



## **PROXY CIRCULAR**

(As of September 2, 2011 (the “**Record Date**”) and in Canadian dollars except where indicated)

### **PERSONS MAKING THIS SOLICITATION OF PROXIES**

This Proxy Circular (“**Circular**”) is furnished in connection with the solicitation of proxies (“**Proxies**”) and which term includes ‘VIFs’, as defined below under ‘Completion and Voting of Proxies – Unregistered Shareholders’) by the management of Kirkland Lake Gold Inc. (the “**Company**”) for use at the Annual Meeting of the shareholders of the Company (the “**Meeting**”) to be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting and at any adjournment thereof. It is expected the solicitation will be primarily by mail. Proxies may also be solicited personally by employees of the Company. The cost of solicitation will be borne by the Company.

### **COMPLETION AND VOTING OF PROXIES**

#### **Voting**

Voting at the Meeting will be by a show of hands, each registered shareholder and each person representing a registered or unregistered shareholder through a Proxy (a “**Proxyholder**”) having one vote, unless a poll is required (if the number of shares represented by Proxies that are to be voted against a motion are greater than 5% of the votes that could be cast at the Meeting) or requested, whereupon each such shareholder and Proxyholder is entitled to one vote for each share held or represented, respectively. To approve a motion proposed at the Meeting a majority of greater than 50% of the votes cast will be required (an ‘ordinary resolution’) unless the motion requires a ‘special resolution’ in which case a majority of 66-2/3% of the votes cast will be required.

#### **Appointment of Proxyholders**

The persons named in the accompanying Proxy as Proxyholders are directors or officers of the Company. **A shareholder has the right to appoint a person (who need not be a shareholder) to attend and act on the shareholder’s behalf at the Meeting other than the persons named in the Proxy as Proxyholders. To exercise this right, the shareholder must strike out the names of the persons named in the Proxy as Proxyholders and insert the name of the shareholder’s nominee in the space provided or complete another Proxy.**

A shareholder completing the enclosed Proxy may indicate the manner in which the persons named in the Proxy are to vote with respect to any matter by marking an ‘X’ in the appropriate space. On any poll required (for the reason described above) or requested, those persons will vote or withhold from voting the shares in respect of which they are appointed in accordance with the directions, if any, given in the Proxy provided such directions are certain.

If a shareholder wishes to confer a discretionary authority with respect to any matter, then the space should be left blank. **In such instance, the Proxyholder, if nominated by management, intends to vote the shares represented by the Proxy in favour of the motion.**

**The enclosed Proxy, when properly signed, confers discretionary authority with respect to amendments or variations to the matters identified in the Notice of Meeting.** At the date of this Circular, the management of the Company is not aware that any amendments or variations are to be presented at the Meeting. If, however, should any properly come before the Meeting, the Proxies hereby solicited will be exercised on such matters in accordance with the best judgement of the nominees.

The Proxy must be dated and signed by the shareholder or the shareholder's attorney authorized in writing. In the case of a corporation, the Proxy must be dated and executed under its corporate seal or signed by a duly authorized officer of, or attorney for, the corporation.

**The completed Proxy, together with the power of attorney or other authority, if any, under which it was signed or a notarially certified copy thereof, must be deposited with the Company's transfer agent in accordance with its instructions and before the time set out in the Proxy. Proxies received after such time may be accepted or rejected by the Chair of the Meeting in the Chair's discretion. Unregistered shareholders must deliver their completed Proxies in accordance with the instructions given by the Intermediary that forwarded the Proxy to them.**

It is not intended to use the Proxies for the purpose of voting on the Company's audited financial statements for the most recently completed financial year, the directors' reports nor the auditor's report.

### **Registered Shareholders**

Only shareholders registered as shareholders in the Company's shareholder register maintained by the Company's registrar and transfer agent or duly appointed Proxyholders will be recognized, make motions or vote at the Meeting.

### **Unregistered Shareholders**

Shareholders holding their shares of the Company through stockbrokers, securities dealers, banks, trust companies, trustees or their agents and nominees ("**Intermediaries**") will not be recognized nor may they make motions or vote at the Meeting except as described below.

If shares of the Company are listed in an account statement provided to a shareholder by an Intermediary, those shares are, in all likelihood, not registered in the shareholder's name. Such shares will more likely be registered in the name of the Intermediary and can only be voted through a duly completed Proxy given by the shareholder. Without specific instructions, the Intermediary is prohibited from voting shares for the Intermediary's clients. **Therefore, each unregistered shareholder should ensure that voting instructions are communicated to the appropriate party well in advance of the Meeting.**

National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian securities administrators require Intermediaries to seek voting instructions from unregistered shareholders in advance of shareholder meetings. Intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by unregistered shareholders to ensure their shares are voted at the Meeting. The form requesting such voting instructions (a "**VIF**") supplied to the unregistered shareholder by its Intermediary is substantially similar to the Proxy provided directly to the registered shareholders by the Company, however, it is limited to instructing the registered shareholder (that is, the Intermediary) how to vote on behalf of the unregistered shareholder.

Most Intermediaries in Canada and the United States of America delegate responsibility for obtaining instructions from clients to a third party company (or, if the shareholder has so consented, allows the Company or its transfer agent to do so directly) which sends a machine-readable VIF to unregistered shareholders and asks the shareholders to return the VIFs to them or provide instructions to them through the Internet or by telephone. The third party company (or the Company or its agent, if it has sent the VIF to the

shareholder directly) then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting.

Although an unregistered shareholder may not be recognized directly at the Meeting for the purposes of voting shares registered in the name of their Intermediary, the unregistered shareholder may attend the Meeting as Proxyholder for the Intermediary and indirectly vote the shares in that capacity. **Unregistered shareholders wishing to attend the Meeting and indirectly vote their shares as their own Proxyholder, must enter their own names in the blank space on the VIF provided to them and return the VIF in accordance with the instructions provided on it. If an unregistered shareholder receives a VIF and does not wish to attend the Meeting as a Proxyholder, the VIF must be returned, or instructions respecting the voting of shares must be communicated, to the third party company (or the Company or its transfer agent) in advance of the Meeting to have the shares voted in accordance with the instructions on that VIF.**

Shareholders with questions respecting the voting of shares held through an Intermediary should contact that Intermediary for assistance.

### **REVOCAION OF PROXIES**

Shareholders have the power to revoke Proxies previously given by them. Revocation can be effected by an instrument in writing (which includes a Proxy bearing a later date) signed by a shareholder or the shareholder's attorney authorized in writing and in the case of a corporation, executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation, and either delivered to the registered office of the Company at Northwest Law Group (attn: Michael F. Provenzano), Suite 950, Scotia Tower, 650 West Georgia Street, Box 11587, Vancouver, BC V6B 4N8, Canada any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, or deposited with the Chair of the Meeting prior to the hour of commencement on the day of the Meeting.

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

None of the directors or executive officers of the Company, any person who has held such a position since the beginning of the Company's last completed financial year, any proposed nominee for election as a director of the Company nor any associate or affiliate of the foregoing persons, has any substantial or material interest, directly or indirectly, 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).

### **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The Company has only one class of shares entitled to be voted at the Meeting, namely, common shares (without par value). All issued shares are entitled to be voted at the Meeting and each has one non-cumulative vote. Only those common shareholders as of the Record Date will be entitled to vote at the Meeting or any adjournment thereof. There were 69,878,612 common shares issued and outstanding as of the Record Date.

The Company will prepare a list of shareholders as of the Record Date. Holders of shares of the Company named on that list will be entitled to vote the shares then registered in their name at the Meeting (unless prohibited from voting by applicable regulatory authorities on a particular matter to be considered at the Meeting) except to the extent that the holder has transferred ownership of any of the shares after the Record Date and the transferee of those shares produces properly endorsed share certificates, or otherwise establishes that the transferee owns the shares, and demands at any time before the Meeting that the transferee's name

be included in the list of persons entitled to vote at the Meeting. In that case the transferee will be entitled to vote their shares at the Meeting or any adjournment thereof.

To the knowledge of the directors and executive officers of the Company, as of the Record Date, only the following persons beneficially own, directly or indirectly, or exercise control or direction over shares which, as of the Record Date, represent more than 10% of the voting rights attached to all outstanding shares of the Company:

<b>Name</b>	<b>Number of Shares</b>	<b>Percentage of Outstanding Shares</b>
Resolute Funds Limited <sup>(1)</sup>	7,300,000	10.45%

(1) Resolute Funds Limited is the manager of the investment fund, Resolute Performance Fund.

### **ELECTION OF DIRECTORS**

The Board of Directors of the Company (the “**Board**”) presently consists of eight directors, out of a minimum of three and a maximum of 15 directors. It is proposed to set the number of directors for the following year at eight. This requires the approval of the shareholders of the Company by an ordinary resolution, which approval will be sought at the Meeting.

The Company’s management proposes to nominate the persons named in the following table for election as directors of the Company to fill such positions. Each director elected will hold office until the next Annual Meeting or until the director’s successor is duly elected or appointed, unless the director’s office is earlier vacated in accordance with the Company’s By-laws or the director becomes disqualified to act as a director.

The following information concerning the proposed nominees has been furnished by each of them.

<b>Name, Province or State &amp; Country of Residence &amp; Present Position in Company</b>	<b>Present Principal Occupation <sup>(1)</sup></b>	<b>Director Since</b>	<b>Number of Shares <sup>(2)</sup></b>
<b>BAYLEY, Brian E.</b> <sup>(3)(4)</sup> British Columbia, Canada Director	Lending Advisor to and director of Sprott Resource Lending Corp. (publicly traded (TSX & NYSE-Amex) loan company to resource companies)  President of Ionic Management Corp. (private management company) and Quest Capital Management Corp. (private investment company)  Director and officer of various other publicly traded companies	October 15, 1998	59,700

Name, Province or State & Country of Residence & Present Position in Company	Present Principal Occupation <sup>(1)</sup>	Director Since	Number of Shares <sup>(2)</sup>
<b>DOBSON, D. Harry W.</b> Monte Carlo, Monaco Executive Chairman of the Board of Directors	Chairman of the Board of Directors of <ul style="list-style-type: none"> <li>• the Company,</li> <li>• Belvedere Resources Ltd. (publicly traded (TSX-V) gold exploration and nickel mining company),</li> <li>• Borders &amp; Southern Petroleum Plc (publicly traded (AIM) oil &amp; gas company),</li> <li>• Rambler Metals &amp; Mining Plc (publicly traded (TSX-V &amp; AIM) base metal exploration company), and</li> <li>• Suroco Energy Inc. (publicly traded (TSX-V) oil &amp; gas company)</li> </ul>	October 11, 2001	3,765,000
<b>GABRIEL, Trevor M.</b> <sup>(3)(4)(5)</sup> Monte Carlo, Monaco Director	Managing Partner and owner of SCS Trevor Gabriel et Cie (private real estate brokerage)	October 9, 2008	0
<b>HINCHCLIFFE, Brian A.</b> <sup>(5)</sup> New York, United States of America President, Chief Executive Officer and Director	President and CEO of the Company	February 26, 2001	1,113,000
<b>KLESSIG, Pamela J.</b> <sup>(3)</sup> Nevada, United States of America Director	Retired mining executive  Formerly President and CEO of Concordia Resource Corp. (publicly traded (TSX-V) mineral exploration company; Feb 2005 – Dec 2010) and Western Lithium USA Corporation (publicly traded (TSX) lithium company; July 2008 – March 2010)	April 26, 2011	0
<b>MILTON, George A.</b> <sup>(4)(5)</sup> Alberta, Canada Director	Retired stock broker	July 1, 2002	2,683,036
<b>TESSIER, Mark S.</b> <sup>(5)</sup> Ontario, Canada Chief Operating Officer and Director	Chief Operating Officer (“COO”) of the Company	February 9, 2010	0
<b>THOMSON, JOHN S.</b> <sup>(5)</sup> Perthshire, United Kingdom Chief Financial Officer, Executive Vice-President and Director	CFO and Executive Vice-President of the Company	February 9, 2010	32,500

- (1) Includes occupations for preceding five years unless the director was elected at the previous Annual Meeting and was shown as a nominee for election as a director in the Circular for that meeting.
- (2) The approximate number of shares of the Company carrying the right to vote in all circumstances beneficially owned, directly or indirectly, or over which control or direction is exercised by each proposed nominee as of the Record Date. No director, together with the director’s associates and affiliates beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the Company’s shares.

- (3) Member of Audit Committee. See Schedules 'A' and 'B' of the Company's Annual Information Form for particulars of the Audit Committee's members, its charter and related matters.
- (4) Member of Compensation Committee.
- (5) Member of Operations Committee.
- (5) None of the proposed directors is to be elected under any arrangement or understanding between the proposed director and a third party (other than the directors and executive officers of the Company acting as in that capacity).

No proposed director:

- (a) is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer ("CEO") or chief financial officer ("CFO") of any corporation (including the Company) that was subject to a 'cease trading' or similar order (including a voluntary or involuntary Cease Trading Order applying to some or all of the management of a corporation) or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued
  - (i) while the proposed director was acting as a director, CEO or CFO of that corporation, or
  - (ii) after the proposed director ceased to be a director, CEO or CFO of that corporation but resulted from an event that occurred while acting in such capacity;
- (b) is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director or executive officer of any corporation (including the Company) that while acting in that capacity or within a year of 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;
- (c) has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold their assets;
- (d) has entered into, at any time, a settlement agreement with a securities regulatory authority; or
- (e) has been subject to, at any time, any penalties or sanctions imposed by
  - (i) a court relating to securities legislation or a securities regulatory authority, or
  - (ii) a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

other than Brian E. Bayley who:

- 1. was a director from June 15, 2001 to November 30, 2010 of American Natural Energy Corp. (TSX-V listed) which was issued Cease Trading Orders by the:
  - (a) British Columbia Securities Commission ("BCSC"), Autorité des marchés financiers de Québec ("AMF") and Manitoba Securities Commission("MSC") in June 2003 for failing to file financial statements and pay filing fees. The orders were rescinded in August and September 2003 when it filed the financial statements and paid the filing fees; and

- (b) BCSC in July 2007, AMF and Ontario Securities Commission (“OSC”) in August, 2007, Alberta Securities Commission (“ASC”) in November 2007 and MSC in March 2008 for failing to file financial statements and Management’s Discussion & Analysis. The orders were rescinded on October 29, 2008 when it made the filings.
2. has been a director since December 14, 1999 of Esperanza Silver Corp. (TSX-V listed) which became aware in early 2003 that it was subject to outstanding Cease Trading Orders issued by the ASC on September 17, 1998 and AMF on August 12, 1997 from the failure of previous management to file financial statements and pay filing fees. Esperanza’s new management filed the financial statements and paid the filing fees and the orders were rescinded on May 16, 2003 by the AMF and on August 1, 2003 by the ASC.
3. was a director from November 28, 2001 to June 17, 2008 of Etrion Corporation (TSX listed and then known as PetroFalcon Corporation) and a director and officer from January 1997 to January 2005 of Quest Ventures Ltd. (private company) which companies became subject to an order issued on February 27, 2002 by the BCSC respecting a private placement of Etrion’s securities to Quest preventing the further use of certain exemptions under the *Securities Act* (British Columbia) until Etrion’s shareholders approved the placement. Such approval was obtained on May 23, 2002 and the BCSC reinstated the availability of the exemptions for both companies shortly thereafter.

## CORPORATE GOVERNANCE

National Instrument 58-101 *Disclosure of Corporate Governance Practices* of the Canadian securities administrators requires the Company to annually disclose certain information regarding its corporate governance practices. That information is disclosed below.

### **Mandate of the Board of Directors**

The Board has not adopted a written mandate or code since it believes it is adequately governed by the requirements of applicable corporate and securities common and statute law which provide that the Board has responsibility for the stewardship of the Company. That stewardship includes responsibility for strategic planning, identification of the principal risks of the Company’s business and implementation of appropriate systems to manage these risks, succession planning (including appointing, training and monitoring senior management), communications with investors and the financial community and the integrity of the Company’s internal control and management information systems.

Strategic planning and risk identification by the Board is assisted by and based on information and recommendations of the senior management of the Company on a variety of matters including opportunities for the Company in various countries and project status.

The Board monitors the Company’s compliance with its timely disclosure obligations and reviews principal disclosure documents (such as prospectuses, offering memoranda, financial statements, Management’s Discussion & Analysis, annual reports and annual information forms) and certain members of the Board review secondary disclosure documents (such as press releases) prior to their distribution. The Board relies on its Audit Committee to annually review the Company’s systems of internal financial control and discuss its findings with the Company’s external auditor.

### **Independence of the Directors**

A director is ‘independent’ if the director is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act with

the best interests of the Company, other than interests and relationships arising from shareholding. The Board consists of an equal number of independent and non-independent directors.

The following table describes whether the current directors are independent and, if not independent, sets out the reasons:

Director	Independent	Reason why the Director is not Independent
BAYLEY, Brian E.	Yes	–
DOBSON, D. Harry W.	No	Executive Chairman of the Board of Directors
GABRIEL, Trevor M.	Yes	–
HINCHCLIFFE, Brian A.	No	President & CEO of the Company
KLESSIG, Pamela J.	Yes	–
MILTON, George A.	Yes	–
TESSIER, Mark S.	No	COO of the Company
THOMSON, John S.	No	CFO & Executive Vice-President of the Company

The Board facilitates its exercise of independent supervision over the Company's management through regular meetings of the Board. The meetings are held both with and without members of the Company's management in attendance.

The Board does not hold regularly scheduled meetings without the non-independent directors and members of management being in attendance and since the beginning of the Company's last financial year the independent members of the Board did not hold any *ad hoc* meetings without the presence of non-independent directors and management. However, when the matter considered involves a non-independent director, that director recuses themselves from the meeting for the consideration of such matter so that the independent directors can have an open and candid discussion and vote. As well, the members of the Board regularly and independently confer amongst themselves and thereby keep apprised of all operational and strategic aspects of the Company's business.

The Chairman of the Board is responsible for presiding over all meetings of the directors and shareholders of the Company. He is not an independent director, however, the independent directors either have significant experience as directors and officers of publicly traded companies or as members of the financial investment community and, therefore, do not require the guidance of an independent Chair of the Board in exercising their duties as directors.

The attendance record of the current directors at meetings of the Board since the beginning of the Company's last financial year is as follows:

Director	Number of Meetings Attended / Held in Financial Year		
	2010 <sup>(1)</sup>	2011 <sup>(1)</sup>	Total
BAYLEY, Brian E.	4 / 6	2 / 2	6 / 8
DOBSON, D. Harry W.	6 / 6	2 / 2	8 / 8
GABRIEL, Trevor M.	6 / 6	2 / 2	8 / 8
HINCHCLIFFE, Brian A.	3 / 6	2 / 2	5 / 8

Director	Number of Meetings Attended / Held in Financial Year		
	2010 <sup>(1)</sup>	2011 <sup>(1)</sup>	Total
KLESSIG, Pamela J. <sup>(2)</sup>	–	2 / 2	2 / 2
MILTON, George A.	6 / 6	2 / 2	8 / 8
TESSIER, Mark S.	6 / 6	2 / 2	8 / 8
THOMSON, John S.	5 / 6	2 / 2	7 / 8

(1) Financial year began on May 1, 2010 and ended on April 30, 2011. Numbers for current financial year are up to Record Date.

(2) Ms. Klessig became a director on April 26, 2011. Meetings listed were held after such appointment.

### Other Directorships

The current and proposed directors are also directors of the following other reporting issuers (public corporations):

Director or Nominee	Reporting Issuers
BAYLEY, Brian E.	American Vanadium Corp., Bearing Resources Ltd., Cypress Hills Resource Corp., Esperanza Silver Corporation, Eurasian Minerals Inc., Kramer Capital Corp., NiMin Energy Corp., Sprott Resource Lending Corp. and Transatlantic Petroleum Corp.
DOBSON, D. Harry W.	Belvedere Resources Ltd., Borders & Southern Petroleum Plc., Concordia Resource Corp., Mountain Province Diamonds Inc., Rambler Metals & Mining Plc, Suroco Energy Inc.
GABRIEL, Trevor M.	None
HINCHCLIFFE, Brian A.	Rambler Metals and Mining Plc, Rupert Resources Ltd. and Suroco Energy Inc.
KLESSIG, Pamela J.	Concordia Resource Corp.
MILTON, George A.	New Millennium Iron Corp.
TESSIER, Mark S.	None
THOMSON, John S.	Belvedere Resources Ltd. and Rambler Metals & Mining Plc

### Descriptions of Roles

The Board has not established written descriptions of the positions of Chairman of the Board, CEO or chair of any of the committees of the Board (other than as may be set out in a charter applicable to a committee) as it feels they are unnecessary and would not improve the function and performance of the Board, CEO or committee. The role of chair is delineated by the nature of the overall responsibilities of the Board (in the case of the Chairman of the Board) or the committee (in the case of a chair of a committee).

The Board has not set limits on the objectives to be met by the CEO, but believes that such limits and objectives should depend upon the circumstances of each situation and that to formalize these matters would be restrictive and not productive.

## **Orientation and Continuing Education**

The Board, through one or more of its members, who may be assisted by the Company's management, takes the following steps to ensure that all new directors receive orientation regarding the role of the Board, its committees and its directors, and the nature and operation of the Company.

The first step is to assess a new director's set of skills and professional background. This allows the orientation to be customized to that director's needs since different information regarding the nature and operations of the Company's business will be necessary and relevant to each new director.

Once assessed, the second step is to provide the new director with the appropriate orientation through a series of meetings, initially with directors and executive management, followed by a visit to the Company's mining facilities.

To ensure the Board provides continuing information for its directors so they maintain the skill and knowledge necessary for them to meet their obligations as directors of the Company, there are technical presentations made as required at meetings of the Board. The presentations can range from a review of the Company's financial statements to various aspects of the Company's business. The Board believes the discussion among the directors, management and outside experts at these meetings provides a valuable learning resource for directors without expertise in the subject matter being presented.

## **Ethical Business Conduct**

As part of its responsibility for the stewardship of the Company, the Board seeks to foster a culture of ethical conduct by striving to ensure the Company carries out its business in line with high business and moral standards and applicable legal and financial requirements. In that regard, the Board:

- has adopted a Code of Ethics setting out the guidelines for the conduct expected from directors, officers and employees of the Company. A copy of the Code has been filed on SEDAR (see 'Additional Information' at the end of this Circular). Compliance with the Code is achieved as follows. Each director is responsible for ensuring that they individually comply with the terms of the Code, while the Board is responsible for ensuring that the directors, as a group, and all officers comply with the Code and the executive officers of the Company are responsible for ensuring compliance with the Code by employees. Since the beginning of the Company's last financial year, it has not filed a Material Change Report relating to any conduct of a director or executive officer that constitutes a departure from the Code.
- has established a written 'Whistleblower Policy' which details complaint procedures for financial concerns as further described below under 'Complaints'.
- has created an Insider Trading Policy which details when directors, officers and employees should not engage in trading in the Company's securities.
- encourages management to consult with legal and financial advisors to ensure the Company is meeting those requirements.
- is cognizant of the Company's timely disclosure obligations and reviews material disclosure documents such as financial statements, Management's Discussion & Analysis (MD&A) and press releases prior to distribution.
- actively monitors the Company's compliance with the Board's directives and ensures that all material transactions are reviewed and authorized by the Board before being undertaken by management.

In addition, the Board must comply with the conflict of interest provisions of its governing corporate legislation and relevant securities regulatory instruments and stock exchange policies (which require that interested directors recuse themselves from the consideration of, and voting on, such matters), to ensure its directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

## **Complaints**

The Audit Committee has established a written ‘Whistleblower Policy’ which creates procedures for the confidential and anonymous submission by employees of complaints and concerns regarding the Company’s accounting, auditing and financial reporting procedures and obligations, without fear of retaliation of any kind.

The Policy provides that if an employee has any information, complaints or concerns regarding such matters being questionable, incorrect, misleading or fraudulent they are urged under the Policy to present such information, complaints or concerns to the Audit Committee, without regard to the position of the persons responsible for the subject matter of the information, complaint or concern. Promptly following the receipt of any information, complaints and concerns submitted to it, the Audit Committee will investigate each matter and take appropriate corrective actions.

The Audit Committee will retain as part of its records, any information, complaints or concerns received. Furthermore, it will keep a written record of all such reports or inquiries and make quarterly reports on any ongoing investigation which will include steps taken to satisfactorily address each complaint.

## **Nomination of Directors**

The Board does not feel it is necessary to increase the number of directors on the Board at this time and has not, therefore, appointed a Nominating Committee. When the Board or some of its members consider it necessary to do so, the Board can also consider whether a Nominating Committee of directors, some or all of whom will be independent directors, needs to be formed to recommend appointees and assess directors on an ongoing basis.

Any new appointees or nominees to the Board must have a favourable track record in general business management, special expertise in areas of strategic interest to the Company, the ability to devote the time required of a director.

## **Compensation**

To assist the Board in determining the appropriate level of compensation to pay the executive officers and directors, the Board has established a Compensation Committee, as described below under ‘Other Board Committees’. When requested, the Committee will recommend to the Board what it feels is the appropriate compensation based primarily on a comparison of the remuneration paid by the Company with the remuneration paid by other public companies that the Committee feels are similarly placed within the same business.

In addition, the executive officers and directors are granted stock options under a stock option plan adopted by the Company (the “**Option Plan**”). The Chairman and CEO determine, and the Compensation Committee ratifies, the terms of each stock option within the parameters set out in the Option Plan and applicable stock exchange rules and policies.

Since the beginning of the Company’s last financial year, no compensation consultant or advisor was retained to assist in determining compensation for any of the Company’s directors and officers.

## **Board Committees**

In addition to the Audit Committee described in the next section, the Board has established the following committees:

*Compensation Committee:* The Compensation Committee is responsible for reviewing, when requested, all remuneration (including stock options) of the Board and senior management of the Company, reporting to the Board on the results of those reviews and making recommendations to the Board for adjustments to such compensation.

The Compensation Committee consists of three independent (outside, non-management) directors (George A. Milton (Committee Chair), Brian E. Bayley and Trevor M. Gabriel).

*Operations Committee:* The Operations Committee is responsible for reviewing operational plans and providing independent guidance and feedback on any operational matter of strategic importance to the Company before it is presented to the Board.

The Operations Committee consists of five directors, two of whom are independent (outside, non-management) directors (Trevor M. Gabriel and George A. Milton) and three of whom are not independent directors (Brian A. Hinchcliffe, Mark S. Tessier and John S. Thomson).

## **Assessments**

The Board has not established any formal procedures for regularly assessing the performance of the Board, its committees and individual directors. Generally, those responsibilities have been carried out on an informal basis by the Chairman of the Board and the CEO based on their assessment of the performance of the Board, its committees or the individual directors compared to their expectations. In doing so, the contributions of an individual director are informally monitored in light of the business strengths of the individual and the purpose of originally nominating the individual to the Board. Furthermore, it is the view of the Board that, in light of its small size and the close and open relationship among its members, the formality of a committee would not be as effective as the current arrangement and is unnecessary.

## **AUDIT COMMITTEE**

National Instrument 52-110 *Audit Committees* (“NI 52-110”) of the Canadian securities administrators requires the Company’s Audit Committee to meet certain requirements. It also requires the Company to disclose certain information regarding the Audit Committee. That information has been disclosed in the Company’s Annual Information Form for the last financial year which has been filed on SEDAR (see ‘Additional Information’ at the end of this Circular).

## **EXECUTIVE & DIRECTOR COMPENSATION**

Unless otherwise noted the following information is for the Company’s last completed financial year (which ended April 30, 2011).

In the following information, a “**Named Executive Officer**” or “**NEO**” means each of the CEO, CFO and three highest paid executive officers, if any, whose total compensation (excluding the value of any pension) was more than \$150,000 in the last financial year (including any CEO, CFO and executive officer that held such position for only a part of the last financial year).

## **Compensation Discussion & Analysis**

### *Philosophy*

The philosophy used by the Compensation Committee in determining, when requested to do so, its recommendations to the Board for the compensation of the Named Executive Officers is that the compensation should:

- assist the Company in attracting and retaining key individuals as NEOs,
- align the interests of NEOs with those of the shareholders,
- reflect each NEO's performance, expertise, responsibilities and length of service to the Company,
- reflect the Company's past performance and current state of development, and
- be commensurate with the Company's financial ability to remunerate its NEOs.

### *Compensation Components*

The Company's process for determining executive compensation is comparable to that used by most corporations in its industry. The compensation of the Named Executive Officers is comprised of three components: (i) base salary; (ii) incentive bonus; and (iii) stock options.

There are not any formal policies or procedures for determining the remuneration of the NEOs and Board. Instead, if requested to do so, the Compensation Committee will consider and make recommendations to the Board respecting the appropriate level of remuneration without any formal objectives, criteria or analysis. Levels of remuneration are usually first informally discussed among the members of the Committee before being recommended to the Board for formal approval. No specific formulas have been developed to assign a specific weighting to each of these components. Instead, the Committee will consider the Company's performance and recommends compensation based on this assessment. Accordingly, each case is determined on its own merits and circumstances after being considered in light of prevailing economic conditions – both on a corporate level and on a national and international level – and industry norms for such remuneration.

In a review, the Committee will also review surveys of remuneration paid within the mineral exploration and mining industry prepared by Coopers Consulting Limited.

Finally, the Committee relies on the experience of its members as officers and directors at other publicly traded companies in similar lines of business as the Company in assessing compensation levels. The purpose of this process is to:

- understand the competitiveness of current pay levels for each executive position relative to companies with similar business characteristics;
- identify and understand any gaps that may exist between the Company's compensation rates and compensation paid by other companies; and
- establish as a basis for developing salary adjustments and short-term and long-term incentive awards for the Board's approval.

Stock options already held by NEOs are considered in granting new options to them.

Each of these compensation components is described below.

### 1. Base Salary:

The base salary for each Named Executive Officer is based on assessment of factors such as:

- current competitive market conditions;
- compensation levels within the peer group; and
- particular skills of the NEOs, such as leadership ability and management effectiveness, experience, responsibility and proven or expected performance of the particular individual.

Using this information and budgetary guidelines and other internally generated planning and forecasting tools, the Compensation Committee, when requested, performs an assessment of the compensation of all NEOs when requested by the Company's management. The Compensation Committee can use this assessment to recommend to the Board what should be the base salaries of the CEO, CFO, COO and any other NEOs. The Chairman of the Board sets the base salary of the CEO and the Chairman and the CEO set the base salaries of the CFO, COO and any other NEOs.

### 2. Incentive Bonus:

The Chairman of the Board and CEO annually review and, if determined to be appropriate, approve the payment of incentive bonuses. The bonuses are paid by way of cash payments. The amount of the bonuses paid is based partly on the Company's success in reaching its objectives and partly on each Named Executive Officer's performance.

As part of determining bonuses to be paid, the Board, or certain members of the Board, reviews corporate performance objectives during the year. In the last financial year, the principal objectives included:

- discoveries of significant mineralization on the Company's properties; and
- reducing operating costs and increasing ore grade mined and ounces of gold produced to achieve the corporate budget for the financial year.

The success of the NEOs' contributions to the Company in reaching its overall goals is a factor in the determination of their annual bonus. Each NEO's performance is assessed on the basis of the NEO's contribution to the achievement of corporate goals and the needs of the Company that arise on a day to day basis. This assessment, if requested, may be used by the Compensation Committee in developing any recommendations with respect to the determination of annual bonuses for the NEOs.

### 3. Stock Options:

The Option Plan is designed to encourage share ownership and entrepreneurship in Named Executive Officers and other senior management and employees. The Board believes that the Option Plan aligns the interests of the NEOs' with the interests of shareholders by linking a component of executive compensation to the longer term performance of the Company's common shares.

#### **Option Based Awards to Named Executive Officers**

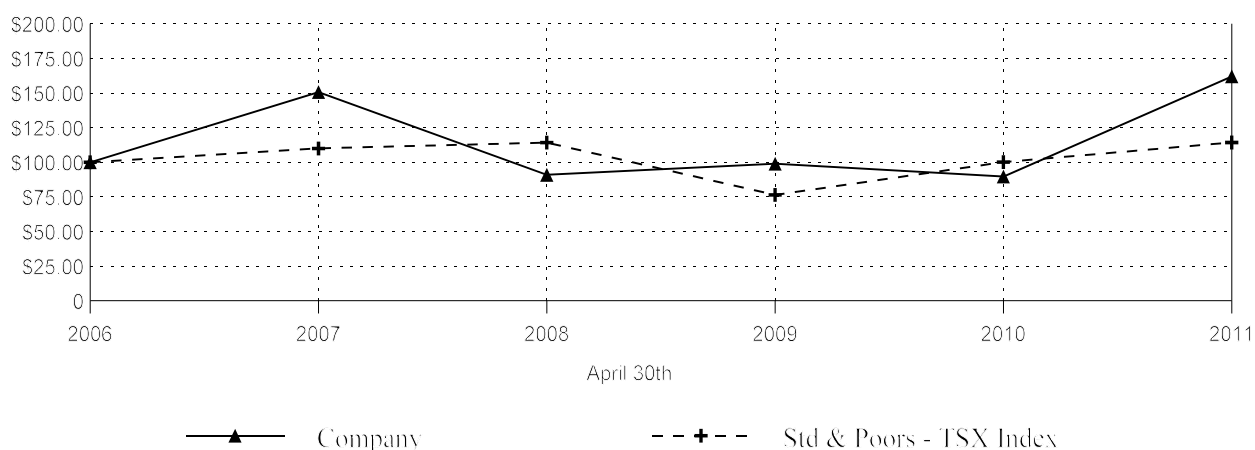
Stock options granted to NEOs are granted as the Chairman of the Board and CEO feel are appropriate in the circumstances. Options are determined by the Chairman and CEO and ratified by the Compensation Committee.

In addition to determining the number of shares to be subject to options granted, the Chairman and CEO also determine, subject to and in accordance with the provision of the Option Plan, the following terms of the options before they are ratified by the Compensation Committee:

- the exercise price;
- the terms on which the options vest; and
- any other materials terms and conditions.

### Performance Graph

The following graph shows the Company's cumulative total shareholder return on its common shares compared with the cumulative total shareholder return of the Standards & Poors – TSX Composite Index (assuming reinvestment of dividends) during the Company's last five financial years if \$100 were invested in each at the start of such five year period.



	April 30 <sup>th</sup>					
	2006	2007	2008	2009	2010	2011
<b>Company's Share Price</b>	\$100.00 (\$8.69)	\$150.75 (\$13.10)	\$90.91 (\$7.90)	\$98.96 (\$8.60)	\$89.76 (\$7.80)	\$162.02 (14.08)
<b>Std &amp; Poors-TSX Index</b>	\$100.00 (12,204.17)	\$109.93 (13,416.68)	\$114.20 (13,937.04)	\$76.41 (9,324.83)	\$100.06 (12,210.70)	\$114.26 (13,944.79)

- (1) Amounts shown in parentheses are the Company's closing share price and the Standard & Poors - TSX Index value, respectively, on such dates.
- (2) For the purposes of this graph, it is assumed that \$100 had been invested in the Company's shares and in such index on the first day of such five year period.

There is very little correlation between the trends shown in the above graph and compensation paid to Named Executive Officers by virtue of the dramatic fluctuations experienced in the last few years in the stock markets around the world, the increase and movements in the price of gold and the migration the Company is going through from being viewed by the markets as a junior exploration company to a medium sized gold producer. The compensation of the Company's directors and Named Executive Officers has benefitted from the increase in the profile and awareness of the Company as key milestones in its expansion strategy have been delivered and production has increased. The performance of the Company's share price has also benefitted from an increase in the price of gold.

The Board considers that the compensation paid to the NEOs is consistent with companies of a similar size and stage of development as the Company and is reflective of the variations in the Company's share price during the years shown.

### **Contracts with Named Executive Officers**

The Company has entered into written employment and consulting contracts with some of its Named Executive Officers as described below. The rest of the contracts with its Named Executive Officers are verbal and provide for the remuneration of such officers as summarized in the Summary Compensation Table below. The verbal agreements may be terminated at the election of such officers or the Company on reasonable notice.

In addition to the remuneration payable under these agreements, the Company may pay bonuses and grant stock options to such officers.

#### *President & Chief Executive Officer*

The Company has entered into a consulting agreement dated March 15, 2001 with its Chief Executive Officer, Brian A. Hinchcliffe, pursuant to which Mr. Hinchcliffe provides the services of a chief executive officer for the Company. Effective June 1, 2009, the remuneration under the agreement was increased from US\$ 225,000 to C\$340,000 per year. In addition to the remuneration payable under the agreement, bonuses and stock options may be paid or granted. The agreement may be terminated upon two months notice.

#### *Chief Financial Officer*

The Company has entered into an employment agreement dated April 1, 2011 with its Chief Financial Officer, John S. Thomson, pursuant to which Mr. Thomson is paid annual remuneration of \$300,000 and, if determined by the Board, an annual bonus of up to 50% of the annual remuneration. In addition to the remuneration payable under the agreement, stock options may be paid or granted. The agreement can be terminated by the Company on reasonable notice and by Mr. Thomson on 90 days notice.

#### *Chief Operating Officer*

The Company has entered into an employment agreement dated August 18, 2008 with its Chief Operating Officer, Mark S. Tessier, pursuant to which Mr. Tessier is paid annual remuneration of \$200,000 and, if determined by the Board, an annual bonus of up to 50% of the annual remuneration. Effective January 1, 2011, the remuneration under the agreement was increased to \$315,000 per year. Pursuant to the agreement, Mr. Tessier was also granted an option to purchase up to 250,000 shares of the Company vesting over three years. In addition to the remuneration payable under the agreement, stock options may be paid or granted. The agreement can be terminated by the Company on reasonable notice and by Mr. Tessier on 90 days notice.

#### *Other Agreements*

Except as set out above, the Company has not established or entered into any compensatory plans, contracts or arrangements where any of its Named Executive Officers are entitled to receive more than \$100,000 from the Company in the event of their resignation, retirement or other termination of their employment, a change of control of the Company or a change in any of their responsibilities following a change of control.

### **Pension Plans for Named Executive Officers**

The Company does not have any pension plans including 'defined benefits' plans, 'defined contribution' plans or 'deferred compensation' plans.

## Other Remuneration of Named Executive Officers

During the last financial year there was not any other remuneration paid or payable, directly or indirectly, by the Company pursuant to any existing plan or arrangement to its directors and Named Executive Officers.

## Summary Compensation Table – Named Executive Officers

The following table discloses the compensation paid or payable, directly or indirectly, by or on behalf of the Company during the last two financial years to its Named Executive Officers:

Name & Principal Position	Year ended Apr 30	Salary	Awards		Non-equity Incentive Plan Compensation		Pension Value	All Other Comp'n	Total Comp'n
			Share Based <sup>(1)</sup>	Option Based <sup>(2)</sup>	Annual Incentive Plans	Long Term Incentive Plans <sup>(3)</sup>			
HINCHCLIFFE, Brian A. CEO	2011	\$340,000	0	0	\$70,000	0	0	0	\$410,000
	2010	\$333,651	0	0	\$70,000	0	0	0	\$403,651
	2009	\$260,093	0	\$429,942	0	0	0	0	\$690,035
THOMSON, John S. CFO <sup>(4)</sup>	2011	\$267,500	0	0	\$70,000	0	0	0	\$337,500
	2010	\$236,200	0	0	0	0	0	0	\$236,200
	2009	\$236,200	0	\$171,976	0	0	0	0	\$408,176
TESSIER, Mark S. COO <sup>(5)</sup>	2011	\$266,986	0	0	\$80,000	0	0	\$1,188	\$348,174
	2010	\$200,000	0	0	\$70,000	0	0	\$3,861	\$273,861
	2009	\$131,525	0	\$901,414	\$70,137	0	0	\$25,000	\$1,157,939

- (1) The Company did not grant any share based awards during the financial years shown.
- (2) Fair value\* of stock option(s) on the date(s) of granting determined using the Black-Scholes-Merton Model assuming the option(s) are fully vested and using the following variables:

Option Date	Market Price	Exercise Price	Term of Option	Volatility	Discount Rate	Value of Option
Sep 19, 2008	\$6.90	\$6.99	5 years	53.24%	3.18%	\$3.440
Aug 26, 2008	\$6.99	\$6.99	5 years	56.50%	3.09%	\$3.606

\* Until a stock option has been exercised and the stock sold, the NEO does not receive any cash proceeds from the option and, accordingly, the amount shown is only the deemed 'paper gain' of the option.

- (3) Long Term Incentive Plans are any plan providing compensation intended to serve as incentive for performance to occur over a period longer than one financial year, whether the performance is measured by reference to financial performance of the Company or an affiliate of the Company, the price for the Company's securities or any other measure, but does not include stock option or SAR plans or plans for compensation through restricted shares or restricted share units. The Company does not have any Long Term Incentive Plans.
- (4) Appointed CFO on February 9, 2010. Prior thereto, he was Interim CFO. Amounts shown include remuneration for that previous position.
- (5) Appointed COO on February 9, 2010. Prior thereto, he was Vice-President, Operations. Amounts shown include remuneration for that previous position.
- (6) Amounts shown are for the entire financial year and includes all remuneration paid during, or payable in respect of, the year, even if the NEO did not hold the position shown for the entire year.

The Company calculates the fair value of stock options on the date of granting in the ‘Option Based Awards’ column using the Black-Scholes-Merton Model, a mathematical valuation model that ascribes a value to a stock option based on a number of variables, including the exercise price of the options, the market price of the underlying shares on the date the option was granted, the term of the option and assumptions with respect to the volatility of the price of the underlying share and the risk-free rate of return. The Company used this model because it is the methodology recommended by the Canadian Institute of Chartered Accountants in its Handbook for valuing securities based compensation and, in line with that recommendation, is the methodology used by the Company, and most Canadian publicly traded companies, in valuing and reporting stock options in its financial statements.

Calculating the value of stock options using the Black-Scholes-Merton Model is very different from a simple ‘in-the-money’ value calculation. Stock options that are well ‘out-of-the-money’ can still have a significant fair value based on a Black-Scholes-Merton valuation. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation. The value of the ‘in-the-money’ options currently held by each NEO and director (based on share market price less option exercise price) is set forth in the ‘Value of Unexercised in-the-money Options’ column of the table in the section “Outstanding Share and Option Based Awards” below.

### **Compensation of Directors**

The Company remunerates its directors for their services in their capacities as directors, consultants or experts as follows:

- each independent director receives an annual fee of \$12,000 and is granted, from time to time, stock options to purchase shares of the Company in consideration of acting as a director of the Company; and
- the Chair of
  - the Board receives does not receive any fee for acting as its chair, or for any other services provided to the Company,
  - the Audit Committee receives an annual fee of \$10,000 and each member of the Committee, other than the Chair, receives an annual fee of \$5,000,
  - the Compensation Committee receives an annual fee of \$6,000 and each member of the Committee, other than the Chair, receives an annual fee of \$2,000, and
  - the Operations Committee, and each member of the Committee, do not receive any fees for acting as its Chair or as a member.

The Board separately remunerates any director undertaking services on behalf of the Company other than services ordinarily required of a director. The amount of such remuneration is determined by the independent members of the Compensation Committee at the time the director undertakes the services.

The following table discloses the compensation paid, directly or indirectly, by or on behalf of the Company during the previous financial year to its directors other than a director who is or was also an executive officer of the Company and whose remuneration is disclosed under the table in ‘Named Executive Officers’ Compensation Summary’ above:

Name	Fees Earned	Awards		Non-equity Incentive Plan Comp'n	Pension Value	All Other Comp'n	Total Comp'n
		Share Based <sup>(1)</sup>	Option Based <sup>(2)</sup>				
BAYLEY, Brian E.	\$23,749	0	0	0	0	0	\$23,749
DOBSON, D. Harry W.	0	0	0	0	0	0	0
GABRIEL, Trevor M. <sup>(3)</sup>	\$40,580	0	0	0	0	0	\$40,580
KLESSIG, Pamela J. <sup>(4)</sup>	0	0	0	0	0	0	0
KOSTUIK, S. Paul <sup>(5)</sup>	\$25,000	0	0	0	0	0	\$25,000
MILTON, George A.	\$21,851	0	0	0	0	0	\$21,851

- (1) The Company did not grant any share based awards to directors during its last financial year.
- (2) Fair value of stock options on the date of granting determined using the Black-Scholes-Merton Model assuming the option(s) are fully vested. Until a stock option has been exercised and the stock sold, the director does not receive any cash proceeds from the option and, accordingly, the amount shown is only the deemed 'paper gain' of the option.
- (3) Includes payments totalling \$12,330 in respect of acting as the Chair of the Audit Committee and a member of the Compensation Committee during the Company's 2010 financial year.
- (4) Ms. Klessig was appointed a director on April 26, 2011.
- (5) Mr. Kostuik ceased to be a director on September 4, 2010.

The methodology used for determining the remuneration of the Board is similar to that used for the remuneration of NEOs. Remuneration of each Committee Chair is determined on its own merits and circumstances after being carefully considered in light of prevailing economic conditions – both on a corporate level and on a national and international level – and industry norms for such remuneration. Levels of remuneration are usually first informally discussed between the Chairman and CEO before being considered by the Compensation Committee and approved by the Board.

### Stock Option Plan

The Option Plan has been established in accordance with the policies of the Toronto Stock Exchange (the "TSX"). The purpose of the Option Plan is to attract and motivate the directors, officers and employees of the Company and any subsidiaries, employees of any management corporation and consultants to the Company (collectively the "Optionees") and thereby advance the Company's interests by providing them an opportunity to acquire an equity interest in the Company through the exercise of stock options granted to them under the Option Plan.

Pursuant to the Option Plan, the Company may grant stock options to Optionees in consideration of them providing their services to it. The options are exercisable by the Optionee giving the Company notice and payment of the exercise price for the number of shares to be acquired.

The Option Plan authorizes stock options to be granted to the Optionees on the following terms:

1. The number of shares reserved for issuance pursuant to outstanding options, in the aggregate, cannot exceed 10% of the Company's issued shares. As of the Record Date for the Meeting, 6,987,861 shares (10% of the issued shares) were reserved under the Plan, the Company had granted options to purchase 1,852,500 shares (2.65% of the issued shares) and 5,135,361 shares (7.35% of the issued shares) remain available to be optioned under the Option Plan.
2. Unless the Option Plan has been approved by disinterested shareholders (such approval has not been sought), options granted under the Option Plan, together with all of the Company's previously established and outstanding stock options, stock option plans, employee stock purchase plans or any other compensation or incentive mechanisms involving the issuance or potential issuance of its shares, shall not result, at any time, in
  - (a) the number of shares reserved for issuance pursuant to stock options granted to insiders exceeding 10% of the shares outstanding at the time of granting,
  - (b) the grant to insiders, within a one year period, of options to purchase that number of shares exceeding 10% of the outstanding shares, or
  - (c) the issuance to any one insider and such insider's associates, within a one year period, of shares totalling in excess of 5% of the outstanding shares.
3. The exercise price of the options cannot be set at less than the closing trading price of the Company's shares on the day before the granting of the stock options. If the Optionee is subject to the tax laws of the United States of America and owns (determined in accordance with such laws) greater than 10% of the Company's shares, the exercise price shall be at least 110% of the price established as aforesaid.
5. The options may be exercisable for up to 10 years. If, however, an option expires during, or within five business days after, a trading black-out period imposed by the Company to restrict trades in the Company's securities then, notwithstanding any other provision of the Option Plan, the option shall expire 10 business days after the trading black-out period is lifted by the Company
6. There are not any vesting requirements, however, the Board or the Compensation Committee may impose additional vesting requirements and, subject to obtaining any required approval from the TSX, may authorize all non-vested options to vest immediately. If the Company agrees to a change of control or if there is a potential change of control of the Company due to a take-over bid being made for the Company or similar events, all non-vested options, subject to obtaining any required approval from the TSX, shall vest immediately.
7. The options can only be exercised by the Optionee (to the extent they have already vested) for so long as the Optionee is a director, officer or employee of, or consultant to, the Company or any subsidiary or is an employee of the Company's management corporation and within a period thereafter not exceeding the earlier of:
  - (a) the original expiry date;
  - (b) 90 days (or such longer period as the Board may determine) after ceasing to be a director, officer, employee or consultant at the request of the Board or for the benefit of another director or officer unless the Optionee is subject to the tax laws of the United States of America, in which case the option will terminate on the earlier of the 90<sup>th</sup> day and the third month after the Optionee ceased to be an officer or employee; or
  - (c) if the Optionee dies, within one year from the Optionee's death.

If the Optionee is terminated 'for cause', involuntarily removed or resigns (other than at the request of the Board or for the benefit of another director or officer) from any of such positions the option will terminate concurrently with the date of cessation.

8. The options are not assignable except to a wholly-owned holding company. If the option qualifies as an 'incentive stock option' under the United States Internal Revenue Code, the option is not assignable to a holding company.
9. No financial assistance is available to Optionees under the Option Plan.
10. Disinterested shareholder approval must be obtained prior to the reduction of the exercise price of options granted to insiders of the Company or the extension of the exercise period of any option.
11. Any amendments to the Option Plan or outstanding stock options are subject to the approval of the TSX and, if required by the TSX or the Option Plan, of the shareholders of the Company, possibly with only 'disinterested shareholders' being entitled to vote. Disinterested shareholder approval must be obtained for the amendment of options held by insiders involving the reduction of the exercise price of options (including the cancellation and re-issuance of options so as to effectively reduce the exercise price) or the extension of the exercise period of any option except in certain circumstances where the Company has imposed a trading black-out, as described below. The amendment to an outstanding stock option will also require the consent of the Optionee.
12. The Option Plan provides that shareholder approval is required to amend the Option Plan to:
  - (a) increase the number of common shares reserved for issuance under the Option Plan (including a change from a fixed maximum number of shares to a fixed maximum percentage of shares); or
  - (b) change the manner of determining the exercise price if the exercise price would be less than the market price of the common shares on the date of grant under the new manner of exercise price determination.
13. Subject to the restrictions in the preceding paragraph, the Board may, in its discretion, and without obtaining shareholder approval, amend, suspend or discontinue the Option Plan and, with the consent of adversely affected option holders, amend or discontinue any options granted under the Option Plan, at any time, to
  - (a) amend the vesting provisions,
  - (b) amend the termination provisions, except in certain limited circumstances where the Company has imposed a trading black-out, as described below,
  - (c) amend the eligibility requirements of Optionees which would have the potential of broadening or increasing participation in the Option Plan by insiders of the Company,
  - (d) add any form of financial assistance,
  - (e) amend a financial assistance provision which is more favourable to eligible recipients,
  - (f) add a cashless exercise feature, payable in cash or securities, whether or not the feature provides for a full deduction of the number of underlying common shares from the reserved common shares,

- (g) add any provision which results in the Optionees receiving securities while no cash consideration is received by the Company, and
- (h) make any amendment of a grammatical, typographical or administrative nature or to comply with the requirement of any regulatory authority.

14. Subject to acceptance by the Company, an option may be exercised on a ‘cashless’ basis by the Optionee surrendering to the Company all or part of an option (the shares which would have been otherwise issuable under such surrendered portion of the option being the “**Surrendered Shares**”) in consideration of that amount equal to the difference between (i) the number of Surrendered Shares multiplied by the volume weighted average trading price of the Surrendered Shares on the TSX during the five trading days preceding the date of surrender and (ii) the aggregate exercise price which the Optionee would have paid to acquire the Surrendered Shares upon exercise of the Option. If the Company agrees to the cashless exercise it may satisfy such amount due to the Optionee by payment in cash or issuance of shares. If shares are issued, the number of shares is determined by the following formula:

$$X = \frac{Y \times (A - B)}{A}$$

where

X = the number of Shares to be issued in satisfaction of the Surrendered Shares

A = volume weighted average trading price for the five trading days

Y = the number of Surrendered Shares

B = exercise price of the Option

No options have been granted under the Option Plan which are subject to shareholder approval.

### Value of Share and Option Based Awards Vested or Earned

The following table discloses the particulars of the share and option based awards that vested in, and non-equity awards that were earned by, the Named Executive Officers and directors during the last financial year:

Name & Position	Value Vested or Earned during the last Financial Year <sup>(1)</sup>		
	Share Based Awards <sup>(2)</sup>	Option Based Awards <sup>(3)</sup>	Non-equity Incentive Plan Compensation Based Awards
<b>Named Executive Officers</b>			
HINCHCLIFFE, Brian A. CEO	0	\$62,500	\$187,000
THOMSON, John S. CFO	0	\$30,250	\$135,000
TESSIER, Mark S. COO	0	\$191,250	\$101,786
<b>Directors</b>			
BAYLEY, Brian E.	0	\$30,250	0

Name & Position	Value Vested or Earned during the last Financial Year <sup>(1)</sup>		
	Share Based Awards <sup>(2)</sup>	Option Based Awards <sup>(3)</sup>	Non-equity Incentive Plan Compensation Based Awards
DOBSON, D. Harry W.	0	\$60,500	0
GABRIEL, Trevor M.	0	\$30,250	0
KLESSIG, Pamela J. <sup>(4)</sup>	0	0	0
KOSTUIK, S. Paul <sup>(5)</sup>	0	\$30,250	0
MILTON, George A.	0	\$25,000	0

- (1) Amounts shown are for the entire financial year (even if the NEO or director did not hold the position shown for the entire year).
- (2) The value of a share based award is the product of the number of shares issuable on the vesting date multiplied by the closing market price on the vesting date. The Company has not granted any share based awards.
- (3) The value of an option based award is the product of the number of shares issuable on the exercise of the option on the vesting date multiplied by the difference between the exercise price and the closing market price on the vesting date.
- (4) Ms. Klessig was appointed a director on April 26, 2011.
- (5) Mr. Kostuik ceased to be a director on September 4, 2010.

### Option Based Awards Exercised

The following table discloses the particulars of stock options exercised during the last financial year by the NEOs and directors:

Name & Position	Shares Acquired	Exercise Price (per share)	Aggregate Value <sup>(1)</sup> Realized
<b>Named Executive Officers</b>			
HINCHCLIFFE, Brian A. CEO	0	–	–
THOMSON, John S. CFO	0	–	–
TESSIER, Mark S. COO	0	–	–
<b>Directors</b>			
BAYLEY, Brian E.	0	–	–
DOBSON, D. Harry W.	0	–	–
GABRIEL, Trevor M.	0	–	–
KLESSIG, Pamela J. <sup>(3)</sup>	0	–	–

Name & Position	Shares Acquired	Exercise Price (per share)	Aggregate Value <sup>(1)</sup> Realized
KOSTUIK, S. Paul <sup>(4)</sup>	50,000	\$6.99	\$355,000
MILTON, George A.	0	–	–

- (1) Value is the product of the number of shares multiplied by the difference between the exercise price and the closing market price on the date of exercise.
- (2) Amounts shown are for the entire financial year (even if the NEO or director did not hold the position shown for the entire year).
- (3) Ms. Klessig was appointed a director on April 26, 2011.
- (4) Mr. Kostuik ceased to be a director on September 4, 2010.

### Outstanding Share and Option Based Awards

The following table discloses the particulars of the share and option based awards outstanding as at the end of the last financial year held by the Named Executive Officers and directors:

Name & Position	Option Based Awards <sup>(1)</sup>				Share Based Awards <sup>(1)</sup>	
	Number of Securities Underlying Unexercised Options (vested - not vested)	Option Exercise Price (per share)	Option Expiration Date	Value of Unexercised 'In the Money' Options <sup>(2)</sup>	Number of Shares not vested	Market or Payout Value of Shares not vested
<b>Named Executive Officers</b>						
HINCHCLIFFE, Brian A. CEO	125,000	\$6.99	Sep. 19, 2013	\$886,250	0	–
THOMSON, John S. CFO	100,000 50,000	\$8.65 \$6.99	Jan. 29, 2012 Sep. 19, 2013	\$543,000 \$344,500	0	–
TESSIER, Mark S. COO	250,000	\$6.99	Aug. 20, 2013	\$1,772,500	0	–
<b>Directors</b>						
BAYLEY, Brian E.	50,000 40,000	\$6.99 \$8.65	Sep. 19, 2013 Jan. 29, 2012	\$344,500 \$217,200	0	–
DOBSON, D. Harry W.	100,000	\$6.99	Sep. 19, 2013	\$689,000	0	–
GABRIEL, Trevor M.	50,000	\$6.99	Sep. 19, 2013	\$344,500	0	–
KLESSIG, Pamela J. <sup>(3)</sup>	0	–	–	–	–	–
KOSTUIK, S. Paul <sup>(4)</sup>	40,000	\$8.65	Sep. 4, 2011	\$217,200	0	–
MILTON, George A.	50,000 40,000	\$6.99 \$8.65	Sep. 19, 2013 Jan. 29, 2012	\$344,500 \$217,200	0	–

- (1) Amounts shown are for the entire financial year (even if the NEO or director did not hold the position shown for the entire year).
- (2) Options are 'in the money' if the market price of the Company's shares is greater than the exercise price of the options. The value of such options is the product of the number of shares multiplied by the difference between the exercise price and the closing market price on the financial year end of \$14.08 per share. Options which were not vested at the financial year end are not included in this value.
- (3) Ms. Klessig was appointed a director on April 26, 2011.
- (4) Mr. Kostuik ceased to be a director on September 4, 2010.

The Compensation Committee considers its approach to granting options is consistent with prevailing practice in the mineral exploration industry. There are, therefore, no formulae followed or performance goals or significant conditions which must be met before options will be granted. Options are always granted at the prevailing market price of the Company's shares.

### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out, as at the end of the Company's last completed financial year, information regarding outstanding options, warrants and rights (other than those granted *pro rata* to all shareholders) granted by the Company under its equity compensation plans.

Plan Category	Number of shares issuable upon exercise of outstanding options, warrants and rights <sup>(1)</sup>	Weighted average exercise price of outstanding options, warrants and rights	Number of shares remaining available for issuance under equity compensation plans <sup>(2)</sup>
Equity compensation plans <b>approved</b> by shareholders	1,155,900	\$7.51	5,820,421
Equity compensation plans <b>not approved</b> by shareholders	0	-	0
<b>Totals</b>	<b>1,155,900</b>	<b>\$7.51</b>	<b>5,820,421</b>

- (1) Includes options to purchase 67,500 shares that had not vested by the end of the financial year. No other rights to purchase shares under an equity compensation plan were outstanding at the end of the financial year.
- (2) Excluding the number of shares issuable upon exercise of outstanding options, warrants and rights shown in the second column.

### INDEBTEDNESS OF DIRECTORS AND OFFICERS

None of the directors, executive officers or employees of the Company, persons who were directors, executive officers or employees of the Company at any time during the Company's last completed financial year, proposed nominees for election as directors of the Company nor any of the associates of such persons are or have been indebted to the Company at any time since the beginning of the Company's last completed financial year. Furthermore, none of such persons were indebted to a third party during such period where their indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

## **INTEREST OF MANAGEMENT AND INSIDERS IN MATERIAL TRANSACTIONS**

None of the directors or executive officers of the Company, proposed nominee for election as a director of the Company, persons beneficially owning, directly or indirectly, shares carrying more than 10% of the voting rights attached to all outstanding shares of the Company nor any associate or affiliate of the foregoing persons has any material interest, direct or indirect, in any transaction since the commencement of the Company's last completed financial year or in any proposed transaction which has or will materially affect the Company.

## **APPOINTMENT OF AN AUDITOR**

The persons named in the enclosed Proxy will vote for the appointment of KPMG LLP, Chartered Accountants, of Toronto, Ontario, as the Company's auditor to hold office until the next Annual Meeting of the shareholders, at a remuneration to be approved by the Audit Committee. KPMG was appointed the Company's auditor on March 31, 2010.

## **MANAGEMENT CONTRACTS**

Pursuant to an agreement dated as of February 1, 1997 between the Company and Ionic Management Corp. ("**Management**") of Suite 1028, Bentall 5, 550 Burrard Street, Vancouver, British Columbia, the Company pays \$3,500 per month to Management in consideration of Management providing administrative services to the Company, including the services of the Company's corporate secretary.

Management is a private company wholly-owned by a director of the Company, Brian E. Bayley of North Vancouver, British Columbia, and A. Murray Sinclair, of Vancouver, British Columbia. The Company's Secretary, Sandra Lee, is also the Secretary of Management.

## **PARTICULARS OF OTHER MATTERS TO BE ACTED UPON**

The management does not know of any other matters to come before the Meeting other than those referred to in the Notice of Meeting. Should any other matters properly come before the Meeting, the shares represented by the Proxies solicited hereby will be voted on such matters in accordance with the best judgment of the persons voting the Proxies.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information for the Company's most recently completed financial year is provided in its comparative financial statements and MD&A, and are also available on the SEDAR website.

Shareholders may contact the Company at Suite 1028, Bentall 5, 550 Burrard Street, Vancouver, British Columbia V6C 2B5, Canada by mail, telecopier (+1) 604-681-4692, telephone (+1) 604-689-1428 or e-mail ([slee@quest-mail.com](mailto:slee@quest-mail.com)) to request copies of the Company's financial statements and MD&A and any document to be approved at the Meeting.

**DATED** this 8<sup>th</sup> day of September, 2011

**ON BEHALF OF THE BOARD OF DIRECTORS**

(signed) SANDRA LEE  
Secretary