

## **SAGE GOLD INC.**

### **NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that an annual general meeting (the “**Meeting**”) of the shareholders of Sage Gold Inc. (the “**Company**”) will be held at The National Club, 303 Bay Street, Toronto, Ontario M5H 2R1 on Wednesday, March 30, 2011, at 4:30 p.m. (Toronto time), for the following purposes:

1. To receive and consider the audited consolidated financial statements of the Company for the years ended September 30, 2010 and 2009 and the reports of the auditors thereon;
2. To elect directors of the Company for the ensuing year;
3. To appoint PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company for the ensuing year and to authorize the directors to fix their remuneration;
4. To consider and, if deemed appropriate, to pass, with or without variation, a resolution approving the Incentive Stock Option Plan as more particularly described in the accompanying Information Circular; and
5. To transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

The accompanying Information Circular provides additional information with respect to the matters to be considered at the Meeting and forms part of this notice of Meeting.

Shareholders of the Company are invited to attend the Meeting. Shareholders of record at the close of business on February 11, 2011 will be entitled to vote at the Meeting.

Regardless of whether or not you are able to be present at the Meeting, please date, sign and return the form of proxy accompanying this notice of Meeting. To be effective, forms of proxy must be received by Equity Financial Trust Company, 200 University Ave., Suite 400, Toronto, Ontario M5H 4H1 prior to 4:30 p.m. (Toronto time) on March 28, 2011, being the second to last business day preceding the date of the Meeting (or the second last business day before any adjournment thereof).

**DATED** at Toronto, Ontario as of the 12th day of February, 2011.

**BY ORDER OF THE BOARD OF DIRECTORS**

*(signed) “C. Nigel Lees”*

**C. Nigel Lees, President, Chief Executive Officer and Director**

**SAGE GOLD INC.**

**MANAGEMENT INFORMATION CIRCULAR**

**DATED FEBRUARY 12, 2011**

**GENERAL PROXY INFORMATION**

**SOLICITATION OF PROXIES**

This management information circular is furnished in connection with the solicitation of proxies by the management of Sage Gold Inc. (the “**Company**”) for use at the annual general meeting of the shareholders of the Company to be held on Wednesday, March 30, 2011 (the “**Meeting**”). References in this management information circular to the Meeting include any adjournment or adjournments thereof. The solicitation of proxies hereunder is made by management of the Company. It is expected that the solicitation will be primarily by mail, however, proxies may also be solicited personally by regular employees of the Company and the Company may use the services of an outside proxy solicitation agency to solicit proxies. The cost of solicitation will be borne by the Company.

The board of directors of the Company (the “**Board**”) has fixed the close of business on February 11, 2011 as the record date, being the date for the determination of the registered holders of securities entitled to receive notice of the Meeting. Duly completed and executed proxies must be received by the Company’s transfer agent at the address indicated on the enclosed envelope no later than 4:30 p.m. (Toronto time) on the second business day preceding the Meeting or any adjournment thereof.

Unless otherwise stated, the information contained in this management information circular is as of February 11, 2011.

**APPOINTMENT AND REVOCATION OF PROXIES**

The persons named in the enclosed form of proxy are officers and/or directors of the Company. **A shareholder desiring to appoint some other person, who need not be a shareholder, to represent him at the Meeting, may do so by inserting such person’s name in the blank space provided in the enclosed form of proxy or by completing another proper form of proxy and, in either case, depositing the completed and executed proxy at the office of the Company’s transfer agent indicated on the enclosed envelope no later than 4:30 p.m. (Toronto time) on March 28, 2011.**

A shareholder forwarding the enclosed proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the shareholder giving the proxy wishes to confer a discretionary authority with respect to any item of business, then the space opposite the item is to be left blank. The shares represented by the proxy submitted by a shareholder will be voted in accordance with the directions, if any, given in the proxy.

A proxy given pursuant to this solicitation may be revoked by an instrument in writing executed by a shareholder or by a shareholder’s attorney authorized in writing (or, if the shareholder is a corporation, by a duly authorized officer or attorney) and deposited either at the registered office of the Company, or at the offices of Equity Financial Trust Company, 200 University Ave., Suite 400, Toronto, Ontario, M5H 4H1 at any time up to and including 4:30 p.m. (Toronto time) on the second business day preceding the day of the Meeting or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting immediately prior to the commencement thereof or adjournment(s) thereof or in any other manner permitted by law.

## **EXERCISE OF DISCRETION BY PROXIES**

All common shares of the Company ("Common Shares") represented at the Meeting by properly executed proxies will be voted by the persons named in such proxy as proxyholder on any ballot that may be called for and where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy, the shares represented by the proxy will be voted in accordance with such specification. In the absence of such direction, such shares will be voted in favour of the passing of all of the resolutions described below. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of printing of this management information circular, management knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters that are not now known to management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.

## **VOTING BY NON-REGISTERED SHAREHOLDERS**

Only registered shareholders of the Company or the persons they appoint as their proxies are permitted to vote at the Meeting. Most shareholders of the Company are "non-registered" shareholders ("Non-Registered Shareholders") because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares. Shares beneficially owned by a Non-Registered Shareholder are registered either: (i) in the name of an intermediary (an "Intermediary") that the Non-Registered Shareholder deals with in respect of the shares of the Company (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees); or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with applicable securities law requirements, the Company will have distributed copies of the Notice of Meeting, this management information circular and the form of proxy and the request form (collectively, the "Meeting Materials") to the clearing agencies and Intermediaries for distribution to Non-Registered Shareholders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless a Non-Registered Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will either:

- (i) be given a voting instruction form which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Shareholder and returned to the Intermediary or its service company, will constitute voting instructions (often called a "voting instruction form") which the Intermediary must follow. Typically, the voting instruction form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the voting instruction form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label with a bar-code and other information. In order for the form of proxy to validly constitute a voting instruction form, the Non-Registered Shareholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company; or
- (ii) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting the proxy. In this case, the Non-Registered Shareholder who wishes to

submit a proxy should properly complete the form of proxy and **deposit it with the Company, c/o Equity Financial Trust Company, 200 University Ave., Suite 400, Toronto, Ontario M5H 4H1.**

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the shares of the Company they beneficially own. Should a Non-Registered Shareholder who receives one of the above forms wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the persons named in the form of proxy and insert the Non-Registered Shareholder or such other person's name in the blank space provided. In either case, Non-Registered Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or voting instruction form is to be delivered.

A Non-Registered Shareholder may revoke a voting instruction form or a waiver of the right to receive Meeting Materials and to vote which has been given to an Intermediary at any time by written notice to the Intermediary provided that an Intermediary is not required to act on a revocation of a voting instruction form or of a waiver of the right to receive Meeting Materials and to vote which is not received by the Intermediary at least seven (7) days prior to the Meeting.

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

No:

- (a) director or executive officer of the Company who has held such position at any time since the beginning of the Company's last financial year;
- (b) proposed nominee for election as a director of the Company; or
- (c) associate or affiliate of a person in (a) or (b);

has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than the election of directors, the appointment of auditors and the approval of the Company's Incentive Stock Option Plan, unless otherwise described herein.

#### **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

As of February 11, 2011, the record date for determining shareholders entitled to attend and vote at the Meeting, 43,494,358 Common Shares are issued and outstanding. Each Common Share entitles the holder thereof to one vote on all matters to be acted upon at the Meeting. The record date for the determination of shareholders entitled to receive notice of the Meeting has been fixed at February 11, 2011. In accordance with the provisions of the *Business Corporations Act* (Ontario), the Company will prepare a list of holders of Common Shares as of such record date. Each holder of Common Shares named in the list will be entitled to vote the shares shown opposite his or her name on the list at the Meeting, except to the extent that (a) the shareholder has transferred any of his or her shares after the record date, and (b) the transferee of those shares produces properly endorsed share certificates or otherwise establishes that he or she owns such shares and demands not later than ten (10) days prior to the Meeting that his or her name be included in the list before the Meeting, in which case the transferee is entitled to vote his or her shares at the Meeting. All such holders of record of Common Shares are entitled either to attend and vote thereat in person the Common Shares held by them or, provided a completed and executed proxy shall have been delivered to the Company's transfer agent within the time specified in the attached Notice of Meeting, to attend and vote thereat by proxy the Common Shares held by them.

To the knowledge of the directors and executive officers of the Company, as of the date hereof, no person or company beneficially owns, directly or indirectly, or exercises control or direction over voting securities of the Company carrying more than 10% of the voting rights attached to any class of voting securities of the Company.

## **STATEMENT OF EXECUTIVE COMPENSATION**

### **Compensation of Executive Officers**

#### *Compensation Discussion and Analysis*

When determining the compensation of the Company's executive officers, including the Named Executive Officers, as defined below, the Board of Directors considers the limited resources of the Company and the objectives of: (i) recruiting and retaining the executives critical to the success of the Company and the enhancement of shareholder value; (ii) providing fair and competitive compensation; (iii) balancing the interests of management and shareholders of the Company; and (iv) rewarding performance, both on an individual basis and with respect to the business in general. In order to achieve these objectives, the compensation paid to executive officers consists of the following three components:

- (a) base fee or salary;
- (b) bonus, and
- (c) long-term incentive in the form of stock options.

#### *Base Fee or Salary:*

The base fee or salary of each particular executive officer is determined by an assessment by the Board of such executive's performance, a consideration of competitive compensation levels in companies similar to the Company and a review of the performance of the Company as a whole and the role such executive officer played in such corporate performance.

#### *Bonus:*

Bonuses are performance based short-term financial incentives which are a percentage of annual base fee or salaries. Bonus levels will be determined by level of position with the Company. Bonuses will be paid based on certain indicators such as personal performance, team performance and/or corporate financial performance.

#### *Long-Term Incentive:*

The Company provides a long-term incentive by granting options to executive officers under the Company's Incentive Stock Option Plan (the "**Plan**"). The objective of granting options is to encourage executives to acquire an ownership interest in the Company over a period of time, which acts as a financial incentive for such executive to consider the long-term interests of the Company and its shareholders.

#### *Summary Compensation Table*

Pursuant to National Instrument 51-102 Continuous Disclosure Obligations, the Company is required to disclose all annual and long-term compensation for services rendered to the Company for its previous three financial years, in respect of (i) the CEO, (ii) the CFO and (iii) any other executive officer whose compensation in any of those years exceeded \$150,000 (together, the "**Named Executive Officers**"). The Company currently has three Named Executive Officers: C. Nigel Lees, President and CEO; Patrick J. Mars, Chairman; and E. Arthur G. Hampson, CFO. No options were exercised by the Named Executive officers and no cash benefits were derived from the awards.

Name and Principal Position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$) <sup>(1)</sup>	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
C. Nigel Lees, President, CEO <sup>(8)</sup>	2010	Nil	Nil	Nil	Nil	Nil	Nil	181,100	181,100
	2009	Nil	Nil	Nil <sup>(2)</sup>	Nil	Nil	Nil	181,100	181,100
	2008	Nil	Nil	Nil <sup>(3)</sup>	Nil	Nil	Nil	181,000	181,000
Patrick J. Mars, Chairman <sup>(8)</sup>	2010	Nil	Nil	Nil	Nil	Nil	Nil	42,000	42,000
	2009	Nil	Nil	Nil <sup>(4)</sup>	Nil	Nil	Nil	42,000	42,000
	2008	Nil	Nil	Nil <sup>(5)</sup>	Nil	Nil	Nil	42,000	42,000
E. Arthur G. Hampson CFO	2010	Nil	Nil	Nil	Nil	Nil	Nil	102,000	102,000
	2009	Nil	Nil	Nil <sup>(6)</sup>	Nil	Nil	Nil	102,000	102,000
	2008	Nil	Nil	Nil <sup>(7)</sup>	Nil	Nil	Nil	75,000	75,000

<sup>(1)</sup> All options granted to Named Executive Officers had an exercise price that was higher than the market price of the Common Shares on the date of grant. As such, the Board does not consider that options granted to Named Executive Officers comprise compensation that can be quantified by a dollar value, in particular, because the options are not taxable compensation to the grantees (under Canadian Federal and Ontario tax regulations) as a result of the terms and conditions applicable to those options. However, the grant date fair value of those options, calculated using the Black-Scholes-Merton model, is disclosed in the Company's financial statements and are set out in the footnotes below.

<sup>(2)</sup> 100,000 stock options exercisable at a price of \$1.00 per share until August 10, 2014. The grant date fair value of the options calculated using the Black-Scholes-Merton model is \$65,000.

<sup>(3)</sup> 70,000 stock options exercisable at a price of \$2.40 per share until October 15, 2012 and 80,000 stock options exercisable at a price of \$5.00 per share until December 13, 2012. The aggregate grant date fair value of the options calculated using the Black-Scholes-Merton model is \$420,100.

<sup>(4)</sup> 30,000 stock options exercisable at a price of \$1.00 per share until August 10, 2014. The grant date fair value of the options calculated using the Black-Scholes-Merton model is \$19,500.

<sup>(5)</sup> 20,000 stock options exercisable at a price of \$1.40 per share until May 29, 2011 and 15,000 stock options exercisable at a price of \$2.40 per share until October 15, 2012. The aggregate grant date fair value of the options calculated using the Black-Scholes-Merton model is \$111,000.

<sup>(6)</sup> 39,250 stock options exercisable at a price of \$1.00 per share until August 10, 2014. The grant date fair value of the options calculated using the Black-Scholes-Merton model is \$25,513.

<sup>(7)</sup> 30,000 stock options exercisable at a price of \$2.40 per share until October 15, 2012 and 5,000 stock options exercisable at a price of \$5.00 per share until December 13, 2012. The aggregate grant date fair value of the options calculated using the Black-Scholes-Merton model is \$90,750.

<sup>(8)</sup> C. Nigel Lees and Patrick J. Mars are also directors of the Company. All compensation paid by the Company to them, whether in their capacity as Named Executive Officers or directors of the Company, is disclosed above.

#### *Option Based Awards*

The Company does not have a compensation committee. The Board of Directors as a group reviews the performance of the Company's management and advisors from time to time, and recommend option-based awards and other compensation awards or adjustments. These decisions take into consideration corporate and individual performance and industry standards. Previous grants of option-based awards are also taken into consideration in making this determination. The experience of the Board and committee members who are also involved as management of, or Board members or advisors to, other companies also informs decisions concerning compensation.

Option based awards are issued under the Plan, the terms of which are set out under “Incentive Stock Option Plan”.

*Outstanding share-based awards and option-based awards granted to Named Executive Officers*

The following stock options granted to the Named Executive Officers were outstanding at the end of the financial year ended September 30, 2010.

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 (\$)
C. Nigel Lees	28,500	1.70	Jan. 27, 2011	Nil	Nil	Nil
	51,500	1.40	May 29, 2011	Nil		
	50,000	1.20	Mar. 1, 2012	Nil		
	70,000	2.40	Oct. 15, 2012	Nil		
	80,000	5.00	Dec. 13, 2012	Nil		
	100,000	1.00	Aug. 10, 2014	Nil		
Patrick J. Mars	15,000	1.70	Jan. 27, 2011	Nil	Nil	Nil
	20,000	1.40	May 29, 2011	Nil		
	15,000	2.40	Oct. 15, 2012	Nil		
	20,000	5.00	Dec. 13, 2012	Nil		
	30,000	1.00	Aug. 10, 2014	Nil		
E. Arthur G. Hampson	10,000	1.40	May 29, 2011	Nil	Nil	Nil
	30,000	2.40	Oct. 15, 2012	Nil		
	5,000	5.00	Dec. 13, 2012	Nil		
	39,250	1.00	Aug. 10, 2014	Nil		

*Incentive plan awards granted to Named Executive Officers – value vested or earned during the year*

The following options granted to Named Executive Officers of the Company vested during the financial year ended September 30, 2010.

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
C. Nigel Lees	Nil	Nil	Nil
Patrick J. Mars	Nil	Nil	Nil
E. Arthur G. Hampson	Nil	Nil	Nil

*Termination and Change of Control Benefits*

Except as disclosed herein, the Company does not have any agreements or similar arrangements with the Named Executive Officers or any arrangements whereby any of the Named Executive Officers would receive payments as a result of their resignation, retirement or any other termination, a change of control of the Company or a change in the Named Executive Officer's responsibilities.

On January 1, 2009, Mr. Lees and Mr. William D. Love, Vice President, Business Development each entered into renewal agreements with the Company upon the expiry of the prior agreements. Under the terms of the new agreement, Mr. Lees will be paid a base compensation of Cdn. \$175,000 per year for an initial three year period, with such agreement automatically renewed for successive three year terms. Mr. Love, under the terms of the new agreement, will be paid a base compensation of Cdn. \$90,000 per year for an initial one year period, with such agreement automatically renewed for successive one year periods. Mr. Lees and Mr. Love will each be entitled to participate in any stock option plan offered by the Company and to participate in or receive incentives under any pension and/or benefits plan made available to similar situated consultants or employees.

Each of the agreements is terminable by the consultant upon written notice to the Company. Each agreement provides that if the consultant is terminated by the Company without cause, he is entitled to an amount equal to one times, in the case of Mr. Love, and two times, in the case of Mr. Lees, the sum of his annual contract and any extra remuneration as approved by the Board of Directors, of which one-half shall be paid in a lump sum within 10 days of the consultant's termination and one half shall be paid during the one year period beginning on the date of the consultant's termination and is to be paid in the same manner and at the same time as his base remuneration would have been paid if the consultant had remained actively involved until the end of such period. In the event of a "change of control" of the Company, as defined therein, each of Mr. Lees and Mr. Love will receive payments and benefits similar to those provided if they are terminated without cause, except that the payment will be paid in one lump sum.

**Compensation of Directors**

*Director Compensation Table*

The following table discloses the compensation provided to the directors of the Company (other than directors who are also Named Executive Officers) during the Company's financial year ended September 30, 2010. (Compensation of directors who are also Named Executive Officers is disclosed under "Statement of Executive Compensation – Compensation of Executive Officers".)

<b>Name</b>	<b>Fees earned (\$)</b>	<b>Share-based awards (\$)</b>	<b>Option-based awards (\$)<sup>(1)</sup></b>	<b>Non-equity incentive plan compensation (\$)</b>	<b>Pension value (\$)</b>	<b>All other compensation (\$)</b>	<b>Total (\$)</b>
Peter Bojtos	15,000	Nil	Nil	Nil	Nil	Nil	15,000
Joseph Baylis	15,000	Nil	Nil	Nil	Nil	Nil	15,000
Gary Robertson	15,000	Nil	Nil	Nil	Nil	Nil	15,000
Geoffrey P. Gold	15,000	Nil	Nil	Nil	Nil	Nil	15,000
Christopher Westdal	12,500	Nil	Nil	Nil	Nil	Nil	12,500
Sandy Chim	7,500	Nil	Nil	Nil	Nil	Nil	7,500

<sup>(1)</sup> There were no options granted to directors of the Company during the year ended September 30, 2010.

During the fiscal year ended September 30, 2010, each of the four directors (who are not Named Executive Officers) who were directors during the year earned \$15,000 for acting as director of the Company. Two directors (who are not Named Executive Officers) who were directors for a portion of the fiscal year earned \$12,500 and \$7,500 respectively.

Other than as disclosed in this management information circular no other fees were paid to the non-executive directors of the Company for their services in their capacity as directors.

During the financial year ended September 30, 2010, management and consulting expenses in the amount of \$378,250 were paid to corporations whose principal shareholder is a director or officer of the Company.

*Outstanding share-based awards and option based awards granted to directors*

The following stock options granted to the directors of the Company (other than directors who are also the Named Executive Officers) were outstanding at the end of the financial year ended September 30, 2010. (Compensation of directors who are also Named Executive Officers is disclosed under "Statement of Executive Compensation – Compensation of Executive Officers".)

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 (\$)
Peter Bojtos	10,000	1.70	Jan. 27, 2011	Nil	Nil	Nil
	15,000	1.40	May 29, 2011	Nil	Nil	Nil
	15,000	2.40	Oct. 15, 2012	Nil	Nil	Nil
	17,000	5.00	Dec. 13, 2012	Nil	Nil	Nil
	20,000	1.00	Aug. 10, 2014	Nil	Nil	Nil
Joseph Baylis	10,000	1.70	Jan. 27, 2011	Nil	Nil	Nil
	15,000	1.40	May 29, 2011	Nil	Nil	Nil
	15,000	2.40	Oct. 15, 2012	Nil	Nil	Nil
	17,000	5.00	Dec. 13, 2012	Nil	Nil	Nil
	20,000	1.00	Aug. 10, 2014	Nil	Nil	Nil
Gary Robertson	10,000	1.70	Jan. 27, 2011	Nil	Nil	Nil
	15,000	1.40	May 29, 2011	Nil	Nil	Nil
	15,000	2.40	Oct. 15, 2012	Nil	Nil	Nil
	17,000	5.00	Dec. 13, 2012	Nil	Nil	Nil
	20,000	1.00	Aug. 10, 2014	Nil	Nil	Nil
Geoffrey P. Gold <sup>(1)</sup>	30,050	1.50	Sep. 30, 2013	Nil	Nil	Nil
	30,050	1.50	Mar. 3, 2014	Nil	Nil	Nil
	10,000	1.00	Aug. 10, 2014	Nil	Nil	Nil
Christopher Westdal	30,050	1.50	Sep. 30, 2013	Nil	Nil	Nil
	30,050	1.50	Mar. 3, 2014	Nil	Nil	Nil
	10,000	1.00	Aug. 10, 2014	Nil	Nil	Nil

<sup>(1)</sup> Pursuant to arrangements between Mr. Gold and Kinross Gold Corporation, Kinross Gold Corporation will receive the economic benefit, if any, that may result from the exercise of such options.

*Incentive plan awards to directors – value vested or earned during the year*

The following options granted to directors of the Company (other than directors who are also Named Executive Officers) vested during the financial year ended September 30, 2010. (Compensation of directors who are also Named Executive Officers is disclosed under “Executive Compensation – Compensation of Executive Officers”.)

<b>Name</b>	<b>Option-based awards – Value vested during the year (\$)</b>	<b>Share-based awards – Value vested during the year (\$)</b>	<b>Non-equity incentive plan compensation – Value earned during the year</b>
Peter Bojtos	Nil	Nil	Nil
Joseph Baylis	Nil	Nil	Nil
Gary Robertson	Nil	Nil	Nil
Geoffrey P. Gold	Nil	Nil	Nil
Christopher Westdal	Nil	Nil	Nil

**Directors’ and Officers’ Liability Insurance**

Effective December 1, 2010, for the benefit of the Company and its directors and officers, the Company renewed insurance against liability incurred by the directors or officers in their capacity as directors or officers of the Company. The following are particulars of such insurance:

- (a) the total amount of insurance is \$5,000,000 and, subject to the deductible portion referred to below, up to the full face amount of the policy is payable, regardless of the number of directors and officers involved;
- (b) the annual premium is \$14,330. The policy does not specify that a part of the premium is paid in respect of either directors as a group or officers as a group; and
- (c) the policy provides for deductibles as follows:
  - (i) with respect to the directors and officers there is no deductible applicable; and
  - (ii) with respect to reimbursement of the Company there is a deductible of \$25,000 for each claim other than a securities claim or employment practices claim and \$25,000 for each employment practices claim and \$75,000 for each securities claim.

**Equity Compensation Plan Information**

The following table provides details of compensation plans under which equity securities of the Company are authorized for issuance as of the financial year ended September 30, 2010.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans</b>
Equity compensation plans approved by security holders	2,007,070	\$2.44	1,128,831
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	2,007,070 <sup>(1)</sup>	\$2.44 <sup>(2)</sup>	1,128,831 <sup>(3)</sup>

<sup>(1)</sup> As at the date hereof, there are 3,685,470 Common Shares issuable upon exercise of outstanding stock options.

<sup>(2)</sup> As at the date hereof, the weighted-average price of outstanding options is \$1.34.

<sup>(3)</sup> As at the date hereof, 663,966 common shares remain issuable under the Company's stock option plan.

**Indebtedness of Directors and Executive Officers**

As at February 11, 2011, no director, executive officer or employee, or former director, executive officer or employee of the Company or any of its subsidiaries was indebted to the Company or any of its subsidiaries, nor were any of these individuals indebted to another entity which indebtedness was the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company or any of its subsidiaries.

No individual who is, or at any time during the most recently completed financial year was, a director or executive officer of the Company, a proposed nominee for election as a director of the Company, or an associate of any such director, executive officer or proposed nominee is, or at any time since the beginning of the most recently completed financial year of the Company has been,

- (a) indebted to the Company or any of its subsidiaries, or
- (b) indebted to another entity, which indebtedness is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit, or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

**Interest of Informed Persons in Material Transactions**

Other than as disclosed in this management information circular, since the commencement of the Company's last completed financial year, no informed person (as defined in National Instrument 51-102) of the Company, nominee for election as a director of the Company, or any associate or affiliate of an informed person or nominee, has or had any material interest, direct or indirect, in any transaction or any proposed transaction which has materially affected or will materially affect the Company or any of its subsidiaries.

## BUSINESS OF THE MEETING

### Election of Directors

The Company's Articles of Incorporation provide that the Board consist of a minimum of three (3) and a maximum of thirteen (13) directors. The Board currently consists of six (6) directors. At the Meeting, six (6) persons named hereunder will be proposed for election as directors of the Company. **Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the election of the nominees whose names are set forth below.** Management does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, it is intended that discretionary authority shall be exercised by the persons named in the accompanying proxy to vote the proxy for the election of any other person or persons in place of any nominee or nominees unable to serve. Each director elected will hold office until the close of the first annual meeting of shareholders of the Company following his election unless his office is earlier vacated in accordance with the Company's By-Laws.

The following table sets forth the name, province/state and country of residence, principal occupation or employment, year they first became a director of the Company and number of shares beneficially owned by each nominee for election as a director of the Company. The statement as to the Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the nominees for election as directors hereinafter named is in each instance based upon information furnished by the person concerned and is as at February 11, 2011.

<b>Name, Province/State and Country of Residence</b>	<b>Present Principal Occupation or Employment (and occupation during the last five years if not previously elected)</b>	<b>Year First Became a Director of the Company</b>	<b>Number of Common Shares Beneficially Owned, Directly or Indirectly or Over Which Control or Direction is Exercised</b>
<b>C. Nigel Lees</b> <sup>(5)</sup> Toronto, Ontario Canada	President of C.N. Lees Investments Ltd.	2003	1,108,055 <sup>(1)</sup>
<b>Patrick Mars</b> <sup>(4)(6)</sup> Toronto, Ontario Canada	President of P.J. Mars Investments Ltd.	2002	254,500 <sup>(2)</sup>
<b>Peter Bojtos</b> <sup>(4)(6)</sup> Lakewood, Colorado U.S.A.	Professional Engineer.	1997	24,001
<b>Joseph Baylis</b> <sup>(4)(6)</sup> The Woodlands, Texas U.S.A.	President and CEO of Manicouagan Minerals Inc., Principal – Wyndspire Advisors, a mining consultancy.	2010	6,000

Name, Province/State and Country of Residence	Present Principal Occupation or Employment (and occupation during the last five years if not previously elected)	Year First Became a Director of the Company	Number of Common Shares Beneficially Owned, Directly or Indirectly or Over Which Control or Direction is Exercised
<b>Gary Robertson</b> <sup>(6)</sup> Moncton, New Brunswick Canada	Director, Private Client Group, Dundee Private Investor Inc.	2005	158,236 <sup>(3)</sup>
<b>Sandy Chim</b> <sup>(6)</sup> Hong Kong, S.A.R., China	Chairman, Century Iron Ore Group; Chairman, Century Global Capital Corporation; Chairman and Director, Augyva Mining Resources Inc.	2010	230,000

(1) 272,455 of which are owned by C. N. Lees Investments Ltd., a company controlled by C. Nigel Lees.

(2) 239,500 of which are owned by P.J. Mars Investments Ltd., a company controlled by Patrick Mars.

(3) 56,286 of which are owned by 058907 NB Ltd., a company controlled by Gary Robertson.

(4) Member of the Audit Committee.

(5) C. Nigel Lees is currently the President and Chief Executive Officer of the Company and, as such, Mr. Lees is not an independent director within the meaning of the term in s.4.1 of Multilateral Instrument 52-110 ("MI 52-110").

(6) Independent director within the meaning of the term in s. 4.1 of MI 52-110.

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

Except as otherwise disclosed hereunder, during the past ten years, none of the proposed directors of the Company was a director, chief executive officer or chief financial officer of any company that:

- (a) was the subject of a cease trade order or similar order, or an order that denied that issuer access to any statutory exemptions for a period of more than 30 consecutive days, during his tenure or after his tenure if the order resulted from an event that occurred during his tenure; or
- (b) during his tenure or within one year after his tenure, 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.

Peter Bojtos has been a director of the Company since its inception in 1997. In 2001, when the Company was known as Sahelian Goldfields Ltd., the Company made a proposal to its creditors under the *Bankruptcy and Insolvency Act* (Canada) which was accepted by its creditors and successfully completed.

On May 21, 1999, when the Company was formerly known as Sahelian Goldfields Ltd., the British Columbia Securities Commission (the "BCSC") issued a cease trade order (the "BCSC 1999 Cease Trade Order") in respect of the Company's securities as a result of the Company's failure to file certain continuous disclosure documents. On June 1, 2000, also as a result of the Company's failure to file certain continuous disclosure documents, the Ontario Securities Commission (the "OSC") issued a cease trade order and on June 14, 2000 issued an Extension Order (collectively, the "OSC 2000 Cease Trade Order") in respect of the Company's securities. The Company has since brought its filings up to date. On September 15, 2003 both the BCSC 1999 Cease Trade Order and the OSC 2000 Cease Trade Order were fully revoked.

In June 2000, the OSC and in August 2001, the BCSC ordered that the management and insiders of Link Minerals Ventures Inc. ("Link Minerals") of which Peter Bojtos was a director, be prohibited from trading in

the securities of the company until the annual financial statements required to be filed under applicable securities laws are filed.

#### *Individual Bankruptcies*

None of the proposed directors of the Company has, during the past ten years, become bankrupt, made a proposal under bankruptcy or insolvency legislation or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold their assets.

### **Statement of Corporate Governance Practices**

#### **Corporate Governance**

The Canadian Securities Administrators, in NI 58-101, have adopted guidelines for effective corporate governance which address the constitution and independence of boards, the functions to be performed by boards and their committees and the recruitment, effectiveness and education of board members. A description of the Company's corporate governance practices is set out below, including a discussion of the principal matters relating to corporate governance practices discussed in NI 58-101. The Board of Directors has adopted a Corporate Governance Manual which is reviewed by management and the Board of Directors annually.

This discussion statement has been prepared and approved by the Board.

A majority of the Board is independent within the meaning of NI 58-101. Mr. Lees is not independent as he is an officer of the Company.

The following is a list of other issuers with which each of the nominated directors is currently involved:

<b>C. Nigel Lees</b>	Yamana Gold Inc. Kenna Capital Corp.
<b>Patrick Mars</b>	Aura Minerals Inc. Carpathian Gold Inc. Selwyn Resources Ltd. Yamana Gold Inc.
<b>Peter Bojtos</b>	Apogee Minerals Ltd Kalimantan Gold Corporation Limited Tournigan Energy Ltd. US Gold Corporation
<b>Joseph Baylis</b>	Manicouagan Minerals Inc.
<b>Gary Robertson</b>	Avino Silver & Gold Mines Ltd. Bralorne Gold Mines Ltd. Coral Gold Resources Ltd. Levon Resources Ltd. Mill Bay Ventures Inc.
<b>Sandy Chim</b>	Prosperity Mineral Holdings Limited Anhui Chaodong Cement Company Augyva Mining Resources Inc.

The Board is currently comprised of experienced directors who are board members of other public companies. Orientation is currently provided at the Board level by members of the Board on an as needed basis.

The Company has a written Code of Ethics, and conduct is set out in the Corporate Governance Manual. Nominations for the Board are currently facilitated by the members of the Board. Board members are able to freely make suggestions regarding individuals to be considered by the Board for nomination. After such consideration, the Board determines whether or not to put the individual forward as a nominee at the annual meeting of shareholders or at such other time as may be necessary.

The Board acts on all matters with the exception of duties carried out specifically by the Audit Committee. All directors participate actively in the decision making process and all work effectively and efficiently as a group. At the present time, the Company does not have a formal assessment process for the Board, its Audit Committee or individual directors.

The Company does not have a compensation committee. Compensation related matters are handled by the Board. Compensation for Messrs. Mars and Lees is set by the independent directors.

When determining the compensation of the Company's directors, the Board considers the limited resources of the Company and the objectives of: (i) recruiting and retaining the directors critical to the oversight of the Company; (ii) providing fair and competitive compensation. In order to achieve these objectives, the compensation paid to directors consists of a base fee and stock options, which may be issued from time to time at the discretion of the Board.

The components of the Chief Executive Officer's compensation are the same as those which apply to the other senior executive officers of the Company, namely base fee or salary, bonuses and long-term incentives in the form of stock options. (See *Statement of Executive Compensation - Compensation of Executive Officers - Compensation Discussion and Analysis* for further information.) The Chairman of the Board presents recommendations to the Board with respect to the Chief Executive Officer's compensation. In setting the Chief Executive Officer's base fee, the Board reviews remuneration paid to other senior officers in the Company, salaries paid to other chief executive officers in the industry and the Chief Executive Officer's contribution to the affairs of the Company.

### **Appointment of Auditors**

Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the reappointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company until the close of the next annual meeting of shareholders and to authorize the directors to fix their remuneration.

### **Incentive Stock Option Plan**

Currently, the Company has a 10% "rolling" stock option plan as described in TSX Venture Exchange Policy 4.4. This stock option plan was originally adopted in 2005, but has been re-approved by the directors of the Company without amendment. Under Exchange Policy 4.4, the Company is required to obtain the approval of its shareholders to any stock option plan that is a "rolling" plan yearly at the Company's annual meeting. Accordingly, the shareholders will be asked to re-approve the Company's existing Incentive Stock Option Plan.

The persons eligible to receive stock options under the Plan are those officers, directors, employees, and consultants of the Company or a subsidiary of the Company who are designated by the directors under the Plan.

The maximum number of Common Shares that may at any one time be reserved for issuance under the Plan is 10% of the number of Common Shares issued and outstanding at that time.

The Plan provides that the maximum number of Common Shares which may be reserved for issuance to any participant may not exceed 5% of the Common Shares allocated to and made available for the Plan in any 12 month period. Under the Plan, the maximum number of Common Shares that may be issued to any consultant or the aggregate of all employees conducting investor relations activities within any 12 month period may not exceed 2% of the issued Common Shares.

Options are not assignable or transferable other than by testamentary will or the laws of descent and distribution.

The term of the options will be determined by the Board, but in any case must be no more than five years from the date of grant.

The Board currently administers the Plan, but administration may be delegated to a committee of the Board. The Board has the authority to determine, among other things, the persons to whom options are granted and the number of such options. At the time an option is granted, the Board also determines the exercise price of the option, subject to the applicable regulations and policies of any stock exchange on which the Company's securities are listed, and any vesting criteria or other restrictions with respect to the exercisability of the option. Unless the Board determines otherwise, one third of the options granted will vest on each anniversary date of the grant, such that the options granted will become fully vested on the third anniversary of the grant date. Subject to any restrictions contained in the Plan, the Board may also impose such other terms and conditions, as it shall deem necessary or advisable at the time of grant.

Options will become immediately exercisable upon the making of an "Offer", which is defined in the Plan as an offer to the holders of the Company's voting securities to purchase voting securities of the Company, where the voting securities which are the subject of the offer of purchase (together with the offeror's then presently owned securities) will in the aggregate exceed 20% of the outstanding voting securities of the Company.

If an optionee dies, the legal representative of the optionee may exercise the option until 12 months after the date of death.

If an optionee (other than an optionee who is engaged in investor relations activities) ceases to be an eligible person under the Plan, the option (to the extent that it has vested at the time of termination) is exercisable for a period of 90 days, after which time the options will terminate and be of no further force and effect. The options granted to an optionee who is engaged in investor relations activities will expire within 30 days after such optionee ceases to be engaged to provide investor relations activities.

**PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF THE COMPANY'S INCENTIVE STOCK OPTION PLAN UNLESS A SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT THE SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.**

Shareholders are asked to pass the following ordinary resolution (meaning a resolution passed by the majority of votes cast thereon in person or by proxy at the Meeting) authorizing the re-approval of the existing Incentive Stock Option Plan:

"BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. the Incentive Stock Option Plan of the Company currently in place be re-approved; and
2. any director or officer of the Company is hereby authorized to execute (whether under the corporate seal of the Company or otherwise) and deliver all such documents and to do all such other acts and things as such director or officer may determine to be necessary or advisable in connection with such re-approval, the execution of any such document or the doing of any such other act or thing by any director or officer of the Company being conclusive evidence of such determination."

### **Audit Committee**

MI 52-110 relating to the composition and function of audit committees has been adopted in all jurisdictions except British Columbia for reporting companies effective March 30, 2004 and, accordingly, applies to every Exchange listed company, including the Company. MI 52-110 requires all affected issuers to have a written audit committee Charter which must be disclosed, as stipulated by Form 52-110F2, in the management information circular of the Company wherein management solicits proxies from the security holders of the Company for the purpose of electing directors to the Board. A copy of the Charter of the Audit Committee is attached as Schedule "A". This Charter has been adopted by the Board in order to comply with MI 52-110 and to more properly define the role of the Committee in the oversight of the financial reporting process of the Company. Nothing in this Charter is intended to restrict the ability of the Board or the Committee to alter or vary procedures in order to comply more fully with MI 52-110, as amended from time to time.

The current members of the Audit Committee of the Company are Patrick Mars, Peter Bojtos and Joseph Baylis. All members of the Committee are independent directors and, as described below, as a result of having accumulated many years of experience in the financial services and/or mineral resource exploration and development industries, are financially literate and have experience with the analysis and review of financial statements for mineral resource exploration and other public companies.

Patrick Mars is President of P.J. Mars Investments Limited, a private company, and works as an independent consultant specializing in mine financing and analysis. He is a Chartered Financial Analyst and holds Bachelor of Commerce and Masters of Business Administration degrees and benefits from over 30 years of experience in the Canadian investment industry. For the majority of his career he was with Alfred Bunting & Co. /Bunting Warburg, a Canadian investment dealer and stockbroker where he was President and CEO from 1981 to 1994. During this time he served 3 year terms as both a Governor of the Toronto Stock Exchange and Director of the Investment Dealers Association of Canada. From 1999 to 2001, he was Chairman and a Director of First Marathon Securities (UK) Ltd. /NBC Financial (UK) Ltd. He sits on the boards of various resource companies and serves on several audit committees.

Peter Bojtos is a professional engineer and has had 38 years of international experience in the mining industry from exploration through feasibility study to mine construction and decommissioning. He has held a number of executive officer positions with resources companies during the past 20 years. In addition, since 1995, he has been an independent director and audit committee member of several mining and exploration companies.

Joseph Baylis is Director, President and CEO of Manicouagan Minerals Inc., a TSXV listed junior exploration company. He is also the principal of Wyndspire Advisors, a mining consultancy firm. He has over 27 years of domestic and international experience and has held senior positions or served as a director and audit committee member of several mining and exploration companies. He holds an LLB from the University of Western Ontario.

For the years ended September 30, 2010 and September 30, 2009 the Company paid its auditors total fees of \$46,547 and \$89,250 respectively. The table below shows the breakdown of such fees.

	<b>Year Ended September 30, 2010</b>	<b>Year Ended September 30, 2009</b>
Audit Fees	\$34,650	\$38,850
Audit Related Fees <sup>(1)</sup>	8,925	Nil
Tax Fees	2,972	11,550
All Other Fees (Acquisition Fees) <sup>(2)</sup>	Nil	38,850
<b>Total Fees</b>	<b>\$46,547</b>	<b>\$89,250</b>

(1) Audit-related fees include fees relating to consultations regarding financial accounting and international financial reporting standards.

(2) Acquisition fees relate to the Company's acquisition of Consolidated Puma Minerals Corp.

The Company is relying on the exemption in 6.1 of Multilateral Instrument 52-110 relating to the disclosure of information regarding its Audit Committee.

### **Additional Information**

The Company's shares trade on the TSXV under the symbol "SGX".

Additional information relating to the Company can also be found on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Company's financial statements for the financial year ended September 30, 2010 and related management's discussion and analysis of results, which can be found in the Company's Annual Report, which accompanies this management information circular and has also been filed on SEDAR. Shareholders may also contact C. Nigel Lees, President and Chief Executive Officer or E. Arthur G. Hampson, Chief Financial Officer of the Company by phone at (416) 204-3170 to request copies of these documents.

**Directors' Approval**

The contents of this management information circular and the sending thereof to the shareholders of the Company have been approved by the Board.

**BY ORDER OF THE BOARD OF DIRECTORS**

*(signed) "C. Nigel Lees"*

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**C. Nigel Lees**  
**President, Chief Executive Officer and Director**

Toronto, Ontario  
February 12, 2011

## **SCHEDULE “A”**

### **SAGE GOLD INC. CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

#### **I. PURPOSE**

The Audit Committee is a committee of the Board of Directors of the Company. The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its financial reporting and control responsibilities to the shareholders of the Company. The Audit Committee’s primary duties and responsibilities are:

- overseeing the integrity of the Company’s financial statements and reviewing the financial reports, other financial information and other relevant documents provided by the Company to any regulatory body or the public;
- recommending the appointment and the compensation and reviewing and appraising the audit efforts of the Company’s independent auditor, overseeing the independent auditor’s qualifications and independence and providing an open avenue of communication among the independent auditor, financial and senior management and the Board of Directors;
- serving as an independent and objective party to oversee and monitor the Company’s financial reporting process and internal controls, the Company’s processes to manage business and financial risk, and its compliance with legal, ethical and regulatory requirements;
- encouraging continuous improvement of, and fostering adherence to, the Company’s policies, procedures and practices at all levels.

#### **II. COMPOSITION AND MEETINGS**

The Audit Committee shall be comprised of three directors. Unless otherwise authorized by the Board of Directors, each Committee member shall be financially literate and independent, the meaning of such terms being in accordance with multilateral instrument 52-110 Audit committees, or any successor thereto (“MI 52-110”).

The foregoing notwithstanding, the Board of Directors may appoint not more than one member who does not meet the test of independence set out in MI 52-110.

The members of the Committee shall be appointed by the Board at the annual organizational meeting of the Board. Such appointment shall be until their successors are duly appointed and qualified. Unless a Chairman is elected by the Board, the members of the Committee may designate a Chairman by a majority vote of the Committee.

The Committee shall meet at least four times annually, or more frequently as circumstances require. The Committee shall meet within 60 days following the end of each of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related Management Discussion & Analysis prior to their being published. The Committee shall meet within 120 days following the end of the fiscal year end to review and discuss the audited financial results for the year and related Management Discussion & Analysis prior to their being published.

The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their audit-related duties, members of the

Committee shall have full access to all corporate information and shall be permitted to discuss such information and any other matters relating to the financial position of the Company with senior employees, officers and independent auditor of the Company.

As part of its mandate to foster open communication, the Committee should meet at least annually with management and the independent auditor in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately.

A quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Committee.

Meetings of the Audit Committee shall be held from time to time and at such place as the Audit Committee or the Chairman of the Committee shall determine upon 48 hours notice to each of the members. The notice period may be waived by a quorum of the Committee. Notwithstanding the foregoing, each of the Chairman of the Committee, members of the Committee, Chairman of the Board, independent auditor, Chief Executive Officer, Chief Financial Officer or Secretary shall be entitled to request that the Chairman of the Audit Committee call a meeting which shall be held within 48 hours of receipt of such request.

### **III. RESPONSIBILITIES AND DUTIES**

To fulfill its responsibilities and duties the Audit Committee shall:

1. Create an agenda for the ensuing year.
2. Review and update this Charter at least annually, as conditions dictate.
3. Ensure that the independent auditor reports directly to the Committee and is made accountable to the Committee.
4. Describe in the Company's Management Information Circular and Management Discussion and Analysis, the Committee's composition and responsibilities and how such responsibilities were discharged, as required by Form 52 – 110F2.
5. Report periodically to the Board of Directors.

#### **Documents/Reports Review**

6. Review with management and the independent auditor, the Company's annual financial statements, Management Discussion and Analysis and any reports or other financial information to be submitted to any regulatory body, or the public, including any certification, report, opinion or review rendered by the independent auditor for the purpose of recommending their approval to the Board of Directors prior to their filing, issue or publication.
7. Review with financial management the Company's interim financial statements, Management Discussion and Analysis and earnings releases and any filings which contain financial information, to be submitted to regulatory bodies or the public prior to their filing, issue or publication. The Chairman of the Committee may represent the Committee for this review in circumstances where time does not allow all of the members of the Committee to be available.
8. Review policies and procedures with respect to directors' and officers' expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures related to executive travel and entertainment, and review the results of the procedures performed in these areas by the independent auditor, based on terms of reference agreed upon by the independent auditor and the Audit Committee.

### **Independent Auditor**

9. Review the performance of the independent auditor, consider their independence, review their engagement letter including their proposed fees and other compensation to be paid to the independent auditor in the ensuing year, and recommend to the Board of Directors the selection of the independent auditor for approval by shareholders at the next meeting of shareholders.
10. Review and discuss, at least on an annual basis, with the independent auditor, all significant relationships it has with the Company to determine its independence, and report to the Board of Directors.
11. Approve any proposed discharge and replacement of the independent auditor when circumstances warrant. Consider with management and the independent auditor the rationale for employing accounting/auditing firms other than the principal independent auditor.
12. Arrange for the independent auditor to be available to the Audit Committee and the full Board of Directors as needed.
13. Subject to Section 14 below, review and pre-approve requests for any non-audit services to be performed by the independent auditor and be advised of any other studies, engagement or non-audit services undertaken at the request of management that is beyond the scope of the audit engagement letter and related fees. In connection with the pre-approval of permissible non-audit services, adopt specific policies and procedures for the engagement of such services, which detail the particular non-audit services. Such procedures must not include delegation of the Committee's responsibilities to management.
14. Ensure that the independent auditor is prohibited from providing the following non-audit services and determine which other non-audit services the independent auditor is prohibited from providing:
  - bookkeeping or other services related to the accounting records or financial statements of the Company;
  - financial information systems design and implementation;
  - appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
  - actuarial services;
  - internal audit outsourcing services;
  - management functions or human resources;
  - broker or dealer, investment adviser or investment banking services;
  - legal services and expert services unrelated to the audit; and
  - any other services which the Public Company Accounting Oversight Board determines to be impermissible.

### **Financial Reporting Processes**

15. In consultation with the independent auditor review the integrity of the Company's financial and accounting and reporting processes, both internal and external.

16. Consider the independent auditor's judgments about the quality and appropriateness, not just the acceptability, of the Company's accounting principles and financial disclosure practices, as applied in its financial reporting, particularly about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates and whether those principles are common practices or are minority practices.
17. Consider and, if appropriate, approve major changes to the Company's accounting principles and practices as suggested by management with the concurrence of the independent auditor and ensure that the accountants' reasoning is described in determining the appropriateness of changes in accounting principles and disclosure.

### **Process Improvement**

18. At least annually obtaining and reviewing a report prepared by the independent auditor describing (i) the independent auditor's quality-control procedures; and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry of investigation by regulatory or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with any such issues.
19. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, controls and audit matters and for the confidential and anonymous submissions by employees of concerns regarding questionable accounting or auditing matters.
20. Review and approve hiring policies for employees or former employees of the past and present independent auditor.
21. Review the scope and plans of the independent auditor's audit and reviews prior to the audit and reviews being conducted. The Committee may authorize the independent auditor to perform supplemental reviews or audits as the Committee may deem desirable.
22. Monitor the relationship between management and the independent auditor including reviewing any management letters or other reports of the independent auditor and discussing any material differences of opinion between management and the independent auditor. Where there are unsettled material differences, the Committee shall ensure that there is an agreed course of action for the resolution of such matters.
23. Establish regular and separate systems of reporting to the Audit Committee by each of management and the independent auditor regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
24. Meet with the independent auditor without management in attendance at the time of the completion of the annual audit about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the organization's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper. At this meeting the independent auditor would be expected to report on any issues they had with management including concerns about the competence to manage the financial affairs of the Company.
25. Following completion of the annual audit, review separately with each of management and the independent auditor any significant changes to planned procedures, any difficulties encountered

during the course of the audit and reviews, including any restrictions on the scope of work or access to required information and the cooperation that the independent auditor received during the course of the audit.

26. Review any significant disagreements among management and the independent auditor in connection with the preparation of the financial statements.
27. Review with the independent auditor and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.
28. Review activities, organizational structure, and qualifications of the Chief Financial Officer and the staff in the financial reporting area and see to it that matters related to succession planning within the Company are raised for consideration by the Board of Directors.

#### **Ethical and Legal Compliance**

29. Review management's monitoring of the Company's system in place to ensure that the Company's financial statements, reports and other financial information disseminated to regulatory organizations, or the public satisfy legal requirements.
30. Review, with the Company's counsel, legal and regulatory compliance matters, including corporate securities trading policies, and matters that could have a significant impact on the organization's financial statements.

#### **Risk Management**

31. Make inquiries of management and the independent auditor to identify significant business, political, financial and controls risks and exposures and assess the steps management has taken to minimize such risk to the Company.
32. Ensure that the disclosure of the process followed by the Board of Directors and its committees, in the oversight of the Company's management of principal business risks, is complete and fairly presented.
33. Review management's program of risk assessment and steps taken to address significant risks or exposures, including insurance coverage.

#### **General**

34. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain, set and pay the compensation for independent counsel, accountants and other professionals to assist it in the conduct of any investigation.
35. Perform any other activities consistent with this Charter, the Company's By-laws and governing law, as the Committee or the Board of Directors deems necessary or appropriate.