



Suite 605 - 369 Terminal Avenue
Vancouver, British Columbia V6A 4C4
Tel. 604 646-0067 - Fax 604 692-0117

INFORMATION CIRCULAR

as at August 8, 2011
(except as otherwise indicated)

This Information Circular is furnished in connection with the solicitation of proxies by the management of AM GOLD INC. (the “Company”) for use at the annual general and special meeting (the “Meeting”) of its shareholders to be held on September 15, 2011 at the time and place and for the purposes set forth in the accompanying notice of the Meeting.

In this Information Circular, references to “the Company”, “we” and “our” refer to AM Gold Inc. “Common Shares” means common shares without par value in the capital of the Company. “Beneficial Shareholders” means shareholders who do not hold Common 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 Company. The Company will bear all costs of this solicitation. We have arranged for intermediaries to forward the meeting materials to beneficial owners of the Common 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 directors of the Company. **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 and 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 Common 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 Common Shares will be voted accordingly. The Proxy confers discretionary authority on the 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 management appointee acting as a proxyholder will vote in favour of each matter identified on the Proxy and, if applicable, for the nominees of management for directors and auditors as identified in the Proxy.

Registered Shareholders

Whether or not they attend the Meeting in person, registered shareholders may choose to vote by proxy using one of the following methods:

- (a) complete, date and sign the enclosed form of proxy and return it to the Company's transfer agent, Computershare Investor Services Inc., by fax within North America at 1-866-249-7775, outside North America at (416) 263-9524, or by mail to the 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1; or by hand delivery at 2nd Floor, 510 Burrard Street, Vancouver, British Columbia, Canada V6C 3B9;
- (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) via the internet through the website of the Company's transfer agent at www.computershare.com/ca/proxy. 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 shareholders must ensure that the proxy is received by the Company not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the Meeting or the adjournment thereof.

Beneficial Shareholders

The following information is of significant importance to shareholders who do not hold Common Shares in their own name. Beneficial Shareholders should note that 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 Company as the registered holders of Common Shares) or as set out in the following disclosure.

If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Common Shares will not be registered in the shareholder's name on the records of the Company. Such Common Shares will more likely be registered under the names of intermediaries. In the United States, the vast majority of such Common Shares are registered 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), and in Canada, 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).

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 - those who object to their name being made known to the issuers of securities which they own (called "OBOs" for Objecting Beneficial Owners) and those who do not object to the issuers of the securities they own knowing who they are (called "NOBOs" for Non-Objecting Beneficial Owners).

The Company is taking advantage of the provisions of National Instrument 54-101 "Communication with Beneficial Owners of Securities of a Reporting Issuer" that permit it to deliver proxy-related materials directly to its NOBOs. As a result NOBOs can expect to receive a scannable Voting Instruction Form ("VIF") from our transfer agent, Computershare Trust Company of Canada ("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.

These securityholder materials are being sent to both registered and non-registered owners of the securities of the Company. If you are a non-registered owner, and the Company or its agent has 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 Company (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 the instructions of their intermediary carefully to ensure that their Common 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 Company. However, its purpose is limited to instructing the intermediary on how to vote your Common Shares on your behalf. Most brokers delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“Broadridge”) in the United States and in Canada. Broadridge mails a VIF in lieu of a proxy provided by the Company. The VIF will name the same persons as the Company’s Proxy to represent your Common Shares at the Meeting. You have the right to appoint a person (who need not be a Beneficial Shareholder of the Company), other than any of the persons designated in the VIF, to represent your Common Shares at the Meeting and that person may be you. To exercise this right, insert the name of the desired representative (which may be yourself) in the blank space provided in the VIF. The completed VIF must then be returned to Broadridge by mail or facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge’s instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common 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 Broadridge, in accordance with its instructions, well in advance of the Meeting 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 the Province of British Columbia, 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 Company 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 Company is incorporated under the *Business Corporations Act* (British Columbia) (the “BCA”), as amended, certain of its directors and its executive officers are residents of Canada 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 by:

- (a) executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the registered shareholder or the registered shareholder’s authorized attorney in writing, or, if the 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 Investor Services Inc. or at the address of the registered office of the Company at 1500 Royal Centre, 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 attending the Meeting and voting the registered shareholder's Common 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 Company, or any person who has held such a position since the beginning of the last completed financial year end of the Company, nor any nominee for election as a director of the Company, 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 the election of directors and as may be set out herein.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The board of directors (the "Board") of the Company has fixed August 8, 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 Common Shares voted at the Meeting.

As of August 8, 2011, there were 68,875,338 Common 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 Common Shares.

To the knowledge of the directors and executive officers of the Company, no person or corporation beneficially owned, directly or indirectly, or exercised control or direction over, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common Shares of the Company as at August 8, 2011.

The December 31, 2010 Financial Statements, the report of the auditor, and related management discussion and analysis were filed on www.sedar.com on May 2, 2011 with the securities commissions in British Columbia and Alberta and are specifically incorporated by reference into this Information Circular.

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 Company'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 size of the Board is currently determined at six. The Board proposes that the number of directors be set at five. Shareholders will therefore be asked to approve an ordinary resolution that the number of directors elected be fixed at five.

The term of office of each of the current directors will end at the conclusion of the Meeting. Unless the director's office is earlier vacated in accordance with the provisions of the BCA, each director elected will hold office until the conclusion of the next annual general meeting of the Company, or if no director is then elected, until a successor is elected.

The following disclosure sets out the names of management's five nominees for election as directors, all major offices and positions with the Company and any of its significant affiliates each now holds, each nominee's

principal occupation, business or employment, the period of time during which each has been a director of the Company and the number of Common Shares of the Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at August 8, 2011. It also includes business or employment for the five preceding years for new director nominees.

Name of Nominee; Current Position with the Company and Province and Country of Residence	Period as a Director of the Company	Shares Beneficially Owned or Controlled⁽¹⁾
John Fiorino Chief Executive Officer and Director British Columbia, Canada	Since September 21, 2010	3,828,225 ⁽²⁾
Dennis B. Goldstein Director California, U.S.A.	Since June 1, 2010	225,000 ⁽³⁾
Dr. E. Kelly Hyslop Director Cork, Ireland	Since August 9, 2010	521,000 ⁽⁴⁾
Dr. Stewart Jackson Director California, USA	Since June 6, 2008	25,000 ⁽⁵⁾
Mark Lawson Chief Financial Officer and Director Ontario, Canada	Since June 21, 2010	Nil ⁽⁶⁾

Notes:

- (1) The information as to Common Shares beneficially owned or controlled is not within the knowledge of the management of the Company and has been furnished by the respective nominees.
- (2) Mr. Fiorino holds options to purchase 150,000 Common Shares at a price of \$0.35 per Common Share expiring on April 29, 2015, options to purchase 150,000 Common Shares at a price of \$0.47 per Common Share expiring on September 21, 2015, options to purchase 300,000 Common Shares at a price of \$0.50 per Common Share expiring on July 12, 2016, warrants to purchase 360,300 Common Shares at a price of \$0.20 per Common Share expiring on April 30, 2012 and warrants to purchase 600,000 Common Shares at a price of \$0.30 per Common Share expiring on May 17, 2012.
- (3) Mr. Goldstein holds options to purchase 200,000 Common Shares at a price of \$0.35 per Common Share expiring on April 29, 2015 and options to purchase 100,000 Common Shares at a price of \$0.50 per Common Share expiring on July 12, 2016.
- (4) Dr. Hyslop holds options to purchase 200,000 Common Shares at a price of \$0.35 per Common Share expiring on August 31, 2015 and options to purchase 100,000 Common Shares at a price of \$0.50 per Common Share expiring on July 12, 2016.
- (5) Dr. Jackson holds options to purchase 350,000 Common Shares at a price of \$0.35 per Common Share expiring on April 29, 2015 and options to purchase 100,000 Common Shares at a price of \$0.50 per Common Share expiring on July 12, 2016.
- (6) Mr. Lawson holds options to purchase 200,000 Common Shares at a price of \$0.35 per Common Share expiring on June 29, 2015 and options to purchase 150,000 Common Shares at a price of \$0.50 per Common Shares expiring on July 12, 2016.

Occupation, Business or Employment of Director Nominees

Mr. Fiorino is the Chief Executive Officer of the Company. He sits on the board of several private companies and is currently the President and Chief Executive Officer of Infinite Merchant Solutions, Inc. He is a financier, businessman, investor and consultant with over 15 years experience in assisting private and public companies with corporate operations, capital development, financing and strategic advisory services.

Mr. Goldstein is a practicing natural resources attorney in San Francisco, California with over 37 years' experience in the mining business, including 26 years with Homestake Mining Company, a New York Stock Exchange listed, international gold mining company. When Homestake was purchased by Barrick Gold Corporation in 2001, he was Vice-President and Corporate Counsel. Mr. Goldstein is the Lead Director of FX Energy Inc., an oil and gas exploration and production company active in Poland. He has served on FX Energy inc.'s Nomination and Governance Committee and as a member of its Audit and Compensation Committees. Mr. Goldstein is a graduate of Brown University, Stanford University Law School, and the Executive Program

of the Stanford Graduate School of Business. He is a member of the California Bar Association and speaks Spanish and Italian.

Dr. Hyslop is a Retired Professor Clinical Medicine University of British Columbia. He has been a director of Proginet Corporation, a publicly traded enterprise security software company (NASDAQ BB) since 2000. He is the founder and has been a director of Rocky Mountain Resources Inc. since 2006. He was a director of Midway Gold Corp from 2004 until 2008 and was Chairman of Berkley Resources Inc. from 2008 until 2010.

Dr. Jackson is an accomplished mining professional with over 50 years of experience in the exploration and development of mineral deposits and the management of public companies. He has been responsible for the discovery and development of several major mineral discoveries, including the multi-million dollar Red Dog zinc deposit in Northwestern Alaska. He is the author and co-author of numerous geologic publications. He holds a Bachelor of Science degree in geology from the University of Western Ontario, a Master of Science degree in Stratigraphy and Mineral Deposits from the University of Toronto and a Ph.D. in Stratigraphy and Economic Geology from the University of Alberta. He was President and Chief Executive Officer of the Company from April, 2008 to June 21, 2010.

Mr. Lawson is the Chief Financial Officer of the Company. He worked as an investment banker with Morgan Stanley in New York from 2005 until 2008 where he was involved in the execution of over \$6 billion worth of mergers and acquisitions, \$8 billion worth of debt offerings and \$500 million of equity financings. Mr. Lawson was previously a Director of a boutique corporate finance firm in Toronto, Canada. He received his Bachelor of Arts in Statistical Sciences from the University of Western Ontario and his MBA from the Richard Ivey School of Business at the University of Western Ontario. Mr. Lawson was also a first round draft pick of the CFL Edmonton Eskimos.

Cease Trade Orders and Bankruptcy

The British Columbia Securities Commission (the "BCSC") issued a cease trade order against the Company on April 13, 2011 for failure to file documents relating to the results of the preliminary assessments on its Red Mountain and Pinaya mineral properties. The technical reports have since been filed with the TSX Venture Exchange (the "TSXV"). On May 13, 2011 the BCSC granted a full revocation order for the cease trade order. The Company resumed trading on the TSXV on May 25, 2011.

The BCSC issued a cease trade order against Canadian Metals Exploration Ltd. ("Canadian Metals") on May 29, 2003 for failure to file records in the required form. Dr. Jackson was President (July 2002 to October 2003) and Director of Canadian Metals. That cease trade order was revoked on July 18, 2003 by the Executive Director of the BCSC as it was considered in the public interest to do so.

On November 24, 2004 Dr. Stewart Jackson, was named in the Amended Notice of Hearing of the BCSC for involvement as President (July 2002 to October 2003) and Director of Canadian Metals. The Notice of Hearing cites transgressions of National Instrument 43-101 "Statement Disclosure for Mineral Projects" ("NI43-101") including failure of Canadian Metals to file a current technical report, failure to disclose the qualified person supervising preparation of the technical report, improper disclosure of exploration target, improper use of in-situ metal values and various misleading statements and misrepresentations. A settlement agreement between the BCSC and Dr. Jackson was signed on January 13, 2005, the terms of which were as follows. Dr. Jackson would comply with the British Columbia *Securities Act* and regulations including NI 43-101. Dr. Jackson must not prepare or disseminate mining disclosure for three years from the date of the agreement, except under the supervision of a director. He must resign any position then held as a director of a public company, and must not act as a director of any public company until he paid the fine levied against him, and successfully completed a course of study satisfactory to the Executive Director of the BCSC concerning the duties and responsibilities of directors and officers of public companies. A fine of \$10,000 was levied against Dr. Jackson, representing a portion of the costs of the investigation and, he must not say anything, either in writing or orally, which could contradict the terms of the settlement or call those terms into question.

On April 29, 2008, the BCSC confirmed that Dr. Jackson had complied in full with all of the terms of the settlement agreement of January 13, 2005.

Dr. Jackson has been a director of World Ventures Inc. (“WVI”) since 2007. WVI has been subject to three cease trade orders issued by the BCSC. The cease trade orders were issued on March 11, 2008, March 18, 2009 and March 8, 2010 with respect to the failure to file certain financial information. All cease trade orders have been revoked except for the cease trade order issued on March 8, 2010.

Except as disclosed herein, no proposed director is, as at the date of this Information Circular, or has been, within 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any other company (including the company in respect of which the information circular is being prepared) that:

- (a) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;

Or is, as at the date of this Information Circular, or has been within 10 years before the date of this Information Circular, a director or executive officer of any company (including the company in respect of which the information circular is being prepared) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

Or has, within the 10 years before the date of the Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

APPOINTMENT OF AUDITOR

Ken Lee & Company, Chartered Accountants, of Suite 1850, 1066 West Hastings Street, Vancouver, British Columbia, will be nominated at the Meeting for reappointment as auditor of the Company.

AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR

National Instrument 52-110 “Audit Committees” (“NI 52-110”) requires the Company, as a venture issuer, to disclose annually in its Information Circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor. Such disclosure is set forth below.

The Audit Committee’s Charter

The audit committee has a charter. A copy of the audit committee charter is attached as Schedule “A” to the Information Circular filed on SEDAR at www.sedar.com on May 17, 2006 in conjunction with the Company’s annual general and special meeting held June 9, 2006.

Composition of the Audit Committee

The current members of the audit committee are Dennis B. Goldstein, Dr. E. Kelly Hyslop and Dr. Stewart Jackson.

During the year ended December 31, 2010, the members of the audit committee were Michael Scholz, Chairman, Jeffrey Reeder and Dr. Stewart Jackson. Subsequent to the year end Mr. Scholz resigned from the Board and the audit committee on March 23, 2011. Dr. E. Kelly Hyslop was appointed to fill the vacancy on May 6, 2011. Subsequent to the year end Jeffrey Reeder resigned from the Board and the audit committee on May 4, 2011. Dennis B. Goldstein was appointed to fill the vacancy on May 6, 2011.

Dr. E. Kelly Hyslop and Dennis B. Goldstein are independent members of the audit committee. Dr. Stewart Jackson is not independent as he is a former officer of the Company.

All members of the audit committee are considered to be financially literate.

Relevant Education and Experience

See disclosure under heading “Occupation, Business or Employment of Director Nominees”

All members of the audit committee have:

- (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 in accounting issues comparable to issues that the Company can reasonably expect to arise in 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

The audit committee has not made any recommendations to the Board to nominate or compensate any auditor other than Ken Lee & Company.

Reliance on Certain Exemptions

The Company’s auditor, Ken Lee & Company, has not provided any material non-audit services.

Pre-Approval Policies and Procedures

The audit committee may satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:

- (i) the pre-approval policies and procedures are detailed as to the particular service;
- (ii) the audit committee is informed of each non-audit service; and
- (iii) the procedures do not include delegation of the audit committee's responsibilities to management.

External Auditor Service Fees

The audit committee has reviewed the nature and amount of the non-audit services provided by Ken Lee & Company to the Company to ensure auditor independence. Fees incurred with Ken Lee & Company for audit and non-audit services in the last two fiscal years for audit fees are outlined in the following table.

Nature of Services	Fees Paid to Auditor in Year Ended December 31, 2010.	Fees Paid to Auditor in Year Ended December 31, 2009.
Audit Fees ⁽¹⁾	\$47,500	\$32,000
Audit-Related Fees ⁽²⁾	\$ 2,730	Nil
Tax Fees ⁽³⁾	Nil	\$ 1,600
All Other Fees ⁽⁴⁾	Nil	Nil
Total	\$50,230	\$33,600

Notes:

(1) “Audit Fees” include fees necessary to perform the annual audit and quarterly reviews of the Company’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.

Exemption

The Company is relying upon the exemption in section 6.1 of NI 52-110 in respect of the composition of its audit committee and in respect of its reporting obligations under NI 52-110 for the year ended December 31, 2010. This exemption exempts a “venture issuer” from the requirement to have 100% of the members of its audit committee independent, as would otherwise be required by NI 52-110.

CORPORATE GOVERNANCE

General

Corporate governance refers to the policies and structure of the board of directors of a company, whose members are elected by and are accountable to the shareholders of the company. Corporate governance encourages establishment of a reasonable degree of independence of the board of directors from executive management as well as 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.

Board of Directors

Directors are considered to be independent if they have no direct or indirect material relationship with the Company. 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 Board facilitates its independent supervision over management by holding periodic Board meetings to discuss the Company’s operations.

The independent members of the Board are Dennis B. Goldstein and Dr. E. Kelly Hyslop. The non-independent members of the Board are Gerald Aberle (President and Chief Operating Officer of the Company), John Fiorino (Chief Executive Officer), Mark Lawson (Chief Financial Officer) and Dr. Stewart Jackson (former President and Chief Executive Officer). A majority of the Board is not independent. Mr. Aberle will not be nominated as a director at the Meeting.

Directorships

The following directors of the Company are also directors of other reporting issuers as set out below:

Name of Director	Name of Reporting Company	Exchange Listed
Dennis B. Goldstein	FX Energy Inc.	NASDAQ
Dr. Stewart Jackson	World Ventures Inc.	OTCBB
	Allied American Steel Corp.	OTCBB
	Hillcrest Resources Ltd.	TSXV
Dr. E. Kelly Hyslop	American Vanadium Corp.	TSXV
Mark Lawson	Toro Resources Corp.	TSXV
	Brandenburg Energy Corp.	TSXV
	AuRo Resources Corp.	CNSX
	Hunter Bay Minerals PLC	TSXV
	EcoloCap Solutions Inc.	OTCBB

Orientation and Continuing Education

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

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

Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual directors' 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 Company.

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 Corporate Governance Committee.

Corporate Governance Committee

The members of the Corporate Governance Committee are Dennis B. Goldstein, Mark Lawson and Dr. Stewart Jackson.

The Corporate Governance Committee monitors corporate governance issues, including the governance of the Board and the committees of the Board, including the developing and recommending to the Board the standards to be applied in assessing whether the Company's directors are independent, seeking out and recommending to the Board the nominees for appointment, election or re-election to the Board and for the appointment to Board committees, and recommending to the Board the size of the Board and reporting on the profile of the directors in terms of experience, expertise, and such other areas deemed relevant to the current and future needs of the Company.

Other Board Committees

The Board has a Compensation Committee. See disclosure under heading "Compensation Discussion and Analysis".

The Board has a Potential Acquisition Committee, whose members are, Dr. E. Kelly Hyslop, Dr. Stewart Jackson, Dennis B. Goldstein and Mark Lawson. The function of the Potential Acquisition Committee is to consider and evaluate potential investments, projects and acquisitions for the Company.

The Company also has a Scientific Committee, whose members are Gerald M. Aberle, Neil Downey (Vice-President, Exploration), John Fiorino, Dr. E. Kelly Hyslop and Dr. Stewart Jackson. The function of the Scientific Committee is to consider and evaluate potential mineral deposits for the Company.

Assessments

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

COMPENSATION OF EXECUTIVE OFFICERS

Named Executive Officers

In this section "Named Executive Officer" ("NEO") means the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO") and each of the three most highly compensated executive officers, 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 Company at the end of the most recently completed financial year.

Gerald M. Aberle, former CEO and current President and Chief Operating Officer (“COO”), John Fiorino, CEO, Mark Lawson, CFO, Dr. Stewart Jackson, former President and CEO, Ralph Stricklen, former COO and Vice President, and Michael Scholz, former CFO, are each an “NEO” of the Company for the purposes of the following disclosure.

Compensation Discussion and Analysis

The Compensation Committee is currently composed of the following members: Dennis B. Goldstein, Dr. Kelly Hyslop and Dr. Stewart Jackson. All of the members of the compensation committee are financially literate.

The function of the Compensation Committee generally is to assist the board in carrying out its responsibilities relating to executive and director compensation, including reviewing and recommending director compensation, overseeing the Company’s base compensation structure and equity-based compensation programs, recommending compensation of the Company’s officers and employees, and evaluating the performance of officers generally and in light of annual goals and objectives.

The Board assumes responsibility for reviewing and monitoring the long-range compensation strategy for the senior management of the Company although the Compensation Committee guides it in this role. The Company’s Compensation Committee receives independent competitive market information on compensation levels for executives and provides surveys of industry standard NEO compensation. The Company uses these standards as a benchmark.

Philosophy and Objectives

The compensation program for the senior management of the Company 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 Company’s shareholders.

In compensating its senior management, the Company 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 which are competitive in the markets in which the Company 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 Company’s objective is to achieve certain strategic objectives and milestones. The Board will consider executive bonus compensation dependent upon the Company meeting those strategic objectives and milestones and sufficient cash resources being available for the granting of bonuses. The Board approves executive bonus compensation dependent upon compensation levels based on recommendations of the Compensation Committee, and such recommendations are generally based on survey data provided by independent consultants.

Actions, Decisions or Policies Made After December 31, 2010

On April 29, 2011, the Company adopted, and filed on www.sedar.com on May 30, 2011, a Corporate Disclosure Policy. See www.sedar.com to review the Corporate Disclosure Policy.

On July 12, 2011, the Company granted options to certain directors, officers, consultants and employees of the Company to purchase up to 1,700,000 Common Shares in the capital of the Company at an exercise price of

\$0.50 per Common Share and expiring on July 12, 2016. On the same date the Company cancelled options to purchase up to 100,000 Common Shares granted on September 21, 2010 with an exercise price of \$0.47 per Common Share and options to purchase up to 300,000 Common Shares at an exercise price of \$0.35 per Common Share granted on June 29, 2010.

Option-Based Awards

The Company has a stock option plan in place to create incentive for qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. Management proposes stock option grants to the board of directors based on such criteria as performance, previous grants, and hiring incentives. All grants require approval of the board of directors. The stock option plan is administered by the directors of the Company and provides that options may be issued to directors, officers, employees or consultants of the Company or a subsidiary of the Company.

The compensation paid to the NEOs during the Company's three recently completed financial years of December 31 is as set out below and expressed in Canadian dollars unless otherwise noted:

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Gerald M. Aberle President and COO	2010	58,295	Nil	75,000	Nil	Nil	Nil	Nil	133,295
John Fiorino CEO	2010	30,000	Nil	27,000	Nil	Nil	Nil	Nil	57,000
Mark Lawson CFO	2010	Nil	Nil	30,000	Nil	Nil	Nil	Nil	30,000
Dr. Stewart Jackson Former President and CEO	2010	1,300	Nil	52,500	Nil	Nil	Nil	17,500	71,300
	2009	13,000	Nil	Nil	Nil	Nil	Nil	Nil	13,000
	2008	72,000	Nil	Nil	Nil	Nil	Nil	Nil	72,000
Ralph Stricklen, Former Vice-President and COO	2010	37,404	Nil	Nil	Nil	Nil	Nil	25,875 ⁽⁵⁾	63,279
	2009	104,277	Nil	Nil	Nil	Nil	Nil	20,400 ⁽⁵⁾	124,677
	2008	198,168	Nil	Nil	Nil	Nil	Nil	Nil	198,168
Michael Scholz Former CFO	2010	Nil	Nil	37,500	Nil	Nil	Nil	17,500	55,000
	2009	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nils

Notes:

- (1) Mr. Aberle was appointed President and CEO of the Company on June 21, 2010 and as COO on September 21, 2010. He resigned as CEO on September 21, 2010. Mr. Aberle will not be nominated as a director at the Meeting.
- (2) Mr. Fiorino was appointed as CEO on September 21, 2010.
- (3) Mr. Lawson was appointed as CFO on August 9, 2010.
- (4) Dr. Jackson was President and CEO from April 1, 2008 until June 21, 2010. Dr. Jackson was awarded a bonus of \$17,500 for services provided as a director.
- (5) Mr. Stricklen was Vice-President and COO from 2007 until April 30, 2010. Mr. Strickland received these funds for consulting services. See heading "Management Contracts".
- (6) Mr. Scholz was CFO from December 18, 2009 until August 9, 2010. Mr. Scholz was awarded a bonus of \$17,500 for services provided as a director.
- (7) The closing price of the Common Shares on December 31, 2010 was \$0.50. The Black-Scholes option price model is used to estimate the fair value of the options of risk-free interest rate at 2.2%, expected life of options at 4.02 years and annualized volatility of 153%. This method is used for the purpose of accounting and financial statement presentation.

Incentive Plan Award

The following table sets out all option-based awards and share-based awards outstanding as at December 31, 2010, for each NEO:

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Gerald M. Aberle	500,000	\$0.35	April 29, 2015	75,000	Nil	Nil
John Fiorino	150,000	\$0.35	August 31, 2015	22,500	Nil	Nil
	150,000	\$0.35	September 21, 2015	4,500	Nil	Nil
Mark Lawson	200,000	\$0.35	June 29, 2015	30,000	Nil	Nil
Dr. Stewart Jackson	450,000	\$0.35	April 29, 2015	52,500	Nil	Nil
Michael Scholz	250,000	\$0.35	April 29, 2015	37,500	Nil	Nil

Note:

- (1) The closing price of the Common Shares on December 31, 2010 was \$0.50, the last day of trading prior to the year end of the Company. The Black-Scholes option price model is used to estimate the fair value of the options at the date of grant. This method is used for the purpose of accounting and financial statement presentation.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out the value vested or earned under incentive plans during the year ended December 31, 2010, for each NEO:

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Gerald M. Aberle	75,000	Nil	Nil
John Fiorino	22,500	Nil	Nil
Mark Lawson	4,500	Nil	Nil
Stewart Jackson	30,000	Nil	Nil
Michael Scholz	52,500	Nil	Nil

Termination and Change of Control Benefits

As of December 31, 2010, the Company had no agreements with any of its NEOs concerning severance payments of cash or equity compensation as a result of termination of their arrangement with the Company or as a result of a change of control of the Company.

Compensation for Directors

The compensation provided to the directors who were not an NEO for the Company's most recently completed financial year of December 31, 2010 is:

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Dennis B. Goldstein ⁽¹⁾	10,000	Nil	Nil	Nil	Nil	Nil	10,000
Dr. E. Kelly Hyslop ⁽²⁾	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Martin Wood ⁽³⁾	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Jeffrey Reeder ⁽⁴⁾	Nil	Nil	18,780	Nil	Nil	Nil	18,780
Peter J. MacLean ⁽⁵⁾	3,500	Nil	35,970 ⁽⁹⁾	Nil	Nil	Nil	39,470
Donald Wedman ⁽⁶⁾	10,650	Nil	20,250 ⁽⁹⁾	Nil	Nil	Nil	30,900
Winston Wong ⁽⁷⁾	3,500	Nil	23,000 ⁽⁹⁾	Nil	Nil	Nil	26,500
Jatinder (Jack) Bal ⁽⁸⁾	3,500	Nil	65,900 ⁽⁹⁾	Nil	Nil	Nil	69,400

Notes:

- (1) Dennis B. Goldstein was appointed as a director of the Company on June 1, 2010.
- (2) Dr. E. Kelly Hyslop was appointed as a director of the Company on August 9, 2010.
- (3) Martin Wood served as a director from January 13, 2010 until April 29, 2010.
- (4) Jeffrey Reeder served as a director from May 19, 2010 until May 4, 2011.
- (5) Peter J. MacLean resigned as a director on June 21, 2010.
- (6) Donald Wedman resigned as a director on June 1, 2010.
- (7) Winston Wong resigned as a director on June 8, 2010.
- (8) Jatinder (Jack) Bal resigned as a director on September 21, 2010.
- (9) On June 10, 2010, options were granted at an exercise price of \$0.35 per Common Share to the directors who subsequently resigned during the year as follows: Peter MacLean (150,000), Donald Wedman (150,000), Winston Wong (100,000) and Jatinder (Jack) Bal (400,000). Directors who resigned during the year exercised their options prior to the year end of the Company.

The following table sets out all option-based awards and share-based awards outstanding as at December 31, 2010, for a director who was not an NEO for the Company's most recently completed financial year of December 31, 2010 is:

Name	Option-based Awards			Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Dennis B. Goldstein	200,000	\$0.35	April 29, 2015	30,000	Nil	Nil
Dr. E. Kelly Hyslop	200,000	\$0.35	August 31, 2015	30,000	Nil	Nil
Jeffrey Reeder	200,000 100,000	\$0.35 \$0.47	April 29, 2015 September 21, 2015	30,000 3,000	Nil	Nil

The following table sets out the value vested or earned under incentive plans during the year ended December 31, 2010, for a director, excluding a director who is already set out in disclosure for a NEO for the Company:

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Dennis B. Goldstein	30,000	Nil	Nil
Dr. E. Kelly Hyslop	30,000	Nil	Nil
Jeffrey Reeder	33,000	Nil	Nil

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The only equity compensation plan which the Company has in place is the Company's share incentive stock option plan dated for reference June 6, 2005, as amended August 27, 2009 and as amended August 11, 2010 (the "Plan") and previously approved by shareholders. The Plan has been established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. The Plan is administered by the directors of the Company. The Plan provides that options will be issued to directors, officers, employees or consultants of the Company or a subsidiary of the Company. The Plan provides that the number of Common Shares issuable under the Plan, together with all of the Company's other previously established or proposed share compensation arrangements, may not exceed 10% of the total number of issued and outstanding Common Shares. All options expire on a date not later than 10 years after the date of grant of such option.

The following table sets out equity compensation plan information as at the end of the financial year ended December 31, 2010.

Equity Compensation Plan Information

	Number 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))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by securityholders - (the Plan)	3,350,000	\$0.37	2,086,019
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	3,350,000	\$0.37	2,086,019

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 Company were indebted to the Company as of the end of the most recently completed financial year or as at the date hereof.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

This Information Circular, including the disclosure below, briefly describes (and, where practicable, states the approximate amount) of any material interest, direct or indirect, of any informed person of the Company, any proposed director of the Company, or any associate or affiliate of any informed person or proposed director, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

On January 28, 2010 the TSXV approved a private placement of 4,280,000 Units at \$0.225 per Unit. Each Unit consisted of one Common Share and one warrant. Two warrants and \$0.275 were exercisable into one Common Share for an 18 month period. 369 Terminal Holdings Ltd (Michael Scholz is principal) participated in this transaction for 434,111 Units. Ralph Stricklen participated in this transaction for 115,000 Units.

On May 14, 2010 the TSXV approved a flow through private placement of 1,500,000 Units at \$0.22 per Unit. Each Unit consisted of one Common Share and one warrant. Each warrant and \$0.30 was exercisable into one flow through Common Share for a 24 month period. Michael Scholz participated in this transaction for 150,000 units.

On April 29, 2010 the TSXV approved a private placement of 4,000,000 Units at \$0.20 per Unit. Each Unit consisted of one Common Share and one warrant. Each warrant and \$0.20 was exercisable into one Common Share for a 24 month period. Michael Scholz participated in this transaction for 85,000 Units and Pinetree Resource Partnership (an insider from April 30, 2010 to July 7, 2010) participated in this transaction for 250,000 Units. Dennis B. Goldstein participated in this transaction when he was a proposed director for 100,000 Units.

Management Fees

As more particular set out in item 10 "Related Party Transactions" in the December 31, 2010 year end audited financial statements, the Company incurred with current and former directors and officers and companies owned by the current and former directors and officers:

- (a) management fees of \$55,792 (2009: \$28,000);
- (b) consulting fees \$51,558 (2009: Nil);

- (c) exploration expenditures and geological consulting fees of \$146,048 (2009: \$120,994);
- (d) office and rental fees of \$119,016 (2009 - \$7,000); and
- (e) interest expense of \$4,416 (2009 – 30,000).

As at December 31, 2010, the accounts payables and accrued liabilities included \$49,846 (2009 - \$125,121) owing to the current and former directors, officers and companies controlled by common directors and officers of the Company.

MANAGEMENT CONTRACTS

There are no management functions of the Company, which are to any substantial degree performed by a person or company other than the directors or executive officers of the Company.

Currently there is no written employment contract between the Company and any NEO other than as set out herein.

By agreement effective May 1, 2007 between the Company and Ralph Stricklen (“Stricklen”) the Company retained the services of Stricklen to act as COO of the Company, and General Manager of the Company’s Peruvian subsidiary, Canper Exploraciones, S.A.C. Pursuant to the terms of the agreement, the Company paid Stricklen US\$10,000 per month to provide consulting services, which was reduced to US\$6,000 per month effective August 1, 2009. Mr. Stricklen resigned as COO and Vice-President of the Company on April 30, 2010.

PARTICULARS OF MATTERS TO BE ACTED UPON

A. Annual Confirmation of 10% Rolling Share Option Plan

A number of Common Shares equal to ten (10%) percent of the issued and outstanding Common Shares in the capital stock of the Company from time to time are reserved for the issuance of stock options pursuant to the Company’s share option plan dated for reference June 6, 2005, as amended August 11, 2010 (the “Plan”). The Plan has been approved by the shareholders at each annual general meeting since 2006.

During the Company's financial year ended December 31, 2010 and to the date of mailing of this Information Circular, options have been granted and remain outstanding to purchase an aggregate of 4,150,000 Common Shares and expire on a date not later than five years after the date of grant of an option.

Pursuant to section 2.9 of the TSXV policy 4.4, the continuation of the Plan requires annual shareholder approval at the annual meeting of the Company by ordinary resolution. The Company is of the view that the Option Plan is necessary for the Company to attract and maintain the services of executives, employees and other service providers in competition with other companies in the industry. A copy of the Plan will be available for inspection at the Meeting and is available on request of the Company. At the Meeting, shareholders will be asked to vote on the following resolution, with or without any variation which arises from the floor of the Meeting:

“Resolved, as an ordinary resolution that the Company's 10% rolling share option plan be ratified and approved for a further year until the next annual general meeting of shareholders.”

The Board of Directors recommends that shareholders vote in favour of the continuation of the Plan.

B. Shareholder Rights Plan Agreement

The Board adopted a shareholder rights plan agreement (the “Rights Plan”) effective August 22, 2011 (the “Effective Date”). The objective of the Board in adopting the Rights Plan is to ensure the fair treatment of Shareholders in connection with any take-over bid for the Common Shares of the Company. In accordance with the policies of the TSXV the Rights Plan must be approved by a majority of the votes cast at the Meeting within 180 days of the adoption by the Board of the Rights Plan.

The principal terms of the Rights Plan are summarized below. The full text of the Rights Plan will be filed prior to the Meeting in a Material Change Report of the Company and will be available for download at www.sedar.com. As well, a copy of the Rights Plan will also be available for review at the Meeting.

Purpose of Rights Plan

The primary objective of the Rights Plan is to ensure that all Shareholders of the Company are treated fairly in connection with any take-over bid for the Company 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 summary of the Rights Plan does not purport to be complete and is qualified in its entirety by reference to the Rights Plan.

Issue of Rights

The Company issued one right (a “Right”) in respect of each Common Share outstanding at August 22, 2011 (the “Record Time”). The Company has issued and will continue to 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 Rights Plan, to purchase additional Common Shares of the Company 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 \$10 (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 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 (defined below) 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 Company (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 Company'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 Rights Plan where:

- (a) the securities have been deposited or tendered pursuant to a tender or exchange offer or take-over bid, 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 (as defined below);
- (c) such person (including a fund manager, trust company, 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;
- (b) immediately after the Company's annual meeting of Shareholders to be held in 2012 unless at such meeting the duration of the Rights Plan is extended; and
- (c) 180 days after the date of the Rights Plan if the Rights Plan is not ratified by Shareholders in accordance with the requirements of the TSXV.

Definition of a “Flip-In Event”

A Flip-In Event occurs when a person becomes an Acquiring Person, provided the Flip-In Event is deemed to occur at the close of business on the 10th day after the first date of a public announcement of facts indicating that an Acquiring Person has become such. 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 Company 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 bid shall 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 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; and
- (c) contains the conditions that no Common Shares be taken up or paid for pursuant to the Competing Permitted Bid prior to the close of business on a date that is not earlier than the later of 35 days after the date of the Competing Permitted Bid and the earliest date on which the Common Shares may be taken up or paid for under any prior bid in existence at the date of such Competing Permitted Bid; and then only if, 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.

Definition of “Permitted Lock-Up Agreement”

A Permitted Lock-Up Agreement means an agreement (the “Lock-up Agreement”) between a person or one or more holders of Common Shares (each referred to herein as a “Locked-up Person”), the terms of which are publicly disclosed and a copy of which is made available to the public, including the Company, pursuant to which such holders agree to deposit or tender Common Shares to a take-over bid (the “Lock-up Bid”) made by the person or any of such person's affiliates or associates, whether such Lock-up Bid is made before or after the Lock-up Agreement is signed, provided that:

- (i) the Lock-up Agreement permits the Locked-up Person to terminate its agreement to deposit or tender to or to not withdraw Common Shares from the Lock-up Bid in the event a “Superior Offer” is made to the Locked-up Person. For the purposes of this subsection, a “Superior Offer” is any take-over bid, amalgamation, arrangement or similar transaction pursuant to which the cash equivalent value of the consideration per share to be received by holders of the Common Shares under the Lock-up Bid (the “Lock-up Bid Consideration”). Notwithstanding the foregoing, the Lock-up Agreement may require that the Superior Offer Consideration must exceed the Lock-up Bid Consideration by a specified percentage before such termination rights take effect, provided such specified percentage is not greater than 7%.

For greater clarity, the Lock-up Agreement may contain a right of first refusal or require a period of delay to give the person who made the Lock-up Bid an opportunity to match a higher price in another take-over bid or transaction or similar limitation on the Locked-up Person's right to withdraw Common Shares from the agreement, so long as the limitation does not preclude the exercise by the Locked-up Person of the right to withdraw Common Shares during the period of the take-over bid or transaction; and

- (ii) no “break-up” fees, penalties, expenses, or other amounts that exceed, in the aggregate, the

greater of:

- A. 2.5% of the Lock-up Bid Consideration payable under the Lock-up Agreement to the Locked-up Person; and
- B. one-half of the difference between the consideration under the Superior Offer payable to the Locked-up Person and the Locked-up Consideration the Locked-up Person would have received under the Lock-up Bid,

shall be payable pursuant to the Lock-up Agreement in the event that the Locked-up Person fails to tender Common Shares pursuant to the Lock-up Bid or withdraws Common Shares from the Lock-up Bid in order to accept the other take-over bid or transaction.

Redemption of Rights

All (but not less than all) of the Rights may be redeemed by the Board with the prior approval of the Shareholders 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 Rights Plan, the Company will immediately upon such acquisition and without further formality, redeem the Rights at the redemption price. If the Rights are redeemed pursuant to the 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 Rights Plan to any prospective Flip-In Event which would occur by reason of a take-over bid made by a take-over bid circular to all registered holders of Common Shares. However, if the Board waives the Rights Plan with respect to a particular bid, it will be deemed to have waived the Rights Plan with respect to any other take-over bid made by take-over bid circular to all registered holders of Common Shares before the expiry of that first bid. The Board may also waive the “Flip-In” provisions of the Rights Plan in respect of any Flip-In Event provided that the Board has determined that the Acquiring Person became an Acquiring Person through inadvertence and has reduced its ownership to such a level that it is no longer an Acquiring Person.

Term of the Rights Plan

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

Amending Power

Except for amendments to correct clerical or typographical errors and amendments to maintain the validity of the Rights Plan as a result of a change of applicable legislation or applicable rules or policies of securities regulatory authorities, Shareholder (other than the Offeror and certain related parties) or Rights holder majority approval is required for supplements or amendments to the Rights Plan. In addition, any supplement or amendment to the Rights Plan will require the written concurrence of the Rights Agent and prior written consent of the TSXV.

Rights Agent

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

Rights Holder not a Shareholder

Until a Right is exercised the holder thereof as such will have no rights as a Shareholder of the Company.

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

“Resolved that:

- (a) the Rights Plan as described in the Information Circular of the Company dated as of August 8, 2011 be hereby ratified and approved.

- (b) The Company be authorized to abandon the Rights Plan if the Board of the Company deems it appropriate and in the best interests of the Company to do so; and
- (c) 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 effect to this resolution.”

The Board of Directors recommends that shareholders vote in favour of the ratification and approval of the Rights Plan.

ADDITIONAL INFORMATION

Additional information relating to the Company is filed on www.sedar.com and upon request from the Company at telephone number: (604) 646-0067 or fax number (604) 646-0117. Copies of documents will be provided free of charge to security holders of the Company. The Company may require payment of a reasonable charge from any person or company, who is not a security holder of the Company, requesting 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 Information Circular.

The contents of this Information Circular and its distribution to shareholders have been approved by the Board of the Company.

DATED at Vancouver, British Columbia, August 19, 2011.

BY ORDER OF THE BOARD

“Gerald Aberle”

Gerald Aberle
President and Chief Operating Office