies	Since 1/05/2010	1,500,000

(1) Member of the Audit Committee

(2) Independent Director

(3) Member of Compensation Committee

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

Alex D. Henry was a director of Advanced Systems International Inc., a Michigan-based technology company trading OTC BB (NASDAQ), when it filed for Chapter 11 bankruptcy protection in 2002. The company subsequently made a voluntary conversion to Chapter 7, at which time a trustee was appointed and Mr. Henry resigned as director.

Alex D. Henry was a director of Musicmusicmusic Inc., a Toronto-based technology company which traded on the Neuer Market (Frankfurt), when it filed a Notice of Intention to Make a Proposal in September of 2002. The company filed a proposal on January 13, 2003 and filed an Assignment in Bankruptcy on April 10, 2003. Mr. Henry resigned as director on April 8, 2003.

Dr. K. Sethu Raman was a director of Visa Gold Explorations Inc. ("**Visa Gold**"), a TSX-V listed company, from October 2000 to June 2003. Trading was halted in shares of Visa Gold in June 2002 for its failure to file financial statements for the period ending December 2002. Dr. Raman resigned as director on June 20, 2003. On January 13, 2004 the British Columbia Securities Commission issued a cease trade order in shares of Visa Gold. Visa Gold was subsequently delisted from the TSX-V in 2004.

Richard Boulay is a director of San Gold Corporation which, in 2005, was subject to a cease trade order for failure to file financial statements and the order was not revoked within 30 days of its issuance. The order was subsequently revoked.

Except as otherwise disclosed in this Circular, to the knowledge of the Corporation, no proposed director:

- (a) is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including the Corporation) that,
  - (i) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
  - (ii) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer; or
- (b) is, as at the date of this Circular, or has been within 10 years before the date of this Circular, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

For the purposes of the paragraphs above, order means: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

**Unless otherwise instructed, the persons named in the accompanying form of proxy intend to vote FOR the election of the foregoing individuals as directors until the close of the next following annual general meeting of the Shareholders or until their successors are otherwise elected or appointed.**

### **Item 3: Appointment of Auditors**

Sievert & Sawrantschuk LLP, Chartered Accountants of Toronto, Ontario are the auditors for the Corporation. Sievert & Sawrantschuk LLP were first appointed as auditors of the Corporation in February, 2005.

It is proposed to re-appoint Sievert & Sawrantschuk LLP as auditors of the Corporation to hold office until the close of the next following annual general meeting of the Shareholders.

**Unless otherwise instructed, the persons named in the accompanying form of proxy intend to vote FOR the re-appointment of Sievert & Sawrantschuk LLP as the auditors of the Corporation to hold office until the close of the next following annual general meeting of the Shareholders.**

## DIRECTORS' AND OFFICERS' COMPENSATION

### Executive Compensation

#### Compensation Discussion and Analysis

This compensation discussion and analysis describes and explains all annual and long-term compensation for services in all capacities to the Corporation and its subsidiaries for the three most recently completed financial years in respect of each of its Chief Executive Officer (the “CEO”) and Chief Financial Officer (“CFO”) as at December 31, 2010 and the other three most highly compensated executive officers of the Corporation as at December 31, 2010 whose individual total salary and bonus for 2010, the Corporation’s most recently completed financial year, exceeded \$150,000, and any individual who would have satisfied these criteria but for the fact that that individual was not serving as such an officer at the end of the most recently completed financial year (collectively, the “Named Executive Officers”). Ian C. Peres, the President and CEO of the Corporation is the only Named Executive Officer or “NEOs”.

#### *Compensation Committee*

The Compensation Committee of the Board of Directors recognizes that the Corporation operates in a competitive environment and that its performance depends on the quality of its employees and alignment of compensation and corporate objectives. The Compensation Committee regularly evaluates the compensation program of the Corporation to assess whether it continues to meet the needs of both the Corporation and its shareholders. Its key priorities remain to attract, motivate and retain highly qualified executives.

The Compensation Committee periodically reviews its compensation arrangements to confirm that the Corporation is appropriately positioned to continue to meet its recruitment, motivation and retention targets, while ensuring that the interests of executives are aligned with those of shareholders.

The Compensation Committee prioritizes accountability to its stakeholders and the transparency of all elements of compensation, ensuring that arrangements, including salary, awards and incentives, reflect a clear link between performance and reward. The compensation program applies to Named Executive Officers as well as the directors and other key employees of the Corporation. The purpose the Compensation Committee is to:

- review the remuneration and benefits of directors;
- review the remuneration, benefits and performance of executive management;
- establish a plan of continuity for executives and other key employees; and
- ensure that the executive compensation plan of the Corporation remains broad and competitive.

The members of the Compensation Committee are Alex Henry (Chairman) and Warren Bates. The Compensation Committee meets at least once per year to consider the perspectives and advice of its members and others are invited to attend, including the CEO and independent compensation consultants. The Compensation Committee met two (2) times during the financial year ended December 31, 2010.

#### *Objectives of Compensation Program*

The Corporation’s compensation philosophy is to provide competitive compensation with a view to attract, motivate and retain highly qualified executive officers capable of achieving the Corporation’s strategic and performance objectives and ultimately creating and sustaining shareholder value. Consistent with this philosophy, the Corporation’s compensation program is designed to:

- recruit, motivate and retain highly skilled executives;
- reward those who meet and exceed both short-term and long-term strategic goals through a largely variable and fluctuating compensation program directly linked to personal and corporate performance;
- ensure compensation arrangements are equitable, reflecting the recognition that the Corporation's executives function as an integrated team whose performance is directly correlated to shareholder value; and
- align the interests of executives with those of shareholders.

### *Elements of Compensation Program*

As discussed in further detail below, the Corporation's compensation program is comprised of three (3) main elements: (1) base salaries; (2) non-equity incentive plan compensation in the form of annual and special success cash bonuses; and (3) long-term incentives in the form of option-based awards granted pursuant to the Corporation's share option plan. These components are combined to provide a compensation package that attracts highly qualified individuals and motivates these individuals to meet operating targets without sacrificing long-term growth by providing constant income in the form of base salary, as well as both short-term and long-term incentives which reward performance that creates and preserves shareholder value.

### *Base Salary*

The primary element of the Corporation's compensation program is base salary. The Corporation's view is that a competitive base salary is a necessary element for attracting and retaining qualified executive officers. The amount payable to a NEO as base salary is determined primarily by the number of years of experience of the NEO, as well as past performance, anticipated future contribution, internal value of the NEO's position and comparisons to the base salaries offered by comparable companies in the junior mining industry. To ensure that the Corporation will continue to attract and retain qualified and experienced executives, base salaries are reviewed and adjusted annually, in order to ensure that they remain at a level above the median for comparable companies. Salaries for those executives reporting directly to the CEO are approved by the CEO and the Compensation Committee, while the CEO's salary is approved by the Compensation Committee and the Board of Directors of the Corporation.

The Compensation Committee believes that the base salaries paid to its NEOs in fiscal 2010 appropriately reflected the level and scope of responsibility, skills and experience of each NEO; and such salaries were adequately competitive to facilitate recruitment and promote retention.

### *Non-Equity Incentive Plans*

Non-equity incentive plans are intended to promote strong corporate management by providing annual financial incentives to meet or exceed short-term corporate targets and operational goals. Such incentive plans are comprised primarily of annual cash bonuses paid to a NEO, and the annual cash bonus is a variable component of executive compensation based on individual performance as well as corporate financial and operational results.

The purpose of non-equity incentive plans is to correlate compensation more directly to corporate performance and share price and to attract, motivate and retain those individuals who maintain corporate and operational goals, thereby aligning management and shareholder interests.

The potential bonus amount assigned to each NEO in a given financial year is expressed as a percentage of base salary (the "**Annual Bonus Plan**"). In fiscal 2010, the CEO was eligible for a target bonus of up to 100% of his base salary. While lower amounts are paid in respect of performance that does not meet objectives, it is in the

discretion of the Compensation Committee to recommend bonus amounts that exceed set targets for exceptional performance.

### Long-Term Incentive Plans

The Compensation Committee also believes that options help the Corporation attract, motivate and retain key individuals. Awards are made in the context of market conditions, giving effect to the NEOs background and experience. Initial grants of stock options facilitate the recruitment of new executives while ensuring the long-term interest of such executives in the Corporation's performance.

Under the 2008 Option Plan, options are awarded to senior executives for present and potential contribution to the performance of the Corporation. Options issued by the Corporation vest immediately or over time and have a maximum five (5) year term, providing incentives to executives to support long-term corporate goals and shareholder interests, and which further encourage the long-term retention of such individuals.

The Corporation's practice is to assign a specific value to the intended grant and determine the number of shares issuable on the exercise of the option with reference to such value. In fiscal 2010, the Corporation granted 400,000 options to Ian C. Peres in lieu of the fiscal 2010 cash incentive compensation earned and payable to Mr. Peres.

### Performance Goals

Compensation payable to each NEO is largely based on the achievement of certain performance goals. Performance goals affect option-based awards, non-equity incentive plan compensation, and are considered in assessing annual salary adjustments. Performance goals are established annually and designed to align with the Corporation's strategic objectives. The fiscal 2010 performance goals were primarily related to advancement of strategic initiatives to improve shareholder value; completion of corporate financings; expansion of internal controls; achievement of exploration objectives; and personal goals established between the NEO and the Board of Directors of the Corporation.

### Determining the CEO's Compensation

The components of the CEO's total compensation are the same as those for all other NEOs of the Corporation, namely: base salary, annual and special success cash bonuses, and stock compensation awarded under the stock compensation arrangements of the Corporation.

The compensation program of the Corporation is designed to provide competitive compensation to all NEOs. The Corporation has determined that compensation weighed heavily toward incentive-based awards is appropriate for its CEO. Both shareholder and corporate success depend on appreciation in the Corporation's stock price, and stock options are granted to award accordingly.

### Circumstances Triggering Termination and Change of Control Benefits

As noted below under the heading "Termination and Change of Control Benefits", there are certain circumstances that trigger payments or the provision of other benefits to a NEO upon termination and change of control. The Compensation Committee determined that such "change of control" provisions are necessary in order to attract and retain highly skilled executives. Change of control provisions are necessary not only to protect the NEOs of the Corporation, but also to encourage NEOs to pursue transactions, including mergers and take-overs, which are beneficial to the Corporation but may result in the termination of the NEO's employment.

**SUMMARY COMPENSATION – NAMED EXECUTIVE OFFICERS**

Name and Principal Position	Year	Salary (Cash) (\$)	Option-based awards (Non-cash) (\$) (2)	Non-equity incentive plan compensation (Cash) (\$)	All other compensation (Cash) (\$)	Total Cash and Non-Cash compensation (\$)
Ian C. Peres <i>President &amp; Chief Executive Officer and Director</i> <sup>(1)</sup>	2010	200,000	81,600	75,000	-	356,600
	2009	150,000	73,005	-	-	223,005
	2008	80,000	34,000	-	-	114,000
Rod Whyte <i>former President and Chairman</i> <sup>(3)</sup>	2010	12,500	-	-	37,500	50,000
	2009	50,000	59,995	-	-	109,995
	2008	50,000	24,820	-	-	74,820
Kevin Snook <i>former President &amp; Chief Executive Officer</i> <sup>(4)</sup>	2008	30,000	24,820	-	-	54,820

(1) President since June 16, 2009; Chief Executive Officer and Director since August 7, 2008; acting Chief Financial Officer from August 7, 2008 until February 11, 2011.

(2) Black Scholes valuation of out-of-the-money stock options at grant date (i.e. Nil intrinsic value as exercise price = market price at grant date).

(3) President from August 7, 2008 until June 16, 2009, Chairman until June 9, 2010

(4) Former President and Chief Executive Officer until August 7, 2008

**2010 INCENTIVE PLAN AWARDS – NAMED EXECUTIVE OFFICERS**

Name	Option based awards – Value vested during the year (\$)	Share based awards - Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Ian C. Peres	- <sup>(1)</sup>	-	-

(1) The aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date is nil.

**2010 OPTION BASED AWARDS – NAMED EXECUTIVE OFFICERS**

Name	Number of securities underlying unexercised options	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)
Ian C. Peres	400,000	0.300	May 16, 2015	36,000

**Termination and Change of Control Benefits**

The Corporation has an employment agreement in place with Ian C. Peres. Mr. Peres' employment agreement provides for an annual salary in 2010 of \$200,000 and participation in the non-equity incentive compensation plans and option-based awards.

Further, Mr. Peres' employment agreement provides for the payment and provision of other benefits in the event of any of involuntary termination without cause, resignation for good reason, and a change of control of the Corporation, but not for reasons of death, disability or voluntary resignation. The Corporation will also take such steps as necessary to deem vested, and available for exercise, any previously granted but unvested options.

The estimated incremental payments and benefits payable by the Corporation in the event that Mr. Peres is involuntarily terminated without cause or resigns for good reason would include lump sum payments equal to twelve months of his then current base salary, and an incentive bonus entitlement of one hundred percent of his then current base salary.

The estimated incremental payments and benefits payable by the Corporation in the event that Mr. Peres is terminated without cause or resigns for good reason within six months following a change of control, would include lump sum payments equal to eighteen months of his then current base salary, and an incentive bonus entitlement of one hundred percent of his then current base salary.

The termination payment provided for under Mr. Peres' employment agreement may be suspended or terminated if Mr. Peres breaches any of the provisions of the employment agreement relating to confidentiality, non-solicitation, non-disparagement or intellectual property. Mr. Peres is bound by his commitment not to solicit the employment of any individual employed by the Corporation at the time of termination for one year following termination.

#### Directors' Compensation

During the financial year ended December 31, 2010, directors were paid a cash retainer, per meeting cash fees, and option-based compensation. Newly-appointed, non-executive directors, receive an initial grant of stock options, including a total of 400,000 stock options issued during the recent financial year ended December 31, 2010.

Executive officers of the Corporation who also act as directors of the Corporation do not receive any additional compensation for acting as directors, other than as paid by the Corporation to such Executive Officers in their capacity as Executive Officers. See "Executive Compensation".

SUMMARY COMPENSATION - DIRECTORS				
Name	Year	Director Fees (Cash) (\$)	Option-based awards (Non-cash) (\$) <sup>(1)</sup>	Total Cash and Non-Cash compensation (\$)
Warren Bates	2010	7,500	-	7,500
	2009	-	12,800	12,800
Richard Boulay	2010	5,500	40,800	46,300
Alex Henry	2010	14,500	-	14,500
	2009	-	8,000	8,000
	2008	-	24,820	24,820
Charles Parsons	2010	6,250	-	6,250
	2009	-	8,000	8,000
	2008	-	24,820	24,820
K. Sethu Raman	2010	7,000	40,800	47,800

(1) Black Scholes valuation of out-of-the-money stock options at grant date (i.e. Nil intrinsic value as exercise price = market price at grant date).

### 2010 INCENTIVE PLAN AWARDS – DIRECTORS

Name	Option based awards – Value vested during the year (\$)	Share based awards - Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Richard Boulay	- <sup>(1)</sup>	-	-
K. Sethu Raman	- <sup>(1)</sup>	-	-

(1) The aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date is nil.

### 2010 OPTION-BASED AWARDS - DIRECTORS

Name	Number of securities underlying unexercised options	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)
Richard Boulay	200,000	0.30	May 16, 2015	18,000
Dr. K. Sethu Raman	200,000	0.30	May 16, 2015	18,000

### OUTSTANDING OPTION-BASED AWARDS

The option-based awards granted by the Corporation vest immediately or over time. The grant of option-based awards to NEOs is approved by the Board of Directors of the Corporation, upon recommendation from the Compensation Committee. NEOs do not play a role in administering or amending the Corporation's stock option plans. Previous grants of options may be taken into account when considering new grants, however, varying circumstances each year are also considered.

The Corporation does not grant share-based awards.

The following sets forth all option-based awards outstanding at December 31, 2010 for each Named Executive Officer:

### OUTSTANDING OPTION-BASED AWARDS – NAME EXECUTIVE OFFICERS

Name	Number of securities underlying unexercised options	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)
Ian C. Peres	400,000	0.300	May 16, 2015	36,000
	785,000	0.140	July 23, 2014	196,250

The following sets forth all option-based awards outstanding at December 31, 2010 for each independent director:

<b>OUTSTANDING OPTION-BASED AWARDS – DIRECTORS</b>				
<b>Name</b>	<b>Number of securities underlying unexercised options</b>	<b>Option exercise price (\$)</b>	<b>Option expiration date</b>	<b>Value of unexercised in-the-money options (\$)</b>
Warren Bates	200,000	0.115	June 12, 2014	55,000
Richard Boulay	200,000	0.300	May 16, 2015	18,000
Alex Henry	170,000	0.230	March 10, 2013	27,200
	160,000	0.110	November 26, 2011	44,800
	200,000	0.140	January 18, 2011	50,000
Charles Parsons <sup>(1)</sup>	170,000	0.230	March 10, 2013	27,200
	160,000	0.110	November 26, 2011	44,800
Dr. K. Sethu Raman	200,000	0.300	May 16, 2015	18,000

<sup>(1)</sup> Resigned from Board of Directors on February 11, 2011.

<b>EQUITY COMPENSATION PLAN INFORMATION</b>			
<b>Plan Category</b>	<b>Number of Common Shares to be issued upon exercise of outstanding options (A)</b>	<b>Weighted average exercise price of outstanding options (B)</b>	<b>Number of shares available remaining available for future issuance under equity compensation plans (excluding Common Shares reflected in column (A)) (C)</b>
2008 Stock option plan	4,009,906	\$0.20	11,720,803
Equity compensation plans not approved by shareholders	-	\$0.00	-

## SHAREHOLDER RETURN PERFORMANCE GRAPH

The graph below compares the Corporation's five-year cumulative total Shareholder return to the S&P/TSX Capped Materials Index ("Index"), assuming a \$100 investment in the common shares of the Corporation on December 31, 2005.



Equity performance for the Corporation is affected most significantly by associated gold commodity prices. Broader economic conditions and market sentiment also affect equity performance. During 2010, equity performance traded significantly upward, resulting in enhanced share price appreciation and returns for shareholders, relative to the Index.

It is difficult to directly compare the trend in the Corporation's compensation to its NEOs during the past five (5) years with the trend shown by this graph because no one NEO has been with the Corporation for the entire five-year period. The Corporation's compensation to its NEO during the last year reflects the Corporation's strength in relative performance to the Index.

## BOARD COMMITTEES

The Board has two committees: the Audit Committee and the Compensation Committee.

### Audit Committee

The Audit Committee is composed of three Board members: Alex D. Henry, Warren Bates and K. Sethu Raman. Mr. Henry is the Chairman of the Audit Committee. The Audit Committee meets at least four times per year.

Each of the members of the Audit Committee is independent and financially literate in that each has the ability to read and understand a set of financial statements that present a breadth and level of complexity of

accounting issues that is generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

Mr. Henry is a Chartered Accountant who was in public practice for eight years and has been a financial advisor for over 25 years. He has served on the audit committees of three public companies in the past. Mr. Bates is Senior Vice President of Pelangio Exploration Inc., a public company. Mr. Raman is an independent director and member of the audit committee for other public companies.

The Charter of the Audit Committee has been adopted by the Board and is attached hereto as Schedule A. *Audit Committee Oversight*

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

#### *Reliance on Certain Exemptions*

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of MI 52-110 - *De Minimis Non-audit Services*, or an exemption from MI 52-110, in whole or in part, granted under Part 8 of MI 52-110.

#### *Pre-Approval Policies and Procedures*

Pursuant to requirements under the Committee's charter, the Corporation has adopted specific policies and procedures for the engagement of non-audit services.

#### *External Auditor Service Fees*

The aggregate fees paid to the external auditors by the Corporation in each of the last two financial years are described below:

*Audit Fees:* The aggregate fees paid to the external auditor in each of the last two financial years for audit fees were \$26,700 in 2010 and \$24,500 in 2009.

*Audit-Related Fees:* The aggregate fees paid to the external auditor in each of the last two financial years for assurance and related services were \$3,900 in 2010 and \$1,500 in 2009.

*Tax Fees:* The aggregate fees paid to the external auditor in each of the last two financial years for professional services rendered for tax compliance, tax advice and tax planning were \$1,500 in 2010 and \$1,500 in 2009.

#### **Compensation Committee**

The Compensation Committee is currently composed of two members: Alex Henry and Warren Bates. The Compensation Committee meets at least once annually and as required during the year.

#### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

As at May 16, 2011, no individual who is, or at any time during the most recently completed financial year was, a director or executive officer of the Corporation, and no proposed nominee for election as a director for the Corporation, and no associate of any such director, executive officer or proposed nominee is, or at any time since

the beginning of the most recently completed financial year of the Corporation has been, indebted to the Corporation or any of its subsidiaries.

### DIRECTORS' AND OFFICERS' INSURANCE

The Corporation purchases liability insurance for its directors and officers. No part of the premiums is payable by the directors or officers of the Corporation. The annual insurance coverage under the policies is limited to \$5,000,000 per policy year.

### INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No director or executive officer or shareholder who beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the outstanding common shares or any known associate or affiliate of any such person, has or had any material interest, direct or indirect, in any transaction during the year ended December 31, 2010, or in any proposed transaction, that has materially affected or will materially affect the Corporation.

### CORPORATE GOVERNANCE PRACTICES

The Corporation and the Board of Directors recognize the importance of corporate governance to the effective management of the Corporation and to the protection of its employees, Shareholders and other stakeholders. The Corporation's approach to significant issues of corporate governance is designed with a view to ensuring that the business and affairs of the Corporation are effectively managed so as to enhance Shareholder value.

National Instrument 58-101 – Disclosure of Corporate Governance Practices (the “**Instrument**”) requires the Corporation to disclose its approach to corporate governance. National Policy 58-201 – Corporate Governance Guidelines (the “**Policy**”) is not intended to be prescriptive, but encourages the Corporation to apply the guidelines set out therein to the development of the Corporation's governance practices.

The chart below outlines the Corporation's corporate governance procedures and highlights the Corporation's compliance with Form 58-101F1 - “Corporate Governance Disclosure”. This chart has been prepared by the Board of Directors.

#### **Corporate Governance Disclosure**

NI Form 58-101F1 Disclosure Requirement	Disclosure
<i>1. Board of Directors</i>	
(a) Disclose the identity of directors who are independent.	Warren Bates, Alex Henry, and K. Sethu Raman are independent.
(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	Richard Boulay and Ian C. Peres are not independent by virtue of management positions held with the Corporation.
(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the Board of Directors does to facilitate its exercise of independent judgment in carrying out its responsibilities.	Currently, three (3) out of a total of five (5) directors are independent and therefore, a majority of directors are independent.  If each of the proposed nominees for election to the Board of Directors is elected, three (3) of five (5), or a majority of directors, will be independent.

NI Form 58-101F1 Disclosure Requirement	Disclosure
<p>(d) If a director is currently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.</p>	<p>Richard Boulay is currently Chairman and CEO of Strikepoint Gold Inc., Chairman of Latin American Minerals Inc., and a director of San Gold Corporation.</p> <p>Ian C. Peres is currently an independent director of Latin American Minerals Inc.</p> <p>K. Sethu Raman is currently an independent director of Altai Resources Inc., Red Crescent Resources, and Northern Graphite Corporation.</p>
<p>(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board of Directors does to facilitate open and candid discussion among its independent directors.</p>	<p>In fiscal 2010, the independent directors on the Board of Directors met without non-independent directors and management in attendance on one occasion.</p> <p>In fiscal 2010, the independent directors on the Audit Committee met without non-independent directors and management in attendance on two (2) separate occasions.</p>
<p>(f) Disclose whether or not the chair of the Board of Directors is an independent director. If the Board of Directors has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board of Directors has neither a chair that is independent nor a lead director that is independent, describe what the Board of Directors does to provide leadership for its independent directors.</p>	<p>The Corporation does not currently have a Chairman and nominates an acting chairman at each meeting of the Board of Directors.</p>
<p>(g) Disclose the attendance record of each director for all Board of Directors meetings held since the beginning of the issuer's most recently completed financial year.</p>	<p>In fiscal 2010, the Board of Directors held five (5) meetings. The attendance record of each director for these meetings is as follows: Mr. Bates: 100%; Mr. Boulay: 100%; Mr. Henry: 100%; Mr. Parsons (60%); Mr. Peres: 100%; and Mr. Raman: 100%.</p>
<p><i>2. Board of Directors Mandate</i></p>	
<p>Disclose the text of the Board of Directors' written mandate. If the Board of Directors does not have a written mandate, describe how the Board of Directors delineates its role and responsibilities.</p>	<p>The text of the Board of Directors' terms of reference is set out in Schedule B to this Circular.</p>
<p><i>3. Position Descriptions</i></p>	
<p>(a) Disclose whether or not the Board of Directors has developed written position descriptions for the chair and the chair of each Board of Directors committee. If the Board of Directors has not developed written position descriptions for the chair and/or the chair of each Board of Directors committee, briefly describe how the Board of Directors delineates the role and responsibilities of each such position.</p>	<p>The Board of Directors has developed written terms of reference for each committee of the Board of Directors. These terms of reference include the responsibilities of the committee chair as well as the committee members.</p> <p>The chair of each committee of the Board of Directors is responsible for presiding over all meetings of that committee, coordinating compliance with the committee's mandate, working with management to develop the committee's annual work plan and providing the Board of Directors with reports of the committee's key activities.</p>

NI Form 58-101F1 Disclosure Requirement	Disclosure
<p>(b) Disclose whether or not the Board of Directors and CEO have developed a written position description for the CEO. If the Board of Directors and CEO have not developed such a position description, briefly describe how the Board of Directors delineates the role and responsibilities of the CEO.</p>	<p>The Board of Directors has developed a written position description for the CEO, which may be summarized as follows:</p> <p>The CEO serves as the leader of and maintains an effective and cohesive management team for the Corporation; sets the tone for the Corporation by exemplifying consistent values of high ethical standards and fairness; leads the Corporation in defining its vision; is the main spokesperson for the Corporation; and bears chief responsibility in ensuring that the Corporation meets its short-term operational and long-term strategic goals.</p>
<p><i>4. Orientation and Continuing Education</i></p>	
<p>(a) Briefly describe what measures the Board of Directors takes to orient new directors regarding (i) the role of the Board of Directors, its committees and its directors; and (ii) the nature and operation of the issuer's business.</p>	<p>The Corporation has an orientation program for new directors under which a new director meets with each member of the Board of Directors, the CEO, members of the senior executive team and the Corporate Secretary. A new director is presented with a director's manual that reviews Board of Directors policies and procedures, the Corporation's current strategic plan, financial plan and capital plan, the most recent annual and quarterly reports and materials related to key business issues.</p>
<p>(b) Briefly describe what measures, if any, the Board of Directors takes to provide continuing education for its directors. If the Board of Directors does not provide continuing education, describe how the Board of Directors ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.</p>	<p>The chair of each committee is responsible for coordinating orientation and continuing director development programs relating to the committee's mandate. Each of the committee chairs is also responsible for instituting a learning program that focuses on topics that are relevant to the committee's mandate.</p>
<p><i>5. Ethical Business Conduct</i></p>	
<p>(a) Disclose whether or not the Board of Directors has adopted a written code for the directors, officers and employees. If the Board of Directors has adopted a written code: (i) disclose how a person or company may obtain a copy of the code; (ii) describe how the Board of Directors monitors compliance with its code, or if the Board of Directors does not monitor compliance, explain whether and how the Board of Directors satisfies itself regarding compliance with its code; and (iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive director that constitutes a departure from the code.</p>	<p>The Board of Directors has adopted a written Code of Ethics (the "Code") that applies to all directors, officers and employees. This document is available upon request from the Corporation at 65 Third Avenue, Timmins, Ontario, P4N 1C2, Canada.</p> <p>The principles outlined in the Code are intended to establish a minimum standard of conduct by which all employees are expected to abide; protect the business interests of the Corporation, its employees and other stakeholders; maintain the Corporation's reputation for integrity; and facilitate compliance by the Corporation's employees with applicable legal and regulatory obligations.</p>
<p>(b) Describe any steps the Board of Directors takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.</p>	<p>The Board of Directors' terms of reference, which are set out in Schedule B to this Circular, require directors to exercise independent judgment, regardless of the existence of relationships or interests which could interfere with the exercise of independent judgment. Directors are also required to disclose any conflict of interest in any issue brought before the Board of Directors and must refrain from participating in the Board of Directors discussion and voting on the matter.</p>
<p>(c) Describe any other steps the Board of Directors takes to encourage and promote a culture of ethical business conduct.</p>	<p>As mentioned above at 5(a), the Board of Directors has adopted the Code and intends to comply and encourage compliance with the Code.</p>

<i>6. Nomination of Directors</i>	
(a) Describe the process by which the Board of Directors identifies new candidates for Board of Directors nomination.	On an ongoing basis, the Board of Directors asks incumbent directors and senior management to suggest individuals who should be considered as proposed nominees to the Board of Directors. When it becomes apparent that a vacancy on the Board of Directors will arise, either from mandatory or elective retirement or otherwise, the Board of Directors reviews its list of proposed nominees as against the skill sets of incumbent Board members and the range of experience and expertise necessary for the Board of Directors. Those who have the requisite qualifications and meet the Corporation's standards are ranked by the Board of Directors in order of preference and contacted to determine their interest in serving on the Board of Directors.
(b) Disclose whether or not the Board of Directors has a nominating committee composed entirely of independent directors. If the Board of Directors does not have a nominating committee composed entirely of independent directors, describe what steps the Board of Directors takes to encourage an objective nomination process.	The Board of Directors does not currently have a separate nominating committee as that function is administered by the Board of Directors. The directors identify and assess all prospective Board nominees.
(c) If the Board of Directors has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	The Board of Directors does not have a nominating committee. The nominating process is described above at 6(a).
<i>7. Compensation</i>	
(a) Describe the process by which the Board of Directors determines the compensation for the issuer's directors and officers.	The Compensation Committee reviews and recommends for Board of Directors approval, the Corporation's director and officer compensation policy and practices. The Compensation Committee considers many factors, including whether compensation fairly reflects the responsibilities and risks involved. Determination of appropriate director and officer compensation includes benchmarking against other junior mining public companies in Canada. Details regarding executive and director compensation are set out in the Circular under "Executive Compensation" and "Directors Compensation".
(b) Disclose whether or not the Board of Directors has a Compensation Committee composed entirely of independent directors. If the Board of Directors does not have a Compensation Committee composed entirely of independent directors, describe what steps the Board of Directors takes to ensure an objective process for determining such compensation.	The Compensation Committee is composed a majority of independent directors.
(c) If the Board of Directors has a Compensation Committee, describe the responsibilities, powers and operation of the Compensation Committee.	The Compensation Committee has the primary function: reviewing the performance goals of the President and CEO; reviewing the performance and compensation of the President and CEO; reviewing the appointment and compensation of other key senior management positions; reviewing the Corporation's compensation principles, policies and plans; and providing the report on executive compensation in the Corporation's management proxy circular. See "Executive Compensation" for further details on the activities of the Compensation Committee.

<p>(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.</p>	<p>The Corporation has not engaged a compensation consultant or advisor in fiscal 2010 or prior years.</p>
<p><b>8. Other Board Committees</b></p>	
<p>If the Board of Directors has standing committees other than the compensation and nominating committees, identify the committees and describe their function.</p>	<p>The Audit Committee has the primary function of fulfilling its responsibilities in relation to: reviewing the integrity of the Corporation's financial statements, financial disclosures and internal controls over financial reporting; monitoring the system of internal control; monitoring the Corporation's compliance with legal and regulatory requirements, selecting the external auditor for shareholder approval; reviewing the qualifications, independence and performance of the external auditor; and reviewing the qualifications, independence and performance of the Corporation's internal auditors. The Audit Committee has specific responsibilities relating to: the Corporation's financial reports; the external auditor; internal controls; risk management; regulatory reports and returns; and legal or compliance matters that have a material impact on the Corporation. In fulfilling its responsibilities, the Audit Committee meets with the external auditor, both with and exclusive of key management members.</p>
<p><b>9. Assessments</b></p>	
<p>Disclose whether or not the Board of Directors, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board of Directors satisfies itself that the Board of Directors, its committees, and its individual directors are performing effectively.</p>	<p>The mandate of the Board of Directors requires the Board of Directors to evaluate and review its own performance and that of its committees and its directors each year.</p>

**ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may obtain copies of the Corporation's financial statements and MD&A by written request to 65 Third Avenue, Timmins, Ontario, P4N 1C2, Canada. Financial information is provided in the Corporation's comparative financial statements and MD&A for financial year ended December 31, 2010.

**DIRECTORS' APPROVAL**

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

DATED at Toronto, Ontario, this 16th day of May, 2011.

**BY ORDER OF THE BOARD OF DIRECTORS**



Ian C. Peres  
President, CEO & Director

**SCHEDULE A**  
**CHARTER OF THE AUDIT COMMITTEE**

**I: Audit Committee Mandate**

The Audit Committee (“**Committee**”) is appointed by the Board of Directors to assist the Board of Directors in fulfilling its oversight responsibilities of the Corporation. In so doing, the Committee provides an avenue of communication among the external auditors, management and the Board of Directors. The Committee will primarily fulfill this role by carrying out the activities enumerated in this Charter. The Committee is, however, independent of Board of Directors, and in carrying out its role of assisting the Board of Directors in fulfilling their oversight responsibilities the Committee shall have the ability to determine its own agenda and any additional activities that the Committee shall carry out. The Committee’s primary duties and responsibilities are to:

- Monitor the integrity of Corporation’s financial reporting process and the audit process;
- Monitor risk management and systems of internal controls;
- Monitor the independence, qualifications and performance of the Corporation’s independent auditors;
- Monitor the Corporation’s compliance with legal and regulatory requirements.

While the Committee has the duties and responsibilities set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditors.

**II: Reliance on Information and Standard of Care**

Members of the Committee, absent actual or suspected knowledge to the contrary (which shall be reported to the Committee), shall be entitled to rely on the integrity and accuracy of all information provided and all representations and reports made to the Committee. In addition, Members of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**III: Responsibilities**

The Committee’s primary duties and responsibilities are as follows:

**A. Financial Disclosure**

1. Review and recommend to the Board of Directors for approval the Corporation’s annual and interim financial statements, including any certification, report, opinion or review rendered by the external auditor and the related Management’s Discussion & Analysis (“**MD&A**”), as well as such other financial information of the Corporation provided to the public or any governmental body as the Committee or the Board of Directors requires.
2. Review and recommend to the Board of Directors for approval any press releases of the Corporation that contain financial information.
3. Satisfy itself that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements and the related MD&A and periodically assess the adequacy of those procedures.

## B. Relationship with the External Auditor

1. Recommend to the Board of Directors the selection of the external auditor and the fees and other compensation to be paid to the external auditor.
2. Have the authority to communicate directly with the external auditor.
3. Advise the external auditor that it is required to report to the Committee and not to management of the Corporation.
4. Monitor the relationship between management and the external auditor, including reviewing any management letters or other reports of the external auditor, discussing any material differences of opinion between management and the external auditor and resolving disagreements between the external auditor and management.
5. Review and discuss on an annual basis with the external auditor all significant relationships they have with the Corporation, its management or employees that might interfere with the independence of the external auditor.
6. Pre-approve all non-audit services (or delegate such pre-approval, as the Committee may determine and as permitted by applicable Canadian securities laws) to be provided by the external auditor.
7. Review the performance of the external auditor and recommend any discharge of the external auditor when the Committee determines that circumstances warrant.
8. Periodically consult with the external auditor out of the presence of management about
  - (i) any significant risks or exposures facing the Corporation;
  - (ii) internal controls and other steps that management has taken to control such risks; and
  - (iii) the fullness and accuracy of the financial statements of the Corporation, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.
9. Review and approve any proposed hiring of current or former partners or employees of the current (and any former) external auditor of the Corporation.

## C. Audit Process

1. Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.
2. Following completion of the annual audit and quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.
3. Review any significant disagreements among management and the external auditor in connection with the preparation of the financial statements.
4. Where there are significant unsettled issues between management and the external auditor that do not affect the audited financial statements, the Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.
5. Review with the external auditor and management significant findings and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.
6. Review the system in place to seek to ensure that the financial statements, MD&A and other financial information disseminated to governmental organizations and the public satisfy applicable requirements.

#### D. Financial Reporting Processes

1. Review the integrity of the Corporation's financial reporting processes, both internal and external, in consultation with the external auditor;
2. Review all material balance sheet issues, material contingent obligations and material related party transactions; and
3. Review with management and the external auditor the Corporation's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with management, the ramification of their use and the external auditor's preferred treatment and any other material communications with management with respect thereto. Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financing reporting.

#### E. General

1. The Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the Corporation) the compensation for any such advisors.
2. Respond to requests by the Board of Directors with respect to the functions and activities that the Board of Directors requests the Committee to perform.
3. Periodically review this Charter and, if the Committee deems appropriate, recommend to the Board of Directors changes to this Charter.
4. Review the public disclosure regarding the Committee required from time to time by applicable Canadian securities laws, including:
  - (i) the Charter of the Committee;
  - (ii) the composition of the Committee;
  - (iii) the relevant education and experience of each member of the Committee;
  - (iv) the external auditor services and fees; and
  - (v) such other matters as the Corporation is required to disclose concerning the Committee.
5. Review in advance and approve, the hiring and appointment of senior financial executives.
6. Perform any other activities as the Committee or the Board of Directors deems necessary or appropriate.
7. Overseeing the work of the external auditors engaged to prepare or issue an audit report or perform other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting.
8. Pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by its external auditors.
9. Review the Corporation's financial statements, management's discussion and analysis and annual and interim earnings press releases before such documents are publicly disclosed by the Corporation.
10. The Committee must satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in 4 above, and must periodically assess the adequacy of those procedures.
11. Establish procedures for:
  - (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
  - (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

12. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.

#### **IV: Authority of the Committee**

The Committee shall have the authority to conduct or authorize investigations into any matter that the Committee believes is within the scope of its responsibilities. The Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set and pay the compensation for any advisors engaged by it. The Committee shall also have the authority to communicate directly with the external auditors.

##### **A. Composition**

The Committee shall be comprised of a minimum three Directors as determined and appointed by the Board of Directors, each of whom shall be independent and financially literate within the meaning of applicable Canadian securities laws. The Board of Directors shall designate the Chairman of the Committee annually.

##### **B. Meetings & Operating Procedures:**

- A. The Committee will meet at least four times annually;
- B. A quorum shall be a majority of the members;
- C. In the absence of the Chairman of the Committee, the members shall appoint an acting Chairman.
- D. Minutes of the Committee shall be recorded. A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each Director of the Corporation in a timely fashion;
- E. The Chairman of the Committee shall prepare and/or approve an agenda in advance of each meeting;
- F. The Committee, in consultation with management and the external auditors, shall develop and participate in a process for review of important financial topics that have the potential to impact the Corporation's financial policies and disclosures;
- G. The Committee shall communicate its expectations to management and the external auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management and the external auditors in advance of meeting dates;
- H. The Committee should meet privately in executive session at least annually with management, the external auditors and as a committee to discuss any matters that the Committee or each of these groups believes should be discussed;
- I. In addition, the Committee or at least its Chair should communicate with management and the external auditors quarterly to review the Corporation's financial statements and significant findings based upon the auditor's limited review procedures;
- J. The Committee shall annually review, discuss and assess its own performance. In addition, the Committee shall periodically review its role and responsibilities; and
- K. The Committee expects that, in discharging their responsibilities to the shareholders, the external auditors shall be accountable to the Board of Directors through the Committee. The external auditors shall report all material issues or potentially material issues to the Committee.

C. Review Procedures

The Committee shall review and reassess the adequacy of this Charter at least annually, submit it to the Board of Directors for approval and ensure that it is in compliance with the Toronto Stock Exchange and OSC regulations.

D. Complaint Procedure

1. Anyone may submit a complaint regarding conduct by the Corporation or its employees or agents (including its external auditor) reasonably believed to involve questionable accounting, internal accounting controls, auditing or other matters. The Chair of the Committee will oversee treatment of such complaints;
2. Complaints are to be directed to the attention of the Chair of the Committee;
3. Complaints may be made in the French or English language and the Chair will deal with a complainant in whatever language they are most comfortable;
4. Complaints may be submitted to the Chair on a confidential basis. The Committee will endeavour to keep the identity of the complainant confidential; and
5. The Chair of the Committee shall lead the review and investigation of a complaint. The Committee shall retain a record of all complaints received. Corrective action will be taken when and as warranted.

**SCHEDULE B**  
**BOARD OF DIRECTORS - Terms of Reference**

**ROLE AND RESPONSIBILITIES**

- I. The principal role of the Board of Directors is stewardship of the Corporation, with its fundamental objective being the creation of shareholder value, including the protection and enhancement of the value of its assets. The stewardship responsibility means that the Board of Directors oversees the conduct of the business and supervises management, which is responsible for the day-to-day conduct of the business. The Board of Directors must assess and ensure systems are in place to manage the risks of the Corporation's business with the objective of preserving the Corporation's assets. In its supervisory role, the Board of Directors, through the President and Chief Executive Officer ("**CEO**"), sets the attitude and disposition of the Corporation towards compliance with applicable laws, financial practices and reporting. In addition to its primary accountability to shareholders, the Board of Directors and the CEO are also accountable to government authorities and other stakeholders, such as employees, communities, and the public.
  
- II. The principal responsibilities of the Board of Directors required to ensure the overall stewardship of the Corporation are as follows:
  1. the Board of Directors must ensure that there are long-term goals and a strategic planning process in place. The CEO, with the involvement of the Board of Directors, must establish long-term goals for the Corporation. The CEO formulates the Corporation's strategy, policies and proposed actions and presents them to the Board of Directors for approval. The Board of Directors brings objectivity and judgement to this process. The Board of Directors ultimately approves the strategy;
  2. the Board of Directors must have an understanding of the principal risks associated with the Corporation's businesses, and must ensure that appropriate systems are in place which effectively monitor and manage those risks;
  3. the Board of Directors must ensure that processes are in place to enable it to supervise and measure management's, and in particular the CEO's, performance in carrying out the Corporation's stated objectives. These processes should include appropriate training, development and succession of management;
  4. the Board of Directors must ensure that the necessary internal controls and management information systems are in place that effectively monitor the Corporation's operations and ensure compliance with applicable laws, regulations and policies;
  5. the Board of Directors must ensure that the Corporation has a communications program in place so that the Corporation effectively communicates with shareholders, other stakeholders and the public in general, and that appropriate measures are in place to receive feedback from shareholders; and
  6. the Board of Directors must monitor and ensure compliance with the Code of Ethics adopted by the Corporation.
  
- III. Pursuant to the *Business Corporations Act* (Ontario) (the "**Act**") and the By-Laws of the Corporation, the following duties are sufficiently important to warrant the attention of all directors and cannot be delegated:
  1. submission to shareholders of any question or matter requiring the approval of shareholders;
  2. filling a vacancy among the directors or in the office of the external auditor;
  3. issuing securities, except in the manner and on the terms authorized by the directors;
  4. declaration of dividends;

5. purchase, redemption or other acquisition of the Corporation's own shares, except in the manner and on the terms authorized by the directors;
6. paying a commission to any person in consideration of his purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares;
7. approval of management proxy circulars, any take-over bid circulars or directors' circular;
8. approval of any financial statements to be put before the shareholders at an annual meeting;
9. adopting, amending or repealing By-Laws of the Corporation;
10. changing the membership of, or filling a vacancy in, any committee of directors; and
11. appointing or removing officers of the Corporation.

IV. The Board of Directors is responsible for acting in accordance with its obligations contained in the Act, the Corporation's By-laws and any other relevant legislation and regulations and each member shall:

1. act honestly and in good faith and in the best interest of the Corporation;
2. exercise care, diligence and the skill of a reasonable, prudent person;
3. exercise independent judgement, regardless of the existence of relationships or interests which could interfere with the exercise of independent judgement; and
4. disclose any conflict of interest in any issue brought before the Board of Directors and refrain from participating in the Board of Directors discussion and voting on the matter.

V. The Board of Directors has the authority to establish a committee or committees and appoint directors to be members of these committees. With the exception of the matters listed in Information Circular above, the Board of Directors may delegate powers to such committees. The matters to be delegated to committees of the Board of Directors and the constitution of such committees are assessed annually or more frequently, as circumstances require. From time to time the Board of Directors may create an ad hoc committee to examine specific issues on behalf of the Board of Directors.