

EVOLVING GOLD CORP.

**Suite 605, 1166 Alberni Street
Vancouver, British Columbia V6E 2Z3
Telephone No.: (604) 685-6375 / Fax No.: (604) 909-1163**

MANAGEMENT PROXY CIRCULAR

as at August 19, 2011
(except as otherwise indicated)

This Management Proxy Circular is furnished in connection with the solicitation of proxies by the management of Evolving Gold Corp. (the “Corporation”) for use at the annual meeting (the “Meeting”) of its shareholders to be held on Friday, September 30, 2011 at the time and place and for the purposes set forth in the accompanying notice of the Meeting.

In this Management Proxy Circular, references to “the Corporation”, “we” and “our” refer to **Evolving Gold Corp.** “Shares” means shares without par value in the capital of the Corporation. “Beneficial Shareholders” means shareholders who do not hold Shares in their own name and “intermediaries” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders.

GENERAL PROXY INFORMATION

Solicitation of Proxies

The solicitation of proxies will be primarily by mail, but proxies may be solicited personally or by telephone by directors, officers and regular employees of the Corporation. The Corporation will bear all costs of this solicitation. We have arranged for intermediaries to forward the meeting materials to all beneficial owners of Shares held of record by those intermediaries and we may reimburse the intermediaries for their reasonable fees and disbursements in that regard.

Appointment of Proxyholders

The individuals named in the accompanying form of proxy (the “Proxy”) are officers and/or directors of the Corporation. **If you are a shareholder entitled to vote at the Meeting, you have the right to appoint a person or company other than either of the persons designated in the Proxy, who need not be a shareholder, to attend and act for you on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another suitable form of proxy.**

Voting by Proxyholder

The persons named in the Proxy will vote or withhold from voting the Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Shares will be voted accordingly. The Proxy confers discretionary authority on persons named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors,
- (b) any amendment to or variation of any matter identified therein, and
- (c) any other matter that properly comes before the Meeting.

In respect of a matter for which a choice is not specified in the Proxy, the persons named in the Proxy will vote the Shares represented by the Proxy for the approval of such matter.

Registered Shareholders

Registered Shareholders may wish to vote by proxy whether or not they are able to attend the Meeting in person. Registered Shareholders who choose to submit a proxy may do so using one of the following methods:

- (a) complete, date and sign the enclosed Proxy form and return it to the Company's transfer agent, Computershare Investor Services Inc. ("Computershare"), by fax within North America to 1-866-249-7775, by fax outside North America to 416-263-9524, by mail to the 9th Floor, 100 University Avenue, Toronto, Ontario, Canada, M5J 2Y1, or by hand delivery to the 2nd Floor, 510 Burrard Street, Vancouver, British Columbia, Canada, V6C 3B9; or
- (b) use a touch-tone phone to transmit voting choices to a toll free number. Registered shareholders must follow the instructions of the voice response system and refer to the enclosed Proxy form for the toll free number, the holder's account number and the Proxy access number; or
- (c) log onto the internet website of Computershare at www.investorvote.com. Registered shareholders must follow the instructions that appear on the screen and refer to the enclosed Proxy form for the holder's account number and the proxy access number.

In all cases Registered Shareholders must ensure that the Proxy is submitted and received at least 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or the adjournment thereof.

Failure to complete or deposit a proxy properly may result in its invalidation. The time limit for the deposit of proxies may be waived by the board of directors of the Corporation (the "Board") at its discretion without notice.

Beneficial Shareholders

The following information is of significant importance to shareholders who do not hold Shares in their own name. Beneficial Shareholders should note the only proxies that can be recognized and acted upon at the Meeting are those deposited by registered shareholders (those whose names appear on the records of the Corporation as the registered holders of Shares) or as set out in the following disclosure.

If Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Shares will not be registered in the shareholder's name on the records of the Corporation. Such Shares will more likely be registered under the names of intermediaries. In Canada the vast majority of such Shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms), and in the United States, under the name of Cede & Co. as nominee for The Depository Trust Company (which acts as depository for many U.S. brokerage firms and custodian banks).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of meetings of shareholders. Every intermediary has its own mailing procedures and provides its own return instructions to clients.

There are two kinds of Beneficial Shareholders: Objecting Beneficial Owners ("OBOs") object to their name being disclosed to the issuer of securities they own; and Non-Objecting Beneficial Owners ("NOBOs") do not object to the issuer of the securities they own knowing who they are.

The Corporation is taking advantage of NI 54-101 provisions permitting it to deliver proxy-related material directly to its NOBOs. As a result NOBOs can expect to receive a scannable Voting Instruction Form ("VIF") from Computershare. The VIF is to be completed and returned to Computershare as set out in the instructions provided on the VIF. Computershare will tabulate the results of the VIFs received

from NOBOs and will provide appropriate instructions at the Meeting with respect to the Shares represented by the VIFs they receive.

The securityholder material is being sent to both registered and non-registered owners of the securities of the Corporation. If you are a non-registered owner, and the Corporation or its agent sent these materials directly to you, your name, address and information about your holdings of securities, were obtained in accordance with applicable securities regulatory requirements from the intermediary holding securities on your behalf.

By choosing to send these materials to you directly, the Corporation (and not the intermediary holding securities on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your VIF as specified in the request for voting instructions that was sent to you.

Beneficial Shareholders who are OBOs should follow their intermediary's instructions carefully to ensure their Shares are voted at the Meeting.

The form of proxy supplied to you by your broker will be similar to the proxy provided to registered shareholders by the Corporation. However, its purpose is limited to instructing the intermediary on how to vote your Shares on your behalf. Most brokers delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("Broadridge") in Canada and in the United States. Broadridge mails a VIF in lieu of a proxy provided by the Corporation. The VIF will name the same persons as the Corporation's Proxy to represent your Shares at the Meeting. You have the right to appoint a person (who need not be a Beneficial Shareholder of the Corporation), other than any of the persons designated in the VIF, to represent your Shares at the Meeting, and that person may be you. To exercise this right, insert the name of your desired representative, which may be you, in the blank space provided in the VIF. The completed VIF must then be returned to Broadridge in accordance with Broadridge's instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting voting of the Shares to be represented at the Meeting and the appointment of any shareholder's representative. If you receive a VIF from Broadridge, the VIF must be completed and returned to them, in accordance with Broadridge's instructions, well in advance of the Meeting. You must complete the VIF and return it to Broadridge in order to have your Common Shares voted, or to have an alternate representative duly appointed to attend the Meeting and vote your Common Shares at the Meeting.

Notice to Shareholders in the United States

The solicitation of proxies involve securities of an issuer located in Canada and are being effected in accordance with the corporate laws of Canada and securities laws of the provinces of Canada. The proxy solicitation rules under the United States *Securities Exchange Act* of 1934, as amended, are not applicable to the Corporation or this solicitation, and this solicitation has been prepared in accordance with the disclosure requirements of the securities laws of the provinces of Canada. Shareholders should be aware that disclosure requirements under the securities laws of the provinces of Canada differ from the disclosure requirements under United States securities laws.

The enforcement by Shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Corporation is incorporated under the *Canada Business Corporations Act* ("CBCA"), as amended, certain of its directors and its executive officers are residents of Canada and the United States and a substantial portion of its assets and the assets of such persons are located outside the United States. Shareholders may not be able to sue a foreign company or its officers or directors in a foreign court for violations of United States federal securities laws. It may be difficult to compel a foreign company and its officers and directors to subject themselves to a judgment by a United States court.

Revocation of Proxies

In addition to revocation in any other manner permitted by law, a registered shareholder who has given a proxy may revoke it in one of the following manners:

- (a) sign a proxy bearing a later date or sign a valid notice of revocation, either of the foregoing to be signed by the registered shareholder or the registered shareholder's authorized attorney in writing, or, if the registered shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the proxy bearing a later date to Computershare or at the address of the registered office of the Corporation at Suite 1500, 1055 West Georgia Street, P.O. Box 11117, Vancouver, British Columbia, V6E 4N7, at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening thereof, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law, or
- (b) personally attend the Meeting and vote the registered shareholder's Shares.

A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

No director or executive officer of the Corporation, nor any person who has held such a position since the beginning of the last completed financial year of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than as may be set out herein.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Board has fixed August 19, 2011 as the record date (the "Record Date") for determination of persons entitled to receive notice of the Meeting. Only shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Shares voted at the Meeting.

On December 7, 2010 the Corporation moved its listing from the TSX Venture Exchange (the "TSX-V") to list on the Toronto Stock Exchange (the "TSX") under the symbol "EVG". The Shares are also listed for trading on the Frankfurt Stock Exchange under the symbol "EV7". On May 4, 2011 the Corporation listed its Shares to trade on the OTCQX under the symbol "EVOGF". The OTCQX is the highest tier of the OTC Markets Group.

The Corporation is authorized to issue an unlimited number of Shares. As of the Record Date, August 19, 2011, there were 128,673,445 Shares issued and outstanding, each carrying the right to one vote. No group of shareholders has the right to elect a specified number of directors, nor are there cumulative or similar voting rights attached to the Shares.

To the knowledge of the directors and executive officers of the Corporation, the only person or corporation that beneficially owned, directly or indirectly, or exercised control or direction over, Shares carrying more than 10% of the voting rights attached to all outstanding Shares of the Corporation as at August 19, 2011 is:

<u>Shareholder Name⁽¹⁾</u>	<u>Number of Shares Held</u>	<u>Percentage of Issued Shares</u>
Goldcorp Inc.	19,047,721	14.8% ⁽²⁾

Notes:

- (1) The above information was supplied to the Corporation by the shareholder and from the insider reports available at www.sedi.ca.

- (2) Following the Record Date, on August 23, 2011 the Corporation completed a private placement of 10,290,000 Units, each Unit being comprised of one Share and one-half of one Share purchase warrant. Assuming none of the warrants were exercised as at close of business on August 23, 2011 there were 138,963,445 Shares issued and outstanding and, as a result, Goldcorp Inc.'s ownership percentage changed to 13.7%, assuming no warrants were exercised.

The following documents filed with the securities commissions or similar regulatory authority in British Columbia are specifically incorporated by reference into, and form an integral part of, this information circular:

- the Audit Committee Charter, a copy of which is attached as Schedule "A" to the management proxy circular for the Corporation's 2006 annual meeting and filed on www.sedar.com.

Copies of documents incorporated herein by reference may be obtained by a Shareholder upon request without charge from Charles E. Jenkins, Corporate Secretary of Evolving Gold Corp., at Suite 605, 1166 Alberni Street, Vancouver, British Columbia, V6E 2Z3, Canada, Phone: (604) 685-6375 or Fax: (604) 909-1163. These documents are also available through the Internet on SEDAR, which can be accessed at www.sedar.com.

FINANCIAL STATEMENTS

Copies of the audited financial statements of the Corporation for the fiscal year ended March 31, 2011, report of the auditor and related management discussion and analysis accompany this Management Proxy Circular and will be placed before the Meeting.

VOTES NECESSARY TO PASS RESOLUTIONS

A simple majority of affirmative votes cast at the Meeting is required to pass the resolutions described herein. If there are more nominees for election as directors or appointment of the Corporation's auditor than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled all such nominees will be declared elected or appointed by acclamation.

ELECTION OF DIRECTORS

The Articles of the Corporation provide that the number of directors of the Corporation will be a minimum of one and a maximum of 10. The directors have determined that the number of directors required to effectively administer the Corporation and perform all of the necessary executive functions is seven. The term of office of each of the Corporation's current directors will end at the conclusion of the Meeting. Unless a director's office is vacated earlier in accordance with the provisions of the CBCA, each director elected will hold office until the conclusion of the next annual meeting of the Corporation, or if no director is then elected, until a successor is elected.

The following table sets out the names of management's seven nominees for election as director, all major offices and positions with the Corporation and any of its significant affiliates each now holds, the period of time during which each has been a director of the Corporation and the number of Shares of the Corporation beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at August 19, 2011. Each nominee's principal occupation, business or employment is set out under Director Biographies below.

Nominee Position with the Corporation and Province/State and Country of Residence	Period as a Director of the Corporation	Shares Beneficially Owned or Controlled⁽⁴⁾
Dr. Quinton Hennigh Chief Geologist and Director Colorado, USA	Since April 4, 2008	100,000 ⁽⁵⁾
William (Bill) Gee Chief Executive Officer and Director Colorado, USA	Since April 1, 2011	10,000 ⁽⁶⁾
Robert W. Barker Director Massachusetts, USA	Since September 30, 2008	30,000 ⁽⁷⁾
William (Bill) Majcher ⁽¹⁾⁽²⁾⁽³⁾ Director Hong Kong, China	Since September 21, 2007	50,000 ⁽⁸⁾
William F. Lindqvist ⁽¹⁾⁽²⁾ Director California, USA	Since May 4, 2009	Nil ⁽⁹⁾
R. Stuart (Tookie) Angus Director British Columbia, Canada	Since April 21, 2010	200,000 ⁽¹⁰⁾
R. Bruce Duncan ⁽¹⁾⁽²⁾⁽³⁾ Director Ontario, Canada	Since May 21, 2010	Nil ⁽¹¹⁾

Notes:

- (1) Member of the Audit Committee
- (2) Member of the Compensation Committee
- (3) Member of the Corporate Governance Committee
- (4) The information as to principal occupation, business or employment and Shares beneficially owned or controlled is not within the knowledge of the management of the Corporation and has been furnished by the respective nominees.
- (5) Dr. Hennigh also holds options to purchase 1,214,500 Shares (see Statement of Executive Compensation below).
- (6) Mr. Gee also holds options to purchase 600,000 Shares (see Statement of Executive Compensation below).
- (7) Dr. Barker also holds options to purchase 1,350,000 Shares (see Statement of Executive Compensation below).
- (8) Mr. Majcher also holds options to purchase 585,500 Shares (see Statement of Executive Compensation below).
- (9) Dr. Lindqvist holds options to purchase 650,000 Shares (see Statement of Executive Compensation below).
- (10) Mr. Angus also holds options to purchase 800,000 Shares (see Statement of Executive Compensation below).
- (11) Mr. Duncan also holds options to purchase 350,000 Shares (see Statement of Executive Compensation below).

Director Biographies

Quinton Hennigh, Ph.D. – Chief Geologist and Director

Dr. Hennigh is the Chief Geologist of the Corporation. On June 8, 2011, he stepped down as President of Corporation. Prior to joining the Corporation, Quinton served as Senior Research Geologist with Newmont Mining. He has worked throughout North America, in Europe, Australia, Asia and South America with Newmont Mining, Newcrest Mining and Homestake Mining. He has spent years developing regional concepts for the exploration for buried gold deposits, particularly in Nevada. Quinton comes from a long tradition of gold seekers – his great-great grandfather followed the gold rush to Colorado in 1859.

William (Bill) Gee MSc. – Chief Executive Officer and Director

Mr. Gee was appointed Chief Executive Officer and a director of the Corporation April 1, 2011. He has over thirty years of experience in the minerals industry, and has held positions with both major mining

and junior exploration companies, such as Anaconda Copper, Newmont Mining, North Mining and Fronteer Development Group. Mr. Gee is a geologist with a strong background in business and corporate development, acquisitions, financial and technical evaluations, exploration and investment. He completed his graduate studies with an MS in Geology at the Colorado School of Mines.

Robert W. Barker, Ph.D., P.Geo – Director

Dr. Barker was the Chief Executive Officer of the Corporation from November 2008 to March 2011, before which he was the Corporation's Senior Geologist since November 2007. He was General Manager of American Exploration for Newcrest Resources Inc., a wholly owned subsidiary of Newcrest Mining Ltd. of Australia from 2001 to 2007. Dr. Barker has spent 46 years in successful multi-commodity mining exploration with 27 years in exploration and acquisition leadership in North America, Central America, South America and Australia. He is a former chief executive officer of a Canadian junior gold exploration company and is currently a Board member for five junior mining exploration companies. He has led exploration and acquisition programs in the United States, Canada, Australia and South America. He also has experience in international exploration programs, multinational negotiations and exploration agreements, community relations, international personnel and business development and management, evaluations of advanced and developmental projects, and review of resource estimates and mine development plans. Dr. Barker is a Certified Professional Geologist, AIPG.

William (Bill) Majcher – Director

Mr. Majcher is currently based in Hong Kong as Chief Executive Officer of Sunwah International Asset Management, a global asset management business focused on natural resources and growth and emerging markets. He is also Executive Chairman of the China Investment Fund, a listed investment fund on the Hong Kong Stock Exchange. Additionally, Mr. Majcher sits on the boards of several Canadian junior resource companies including, Q-Gold Resources, First Star Resources and Stealth Energy and he is currently acting as a Director of a China focused private equity fund and was formerly a director of a Hong Kong based hedge fund. Mr. Majcher is also an advisor to various private and public companies and associations. Mr. Majcher retired from the RCMP in 2007 with the rank of Inspector after 22 years of public service.

William F. Lindqvist, Ph.D. – Director

Dr. Lindqvist is a geologist with extensive exploration experience in North and South America, Australia, Indonesia, Eastern Europe and parts of Asia and Africa. He is currently a director of several public companies including Plutonic Power Corporation, Andean Gold Ltd. and Orosur Mining Inc. (formerly Uruguay Mineral Exploration Inc.) He has spent a long and distinguished career primarily with Gold Fields Mining Corp. and Homestake Mining Company (acquired by Barrick Gold Corporation in 2000). Dr. Lindqvist has a Ph.D. in Applied Geology from the Royal School of Mines, London.

R. Stuart Angus LLB – Director

Mr. Angus has over 30 years experience as an advisor to the exploration and mining industry. He has extensive knowledge and experience in mergers and acquisitions, as well as complex, international exploration and mining agreements. He was a partner of Fasken Martineau DuMoulin LLP, a Canadian law firm, and head of their Global Mining Group. From November 2003 to December 2005 Mr. Angus served as Managing Director – Mergers and Acquisitions for Endeavor Financial. He is currently a director of a number of exploration and mining companies.

R. Bruce Duncan – Director

Mr. Duncan has over 30 years experience in the capital market and brokerage industry, including eight years with Gordon Capital Corporation. Mr. Duncan is currently the President of West Oak Capital

Partners Inc., which provides strategic advisory services, including identifying and qualifying merger and acquisition candidates and advising in public transactions. Mr. Duncan's client base has included financial services, aviation, mining, oil and gas, logistics, and retail industries. Mr. Duncan currently sits on the boards of several private companies and is the President and CEO of Bolero Resources Corp. Mr. Duncan is the former President and CEO of AusPotash Corp., an Australian potash company recently sold. Mr. Duncan has extensive experience advising on corporate takeovers, both friendly and hostile, either by designing and executing effective approaches to acquiring assets or by implementing defensive strategies.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as disclosed below, during the ten years preceding the date of this Management Proxy Circular, no director or officer of the Corporation or a security holder who holds a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has, to the knowledge of the Corporation, been a director, officer or promoter of any person or company that, while such individual was acting in that capacity:

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

Mr. Angus has served as a director of Wildcat Silver Corporation ("**Wildcat**") since May 2006. Wildcat requested and received notice from the British Columbia Securities Commission (the "**BCSC**") of the issuance of a management cease trade order (the "**MCTO**") on October 30, 2007 in connection with the late filing of its annual audited consolidated financial statements for the fiscal year ending June 30, 2007. Wildcat's failure to make the filing within the required time frame was due to the need to clarify potential foreign tax obligations relating to an acquisition it made. The required filing was made on January 7, 2008 and the MCTO was revoked on January 8, 2008.

Mr. Jenkins is a director and officer of White Mountain Titanium Corporation ("**White Mountain**"), a U.S. incorporated and OTCBB quoted company conducting exploration on a wholly-owned Chilean rutile property. White Mountain was subject to a cease trade order by the BCSC from January 16, 2008 to April 30, 2008 due to a failure to file a technical report in compliance with NI 43-101 to support a previously disclosed, internally prepared mineral resource estimate. The cease trade order was lifted on April 30, 2008 upon the acceptance by the BCSC of a complete, independent technical report filed by White Mountain with the BCSC on February 29, 2008. This technical report confirmed the White Mountain's resource estimate. White Mountain is not listed on any Canadian stock exchange and was not a reporting issuer in British Columbia during the time the cease trade order was in effect. Under provisions relating to OTCBB quoted companies contained in British Columbia Policy 51-509 - *Issuers Quoted in the US Over-The-Counter Markets* which came into effect September 15, 2008, White Mountain is currently deemed a reporting issuer in British Columbia.

During the ten year period preceding the date of this Management Proxy Circular, no director or officer of the Corporation or a security holder who holds a sufficient number of securities of the Corporation to

affect materially the control of the Corporation has 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 director, officer or shareholder.

APPOINTMENT OF AUDITOR

BDO Canada LLP, Chartered Accountants, 600 Cathedral Place, 750 West Pender Street, Vancouver, British Columbia, will be nominated at the Meeting for re-appointment as auditor of the Corporation at a remuneration to be fixed by the directors. Amisano Hanson, Chartered Accountants, were auditors for the Corporation since its inception in 2003. However in January 2008 Amisano Hanson amalgamated with BDO Canada LLP and at that time BDO Canada LLP became the auditor for the Corporation and has continued to be so since that time.

AUDIT COMMITTEE

National Instrument 52-110 *Audit Committees* ("NI 52-110"), of the Canadian Securities Administrators, the Canadian regulatory policy respecting audit committees, requires the Corporation to disclose annually certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth in the following:

Audit Committee Charter

A copy of the Audit Committee Charter is attached as Schedule "A" to the management proxy circular for the Corporation's 2006 annual meeting and filed on www.sedar.com.

Composition of the Audit Committee

The Corporation has an audit committee, which advises the Board with respect to the engagement of the independent auditors of the Corporation and reviews the scope and results of the Corporation's audits with the independent auditors, the Corporation's internal accounting controls, and the professional services furnished by the independent auditors to the Corporation. The current members of the audit committee are R. Bruce Duncan (Chair), William (Bill) Majcher and William F. Lindqvist. Messrs. Lindqvist, Duncan and Majcher are independent as defined in NI 52-110. The audit committee typically meets each quarter. All members are considered to be financially literate.

A member of the audit committee is independent if the member has no direct or indirect material relationship with the Corporation. A material relationship means a relationship which could, in the view of the Corporation's board of directors, reasonably interfere with the exercise of a member's independent judgment.

A member of the audit committee is considered financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation.

Relevant Education and Experience

See disclosure under Director Biographies above for each member of the audit committee.

Each member of the audit committee has:

- (a) an understanding of the accounting principles used by the issuer to prepare its financial statements, and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;

- (b) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer's financial statements, or experience actively supervising individuals engaged in such activities; and
- (c) an understanding of internal controls and procedures for financial reporting.

Audit Committee Oversight

Since the commencement of the Corporation's most recently completed financial year, the audit committee has not made any recommendations to the Board to nominate or compensate any external auditor, which were not adopted by the Board.

Reliance on Certain Exemptions

The Corporation has not, since the commencement of its most recently completed financial year, relied on (a) the exemption in section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), or (b) an exemption, in whole or in part, granted under Part 8 (*Exemptions*) of NI 52-110.

Pre-Approval Policies and Procedures

See the Audit Committee Charter for specific policies and procedures adopted by the audit committee for the engagement of non-audit services.

External Auditor Service Fees

The audit committee has reviewed the nature and amount of the non-audited services provided by BDO Canada LLP to the Corporation to ensure auditor independence. Fees incurred with BDO Canada LLP for audit and non-audit services in the last two fiscal years are outlined in the following table.

Nature of Services	Fees Paid to Auditor in Year Ended March 31, 2011	Fees Paid to Auditor in Year Ended March 31, 2010
Audit Fees ⁽¹⁾	\$ 86,000	\$59,070
Audit-Related Fees ⁽²⁾	Nil	12,989
Tax Fees ⁽³⁾	17,810	8,162
All Other Fees ⁽⁴⁾	Nil	Nil
Total	\$103,810	\$80,221

Notes:

- (1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Corporation's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) "All Other Fees" include all other non-audit services.

CORPORATE GOVERNANCE

General

Corporate governance refers to the policies and structure of the board of directors of a corporation, whose members are elected by and are accountable to the shareholders of the corporation. Corporate governance encourages establishing a reasonable degree of independence of the board of directors from executive management and the adoption of policies to ensure the board of directors recognizes the principles of good management. The Board is committed to sound corporate governance practices, as such practices are both in the interests of shareholders and help to contribute to effective and efficient decision-making.

National Instrument 58-101 *Disclosure of Corporate Governance Practices* (“NI 58-101”) requires companies to disclose the corporate governance practices that they have adopted. On December 7, 2010, the Corporation graduated from the Tier 1 issuer level on the TSXV to the TSX. A TSX issuer must disclose its corporate governance practices based on the disclosure requirements in NI 58-101 that apply to issuers listed on the Toronto Stock Exchange. This section sets out the Corporation’s approach to corporate governance and addresses the Corporation’s compliance with NI 58-101F1.

Constitution and Independence of the Board

A majority of the current members of the Board are independent directors. The Board is currently comprised of seven persons, of whom five are independent directors. Directors are considered to be independent if they have no direct or indirect material relationship with the Corporation. A “material relationship” is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director’s independent judgment.

The following table outlines the Corporation’s current independent and non-independent directors, and the basis for a determination that a director is non-independent:

<u>Name</u>	<u>Independent/Non-Independent</u>
Robert W. Barker	Independent
William (Bill) Majcher ⁽¹⁾⁽²⁾⁽³⁾	Independent
William F. Lindqvist ⁽¹⁾⁽²⁾	Independent
R. Stuart (Tookie) Angus	Independent
R. Bruce Duncan ⁽¹⁾⁽²⁾⁽³⁾	Independent
Quinton Hennigh	Non-Independent Basis for determination: former President and Chief Geologist of the Corporation
William (Bill) Gee	Non-Independent Basis for determination: Chief Executive Officer of the Corporation

The Board continues to focus on developing its independence from management. The independent members of the Board meet without management at least twice annually after each Board meeting. Since April 1, 2010, there have been two such meetings. Furthermore, individual directors may engage an outside advisor at the expense of the Corporation in appropriate circumstances, and the independent directors have retained independent advice on occasion.

The following current directors of the Corporation and nominee directors are also directors and/or officers of other reporting issuers as set out below:

<u>Name of Director</u>	<u>Name of Reporting Issuer and Exchange</u>	<u>Position with Reporting Issuer</u>
Quinton Hennigh	Novo Resources Corp. – CNSX	Director
	NV Gold Corporation – TSX-V	Director
	Gold Canyon Resources – TSX-V	Director
Robert W. Barker	Novo Resources Corp. – CNSX	Director

<u>Name of Director</u>	<u>Name of Reporting Issuer and Exchange</u>	<u>Position with Reporting Issuer</u>
William Majcher	China Investment Fund - HKSE	Executive Director
William F. Lindqvist	Orosur Mining Inc. – TSX-V AndeanGold Ltd. – TSX-V	Director Director
R. Stuart Angus	Nevsun Resources Ltd. – TSX, AMEX Prosperity Gold Fields Corp. – TSX SouthGobi Resources Ltd. – TSX, SEHK Riva Gold Corporation – TSX-V Wildcat Silver Corporation – TSX-V Dynasty Gold Corp. – TSX-V Tsodilo Resources Limited – TSX-V Crescent Gold Limited – TSX San Marco Resources Inc. – TSX-V Tirex Resources Ltd. – TSX-V Santa Fe Minerals Corp. – TSX-V Bolero Resources Corp. – TSX-V Yellowhead Mining Inc. – TSX-V	Director and Chair Director Director Director Director Director Director and Chair Director Director Director Director and Chair Director and Chair Director
R. Bruce Duncan	Bolero Resources Corp. – TSXV	Director

The attendance record of directors is as follows:

**Attendance Record of Directors
From April 1, 2010 to March 31, 2011**

<u>Name</u>	<u>Board Meetings Attended</u>	<u>% of Board Meetings Attended</u>
Quinton Hennigh	2 of 2	100%
Robert W. Barker	2 of 2	100%
William (Bill) Majcher	1 of 2	50%
William F. Lindqvist	2 of 2	100%
R. Stuart (Tookie) Angus	2 of 2	100%
Robert F. Bick ⁽¹⁾	0 of 2	0%
Gildar (Gilles) Arseneau ⁽²⁾	0 of 2	0%
Daniel E. Wolfus ⁽³⁾	0 of 2	0%

Notes:

- (1) Mr. Bick resigned as a director on April 21, 2010.
- (2) Dr. Arseneau resigned as a director on April 13, 2010.
- (3) Mr. Wolfus resigned as a director on June 13, 2010.

Board Mandate

The Board has not adopted a formal mandate. However, the Board delineates its role and responsibilities by monitoring its business decisions, identifying principal risks and opportunities for the Corporation's business and ensuring the implementation of appropriate systems to manage any risks.

The Board encourages continued education requirements for its directors on policies dealing with the issuance of news releases and disclosure documents.

Stewardship of the Corporation

The Corporation's Board is empowered by governing corporate law and the Corporation's By-laws to manage, or supervise the management of, the affairs and business of the Corporation.

The Board performs its functions through quarterly and special meetings and has delegated certain of its responsibilities to those committees described below. In addition, the Board has established policies and

procedures that limit the ability of management to carry out certain specific activities without the prior approval of the Board.

Long-term strategies and annual operating and capital plans with respect to the Corporation's operations are developed by senior management and reviewed and approved by the Board.

The Board, through the audit committee, has the responsibility to identify the principal risks of the Corporation's business. It has worked with management to implement policies to identify the risks and to establish systems and procedures to ensure that these risks are monitored. In particular, fixed price contracts are an important element of the Corporation's business and, in entering into such contracts; the Corporation assumes certain risks in relation to its ability to deliver projects profitably.

The Board reviews and discusses succession planning for senior management positions as part of the Corporation's planning process. All appointments of senior management are approved by the Board.

The Board has developed written position descriptions for the Board chair and the chair of each Board committee. The Board has also, together with the Chief Executive Officer, developed a written position description for the Chief Executive Officer. As well, the Board meets at least quarterly with the Chief Executive Officer to review and approve the Chief Executive Officer's quarterly and annual objectives.

The Board has adopted a Disclosure Policy to ensure effective communication between the Corporation and its shareholders and the public. The Board has delegated responsibility for communication with the public and the Corporation's shareholders to its Chief Executive Officer, Executive Chairman and Chief Financial Officer. Procedures are in place to ensure proper dissemination of news releases, and that those shareholders who request information about the Corporation receive it in a timely manner. Inquiries by shareholders are directed to and dealt with by senior management.

The Board has delegated responsibility for the integrity of internal controls and management information systems to the audit committee. The Corporation's external auditors report directly to the audit committee. In its regular meetings with the external auditors, the audit committee discusses, among other things, the Corporation's financial statements and the adequacy and effectiveness of the Corporation's internal controls and management information systems.

Orientation and Continuing Education

When new directors are appointed, they receive orientation, commensurate with their previous experience, on the Corporation's business, technology and industry and on the responsibilities of directors.

Board meetings may also include presentations by the Corporation's management and employees to give the directors additional insight into the Corporation's business.

Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation.

Nomination of Directors

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience.

The Board does not have a nominating committee, and these functions are currently performed by the Board as a whole. However, if there is a change in the number of directors required by the Corporation, this policy will be reviewed.

Compensation Committee

The compensation committee is comprised of William F. Lindqvist (Chair), R. Bruce Duncan and William (Bill) Majcher, and its duties are to determine compensation for the directors, Chief Executive Officer, Chief Financial Officer and other senior officers.

The compensation committee's mandate includes:

- (a) assisting the Board in discharging the Board's responsibilities relating to executive officer and director compensation,
- (b) providing oversight with respect to the evaluation of management, and
- (c) providing oversight with respect to the Corporation's compensation strategies, practices and incentive compensation plans.
- (d) This Committee has been empowered to ensure the effectiveness of the Corporation's executive officers and appropriate management continuity, including a succession plan for the chief executive officer and other executive officers. The Compensation Committee formally evaluates the performance of the chief executive officer and recommends to the board of directors the chief executive officer's compensation. It also ensures the reasonableness and appropriateness of the compensation arrangements and compensation level for all of the Corporation's executive officers. The Compensation Committee monitors the overall soundness and effectiveness of director, executive officer and employee compensation and benefit programs. The Committee reviews and makes recommendations to the Board on share incentive plans and related distributions. This Committee reports to the Board annually on compensation issues.

Other Board Committees

The Board has a corporate governance committee which advises the Board with respect to the corporate governance matters of the Corporation. The current members of the corporate governance committee are William (Bill) Majcher (Chair) and R. Bruce Duncan.

The Board has no committees other than the audit committee, the compensation committee and the corporate governance committee.

Assessments

The Board continually monitors the adequacy of information given to directors, communication between the Board and management, and the strategic direction and processes of the Board and its committees.

STATEMENT OF EXECUTIVE COMPENSATION

Named Executive Officers

In this section "Named Executive Officer" means the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO") and each of the three most highly compensated executive officers (the "NEOs"), other than the CEO and CFO, who were serving as executive officers at the end of the most recently completed financial year and whose total compensation was more than \$150,000 as well as any additional individuals for whom disclosure would have been provided except that the individual was not serving as an executive officer of the Corporation at the end of the most recently completed financial year.

Robert W. Barker, former CEO, Charles E. Jenkins, CFO, Quinton Hennigh, former President and Chief Geologist and Vitaly Melnikov, former CFO, are each an NEO for the purposes of the following disclosure. William Gee MSc. the current CEO of the Company was appointed to the position of CEO on April 1, 2011 and is therefore not an NEO for the reporting purposes. However we have included the pertinent information for him in footnotes to the NEO compensation, option and vesting tables.

Compensation Discussion and Analysis

Compensation Committee

See Corporate Governance – Compensation Committee above.

The compensation committee is currently comprised of three members – Dr. William F. Lindqvist (Chairman), R. Stuart (Tookie) Angus and William (Bill) Majcher. Daniel E. Wolfus was a member of the compensation committee until his resignation as a director on June 13, 2010. All members of the compensation committee are independent directors. The Corporation's compensation policies and programs are designed to be competitive with similar mining companies and to recognize and reward executive performance consistent with the success of the Corporation's business. These policies and programs are intended to attract and retain capable and experienced people. The compensation committee's role and philosophy is to ensure that the Corporation's compensation goals and objectives, as applied to the actual compensation paid to the Corporation's CEO and other executive officers, are aligned with the Corporation's overall business objectives and with shareholder interests.

In addition to industry comparables, the compensation committee considers a variety of factors when determining both compensation policies and programs and individual compensation levels. These factors include the long-range interests of the Corporation and its shareholders, overall financial and operating performance of the Corporation and the compensation committee's assessment of each executive's individual performance and contribution toward meeting corporate objectives.

The function of the compensation committee is to assist the Board in fulfilling its responsibilities relating to the compensation practices of the executive officers of the Corporation. The compensation committee has been empowered to review the compensation levels of the executive officers of the Corporation and to report thereon to the Board, to review the strategic objectives of the stock option plan of the Corporation and set stock based compensation, and to consider any other matters which, in the compensation committee's judgment, should be taken into account in reaching the recommendation to the Board concerning the compensation levels of the Corporation's executive officers.

Report on Executive Compensation

This report on executive compensation has been authorized by the compensation committee. The Board assumes responsibility for reviewing and monitoring the long-range compensation strategy for the senior management of the Corporation, although the compensation committee guides it in this role. The Board reviews the compensation of the Corporation's senior executives and determines the type and amount of compensation for the executive officers.

Philosophy and Objectives

The compensation program for the Corporation's senior management is designed to ensure that the level and form of compensation achieves certain objectives, including:

- (a) attracting and retaining talented, qualified and effective executives;
- (b) motivating the short and long-term performance of these executives; and

- (c) better aligning their interests with those of the Corporation's shareholders.

Elements of the Compensation Program

In compensating its senior management, the Corporation has employed a combination of base salary, bonus compensation and equity participation through its stock option plan.

Base Salary

In the Board's view, paying base salaries competitive in the markets in which the Corporation operates, is a first step to attracting and retaining talented, qualified and effective executives. Competitive salary information on comparable companies within the industry is compiled from a variety of sources, including surveys conducted by independent consultants and national and international publications.

Bonus Incentive Compensation

The Corporation wishes to achieve certain strategic objectives and milestones. The Board sets general performance goals that incorporate critical strategic objectives and milestones, including geological success, reputation, share price, financial stability, budget fidelity, investor relations and employee satisfaction. The Board will consider executive bonus compensation dependent upon the Corporation meeting those strategic objectives and milestones and sufficient cash resources being available for the granting of bonuses. The standard annual performance bonus for all executive officers for target performance is set at 33% of the annual base salary.

Equity Participation

The Corporation believes that encouraging its executives and employees to become shareholders is the best way of aligning their interests with those of its shareholders. Equity participation is accomplished through the Corporation's stock option plan. Stock options are granted to executives and employees taking into account a number of factors, including the amount and term of options previously granted, base salary and bonuses and competitive factors. The amounts and terms of options granted are determined by the Board, upon recommendation of the Compensation Committee.

Given the evolving nature of the Corporation's business, the Board continues to review and redesign the overall compensation plan for senior management so as to continue to address the objectives identified above.

Actions, Decisions or Policies Made After March 31, 2011

There have been no actions, decisions or policies made after March 31, 2011 that could affect a reader's understanding of NEO compensation other than as set out herein.

Option-Based Awards

The Corporation has a stock option plan in place which was established to provide incentive to qualified parties to increase their proprietary interest in the Corporation and thereby encourage their continuing association with the Corporation. Management proposes stock option grants to the Board based on such criteria as performance, previous grants, and hiring incentives and all grants require approval of the Board. The stock option plan is administered by the Board or the Board's compensation committee and provides that options will be issued only to directors, officers, employees or consultants of the Corporation or a subsidiary of the Corporation.

Summary Compensation Table

The compensation paid to the NEOs during the Corporation's three most recently completed fiscal years of March 31, 2009, 2010 and 2011 is as set out below and expressed in Canadian dollars unless otherwise noted:

Name and principal position	Year	Salary (\$) ⁽¹⁾	Share-based awards (\$)	Option-based awards ⁽²⁾ (\$)	Non-equity incentive plan compensation		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans ⁽³⁾ (\$)	Long-term incentive plans (\$)			
Robert W. Barker ⁽⁴⁾ CEO	2011	257,965	Nil	192,859	73,733	Nil	Nil	26,452	551,009
	2010	156,960	Nil	192,000	109,000	Nil	Nil	28,302	486,262
	2009	97,487	Nil	192,804	Nil	Nil	Nil	22,765	313,056
Charles E. Jenkins ⁽⁵⁾ CFO	2011	40,496	Nil	124,937	Nil	Nil	Nil	Nil	165,433
	2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2009	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Quinton Hennigh ⁽⁶⁾ former President	2011	257,081	Nil	96,000	73,733	Nil	Nil	27,170	453,984
	2010	156,960	Nil	192,000	147,000	Nil	Nil	38,211	534,321
	2009	174,321	Nil	486,334	Nil	Nil	Nil	6,973	667,628
Robert Bick ⁽⁷⁾ former CEO	2011	Nil	Nil	Nil	Nil	Nil	Nil	120,000	120,000
	2010	120,000	Nil	144,000	100,000	Nil	Nil	25,590	389,590
	2009	120,000	Nil	299,821	Nil	Nil	Nil	23,967	443,785
Vitaly Melnikov ⁽⁸⁾ former CFO	2011	137,954	Nil	Nil	40,000	Nil	Nil	266,089	444,043
	2010	145,333	Nil	81,900	50,000	Nil	Nil	25,590	302,823
	2009	132,463	Nil	192,836	Nil	Nil	Nil	22,396	347,695

Notes:

- (1) All amounts are expressed in Canadian dollars and have been converted from US dollars (in the case of Messrs. Barker and Hennigh for 2009, 2010 and 2011) using the following annual average exchange rates (the "Exchange Rates") for the 2009, 2010 and 2011 fiscal years: CDN\$0.98/US\$1 for 2011, CDN\$1.09/US\$1 for 2010 and CDN\$1.1264/US\$1 for 2009.
- (2) The Corporation uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. During the year ended March 31, 2011, the following assumptions were used when calculating the fair value of share purchase options at the date of grant: (a) average risk-free interest rate of 1.77 – 2.43%; (b) expected life of 2-10 years; (c) expected volatility of 111-123%; and (d) Nil dividends.
- (3) Represents bonuses paid in each fiscal year, after finalizing and filing results for that fiscal year. Amounts are expressed in Canadian dollars and have been converted from US dollars (in the case of Messrs. Barker and Hennigh) using the Exchange Rate for 2010 (see note (1) above).
- (4) Dr. Robert W. Barker, Ph.D. was elected a director of the Corporation effective September 30, 2008. On November 24, 2008, he was appointed the Corporation's CEO and resigned from the position effective 11:59 p.m. on March 31, 2011. During the fiscal year ended March 31, 2011 the Corporation and Dr. Barker operated under an executive employment agreement, which was originally signed December 1, 2008, and pursuant to which, Dr. Barker was to receive an annual base salary of USD\$144,000 (USD\$12,000 per month), less applicable deductions for income tax, and was reimbursed for out-of-pocket expenses. Dr. Barker was also entitled to an annual bonus, based on the extent to which he achieved his annual performance objectives as set by the Board, and was entitled to participate in the Corporation's share option plan or any successors thereto. The amounts reported under "All Other Compensation" in the above table represent payments paid on behalf of Dr. Barker in respect of health benefit coverage, retirement plan (401(k)) contributions and other benefits. Upon his resignation as CEO effective 11:59 p.m. on March 31, 2011, Dr. Barker agreed to the terms of a Waiver and Transition Agreement with the Corporation, to be effective April 1, 2011, wherein Dr. Barker agreed to act as Assistant to the Corporation's new CEO (Mr. William Gee) for a reduced annual salary of \$85,000, which salary was to be reduced again on June 1, 2011 to \$40,000 per annum until December 31, 2011. Pursuant to the Waiver and Transition Agreement, Dr. Barker also receives annual vacation pay, standard group medical and dental insurance and other standard benefits applicable to all executives of the Corporation until December 31, 2011. Under the Waiver and Transition Agreement Dr. Barker agreed to

cease employment with the Corporation on December 31, 2011 and he agreed to waive the right to any severance payment from the Corporation and to waive any other rights he may have against the Corporation under his December 1, 2008 employment agreement. William Gee was appointed CEO to replace Dr. Barker, effective April 1, 2011. Pursuant to an employment agreement with the Corporation Mr. Gee receives an annual base salary of USD\$170,000 (USD\$14,166.66 per month), less applicable deductions for income tax, and is reimbursed for out-of-pocket expenses. Mr. Gee is also entitled to an annual bonus, based on the extent to which he achieves his annual performance objectives as set by the Board, and is entitled to participate in the Corporation's share option plan or any successors thereto.

- (5) Mr. Charles E. Jenkins was appointed to the positions of CFO and Corporate Secretary on December 22, 2010. On December 22, 2010, the Corporation entered into an executive employment agreement with Mr. Jenkins under which Mr. Jenkins receives an annual base salary of \$170,000 (\$14,666 per month), less applicable deductions for income tax, and is reimbursed for out-of-pocket expenses. Mr. Jenkins is also entitled to an annual bonus, based on the extent to which he achieves his annual performance objectives as set by the Board, and is entitled to participate in the Corporation's share option plan or any successors thereto. The Corporation may terminate the agreement upon 90 days prior written notice or for just cause. The amounts reported under "*All Other Compensation*" represent payments paid on behalf of Mr. Jenkins in respect of registered retirement savings plan (RRSP) contributions and health and other benefits payments.
- (6) Dr. Quinton Hennigh, M. Sc., Ph.D. became the Corporation's President on April 4, 2008 and a director of the Corporation effective August 21, 2008. He resigned as President on June 8, 2011. On April 1, 2008, the Corporation entered into an executive employment agreement with Dr. Hennigh under which Dr. Hennigh receives an annual base salary of USD\$144,000 (\$14,166 per month), less applicable deductions for income tax, and is reimbursed for out-of-pocket expenses. Mr. Jenkins is also entitled to an annual bonus, based on the extent to which he achieves his annual performance objectives as set by the Board, and is entitled to participate in the Corporation's share option plan or any successors thereto. The Corporation may terminate the agreement upon 90 days prior written notice or for just cause. The amounts reported under "*All Other Compensation*" represent payments paid on behalf Dr. Hennigh in respect of health benefit coverage, retirement plan (401(k)) contributions and other benefits.
- (7) Mr. Robert F. Bick was appointed the Corporation's CEO in February 2007 and in November 2008 he resigned as CEO and became the Corporation's Executive Chairman. On February 1, 2007, the Corporation entered into a management services agreement with Click It Marketing Inc. ("ClickIt") and Robert Bick, President of ClickIt, for a term of two years. In accordance with this management services agreement, Mr. Bick was nominated by the Corporation's management for election as a director of the Corporation. Pursuant to the management services agreement, the management fee payable to Mr. Bick was \$7,500 per month, together with goods and services taxes and any and all other taxes payable by law. This amount was increased to \$10,000 per month by the Board effective November 1, 2007. Mr. Bick received a signing bonus of \$15,000 payable in cash and was entitled to participate in the Corporation's share option plan or any successors thereto. Subsequent to being appointed Executive Chairman, the Company extended the term of the management service agreement and signed an addendum with an open term. The Corporation had the right to terminate the agreement upon 90 days prior written notice or for just cause. On April 21, 2010, the Corporation provided written notice that it would be terminating the agreement with Robert Bick and ClickIt effective July 21, 2010 and paid Robert Bick and Clickit \$120,000 as a termination fee. Mr. Bick resigned as a director and as Executive Chairman of the Corporation on April 21, 2010. Also pursuant to the terms of the termination the Corporation agreed to pay Mr. Bick for special advisory services of at least \$100 per month. This agreement expires in one year but can be terminated at any time. The amounts reported under "*All Other Compensation*" represent payment of the termination fee.
- (8) Mr. Vitaly Melnikov, M.B.A., C.P.A. became the Corporation's CFO on June 5, 2008 and Corporate Secretary on September 30, 2008. On June 5, 2008, the Corporation entered into an executive employment agreement with Mr. Melnikov and under the terms of the executive employment agreement received an annual base salary of CDN\$160,000 (CDN\$13,333 per month), less applicable deductions for income tax, and was reimbursed for out-of-pocket expenses. Since April 2009 Mr. Melnikov voluntarily agreed to draw a portion of his annual base salary equal to CDN\$144,000 (CND\$12,000 per month) and was paid the balance of his salary upon termination. Mr. Melnikov was entitled to an annual bonus, based on the extent to which he achieved his annual performance objectives as set by the Board, and was entitled to participate in the Corporation's share option plan or any successors thereto. The agreement was terminated in December 2010 and the Corporation paid \$266,089 as one year's termination fee to Mr. Melnikov. These amounts are reported under "*All Other Compensation*" and include registered retirement savings plan (RRSP) contributions and health and other benefits payments.

Incentive Plan Awards

Outstanding Option-based Awards

The following table sets out all option-based awards and share-based awards outstanding as at March 31, 2011, for each NEO (there were no share-based awards outstanding as at March 31, 2011 for any NEO):

Named Executive Officer	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)
Robert W. Barker ⁽²⁾	200,000	1.25	Nov 30, 2014	Nil
	500,000	0.17	Nov 14, 2018	315,000
	250,000	0.35	Jan 15, 2019	112,500
	400,000	0.94	Feb 01, 2016	Nil
Charles E. Jenkins	500,000	0.97	Jan 21, 2016	Nil
Quinton Hennigh	300,000	0.42	May 2, 2012	114,000
	130,000	0.80	Nov 28, 2012	Nil
	100,000	0.88	Jan 23, 2013	Nil
	484,500	0.17	Nov 14, 2018	305,235
	200,000	1.25	Nov 30, 2014	Nil
Robert F. Bick ⁽³⁾	140,000	0.80	Nov 28, 2012	Nil
	125,000	0.88	Jan 23, 2013	Nil
	150,000	1.25	Nov 30, 2014	Nil
Vitaly Melnikov ⁽⁴⁾	Nil	Nil	Nil	Nil

Notes:

- (1) These values are calculated by subtracting the exercise price from the trading price of the Corporation's Common Shares on the TSX as at March 31, 2011 (\$0.80 each) and then multiply that difference times the number of Common Shares available to the option holder for purchase at the stated exercise price.
- (2) Dr. Barker resigned as CEO effective 11:59 pm on March 31, 2011 and Mr. William Gee was appointed to replace Dr. Barker as CEO on April 1, 2011. Prior to being appointed CEO of the Corporation, Mr. Gee was granted options to purchase 300,000 Shares on December 1, 2009 at an exercise price of \$1.25 each, expiring November 30, 2014 and options to purchase 300,000 Shares granted on February 2, 2011 at an exercise price of \$0.94 each, expiring February 1, 2016. Subsequent to his appointment as Director on March 14, 2011, Mr. Gee was granted options to purchase a further 500,000 Shares at an exercise price of \$0.90 each, expiring March 14, 2016. Of these options to purchase 500,000 Shares granted to Mr. Gee on March 14, 2011, options to purchase 166,667 Shares vested immediately upon grant.
- (3) Mr. Bick resigned as CEO on July 21, 2010 and, as at the date of this Management Proxy Circular all options outstanding on March 31, 2011 have expired unexercised.
- (4) Mr. Melnikov resigned as CFO on December 23, 2010 and all options he held at that time were either exercised or expired unexercised prior to March 31, 2011.

Incentive Plan Awards – Vested Value

The following table sets out all option-based awards vested during the fiscal year ended March 31, 2011 for each NEO:

Named Executive Officer	Option-based awards – Value vested during the year (\$)
Robert W. Barker ⁽¹⁾	192,859
Charles E. Jenkins	124,937
Quinton Hennigh	96,000
Robert F. Bick	Nil
Vitaly Melnikov	Nil

Note:

- (1) Mr. Barker resigned from the position of CEO on March 31, 2011 and on April 1, 2011 Mr. William Gee was appointed CEO in his place. Mr. Gee's options vesting within the financial year ended March 31, 2011 were value at \$115,921.

See Securities Authorized under Equity Compensation Plans below for further information on the Corporation's Share Option Plan.

Pension Plan

The Corporation has no pension plans for its directors, officers or employees.

Termination and Change of Control Benefits

The executive employment agreements that the Corporation has entered into with each of Quinton Hennigh, Robert W. Barker, Charles E. Jenkins, Vitaly Melnikov and Robert F. Bick (collectively, the “Executive Employment Agreements”) contain the same termination and change of control benefits.

Termination

The Corporation may terminate an Executive Employment Agreement at any time without cause by providing the executive with ninety days’ written notice of termination and paying the executive the following amounts in lieu of notice: (a) the executive’s salary up to the termination date (if not already paid); (b) all outstanding and accrued regular and special vacation pay to the termination date; (c) all reimbursable expenses; (d) an amount equivalent to one year’s annual base salary and one year’s target annual bonus; (e) an amount equivalent to one year’s contribution to the executive’s Registered Retirement Savings Plan; (f) an amount in respect of outplacement counselling equal to at least ten percent of the executive’s annual base salary; and (g) an amount equivalent to one year’s cost to the Corporation of all other benefits and expenses that would have been paid by the Corporation for the benefit of the executive during the year immediately following the termination date. If an executive’s employment is terminated without cause, any stock options granted to the executive and held by the executive on the termination date will immediately vest and will be exercisable for at least one year following the termination date.

Change of Control

The Executive Employment Agreements also contemplate a “Change of Control” of the Corporation. For the purpose of the Executive Employment Agreements, a “Change of Control” of the Corporation occurs when: (a) an entity or entities or any person or persons acting in concert become the beneficial owner of more than 50% of the combined voting power of the Corporation or a significant subsidiary (i.e. a subsidiary that owns more than 50% of the consolidated assets of the Corporation); (b) a merger or consolidation of the Corporation (or a significant subsidiary) with any other entity is consummated, unless the merger or consolidation results in the voting securities of the Corporation (or significant subsidiary) outstanding immediately prior thereto continuing to represent more than 50% of the combined voting power of the surviving or resulting entity outstanding immediately after the merger or consolidation; or (c) the Corporation’s shareholders approve a plan or arrangement for the sale or disposition of more than 50% of the consolidated assets of the Corporation (or assets that generate more than 50% of the Corporation’s consolidated revenues).

For the purpose of the Executive Employment Agreements, “Constructive Dismissal” means, without the executive’s written consent, if there is a Change of Control and: (a) the Corporation requires the executive to relocate his office to a location more than 40 kilometres from its current location or reassigns the executive to a position of lesser rank and reduces or materially changes the executive’s responsibilities to the Corporation; or (b) there is a reduction to the executive’s base salary or any cash bonus that is not borne equally by all employees who enjoy such benefits at the time (and thereafter).

Following a Change of Control of the Corporation, if an Executive Employment Agreement is terminated by the Corporation, or by the executive upon an event of Constructive Dismissal, within one year of the Change of Control and within one year of the effective date of the Executive Employment Agreement, the

Corporation must pay the executive the following amounts: (a) the executive's salary up to the termination date (if not already paid); (b) all outstanding and accrued regular and special vacation pay to the termination date; (c) all reimbursable expenses; (d) an amount equivalent to one-half of the number of months of service by the executive to the Corporation multiplied by the executive's annual base salary plus annual performance bonus; (e) an amount equivalent to the sum of all Registered Retirement Savings Plan contributions for the six months immediately following the termination date; (f) an amount in respect of outplacement counseling equal to at least ten percent of the executive's annual base salary; and (g) an amount equivalent to six months' cost to the Corporation of all other benefits and expenses that would have been paid by the Corporation for the benefit of the executive during the year immediately following the termination date. If an executive's employment is terminated without cause, any stock options granted to the executive and held by the executive on the termination date will immediately vest and will be exercisable for at least eighteen months following the termination date. If there is no event of Constructive Dismissal and an executive terminates an Executive Employment Agreement within one year from a Change of Control, the Corporation must pay the executive an amount equal to one-fourth of the above amounts.

Following a Change of Control of the Corporation, if an Executive Employment Agreement is terminated by the Corporation, or by the executive upon an event of Constructive Dismissal, within one year of the Change of Control and subsequent to the one year anniversary of the effective date of the Executive Employment Agreement, the Corporation must pay the executive the following amounts: (a) the executive's salary up to the termination date (if not already paid); (b) all outstanding and accrued regular and special vacation pay to the termination date; (c) all reimbursable expenses; (d) an amount equivalent to three-fourths of the number of months of service by the executive to the Corporation multiplied by the executive's annual base salary plus annual performance bonus, up to a maximum amount equivalent to two times the executive's annual base salary plus two times the annual performance; (e) an amount equivalent to the sum of all Registered Retirement Savings Plan contributions for the one year immediately following the termination date; (f) an amount in respect of outplacement counselling equal to at least ten percent of the executive's annual base salary; and (g) an amount equivalent to one year's cost to the Corporation of all other benefits and expenses that would have been paid by the Corporation for the benefit of the executive during the year immediately following the termination date. If an executive's employment is terminated without cause, any stock options granted to the executive and held by the executive on the termination date will immediately vest and will be exercisable for at least eighteen months following the termination date. If there is no event of Constructive Dismissal and an executive terminates an Executive Employment Agreement within one year from a Change of Control, the Corporation must pay the executive an amount equal to one-fourth of the above amounts.

Potential Payments upon Termination

The following table provides information concerning the value of payments and benefits following termination of employment of each NEO under various circumstances. One of the NEOs, Vitaly Melnikov, resigned on December 23, 2010 and was therefore not subject to termination and change of control provisions as at March 31, 2011. Payments vary based on the reason for termination and the timing of a departure. The amounts below are calculated as if the NEO's employment had been terminated on March 31, 2011.

	NEO	Termination Without Cause ⁽³⁾	Change of Control ⁽³⁾
Dr. Robert Barker ⁽¹⁾	Salary	257,965	322,456
	Bonus	73,733	92,166
	Additional Compensation	52,250	26,125
	Options	Nil	Nil

	NEO	Termination Without Cause ⁽³⁾	Change of Control ⁽³⁾
Charles Jenkins ⁽²⁾	Salary	56,667	127,500
	Bonus	18,900	42,500
	Additional Compensation	8,000	18,000
	Options	Nil	Nil
Dr. Quinton Hennigh	Salary	257,081	385,621
	Bonus	73,733	110,600
	Additional Compensation	52,875	26,437
	Options	Nil	Nil

Notes:

- (1) The Corporation entered into a Waiver and Transition Agreement with the Dr. Barker pursuant to which Dr. Barker agreed to resign as CEO effective 11:59 p.m. on March 31, 2011. Also pursuant to this agreement, effective April 1, 2011, Dr. Barker agreed to act as Assistant to the Corporation's new CEO (Mr. William Gee) for a reduced annual salary of \$85,000, which salary was to be reduced again to \$40,000 per annum effective June 1, 2011; plus annual vacation pay and standard group extended medical insurance, dental insurance and other standard benefits applicable to all executives of the Corporation until December 31, 2011. Dr. Barker also agreed to cease employment with the Corporation on December 31, 2011 and to waive the right to severance payment from the Corporation and any other rights he may have against the Corporation under his December 1, 2008 employment agreement. William Gee was appointed CEO to replace Dr. Barker, effective April 1, 2011. The payments and benefits estimated to be due to Mr. Gee upon termination without cause or change of control are: Salary \$167,000; Bonus \$73,733, Additional Compensation \$25,000 and no Options for nil value.
- (2) Mr. Jenkins was appointed as CFO on December 23, 2010.
- (3) Dr. Barker, Dr. Hennigh and Mr. Gee are paid in US dollars. The amounts presented above are the estimated Canadian Dollar equivalents as at March 31, 2011.

Except as outlined above, there are no contracts, agreements, plans or arrangements that provide for payments to an NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Company or a change in an NEO's responsibilities.

Director Compensation

Independent directors are paid an annual retainer of \$18,000, plus an additional annual retainer of \$5,000 to each independent director who acts as a member of the Audit, Compensation or Corporate Governance Committees. In addition and commencing April 21, 2011, the board of directors resolved to pay \$5,000 per month to the Chairman of the Board.

The compensation provided to the directors, excluding a director who is included in disclosure for an NEO, for the Corporation's most recently completed financial year ended March 31, 2011:

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards ⁽¹⁾ (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
William (Bill) Majcher	33,000	Nil	96,429	Nil	Nil	Nil	129,429
William F. Lindqvist	30,110	Nil	96,429	Nil	Nil	Nil	126,539
R. Bruce Duncan	28,325	Nil	289,929	Nil	Nil	3,577	321,741
Gildar (Gilles) Arseneau ⁽²⁾	2,750	Nil	Nil	Nil	Nil	Nil	2,750
Daniel E. Wolfus ⁽³⁾	Nil	Nil	Nil	Nil	Nil	152,250	152,250

Notes:

- (1) The Corporation uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. During the year ended March 31, 2011, the following assumptions were used when calculating the fair value

of share purchase options at the date of grant: (a) average risk-free interest rate of 1.77 – 2.43%; (b) expected life of 2-10 years; (c) expected volatility of 111-123%; and (d) Nil dividends.

- (2) Dr. Arseneau resigned as a director on April 13, 2010.
- (3) Mr. Wolfus resigned as a director on June 13, 2010. Subsequent to March 31, 2010 on May 25, 2010, the Company and Daniel E. Wolfus, a former director of the Company, reached a settlement in connection with Mr. Wolfus' claim against the Company. Mr. Wolfus' claim was for approximately \$300,000 allegedly owed to him for services rendered to the Company in connection with its most recently completed private placement. As a result of the settlement, Mr. Wolfus' lawsuit has been discontinued in consideration for a one-time payment to Mr. Wolfus of \$150,000 which is reported under "All Other Compensation". The Company strongly believed in the merits of its defence and neither the settlement amount nor the settlement itself should be considered an admission of any liability by the Company, which agreed to the settlement for reasons related to the adverse economics and management diversion created by defending this lawsuit in California.

Outstanding Share-based Awards and Option-based Awards

The following table sets out all option-based awards and share-based awards outstanding as at March 31, 2011, for each director, excluding a director who is already set out in disclosure for a NEO for the Corporation:

Name ⁽¹⁾	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽²⁾ (\$)
William Majcher	100,000	0.40	Sep 21, 2012	40,000
	100,000	1.25	Nov 30, 2014	Nil
	85,500	0.17	Nov 14, 2018	53,865
	100,000	0.35	Jan 15, 2019	45,000
	200,000	0.94	Feb 1, 2016	Nil
William F. Lindqvist	100,000	1.25	Nov 30, 2014	Nil
	350,000	0.42	May 26, 2019	133,000
	200,000	0.94	Feb 1, 2016	Nil
R. Bruce Duncan	350,000	\$0.92	May 20, 2015	Nil
	200,000	0.94	Feb 11, 2016	Nil
Gildar Arseneau	180,000	0.42	May 2, 2012	68,400
	100,000	1.25	Nov 30, 2014	Nil
	85,500	0.17	Nov. 14, 2018	53,865

Notes:

- (1) Mr. Arseneau resigned as CFO on April 13, 2010 and any outstanding options as at March 31, 2011 have since expired unexercised. Mr. Wolfus resigned from the Company on June 13, 2010 and had no outstanding options as at March 31, 2011.
- (2) These values are calculated by subtracting the exercise price from the trading price of the Corporation's Common Shares on the TSX as at March 31, 2011 (\$0.80 each) and then multiply that difference times the number of Common Shares available to the option holder for purchase at the stated exercise price.

Incentive Plan Awards – Value Vested

The following table sets out all option-based awards vested during the year ended March 31, 2011 for each director, excluding a director who is already set out in disclosure for a NEO for the Corporation:

Name	Option-based awards – Value vested during the year (\$)
William (Bill) Majcher	96,429
William F. Lindqvist	96,429

Name	Option-based awards – Value vested during the year (\$)
R. Bruce Duncan	289,929
Gildar (Gilles) Arseneau	Nil

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

See Particulars of Matters to be Acted Upon – Share Option Plan, for disclosure on the Corporation’s share option plan.

The following table sets out equity compensation plan information as at the fiscal year end of March 31, 2011:

Equity Compensation Plan Information

Plan Category	No. of Securities to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity Compensation Plans Approved by Securityholders (the “Plan”)	8,712,000	\$0.81	4,146,045
Equity Compensation Plans Not Approved by Securityholders	N/A	N/A	N/A
Total:	8,712,000	\$0.81	4,146,045

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No directors, proposed nominees for election as directors, executive officers or their respective associates or affiliates, or other management of the Corporation were indebted to the Corporation as at March 31, 2011 or as at the date hereof.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

An informed person is one who generally speaking is a director or executive officer or a 10% shareholder of the Corporation. To the knowledge of management of the Corporation, no informed person or nominee for election as a director of the Corporation or any associate or affiliate of any informed person or proposed director had any interest in any transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries during the year ended March 31, 2011, or has any interest in any material transaction in the current year other than as set out in this Management Proxy Circular or in a document disclosed to the public and filed on www.sedar.com.

During the fiscal year ended March 31, 2011, the Corporation paid \$60,000 for office rent to Baron Group, a company for which William Majcher is a Managing Director.

MANAGEMENT CONTRACTS

Except as set out herein, there are no management functions of the Corporation which are to any substantial degree performed by a person or company other than the directors or executive officers of the Corporation.

INDEMNIFICATION

No indemnification under section 124 of *CBCA* has been paid or is to be paid for the last completed financial year.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation provides insurance for the benefit of the directors and officers of the Corporation, more particularly described as follows:

- (a) the Corporation pays a premium of \$17,500 for its primary D&O insurance policy which is, in aggregate for directors and officers, \$5,000,000;
- (b) The Corporation pays an additional premium of \$11,460 for excess liability insurance with an additional limit of liability of \$5,000,000.

FINANCIAL ASSISTANCE

No indemnification under section 124 of *CBCA* has been paid or is to be paid for the last completed financial year.

PARTICULARS OF MATTERS TO BE ACTED UPON

A. Adoption of New Share Option Plan

At the annual general meeting of the Company held on September 30, 2010 the shareholders approved continuation of the Company's current share option plan (the "Current Plan") dated for reference March 14, 2007, which was initially approved by the Company's shareholders on September 21, 2007, and which was amended by Directors Resolution on December 10, 2010. The maximum aggregate number of Common Shares that may be reserved for issuance under the Current Plan at any point in time is 10% of the outstanding Common Shares at the time the options are granted, less any Common Shares reserved for issuance under any other arrangements. All options under the Current Plan have an expiry term of five or ten years depending upon the Company's exchange listing status. Pursuant to TSX Venture Exchange policies the Company was required to and did obtain shareholder approval to continuation of the Current Plan annually.

On December 7, 2010 the Company moved its listing to the Toronto Stock Exchange (the "TSX") and its Shares commenced trading on the TSX on the same date. Effective January 1, 2011, amendments to the *Income Tax Act* (Canada) require the Company to withhold and remit to Canada Revenue Agency, the estimated tax on the deemed benefits arising from the exercise of stock options under an option plan.

In order to bring the Company's incentive plan arrangements in line with TSX policies and to, among other things accommodate the new *Income Tax Act* (Canada) requirements, on August 19, 2011 the Board authorized adoption of a new form of share option plan to be dated for reference August 19, 2011 and to be effective following the Meeting (the "New Plan").

The New Plan (a) provides for compliance with Canada Revenue Agency withholding tax requirements, and (b) provides the Board with authority, under certain circumstances, to amend the New Plan without further shareholder approval. The New Plan also incorporates a few other housekeeping amendments, the most noteworthy being changes to accommodate electronic trading and the issuance of uncertificated Common Shares. Pursuant to TSX policies, a listed company with an option plan reserving a percentage of the issued and outstanding voting securities in its capital stock on a rolling basis must obtain shareholder approval for continuation of its option plan at every third annual meeting of its shareholders.

As at August 19, 2011, there were options outstanding to purchase 8,689,000 Common Shares in the capital of the Company (representing 6.75% of the current issued and outstanding Common Shares in the capital of the Company). All previously allocated options under the Current Plan will continue unaffected and be rolled into the New Plan. If shareholders do not approve adoption of the New Plan, all previously granted options will not be available for re-allocation if the options are cancelled prior to the date of exercise of the option as the term of the Current Plan expires in September, 2011. If approved the Company would be authorized to issue additional options to purchase a further 4,178,445 (being 3.25% of the current issued and outstanding Common Shares in the capital of the Company) Common Shares.

Management of the Company is now seeking Shareholder approval to adopt the New Plan. Assuming Shareholders approve adoption of the New Plan, the Board will implement the New Plan to: (a) provide for withholding arrangements for taxes levied upon exercise of options; and (b) provide for issuance and delivery of uncertificated Common Shares upon exercise of options under the New Plan.

The New Plan provides for a maximum of 10% of the issued and outstanding Common Shares of the Company at the time an option is granted, less Common Shares reserved for issuance pursuant to currently outstanding options, to be reserved for options to be granted at the discretion of the Board of Directors or its Compensation Committee to eligible optionees (“Optionees”).

The following is a summary of the material terms of the New Plan:

- (a) All options granted under the New Plan are non-assignable and non-transferable and are issuable for a period of up to 10 years;
- (b) the minimum exercise price of an option granted under the New Plan must not be less than the Market Price calculated the day before the grant being an exercise price which is no less than the five day volume weighted average trading price (“VWAP”) at the date of grant. VWAP means the price at which the exercisable Common Shares can be acquired and is calculated by dividing the total value of the Common Shares traded for the relevant period on the TSX by the total volume of shares;
- (c) the expiry of an option will, if there is a self-imposed blackout in place as contemplated under the New Plan at the pre-determined expiry date of an option, become the tenth day following the lifting of such blackout;
- (d) for stock options granted to employees or service providers (inclusive of management company employees), the Company must ensure that the proposed optionee is a bona fide employee or service provider (inclusive of management company employees), as the case may be, of the Company or any subsidiary;
- (e) if an optionee ceases to be employed by the Company (other than as a result of termination with cause) or ceases to act as a director or officer of the Company or a subsidiary of

the Company, any option held by such optionee may be exercised within 90 days after the date such optionee ceases to be employed as an officer or director or, as the case may be;

(f) pursuant to the Plan, a "Change of Control" is deemed to occur when one party owns or controls 20% or more of the issued and outstanding Shares, and upon a Change of Control occurring all outstanding options granted to directors and officers of the Corporation, which are subject to vesting provisions, shall be deemed to have immediately vested upon the occurrence of the Change of Control;

(g) if an optionee dies, any vested option held by him at the date of death will become exercisable by the optionee's lawful personal representatives, heirs or executors until the earlier of one year after the date of death of such optionee and the date of expiration of the term otherwise applicable to such option;

(h) in the case of an optionee being dismissed from employment or service for cause, such optionee's options, whether or not vested at the date of dismissal, will immediately terminate without right to exercise same;

(i) vesting of options shall be at the discretion of the Board, and will generally be subject to: (i) the service provider remaining employed by or continuing to provide services to the Company or any of its affiliates as well as, at the discretion of the Board, achieving certain milestones which may be defined by the Board from time to time or receiving a satisfactory performance review by the Company or any of its affiliates during the vesting period; or (ii) the service provider remaining as a director of the Company or any of its affiliates during the vesting period; and

(j) the Board reserves the right in its absolute discretion to terminate the New Plan with respect to all New Plan shares in respect of options which have not yet been granted hereunder.

Subject to TSX Policy requirements and the prior receipt of any necessary regulatory approval, the Board may in its absolute discretion, and without further shareholder approval, amend or modify the New Plan or any option granted as follows:

(a) to make amendments which are of a typographical, grammatical or clerical nature;

(b) to change the vesting provisions of an option granted hereunder;

(c) to change the termination provision of an option granted hereunder, which does not entail an extension beyond the original expiry date of such Option;

(d) to add a cashless exercise feature payable in cash or Common Shares which provides for a full deduction of the number of underlying Common Shares from the Common Shares reserved hereunder;

(e) to make amendments necessary as a result in changes in securities laws applicable to the Company;

(f) if the Company becomes listed or quoted on a stock exchange or stock market senior to the TSX, it may make such amendments as may be required by the policies of such senior stock exchange or stock market; and

- (g) to make such amendments as reduce, and do not increase, the benefits of the New Plan to Service Providers.

The New Plan provides that disinterested shareholder approval must be received prior to:

- (a) Common Shares being issuable at any time to Insiders under the New Plan, when combined with all of the Company's other share compensation arrangements, exceeding 10% of the outstanding Common Shares.
- (b) Common Shares to be issued at any time to Insiders under the New Plan, when combined with all of the Company's other share compensation arrangements, exceeding 10% of the outstanding Common Shares in any 12 month period;
- (c) Common Shares being issuable to independent directors under the New Plan, when combined with all of the Company's other share compensation arrangements, exceeding 1% of the outstanding Common Shares of the Company; and
- (d) a reduction in the exercise price of an option granted hereunder to an Insider or an extension of the term of an option granted hereunder benefiting an Insider, would require the approval of the disinterested shareholders (defined below) of the Company.

In the event any such matter is approved by disinterested vote it will need to be again approved by disinterested vote at the time the next three year vote to allow continuation of the Plan is required.

Definitions:

A "*disinterested shareholder*" means a shareholder that is not an Insider to whom options may be granted under the New Plan and they are not an Associate of any Insider.

An "*Insider*" is a director or an officer of the Company, a director or an officer of a company that is itself an Insider or a subsidiary of an Insider, or a person that has beneficial ownership of, and/or control or direction, either directly or indirectly over, securities of the Company carrying more than 10% of the voting rights attached to all the Company's outstanding voting securities.

An "*Associate*" means, if used to indicate a relationship with any person,

- (a) a partner, other than a limited partner, of that person,
- (b) a trust or estate in which that person has a substantial beneficial interest or for which that person serves as trustee or in a similar capacity,
- (c) an issuer in respect of which that person beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the issuer, or
- (d) a relative, including the spouse, of that person or a relative of that person's spouse, if the relative has the same home as that person.

At the Meeting, shareholders will be asked to vote on the following ordinary resolution, with or without variation:

“Resolved that:

1. the Share Option Plan dated for reference August 19, 2011 (the “New Plan”), be adopted;
2. all currently available and unallocated options outstanding be rolled into the New Plan;
3. all unallocated entitlements under the New Plan be approved and authorized until September 30, 2014, or such earlier date as required by TSX Policy;
4. the Company has the ability to continue granting options under the New Plan on a 10% of issued Common Shares rolling basis from the date shareholder approval to the New Plan is obtained; and
5. any one or more of the directors and officers of the Company be authorized to perform all such acts, deeds and things and execute, under seal of the Company or otherwise, all such documents as may be required to give full effect to the intent and purpose of this resolution.”

All previously allocated options will continue unaffected regardless of the outcome of the vote. However, should the resolution not be approved by the shareholders, such allocated options will not be available for reallocation if they are cancelled, without further shareholder approval for the grant of the options.

The Company is of the opinion that the New Plan provides the Company with the flexibility necessary to attract and maintain the services of senior executives and other employees in competition with other businesses in the industry.

An ordinary resolution is a resolution passed by a simple majority of the votes cast at the Meeting by the shareholders who voted in respect of that resolution either in person or by proxy.

A copy of the New Plan may be obtained by contacting the Company’s Corporate Secretary at Suite 605, 1166 Alberni Street, Vancouver, British Columbia, V6E 3Z3, telephone number: 604-685-6375 or fax number 604-909-1163. A copy of the New Plan will also be made available at the Meeting for review by any Shareholder.

The Board of Directors recommends that shareholders vote in favour of the resolution. In the absence of a contrary instruction, the persons named in the enclosed form of proxy intend to vote in favour of this resolution.

B. Shareholder Rights Plan Agreement

On January 23, 2008 the Board adopted a shareholder rights plan agreement (the “2008 Plan”) which was approved by the Corporation’s Shareholders on March 20, 2008. Under the terms of the 2008 Plan it expires at the end of the Corporation’s 2011 annual shareholders meeting. In August 2011 the Board decided to adopt a new shareholder rights plan agreement in order to take into account recent legal developments in respect of such plans. Accordingly the Board is presenting the new shareholder rights plan agreement for Shareholder approval at the Meeting, rather than merely a resolution ratifying continuation of the 2008 Plan.

Accordingly, the Board has approved adoption of a new 2011 shareholder rights plan agreement (the “2011 Rights Plan”) between the Corporation and Computershare Investor Services Inc., as Rights Agent, effective September 30, 2011 (the “Effective Date”). The Board’s objective in adopting the 2011 Rights Plan is to ensure the fair treatment of Shareholders in connection with any take-over bid for Common Shares of the Corporation. The 2011 Rights Plan was not adopted in response to any proposal to acquire control of the Corporation.

The 2011 Rights Plan is subject to TSX approval, and the Corporation must obtain Shareholder approval to the 2011 Rights Plan prior to it becoming effective.

Purpose of Rights Plan

The primary objective of the 2011 Rights Plan is to ensure that all Shareholders of the Corporation are treated fairly in connection with any take-over bid for the Corporation by (a) providing Shareholders with adequate time to properly assess a take-over bid without undue pressure and (b) providing the Board with more time to fully consider an unsolicited take-over bid, and, if applicable, to explore other alternatives to maximize Shareholder value.

Summary of Rights Plan

The following description of the 2011 Rights Plan is a summary only. Reference is made to the full text of the 2011 Rights Plan, a copy of which will be filed on SEDAR immediately upon Shareholder approval. As well, a copy of the 2011 Rights Plan will be available for inspection at the Meeting.

Issue of Rights

The Corporation will, assuming approval of the 2011 Rights Plan resolution, issue one right (a “Right”) in respect of each Common Share outstanding at the close of business (5:00 p.m.) on September 30, 2011 or a date shortly after the Meeting to be determined by the Corporation in consultation with Computershare. These rights will be subject to cancellation of rights under the 2008 Plan. The Corporation will issue Rights on the same basis for each Common Share issued after the Record Time but prior to the earlier of the Separation Time and the Expiration Time (both defined below).

The Rights

Each Right will entitle the holder, subject to the terms and conditions of the 2011 Rights Plan, to purchase additional Common Shares of the Corporation after the Separation Time.

Rights Certificates and Transferability

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

Exercise of Rights

The Rights are not exercisable before the Separation Time. After the Separation Time and before the Expiration Time, each Right entitles the holder to acquire one Common Share for the exercise price of \$50.00 (subject to certain anti-dilution adjustments). This exercise price is expected to be in excess of the estimated maximum value of the Common Shares during the term of the 2011 Rights Plan. Upon the occurrence of a Flip-In Event (defined below) prior to the Expiration Time (defined below), each Right (other than any Right held by an “Acquiring Person”, which will become null and void as a result of such Flip-In Event) may be exercised to purchase that number of Common Shares which have an aggregate market price equal to twice the exercise price of the Rights for a price equal to the exercise price (subject to adjustment). Effectively, this means a Shareholder of the Corporation (other than the Acquiring Person) can acquire additional Common Shares from treasury at half their market price.

Definition of “Acquiring Person”

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

Definition of “Beneficial Ownership”

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

However, a person is not a Beneficial Owner under the 2011 Rights Plan where:

- (a) the securities have been deposited with or tendered to such person pursuant to a tender or exchange offer or take-over bid by such person, unless those securities have been taken up or paid for;
- (b) the securities have been deposited with such person under a take-over bid pursuant to a permitted lock-up agreement;
- (c) such person (including a mutual fund or investment fund manager, trust Corporation, pension fund administrator, trustee or non-discretionary client accounts of registered brokers or dealers) is engaged in the management of mutual funds, investment funds or public assets for others, as long as that person:
 - (i) holds those Common Shares in the ordinary course of its business for the account of others;
 - (ii) is not making a take-over bid or acting jointly or in concert with a person who is making a take-over bid; or
 - (iii) such person is a registered holder of securities as a result of carrying on the business of or acting as a nominee of a securities depository.

Definition of “Separation Time”

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

- (a) the first date of public announcement that a person has become an Acquiring Person;
- (b) the date of the commencement or announcement of the intent of a person to commence a take-over bid (other than a Permitted Bid or Competing Permitted Bid); and
- (c) the date on which a Permitted Bid or Competing Permitted Bid ceases to qualify as such;

or such later date as determined by the Board.

Definition of “Expiration Time”

Expiration Time occurs on the date being the earlier of:

- (a) the time at which the right to exercise Rights is terminated under the terms of the Rights Plan; and
- (b) immediately after the Corporation’s annual meeting of Shareholders to be held in 2014 unless at such meeting the duration of the 2011 Rights Plan is extended.

Definition of a “Flip-In Event”

A Flip-In Event occurs when a person becomes an Acquiring Person. Upon the occurrence of a Flip-In Event, any Rights that are beneficially owned by an Acquiring Person, or any of its related parties to whom the Acquiring Person has transferred its Rights, will become null and void and, as a result, the Acquiring Person’s investment in the Corporation will be greatly diluted if a substantial portion of the Rights are exercised after a Flip-In Event occurs.

Definition of “Permitted Bid”

A Permitted Bid is a take-over bid made by a person (the “Offeror”) pursuant to a take-over bid circular that complies with the following conditions:

- (a) the bid is made to all registered holders of Common Shares (other than the Offeror);
- (b) the Offeror agrees that no Common Shares will be taken up or paid for under the bid for at least 60 days following the commencement of the bid; and that no Common Shares will be taken up or paid for unless, at such date, more than 50% of the outstanding Common Shares held by Shareholders, other than the Offeror and certain related parties, have been deposited pursuant to the bid and not withdrawn;
- (c) the Offeror agrees that the Common Shares may be deposited to and withdrawn from the take-over bid at any time before such Common Shares are taken up and paid for; and
- (d) if, on the date specified for take-up and payment, the condition in paragraph (b) above is satisfied, the Offeror will make a public announcement of that fact and the bid will remain open for an additional period of at least 10 business days to permit the remaining Shareholders to tender their Common Shares.

Definition of “Competing Permitted Bid”

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

- (a) is made while another Permitted Bid or Competing Permitted Bid has been made and prior to the expiry of that Permitted Bid or Competing Permitted Bid;
- (b) satisfies all the requirements of a Permitted Bid other than the requirement that the Offeror agrees that: (1) no Common Shares will be taken up or paid for under the bid: (i) for at least 60 days following the commencement of the bid; (ii) after such date, more than 50% of the outstanding Common Shares held by Shareholders, other than the Offeror and certain related parties, have been deposited pursuant to the bid and not withdrawn; and (2) Common Shares may be deposited pursuant to such take-over bid at any time during the 60 day period described in (1)(i) of this paragraph, that any Common Shares deposited pursuant to such take-over bid may be withdrawn until taken up and paid for; and (3) upon deposit of more than 50% of the outstanding Common Shares as described under (1)(ii) in this paragraph, the Offeror will make a public announcement of such 50% deposit and such take-over bid is to remain open for deposits and tenders of Common Shares for a minimum of 10 business days from the date of such public announcement;
- (c) contains the conditions that no Common Shares be taken up or paid for pursuant to the Competing Permitted Bid (x) prior to the close of business on a date that is not earlier than the later of (1) the earliest date on which Common Shares may be taken up and paid for under any prior bid in existence at the date of such Competing Permitted Bid, and (2) 35 days after the date of such Competing Permitted Bid, and (y) unless, at the time that such Common Shares are first taken up or paid for, more than 50% of then outstanding Common Shares held by Shareholders, other than the Offeror and certain related parties, have been deposited pursuant to the Competing Permitted Bid and not withdrawn.

Redemption of Rights

Subject to prior consent of the holders of Common Shares, all (but not less than all) of the Rights may be redeemed by the Board at any time before a Flip-In Event occurs at a redemption price of \$0.0001 per Right (subject to adjustment). In addition, in the event of a successful Permitted Bid, Competing Permitted Bid or a bid for which the Board has waived the operation of the 2011 Rights Plan, the

Corporation will immediately upon such acquisition and without further formality, redeem the Rights at the redemption price. If the Rights are redeemed pursuant to the 2010 Rights Plan, the right to exercise the Rights will, without further action and without notice, terminate and the only right thereafter of the Rights holders is to receive the redemption price.

Waiver

Before a Flip-In Event occurs, the Board may waive the application of the “Flip-In” provisions of the 2011 Rights Plan to any prospective Flip-In Event which would occur by reason of a take-over bid made by a take-over bid circular to all registered holders of Common Shares. However, if the Board waives the 2011 Rights Plan with respect to a particular bid, it will be deemed to have waived the 2011 Rights Plan with respect to any other take-over bid made by take-over bid circular to all registered holders of Common Shares before the expiry of that first bid. The Board may also waive the “Flip-In” provisions of the 2011 Rights Plan in respect of any Flip-In Event provided that the Board has determined that the Acquiring Person became an Acquiring Person through inadvertence and has reduced its ownership to such a level that it is no longer an Acquiring Person.

Term of the Rights Plan

Unless otherwise terminated, the 2011 Rights Plan will expire at the Expiration Time (defined above).

Amending Power

Except for amendments to correct clerical or typographical errors, Shareholder (other than the Offeror and certain related parties) or Rights holder majority approval is required for supplements or amendments to the 2011 Rights Plan. In addition, any supplement or amendment to the 2011 Rights Plan will require the written concurrence of the Rights Agent and prior written consent of the TSX.

Rights Agent

The Rights Agent under the 2011 Rights Plan is Computershare Investor Services Inc.

Rights Holder not a Shareholder

Until a Right is exercised, the holders thereof as such will have no rights as a Shareholder of the Corporation.

In accordance with TSX policies, the 2011 Rights Plan must be approved by a majority of the votes cast at the Meeting within six months of the adoption of the 2011 Rights Plan by the Board.

At the Meeting, Shareholders will be asked to vote on the following ordinary resolution, with or without variation:

“Resolved that:

- (a) the Shareholder Rights Plan Agreement (the “2011 Rights Plan”), dated as of August 25, 2011, as described in the Corporation’s Management Proxy Circular prepared for the September 30, 2011 annual shareholders meeting, be and is hereby ratified and approved;
- (b) the Corporation be authorized to abandon the 2011 Rights Plan if the Corporation’s Board of Directors deems it appropriate and in the best interests of the Corporation to do so; and
- (c) any one or more of the directors and officers of the Corporation be authorized to perform all such acts, deeds and things and execute, under seal of the Corporation or otherwise, all such documents as may be required to give effect to this resolution.”

An ordinary resolution is a resolution passed by the Shareholders of the Corporation at a shareholders meeting by a simple majority of the votes cast in person or by proxy.

The Board recommends Shareholders vote in favor of the ratification and approval of the 2011 Rights Plan. In the absence of a contrary instruction, the persons named in the enclosed form of proxy intend to vote in favour of the ordinary resolution.

A copy of the 2011 Shareholder Rights Plan Agreement can be obtained by contacting the Corporation. A copy will also be available for review at the Meeting.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is on www.sedar.com and from the Chief Financial Officer. Financial information is provided in the Corporation's financial statements and related management discussion and analysis for the year ended March 31, 2011 and filed on www.sedar.com. The Corporation will provide information or documentation to any person or company, upon request to Chief Financial Officer of the Corporation. Copies of the documents will be provided, upon request, free of charge to security holders of the Corporation. The Corporation may require the payment of a reasonable charge from any person or company who is not a security holder of the Corporation, who requests a copy of any such document.

OTHER MATTERS

The Board is not aware of any other matters which it anticipates will come before the Meeting as of the date of mailing of this Management Proxy Circular.

SHAREHOLDER PROPOSALS

Pursuant to Canadian law, shareholder proposals to be considered for inclusion in the management proxy circular for the 2012 annual meeting of the Corporation (expected to be held in September 2012) must be received by the Chief Financial Officer of the Corporation on or before the close of business on July 3, 2012.

DIRECTORS' APPROVAL

The contents of this Management Proxy Circular and its distribution to shareholders have been approved by the Board of the Corporation.

Dated at Vancouver, British Columbia, the 31st day of August, 2011.

BY ORDER OF THE BOARD OF DIRECTORS

"William Gee"

**William Gee, M.Sc.
Director and Chief Executive Officer**