

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your shares in Serabi Gold plc, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

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**SERABI GOLD PLC**  
**NOTICE OF ANNUAL GENERAL MEETING AND**  
**SPECIAL MEETING OF SHAREHOLDERS**  
**AND**  
**MANAGEMENT INFORMATION CIRCULAR**

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**Annual General Meeting and Special Meeting to be held on**  
**19 June at 4.00 p.m. (London time)**  
**at the offices of**  
**Farrer & Co LLP, 66 Lincoln's Inn Fields, London WC2A 3LH, England**

**14 MAY 2013**

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# CHAIRMAN'S LETTER

## SERABI GOLD PLC (“COMPANY”)

*(Incorporated and registered in England and Wales with registered number 5131528)*

*Directors:*

T Sean Harvey (*non-executive Chairman*)  
Michael Hodgson (*Chief Executive*)  
Clive Line (*Finance Director*)  
Mr. Nicolas Bañados (*non-executive*)  
Dr. Doug Jones (*non-executive*)  
Mr. Christopher Kingsman (*non-executive*)  
Mr. Eduardo Rosselot (*non-executive*)  
Mr. Melvyn Williams (*non-executive*)

*Registered Office:*

66 Lincoln's Inn Fields  
London  
WC2A 3LH  
England

14 May 2013

### **To the Ordinary Shareholders, and for information only, to the holders of Options and Warrants over Ordinary Shares**

Dear Shareholder

This document provides the formal notice (the “**Notice**”) of the 2013 Annual General Meeting and Special Meeting of the Company to be held at the offices of Farrer & Co LLP, 66 Lincoln's Inn Fields, London WC2A 3LH, England on 19 June 2013 at 4.00 p.m. (London time) (the “**Meeting**”). This document also includes additional information that the Company as a “reporting issuer” in Canada is required to make available pursuant to the requirements of National Instrument 51-102 – Continuous Disclosure Obligations (“**NI 51-102**”) of the Canadian Securities Administrators.

#### ***Background***

The matters being considered at the 2013 Annual General Meeting and Special Meeting set out in the Notice are for the most part, items that are routinely considered at such meetings. At this time last year the Company was in the process of undertaking the independent Preliminary Economic Assessment (“**PEA**”) into the viability of establishing mining operations at the Palito gold mine. The authority that shareholders granted to the Board last year to issue new shares allowed the company to secure commitments for funding and commence development work quickly after the PEA results were announced. The authority granted to the Board also enabled the Company to pursue the proposed acquisition of Kenai Resources Limited, a transaction which the Board considers will be accretive to Serabi's shareholders. The Board believes that further opportunities to develop the Company may arise over the next twelve months and for this reason is requesting shareholders to authorise the Board to issue new shares to allow the Company to pursue and commit to these opportunities quickly as and when they arise.

The Notice also includes certain proposed changes to the Articles of Association of the Company (the “**Articles**”). These are being undertaken to reflect recent legislative changes and current UK best practice and also in the light of the investment and shareholding of Fratelli Investments Limited to establish a clear process for dealing with conflicts of interest of the individual Directors.

***Recommendation***

The Directors consider that the resolutions set out in the Notice being put to the Annual General Meeting and Special Meeting are in the best interests of the Company and its Shareholders and are most likely to promote the success of the Company for the benefit of the Shareholders as a whole. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the proposed resolutions as they intend to do in respect of their own holdings, where relevant, amounting to an aggregate of 42,947,255 Ordinary Shares, representing approximately 11.9 per cent. of the Company's Ordinary Shares.

Yours faithfully

(Signed) "*T Sean Harvey*"

**T Sean Harvey**

*Non-executive Chairman*

# SERABI GOLD PLC

## NOTICE OF ANNUAL GENERAL MEETING AND SPECIAL MEETING OF SHAREHOLDERS

Notice is hereby given that the annual general meeting and special meeting of the Company (the “**Meeting**”) will be held at the offices of Farrer & Co LLP, 66 Lincoln’s Inn Fields, London WC2A 3LH, England on 19 June 2013 at 4.00 p.m. (London time) for the following purposes:

### Ordinary business

To consider and if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. That the Directors’ Report and financial statements of the Company for the year ended 31 December 2012 be received and adopted.
2. To re-elect Mr. Melvyn Williams as a Director of the Company. Melvyn Williams retires by rotation in accordance with the Company’s Articles of Association (the “**Articles**”) and being eligible offers himself for re-election.
3. To re-elect Mr. Clive Line as a Director of the Company. Clive Line retires by rotation in accordance with the Company’s Articles and being eligible offers himself for re-election.
4. To re-elect Mr. Eduardo Rosselot as a Director of the Company. Eduardo Rosselot having been appointed to the board of directors of the Company (the “**Board**”) in the period since the last Annual General Meeting is required in accordance with the Company’s Articles to offer himself for re-election.
5. To re-elect Mr. Nicolas Bañados as a Director of the Company. Nicolas Bañados having been appointed to the Board in the period since the last Annual General Meeting is required in accordance with the Company’s Articles to offer himself for re-election.
6. To appoint BDO LLP as auditors of the Company to hold office from the conclusion of the Meeting to the conclusion of the next Annual General Meeting at which accounts are laid before the Company and to authorise the Directors of the Company to fix the auditors’ remuneration and the terms of their engagement.

### Special business

To consider and, if thought fit, pass the following resolutions, of which resolution 7 will be proposed as an ordinary resolution and resolutions 8 and 9 will be proposed as special resolutions.

7. That the Directors of the Company be and they are generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the “**2006 Act**”) to exercise all the powers of the Company to allot shares, grant rights to subscribe for or convert any security into shares (the “**Rights**”) and deal with or dispose of any equity securities (as defined by Section 560 of the 2006 Act) of the Company up to an aggregate amount of £10,000,000 provided that this authority is for a period expiring at the conclusion of the next Annual General Meeting of the Company, except that the Company may before the expiry of the authority make an offer or agreement which would or might require the Rights to be allotted after the expiry of such period and the Directors of the Company may allot the Rights in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired and provided further that this authority shall be in substitution for all previous authorities conferred upon the Directors of the Company pursuant to Section 551 of the 2006 Act or under section 80 of the Companies Act 1985 (the “**1985 Act**”).

8. That subject to the passing of the previous resolution, the Directors of the Company be and they are generally empowered pursuant to Section 570(1) and 573 of the 2006 Act and in accordance with the Articles of the Company, to allot equity securities (as defined in Section 560 of the 2006 Act) for cash pursuant to the authority conferred by the previous resolution up to an aggregate nominal value equal to £10,000,000 as if Section 561 of the 2006 Act did not apply to any such allotment provided that this power shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution. The Company may before the expiry of the authority make an offer or agreement which would or might require equity securities to be allotted after the expiry of such period and the Directors of the Company may allot equity securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired and provided further that this authority shall be in substitution for all previous authorisations conferred upon the Directors of the Company pursuant to Sections 570 and 573 of the 2006 Act or under section 95 of the 1985 Act.
9. That the Articles of the Company be and are hereby amended by:
- 9.1 deleting Articles 46.1, 62.1, 64.1, 109.1.5, 162.3.3 and 162.3.4 and substituting therefor the following new Articles:
- “46.1 Subject to Article 89, the Market Rules and the requirements of the London Stock Exchange, the Directors may in their absolute discretion refuse to register the transfer of a certificated share which is not fully paid or on which the Company has a lien provided that the transferee is informed of the reason(s) for refusal and provided that this power will not be exercised so as to disturb the market in those shares.”
- “62.1 All meetings of the Company other than each annual general meeting shall be called general meetings. All references to “extraordinary general meeting” and “extraordinary general meetings” in Articles 62 and 64 shall be replaced by references to “general meeting” and “general meetings”.”
- “64.1 An annual general meeting shall be called by not less than 21 clear days’ notice in writing and any other general meeting by not less than 14 clear days’ notice in writing.”
- “109.1.5 a registered medical practitioner who is treating a Director gives a written opinion to the Company stating that the Director has become physically or mentally incapable of acting as a director and may remain so for more than three (3) months, or he is or has been suffering from mental or physical ill health and the Board resolves that his office be vacated.”
- “162.3.3 if contained in an electronic communication, it shall be deemed to have been received on the day on which the electronic communication was sent by or on behalf of the Company, notwithstanding that the Company subsequently sends a hard copy of such notice or other document by post. Proof that a notice contained in an electronic communication was sent in accordance with guidance issued by the Institute of Chartered Secretaries and Administrators shall be conclusive evidence that the notice or document was validly served or delivered.”
- “162.3.4 published on a website in accordance with Article 162.1 it shall be deemed to have been received on the day on which the notice or other document was first made available on the website, or if later, when the member has received or is deemed to have received notification pursuant to Article 162.1.3, provided that the notice and/or other document is published on the website throughout a period of not less than 21 days from the date of notification in accordance with Article 162.1.3 or, until the conclusion of any general meeting to which the notice and/or other documents relate, provided that if the documents are published on that web site for a part but not all of such period, the documents will be treated as published throughout that period if the failure to publish such notice and/or documents throughout the period is wholly unattributable to circumstances which it would not be reasonable to have expected the Company to prevent or avoid.”;
- 9.2 deleting Article 84; and

9.3 inserting after Article 103 the following new Article 104:

“104.1 Subject to Article 104.5, a Director must avoid any situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (**Conflicted Director**) and includes situations involving the exploitation of property, information or opportunities regardless of whether or not the Company could have exploited such circumstances or whether the Conflicted Director has, in fact, exploited such circumstances (**Conflict**).

104.2 Subject to Article 104.3, the Directors are hereby empowered for the purposes of Section 175 Companies Act 2006 to:

- (a) authorise any Conflict that may arise on such terms as they may determine; and
- (b) revoke or vary any term of such authorisation (including imposing additional terms), but any such revocation or variation shall not affect the validity of anything done by the Conflicted Director in question prior to such revocation or variation nor constitute a breach of any duty by that Conflicted Director.

Such authorisation shall be given by board resolution made in accordance with these Articles and may (whether at the time of giving the authorisation or subsequently):

- (i) extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter or situation so authorised; and/or
- (ii) provide that the Conflicted Director be excluded from the receipt of documents and information and the participation in discussions (whether at meetings of the Directors or otherwise) related to the Conflict.

104.3 A Director who seeks authorisation of any Conflict must inform the Directors in writing of both the nature and extent of his interest in the Conflict as soon as practicable after his becoming aware of the Conflict and must provide sufficient details of the Conflict to allow the Directors properly to evaluate the Conflict together with any additional information that the Directors may request.

104.4 Meetings called for the purpose of passing a board resolution under Article 104.2 shall only be valid and the consequent resolutions effective if:

- (a) the matter in question has been proposed by any director for consideration at a meeting of Directors in the same way that any other matter may be proposed to the Directors under the provisions of these articles or in such other manner as the directors may determine;
- (b) any requirement as to the quorum at the meeting of the Directors at which the matter is considered is met without counting the Conflicted Director; and
- (c) the matter was agreed to without the Conflicted Director voting or would have been agreed to if his vote had not been counted.

104.5 The duty in Article 104.1 will not be breached if:

- (a) the circumstances giving rise to the Conflict or possible Conflict cannot reasonably be regarded as likely to result in a conflict of interest between the Director and the Company;
- (b) the specific Conflict is authorised by the Directors in accordance with this Article; or
- (c) the Conflict is authorised by a members' ordinary resolution.

104.6 Without prejudice to any equitable principle or rule of law which may excuse or release the Director from disclosing information in circumstances where disclosure may otherwise be

required under these Articles, in authorising a Conflict the Directors may decide (whether at the time of giving the authorisation or subsequently) that if a Conflicted Director has obtained any information through his involvement in the Conflict, otherwise than through his position as a Director and in respect of which he owes a duty of confidentiality to another person, the Conflicted Director is under no obligation to:

- (a) disclose such information to any Director or other officer or employee of the Company; or
- (b) use or apply any such information in performing his duties as a Director,

where to do so would amount to a breach of that confidence.

104.7 Notwithstanding the other provisions of this Article and any duties a Conflicted Director may owe to the Company under statute or by equitable principle, the Directors may authorise a Conflicted Director to disclose confidential information relating to the Company to a named shareholder or other third party, provided that the Directors are first provided with confidentiality undertakings from every intended recipient of the confidential information.

104.8 A Conflicted Director shall not be required to account to the Company for any profit, remuneration or other benefit he derives from or in connection with a relationship involving a Conflict which has been duly authorised by the Directors or the Company in general meeting and no contract is liable to be voided on such grounds.

104.9 The Directors shall maintain a register of all Directors' Conflicts. The Directors shall also institute procedures for the on-going identification and disposal of Conflicts in such a manner as they deem appropriate."

and renumbering the Articles accordingly.

**DATED** the 14th day of May, 2013.

By order of the Board

(Signed) "*Clive Line*"

Clive Line

Company Secretary

Serabi Gold plc

Registered office: 66 Lincoln's Inn Fields, London WC2A 3LH, England

Notes:

1. A management information circular, form of proxy and the financial statements for the year ended 31 December 2012 accompany this Notice of Meeting. The management information circular contains additional information in relation to the Meeting, including on the appointment of proxies and voting by beneficial owners of Ordinary Shares.
2. Your vote is important to us. If you are a registered holder of Ordinary Shares and are unable to be present at the Meeting, please specify on the accompanying form of proxy the manner in which the Ordinary Shares represented thereby are to be voted, and sign, date and return same in accordance with the instructions set out in the form of proxy and management information circular.
3. If you are a beneficial shareholder of Ordinary Shares in Canada and receive these materials through your broker or another intermediary, please complete and return the materials in accordance with the instructions, set out in the management information circular and provided to you by your broker or intermediary.



# SERABI GOLD PLC

## MANAGEMENT INFORMATION CIRCULAR

*Unless otherwise stated, the information herein is as of 14 May 2013.*

### PROXY INSTRUCTIONS

**This management information circular (the “Circular”) is furnished in connection with the solicitation of proxies by the Board of Serabi Gold plc (the “Company”) for use at the annual general meeting and special meeting of Ordinary Shareholders of the Company (the “Meeting”) to be held at the offices of Farrer & Co LLP, 66 Lincoln’s Inn Fields, London WC2A 3LH, England on 19 June 2013 at 4.00 p.m. (London time) and at any adjournment or adjournments thereof, for the purposes set out in the foregoing Notice of Meeting (the “Notice”).**

Certain resolutions to be proposed at the Meeting will be special resolutions requiring approval of at least 75 per cent. of the votes cast. Under Canadian National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer – the meeting therefore also constitutes a Special Meeting for Canadian regulatory purposes.

Holders (“**Shareholders**”) of ordinary shares in the Company (the “**Ordinary Shares**”) may vote on all matters to come before the Meeting. The holders of Deferred Shares in the Company do not have the right to attend or to vote at the Meeting.

The form of proxy enclosed with the Notice affords each Shareholder the opportunity to specify the manner in which that Shareholder’s proxy is to vote with respect to any specific item by checking the appropriate space on the form of proxy in order to indicate whether the Ordinary Shares registered in the Shareholder’s name shall be: (i) voted for, voted against or withheld from voting for the election of the directors named in this Circular; (ii) voted for, voted against or withheld from voting for the re-appointment of auditors and authorizing the directors to fix their remuneration and terms of engagement; and (iii) voted for, voted against or withheld from voting for the disapplication of pre-emption rights, the authorisation of the Board to issue new shares and the amendments to the Articles. A vote withheld will not be counted in the calculation of votes for or against the resolution.

The proxy must be signed by the holder of Ordinary Shares or each such Shareholder’s attorney duly authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. Persons signing as executors, administrators, trustees or in any other representative capacity should so indicate and give their full title as such. A partnership should sign in the partnership’s name and by an authorized person(s).

A Shareholder may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to a different Ordinary Share or Ordinary Shares held by that Shareholder. You may not appoint more than one proxy to exercise rights attached to one Ordinary Share. Should you wish to appoint more than one proxy please contact the relevant registrar and transfer agent in good time before the Meeting in order that the proxy forms are received in accordance with the times set out below. Please see the form of proxy which has more information in relation to the manner in which a proxy may be appointed.

Unless otherwise indicated any proxy will be granted in favour of the Chairman of the Meeting who will be an officer of the Company. **Each Shareholder has the right to appoint a person other than the persons named in the accompanying form of proxy, who need not be a Shareholder, to attend and act for him and on his behalf at the Meeting.** A Shareholder wishing to appoint some other person as a representative at the Meeting may do so either by inserting such person’s name in the blank space provided in the form of proxy and delivering the completed form of proxy to the Company’s relevant registrar and transfer agent.

The registrar and transfer agent in Canada for the Ordinary Shares is Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, Canada.

The registrar and transfer agent in the United Kingdom for the Ordinary Shares is Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road Bristol BS99 7NH, England.

A form of proxy is enclosed with the Notice. To be effective, the form of proxy and the original authority (if any) under which it is made must be deposited at the appropriate office (Canada or UK) of the Company's registrars and transfer agents and not at the offices of the Company so as to be received not later than 48 hours before the time appointed for holding the Meeting. An appointment of a proxy which is not received in accordance with these requirements may be invalid.

**A proxy given by a Shareholder for use at the Meeting may be revoked at any time prior to its use.** In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the Shareholder or by the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized in writing, and deposited either at the registered office of the Company or at the Company's registrar and transfer agents at least one hour before the commencement of the Meeting (or any adjournment thereof) or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof. The registered office of the Company is located at 66 Lincoln's Inn Fields, London WC2A 3LH, England.

Completion of the proxy does not preclude a Shareholder from subsequently attending and voting at the Meeting in person if he or she so wishes. In this circumstance, the proxy appointment will be automatically terminated.

A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same Ordinary Share.

The register of interests of the directors and their families in the share capital of the Company and copies of contracts of services of directors with the Company or with any of its subsidiary undertakings will be available for inspection at the registered office of the Company during normal business hours (Saturdays, Sundays and public holidays excepted) from the date of this Circular until the conclusion of the Meeting.

In accordance with the Articles and Regulation 41 of the *Uncertificated Securities Regulations 2001*, only those Shareholders entered on the Company's register of shareholders 48 hours before the start of the Meeting, or, if the meeting is adjourned, Shareholders entered on the Company's register of Shareholders 48 hours before the time fixed for the adjourned Meeting shall be entitled to attend and vote at the Meeting.

Beneficial holders in Canada will receive a Voting Instruction Form ("VIF") which will be issued by Broadridge Financial Solutions Inc. ("**Broadridge**") on behalf of the Company. VIFs should be returned directly to Broadridge in accordance with the instructions set out on the VIF.

## **MANNER IN WHICH PROXIES WILL BE VOTED**

The Chairman of the Meeting will vote or withhold from voting the Ordinary Shares in respect of which he is appointed by proxy on any ballot that may be called for in accordance with the instructions of the Shareholder as indicated on the form of proxy and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Ordinary Shares will be voted accordingly.

**In the absence of such direction, such Ordinary Shares will be voted by the Chairman of the Meeting in favour of the passing of the matters set out in the Notice.** The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice, and with respect to other matters which may properly come before the Meeting or any adjournment thereof. At the date hereof, the Directors know of no such amendments, variations or other matters. **However, if any other matters should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the proxy.**

## VOTING BY BENEFICIAL SHAREHOLDERS

**The information in this section is of significant importance to Shareholders who do not hold their Ordinary Shares in their own name and whose holdings are held through the Company's Canadian share register. Most Canadian Shareholders are "non-registered" shareholders because the Ordinary Shares they own are not registered in their names but are instead registered in the name of a brokerage firm, bank or other intermediary or in the name of a clearing agency. Shareholders who do not hold their shares in their own name (referred to herein as "Beneficial Shareholders") should note that only registered Shareholders or their duly appointed proxyholders are entitled to vote at the Meeting. If Ordinary Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Ordinary Shares will not be registered in such Shareholder's name on the records of the Company. Such Ordinary Shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depositary Services Inc., which company acts as nominee for many Canadian brokerage firms). Ordinary Shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the brokers' clients. Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy in Canada requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Ordinary Shares are voted at the Meeting. Often the form supplied to a Beneficial Shareholder by its broker is almost identical to the form of proxy provided by the Company to the registered Shareholders. However, its purpose is limited to instructing the registered Shareholder (i.e. the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Ordinary Shares to be represented at the Meeting. **A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote Ordinary Shares directly at the Meeting. The voting instruction form must be returned to Broadridge (or instructions respecting the voting of Ordinary Shares must be communicated to Broadridge well in advance of the Meeting) in order to have the Ordinary Shares voted.**

This Circular and accompanying materials are being sent to both registered Shareholders and Beneficial Shareholders. Beneficial Shareholders fall into two categories – those who object to their identity being known to the issuers of securities which they own ("**Objecting Beneficial Owners**", or "**OBO's**") and those who do not object to their identity being made known to the issuers of the securities they own ("**Non-Objecting Beneficial Owners**", or "**NOBO's**"). Subject to the provision of the Canadian Securities Administrators' National Instrument 54-101 – Communication with Beneficial Owners of Securities of Reporting Issuers ("**NI 54-101**"), issuers may request and obtain a list of their NOBO's from intermediaries via their transfer agents. If you are a Beneficial Shareholder, and the Company or its agent has sent these materials directly to you, your name, address and information about your holdings of Ordinary Shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding the Ordinary Shares on your behalf.

The Company's OBO's can expect to be contacted by Broadridge or their broker or their broker's agents as set out above.

Although Beneficial Shareholders may not be recognized directly at the Meeting for the purposes of voting Ordinary Shares registered in the name of their broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote the Ordinary Shares in that capacity. **Beneficial**

Shareholders who wish to attend the Meeting and indirectly vote their Ordinary Shares as proxyholder for the registered Shareholder should enter their own names in the blank space on the proxy or voting instruction card provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.

## VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Company has an authorised capital of £50,000,000 comprised of 733,735,776 Ordinary Shares of 5 pence each and 140,139,065 Deferred Shares of 9.5 pence each, of which 361,268,529 Ordinary Shares and 140,139,065 Deferred Shares were issued and outstanding as at the close of business on 6 May 2013 (the "Record Date").

Each Ordinary Share carries one vote in respect of each matter to be voted upon at the Meeting. Only holders of Ordinary Shares on record at the close of business on the Record Date will receive notice of the Meeting. Two members present in person or by proxy and entitled to vote shall represent a quorum for the Meeting.

As of the date of this Circular, the only persons or companies known by the Company to own beneficially, or control or direct, directly or indirectly, more than 10 per cent. of the Ordinary Shares are as follows (based on information filed on the System for Electronic Disclosure by Insiders ("SEDI") at [www.sedi.ca](http://www.sedi.ca)):

<i>Name</i>	<i>Number of Ordinary Shares Beneficially Owned or Controlled or Directed</i>	<i>Type of Ownership</i>	<i>Percentage of Outstanding Ordinary Shares</i>
Fratelli Investments Limited	184,695,647	Direct	51.1%
Anker Holding AG <sup>(1)</sup>	40,000,000	Direct	11.1%

Notes:

- (1) The beneficial owner of Anker Holding AG is the spouse of Mr. Christopher Kingsman a director of the Company. Mr. Kingsman is a director of Anker Holding AG.

## PARTICULARS OF MATTERS TO BE ACTED UPON

### 1. Financial Statements

The audited financial statements of the Company for the year ended 31 December 2012, together with the report of the auditors thereon will be presented to the Shareholders at the Meeting for their review and approval.

### 2. Election of Directors

The Board is currently comprised of eight directors. In accordance with the Articles one third of the directors are required by rotation to offer themselves for re-election at each annual general meeting. The maximum term that each director may serve prior to offering themselves for re-election by the Shareholders is therefore three years unless he resigns, is removed or becomes disqualified in accordance with the Company's memorandum of association, the Articles or governing legislation. Of the eight current directors Mr. Line and Mr. Williams are required to retire by rotation and are each submitting themselves for re-election. Mr. Rosselot and Mr. Bañados, who were both appointed as designated Board nominees for Fratelli Investments Limited ("Fratelli"), having been appointed to the Board since the last annual general meeting of the Company, are required to submit themselves for reappointment by the Shareholders. Messrs. Hodgson, Kingsman and Jones, having been re-elected as directors of the Company at the annual general meeting held on 18 June 2012, and Mr. Harvey having been re-elected as a director of the Company at the annual general meeting held on 27 June 2011 are not required to submit themselves for re-election to the Board at the Meeting. The Board has put forward the names of the four current directors listed below. If all of the proposed nominees for election are elected at the Meeting, the directors of the Company will be comprised of the following eight individuals: Mr. Hodgson, Mr. Line, Mr. Harvey, Mr. Williams, Mr. Kingsman, Mr. Rosselot, Mr. Bañados and Dr. Jones.

**The Chairman of the Meeting intends to vote for the election of each of the below-named nominees unless otherwise instructed on a properly executed and validly deposited proxy.** The officers of the Company do not contemplate that any nominees named below will be unable to serve as a director but, if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.

The following table sets out the name of each person proposed to be nominated by the officers of the Company for election as a director at the Meeting, all offices of the Company now held by such person, their principal occupation for the past five years, the period of time for which they have been a director of the Company and the number of Ordinary Shares of the Company beneficially owned, controlled or directed, directly or indirectly, by each them.

<i>Name, Province and Country of Residence</i>	<i>Position with the Company</i>	<i>Principal Occupation (for the past five years)</i>	<i>Service as Director</i>	<i>Ordinary Shares beneficially owned, or controlled or directed, directly or indirectly<sup>(4)</sup></i>
CLIVE M LINE ACA SURREY, UK	Chief Financial Officer, Secretary and Director	Chief Financial Officer and Director of the Company	March 2005 to present	766,653
MELVYN WILLIAMS <sup>(1)(2)(3)</sup> CHESHIRE, UK	Director	Chief Financial Officer, Brigus Gold Corp. (a Canadian based mining company) – retired June 2011	March 2011 to present	295,000
J EDUARDO ROSSELOT SANTIAGO, CHILE	Director	Mining Engineer	October 2012 to present	–
NICOLAS BAÑADOS SANTIAGO, CHILE	Director	Managing Director, Private Equity, Megeve Investments	May 2012 to present	22,443,947 <sup>(5)</sup>

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Remuneration Committee.
- (3) Independent director of the Company.
- (4) The information as to Ordinary Shares beneficially owned, not being within the knowledge of the Company, has been obtained from SEDI or furnished by the proposed directors individually.
- (5) Mr. Bañados has a direct interest in 144,282 shares in the Company. Mr. Bañados is the beneficial owner of 50 per cent. of the share capital of Asesorias e Inversiones Asturias Limitada which beneficially owns: (1) directly 159,665 shares of the Company; and (2) 25 per cent. of the units in Fondo de Inversion Privado Santa Monica, a private financial investment fund, which is interested in 22,140,000 shares of the Company.

Details relating to the remaining Directors, who are not required under the Company's Articles to submit themselves for re-election at the Meeting, are as follows:

<i>Name, Province and Country of Residence</i>	<i>Position with the Company</i>	<i>Principal Occupation (for the past five years)</i>	<i>Service as Director</i>	<i>Ordinary Shares beneficially owned, or controlled or directed, directly or indirectly<sup>(4)</sup></i>
MICHAEL JONATHAN HODGSON CORNWALL, UK	Chief Executive Officer and Director	Technical Director, Chief Executive Officer and Director of the Company	February 2007 to present	441,320
T. SEAN HARVEY <sup>(1)(2)(3)</sup> ONTARIO, CANADA	Director	Businessman in mineral exploration and development	March 2011 to present	1,200,000
DOUGLAS JONES <sup>(1)(2)(3)</sup> PERTH, WESTERN AUSTRALIA	Director	Managing Director, Chalice Gold Mines Limited (a mining exploration and development company)	March 2011 to present	100,000
CHRISTOPHER DAVID KINGSMAN <sup>(3)</sup> LUCERNE, SWITZERLAND	Director	Investment Manager	December 2011 to present	18,851,000 <sup>(5)</sup>

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Remuneration Committee.
- (3) Independent director of the Company.
- (4) The information as to Ordinary Shares beneficially owned, not being within the knowledge of the Company, has been obtained from SEDI or furnished by the proposed directors individually.
- (5) These shares are held by Anker Holding AG. The beneficial owner of Anker Holding AG is the spouse of Mr. Christopher Kingsman. Mr. Kingsman is also a director of Anker Holding AG.

IF ANY OF THE ABOVE NOMINEES IS FOR ANY REASON UNAVAILABLE TO SERVE AS A DIRECTOR OF THE COMPANY, PROXY INSTRUMENTS IN FAVOUR OF THE OFFICERS OF THE COMPANY WILL BE VOTED FOR BY ANOTHER NOMINEE IN THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY INSTRUMENT THAT HIS, HER OR ITS ORDINARY SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF THE ELECTION OF DIRECTORS.

Shareholders can vote, object or withhold from voting on the election of each director on an individual basis. The Board has adopted a policy which requires voting with respect to the election of directors at any meeting of Shareholders to be by individual nominee as opposed to by slate of directors, i.e. Shareholders will be asked to vote in favour of, or withhold from voting, separately for each director. If any particular director is not re-elected at the Meeting, that director shall forthwith cease to be a director. The Board may appoint a new director to fill the vacancy.

**Biographies of each of the Directors are as follows:**

***T Sean Harvey, Non-executive Chairman***

Sean has over 10 years investment banking and merchant banking experience, primarily focused on the basic industry (mining) sector and for the last 12 years has held senior executive and board positions with various mining companies. Sean was President and CEO of Orvana Minerals Corp. from 2005 to 2006. Previously, he was President and CEO of TVX Gold at the time of its sale to Kinross Gold in 2003 and, subsequent to that, was President and CEO of Atlantico Gold, a private company involved in the development of the Amapari Project in Brazil that was sold to Wheaton River Minerals Ltd. (presently Goldcorp Inc.). Sean also currently sits on the board of directors of several other mining companies.

Sean has an Honours B.A. in economics and geography and an M.A. in economics, both from Carleton University. He also has an L.L.B from the University of Western Ontario and an M.B.A. from the University of Toronto. He is a member of the Law Society of Upper Canada.

***Mike J Hodgson, Chief Executive***

Mike has worked in the mining industry for over 25 years and has extensive international experience. Most recently he worked as chief operating officer and vice president technical services for Canadian-based Orvana Minerals Corporation. Prior to that, he provided consulting services to a number of mining companies in Europe and South America. Previous appointments include manager of technical services and operations for TVX Gold Inc., mining technical consultant at ACA Howe International Ltd and similar roles at Rio Tinto plc and Zambia Consolidated Copper Mines Ltd. He has, during his career, acquired extensive experience in narrow vein underground mining operations.

Originally qualified in mining geology, Mike is a Fellow of Materials, Minerals and Mining, a Chartered Engineer of the Engineering Council of UK and a “Qualified Person” in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

***Clive M Line, Finance Director and Company Secretary***

Clive is a Chartered Accountant and has been involved in mining and natural resources companies since 1987, overseeing financial and legal issues for exploration and development projects in Africa, Europe and the former Soviet Union. Having worked with Price Waterhouse in both the UK and Australia, he joined Cluff Resources plc in 1987, where he was finance director prior to joining the privately owned Quest Petroleum Group in a similar position in 1993. Following the successful sale of this group he became involved with both Eurasia Mining plc and Northern Petroleum plc, both of which were admitted to AIM in 1996. He has also worked within one of the world’s largest marketing services groups operating as a divisional finance director.

He has an Honours degree in Accounting and Finance and is a member of the Institute of Chartered Accountants of England and Wales.

***Melvyn Williams, Non-executive***

Mel Williams was, until June 2011, the Chief Financial Officer (CFO) and Senior Vice President of Finance and Corporate Development of Brigus Gold. Mr. Williams has over 30 years of financial experience, much of that time spent within the mining industry. From November 2003 through January 2004, Mr. Williams served as Chief Financial Officer of Atlantico Gold, a private Brazilian mining company which held the Amapari gold project, and was sold to Wheaton River Minerals Ltd. in January 2004. From 2000 to November 2003, he served as Chief Financial Officer of TVX Gold Inc., a gold mining company with five operating mines and an advanced development project in Greece. His background also includes services with Star Mining Corporation, LAC North America, Riominas LSDA and Rossing Uranium, (both of which are Rio Tinto subsidiaries).

Mr. Williams is a Chartered Certified Accountant and received an MBA from Cranfield in the United Kingdom. Mr. Williams is also a director of Western Troy Capital Resources.

***Douglas Jones, Non-executive***

Doug is a geologist with 35 years' experience in international mineral exploration, having worked extensively in Australia, Africa, the Americas and Europe. His career has covered exploration for gold in a wide range of geological settings, volcanic and sediment-hosted zinc-copper-lead and IOCG style copper-gold deposits. As Vice President, Exploration for Golden Star Resources Limited from 2003 to 2007, he had oversight of that company's exploration activities in Brazil and has reviewed opportunities in the Tapajos region of Brazil. He is currently the Technical Director of Chalice Gold Mines Limited a gold exploration company listed on the Australian Stock Exchange ("ASX") and the TSX and is also a non-executive director of TSX and AIM-listed Minera IRL Limited.

Doug has a BSc in Geology from the University of New England and received his Doctorate from the same university in 1987.

***Christopher D Kingsman, Non-executive***

Christopher Kingsman has worked in investment management since graduating from Cambridge University in 1998. He began his career at Fidelity Investments in London and worked during 1998 and 2005 for both fundamentally and macro focused investment firms. Since 2005 he has managed a private family office, including significant stakes and directorships in private companies, as well as managing a non-profit company. His current directorships are in the areas of investment management, business research (aranca.com), real estate and the charitable sector.

Christopher has an MA Cantab, having read Social & Political Studies at St. John's College, Cambridge. He also holds the IIMR investment management certificate.

***Eduardo Rosellot, Non-executive***

Eduardo is a mining engineer with 25 years' experience in the mining industry, having worked extensively in the Americas and Europe. Currently he works as an independent consultant for various mining companies and mining funds mainly in South America, and is a partner of the privately owned mining company HMC Gold SCM, with development projects in Chile. Prior to that he worked as VP business development and special projects for Orvana Minerals Corp. Previous appointments include senior positions with European Goldfields Ltd. and TVX Gold Inc. Prior to that he was a partner of the South American based mining consultancy firm NCL Ingeniería y Construcción Ltd.

Eduardo has a Mining Engineer degree from Universidad de Chile, and is a member of the Institute of Materials, Minerals and Mining, a Chartered Engineer of the Engineering Council of UK and a "Qualified Person" in accordance with the Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

***Nicolas Bañados, Non-executive***

Mr. Bañados, aged 36, is an attorney-in-fact of Fratelli Investments. Mr. Bañados graduated from the Catholic University of Chile in 2000 and from 2001 until 2003 he was an investment analyst of the Research Department at Consorcio Vida Life Insurance Company. In 2003 Mr. Bañados joined Fratelli Investments, and its non-discretionary fund manager, Megeve Investments, as Portfolio Manager. Between 2005 and 2007 he completed an MBA at The Wharton School, University of Pennsylvania, United States. Following completion of his MBA, Nicolas Bañados re-joined Fratelli Investments and Megeve Investments, as Vice President and subsequently as Managing Director of Private Equity.

Mr. Bañados is a director of Haldeman Mining Company, which operates a copper and a gold mine in Chile, and is also a director at Minera Las Cenizas, which operates three copper mines in Chile.

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

To the knowledge of the Company, no proposed director is, or within the ten years prior to the date hereof has been, a director, Chief Executive Officer or Chief Financial Officer of any company (including the Company) that was the subject of a cease trade order or similar order or an order that denied the company access to any statutory exemptions that was in effect for a period of more than 30 consecutive days that was



issued while that person was acting in such capacity or issued thereafter but resulted from an event that occurred while that person was acting in such capacity. To the knowledge of the Company, no proposed director is, or within the ten years prior to the date hereof, has been a director or executive officer of any company (including the Company) while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, 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 its assets.

#### ***Penalties or Sanctions and Personal Bankruptcies***

To the knowledge of the Company, no proposed director has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory: or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security-holder in deciding whether to vote for a proposed director.

To the knowledge of the Company, no proposed director has, during the ten years prior to the date hereof, been bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets.

### **3. Appointment of Auditors**

The Board proposes to appoint BDO LLP UK of 55 Baker Street, London W1U 7EU England, as auditors of the Company and to authorize the directors to fix the auditors' remuneration and terms of engagement. **In the absence of a contrary specification made in the form of proxy, the Chairman of the Meeting intends to vote for the appointment of BDO LLP UK, as auditors of the Company and to authorize the Board to fix their remuneration and terms of engagement.**

### **4. Special Business**

**The Board requests that Shareholders make available to and at the discretion of the Board, a fixed maximum amount of the unissued share capital which will permit the Board the flexibility to use the Company's shares for certain purposes or business transactions, including acquisitions, the raising of additional capital and the issue of share options or other share related incentives, without the requirement to call a separate meeting of Shareholders for the purpose of approving such transactions. The maximum amount that the Shareholders are requested to approve at the Meeting significantly exceeds the maximum amount that is usually requested by the Board at the Company's annual general meeting. The reasons for this are set out in more detail in the Chairman's letter above.**

#### **Resolution 7 – authority to allot shares**

Under the Companies Act 2006, the Board may only allot unissued shares if authorised to do so by the Shareholders in general meeting. Resolution 7 repeats the Board's existing authority granted at the Annual General Meeting held 18 June 2012 save that it authorises the Directors to allot shares up to an aggregate value of £10,000,000. The authority will expire at the next Annual General Meeting of the Company. **In the absence of a contrary specification made in the form of proxy, the Chairman of the Meeting intends to vote for the authorisation and empowerment of the Directors to allot equity securities.**

The full text of the proposed resolution is:

*“That the Directors of the Company be and they are generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the “2006 Act”) to exercise all the powers of the Company to allot shares, grant rights to subscribe for or convert any security into shares (the “Rights”) and deal with or dispose of any equity securities (as defined by Section 560 of the 2006 Act) of the Company up to an aggregate amount of £10,000,000 provided that this authority is for a period expiring at the conclusion of the next Annual General Meeting of the Company, except that the Company may before the expiry of the authority make an offer or agreement which would or might require the Rights to be allotted after the expiry of such period and the Directors of the Company may allot the Rights in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired and provided further that this authority shall be in substitution for all previous authorities conferred upon the Directors of the Company pursuant to Section 551 of the 2006 Act or under section 80 of the Companies Act 1985 (the “1985 Act”).”*

#### **Resolution 8 – authority to allot shares for cash**

The Directors may only allot shares for cash on a non-pre-emptive basis to existing shareholders in the Company if authorised to do so by the Shareholders in general meeting. This resolution repeats the general authority granted to the Directors at the Annual General Meeting held on 18 June 2012 to allot shares for cash and dis-applies the pre-emption rights of shareholders save that the authority is in respect of a number of shares equivalent to an aggregate value of £10,000,000. **In the absence of a contrary specification made in the form of proxy, the Chairman of the Meeting intends to vote for the authorisation and empowerment of the Directors to allot equity securities for cash.**

The full text of the proposed resolution is:

*“That subject to the passing of the previous resolution, the Directors of the Company be and they are generally empowered pursuant to Section 570(1) and 573 of the 2006 Act and in accordance with the Articles of the Company, to allot equity securities (as defined in Section 560 of the 2006 Act) for cash pursuant to the authority conferred by the previous resolution up to an aggregate nominal value equal to £10,000,000 as if Section 561 of the 2006 Act did not apply to any such allotment provided that this power shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution. The Company may before the expiry of the authority make an offer or agreement which would or might require equity securities to be allotted after the expiry of such period and the Directors of the Company may allot equity securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired and provided further that this authority shall be in substitution for all previous authorisations conferred upon the Directors of the Company pursuant to Sections 570 and 573 of the 2006 Act or under section 95 of the 1985 Act.”*

#### **Resolution 9 – changes to the Articles of Association**

The Board requests that the Shareholders approve certain amendments to the Articles. The amendments to Articles 46, 62, 64, 84, 109 and 162 are made as a result of recent legislative changes and reflect UK best practice.

In addition, and as a result of the investment by Fratelli Investments Limited during the previous year, the Board proposes that an additional Article, to be numbered 104, be inserted. This Article (in addition to Article 103) sets out a clear process whereby potential conflicts of interest can be brought to the Board by individual directors and allows the review and, where relevant, authorisation, of such potential conflicts. As above, this new Article, reflects current UK best practice. **In the absence of a contrary specification made in the form of proxy, the Chairman of the Meeting intends to vote for the changes to the Articles.**

The full text of the proposed resolution is:

*That the Articles of the Company be and are hereby amended by:*

*deleting Articles 46.1, 62.1, 64.1 and 109.1.5 and substituting therefor the following new Articles:*

- “46.1 Subject to Article 89, the Market Rules and the requirements of the London Stock Exchange, the Directors may in their absolute discretion refuse to register the transfer of a certificated share which is not fully paid or on which the Company has a lien provided that the transferee is informed of the reason(s) for refusal and provided that this power will not be exercised so as to disturb the market in those shares.”*
- “62.1 All meetings of the Company other than each annual general meeting shall be called general meetings. All references to “extraordinary general meeting” and “extraordinary general meetings” in Articles 62 and 64 shall be replaced by references to “general meeting” and “general meetings”.*
- “64.1 An annual general meeting shall be called by not less than 21 clear days’ notice in writing and any other general meeting by not less than 14 clear days’ notice in writing.”*
- “109.1.5 a registered medical practitioner who is treating a Director gives a written opinion to the Company stating that the Director has become physically or mentally incapable of acting as a director and may remain so for more than three (3) months, or he is or has been suffering from mental or physical ill health and the Board resolves that his office be vacated.”*
- “162.3.3 if contained in an electronic communication, it shall be deemed to have been received on the day on which the electronic communication was sent by or on behalf of the Company, notwithstanding that the Company subsequently sends a hard copy of such notice or other document by post. Proof that a notice contained in an electronic communication was sent in accordance with guidance issued by the Institute of Chartered Secretaries and Administrators shall be conclusive evidence that the notice or document was validly served or delivered.”*
- “162.3.4 published on a website in accordance with Article 162.1 it shall be deemed to have been received on the day on which the notice or other document was first made available on the website, or if later, when the member has received or is deemed to have received notification pursuant to Article 162.1.3, provided that the notice and/or other document is published on the website throughout a period of not less than 21 days from the date of notification in accordance with Article 162.1.3 or, until the conclusion of any general meeting to which the notice and/or other documents relate, provided that if the documents are published on that web site for a part but not all of such period, the documents will be treated as published throughout that period if the failure to publish such notice and/or documents throughout the period is wholly unattributable to circumstances which it would not be reasonable to have expected the Company to prevent or avoid.”;*

*deleting Article 84; and*

*inserting after Article 103 the following new Article 104:*

*“104.1 Subject to Article 104.5, a Director must avoid any situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (**Conflicted Director**) and includes situations involving the exploitation of property, information or opportunities regardless of whether or not the Company could have exploited such circumstances or whether the Conflicted Director has, in fact, exploited such circumstances (**Conflict**).*

*104.2 Subject to Article 104.3, the Directors are hereby empowered for the purposes of Section 175 Companies Act 2006 to:*

- (a) authorise any Conflict that may arise on such terms as they may determine; and*
- (b) revoke or vary any term of such authorisation (including imposing additional terms), but any such revocation or variation shall not affect the validity of anything done by the Conflicted Director in question prior to such revocation or variation nor constitute a breach of any duty by that Conflicted Director.*

*Such authorisation shall be given by board resolution made in accordance with these Articles and may (whether at the time of giving the authorisation or subsequently):*

- (c) extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter or situation so authorised; and/or*
- (d) provide that the Conflicted Director be excluded from the receipt of documents and information and the participation in discussions (whether at meetings of the Directors or otherwise) related to the Conflict.*

*104.3 A Director who seeks authorisation of any Conflict must inform the Directors in writing of both the nature and extent of his interest in the Conflict as soon as practicable after his becoming aware of the Conflict and must provide sufficient details of the Conflict to allow the Directors properly to evaluate the Conflict together with any additional information that the Directors may request.*

*104.4 Meetings called for the purpose of passing a board resolution under Article 104.2 shall only be valid and the consequent resolutions effective if:*

- (a) the matter in question has been proposed by any director for consideration at a meeting of Directors in the same way that any other matter may be proposed to the Directors under the provisions of these articles or in such other manner as the directors may determine;*
- (b) any requirement as to the quorum at the meeting of the Directors at which the matter is considered is met without counting the Conflicted Director; and*
- (c) the matter was agreed to without the Conflicted Director voting or would have been agreed to if his vote had not been counted.*

*104.5 The duty in Article 104.1 will not be breached if:*

- (a) the circumstances giving rise to the Conflict or possible Conflict cannot reasonably be regarded as likely to result in a conflict of interest between the Director and the Company;*
- (b) the specific Conflict is authorised by the Directors in accordance with this Article; or*
- (c) the Conflict is authorised by a members' ordinary resolution.*

- 104.6 *Without prejudice to any equitable principle or rule of law which may excuse or release the Director from disclosing information in circumstances where disclosure may otherwise be required under these Articles, in authorising a Conflict the Directors may decide (whether at the time of giving the authorisation or subsequently) that if a Conflicted Director has obtained any information through his involvement in the Conflict, otherwise than through his position as a Director and in respect of which he owes a duty of confidentiality to another person, the Conflicted Director is under no obligation to:*
- (a) disclose such information to any Director or other officer or employee of the Company; or*
  - (b) use or apply any such information in performing his duties as a Director,*
- where to do so would amount to a breach of that confidence.*
- 104.7 *Notwithstanding the other provisions of this Article and any duties a Conflicted Director may owe to the Company under statute or by equitable principle, the Directors may authorise a Conflicted Director to disclose confidential information relating to the Company to a named shareholder or other third party, provided that the Directors are first provided with confidentiality undertakings from every intended recipient of the confidential information.*
- 104.8 *A Conflicted Director shall not be required to account to the Company for any profit, remuneration or other benefit he derives from or in connection with a relationship involving a Conflict which has been duly authorised by the Directors or the Company in general meeting and no contract is liable to be voided on such grounds.*
- 104.9 *The Directors shall maintain a register of all Directors' Conflicts. The Directors shall also institute procedures for the on-going identification and disposal of Conflicts in such a manner as they deem appropriate."*

*and renumbering the Articles accordingly*

## **5. Other Business**

While the Board is not aware of any other matter to be acted upon at the Meeting other than as set out in the Notice, if any other matter properly comes before the Meeting, it is intended that the proxies hereby solicited will be exercised upon any other matter or proposal in accordance with the discretion of the persons authorized to act thereunder.

## INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

No individual who is or, at any time since the beginning of the most recently completed financial year, was a director, senior officer or employee of the Company, and no person who is a proposed nominee for election as a director of the Company, and no associate of any such director, senior officer, employee or proposed nominee is or, at any time since the beginning of the last completed financial year, was indebted to the Company.

### CORPORATE GOVERNANCE

#### Board of Directors

The Board is currently comprised of eight directors. Four of the directors are independent directors, namely Messrs. Harvey (non-executive Chairman), Jones, Kingsman, and Williams. The following are not independent by virtue of their offices with Company: Mr. Hodgson, who is the Chief Executive Officer of the Company, Mr. Line, who is the Chief Financial Officer of the Company and Mr. Rosselot who provides mining consultancy services to the Company. Mr. Bañados is not independent because he is an executive officer of Fratelli Investments Limited an affiliated entity of the Company.

Mr. Kingsman is a director, and his spouse is the beneficial owner, of Anker Holding AG. As at 14 May 2013 Anker Holding AG was interested in 40,000,000 Ordinary Shares representing at that time 11.1 per cent. of the issued Ordinary Share capital of the Company, together with 937,500 warrants to subscribe for additional Ordinary Shares and a £300,000 convertible loan agreement.

Mr. Bañados has a direct interest in 144,282 shares in the Company. Mr. Bañados is the beneficial owner of 50 per cent. of the share capital of Asesorias e Inversiones Asturias Limitada which beneficially owns: (1) directly 159,665 Serabi ordinary shares; and (2) 25 per cent. of the units in Fondo de Inversion Privado Santa Monica, a private financial investment fund, which is interested in 22,140,000 Serabi ordinary shares and 216,666 warrants to subscribe for new Serabi ordinary shares at an exercise price of 15p per new Serabi ordinary share on or before 23 January 2014.

Assuming that the nominees proposed by the Board are elected as directors of the Company at the Meeting, the Board will be comprised of eight directors, of whom four will be independent (Messrs. Harvey (non-executive Chairman), Jones, Kingsman and Williams) and four will not be independent directors (Messrs. Hodgson, Line, Bañados, and Rosselot).

The Board is responsible for the stewardship of the Company through consultation with management of the Company. Any responsibility that is not delegated to management or to the committees of the Board remains with the Board, subject to the rights of the Shareholders. The frequency of Board meetings, as well as the nature of agenda items, varies depending on the state of the Company's affairs and in light of opportunities or risks which the Company faces. Members of the Board are in frequent contact with one another and meetings of the Board are held as deemed necessary.

#### Director Attendance

During 2012, the Board held seven Board meetings. Attendance by each of the Directors at these meetings is as set out in the table below.

<i>Director</i>	<i>Board Meetings (Attended/Held)</i>	<i>Audit Committee Meetings (Attended/Held)</i>	<i>Remuneration Committee Meetings (Attended/Held)</i>
T Sean Harvey	5/7	4/4	3/3
Michael Hodgson	7/7	4/4*	2/3*
Clive Line	7/7	4/4*	n/a
Mel Williams	6/7	4/4	3/3
Doug Jones	6/7	4/4	3/3
Christopher Kingsman	7/7	n/a	n/a
Eduardo Rosselot <sup>(1)</sup>	2/2	n/a	n/a
Nicolas Bañados <sup>(2)</sup>	n/a	n/a	n/a

Notes:

- (1) Mr. Rosellot was appointed on 2 October 2012. The number of meetings held relates to that number held since the date of his appointments.
  - (2) Mr. Bañados was appointed on 13 May 2013 and therefore did not attend any meetings during 2012.
- \* by invitation

### **Meetings of the Independent Directors**

The Board of the Company may meet without management when any Board meetings are held and at any other time if so requested by the Chairman. The Audit Committee and the Remuneration Committee are both comprised solely of independent directors and the Remuneration Committee will as a matter of course meet without management during the course of the year. Other non-executive directors are generally invited to attend meetings of the Remuneration and Audit Committees to permit joint consideration of matters without the presence of management and whilst subject matter will generally be confined to the areas of Audit, Controls and Remuneration the Chairman invites participation on other topics at these meetings. Accordingly forums do occur every three to four months that comprise meetings of the non-executive directors.

Certain of the directors are also directors of other reporting issuers as set forth below:

<i>Director</i>	<i>Other Reporting Issuer(s)</i>
T Sean Harvey	Perseus Mining Limited Victoria Gold Corp. Sarama Resources Limited Azimuth Resources Limited
Melvyn Williams	Western Troy Capital Resources Inc.
Doug Jones	Chalice Gold Mines Limited Minera IRL Limited

### ***Board Mandate***

The Board has adopted a written mandate that acknowledges its responsibility for the stewardship of the business and affairs of the Company. The Board shall review and assess the adequacy of the Board mandate at least annually or otherwise, as it deems appropriate, and make any necessary changes. A copy of this mandate is attached to this Circular as Schedule "A".

### ***Position Descriptions***

The Board has established position descriptions for the Chairman of the Board, the Chair of each committee of the Board and the Chief Executive Officer of the Company. The Board will review these descriptions as appropriate and in particular to reflect any changing circumstances of the Company.

The Board delegates authority for the preparation of position descriptions to the Remuneration Committee who, in setting the terms of reference, will consider the current plans and circumstances of the Company, the norms that are established in the industry for those positions and the specific strengths and weaknesses of the individual.

### ***Orientation and Continuing Education***

The Board is responsible for: (a) ensuring that all new directors receive a comprehensive orientation, that they fully understand the role of the Board and its committees, as well as the contribution individual directors are expected to make (including the commitment of time and resources that the Company expects from its directors) and that they understand the nature and operation of the Company's business; and (b) providing continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure that their knowledge and understanding of the Company's business remains current. Given the size of the Company and the in-depth experience of its directors, the Company has not deemed it necessary to develop a formal process of orientation for new directors but encourages all its Directors to visit the Company's operations to ensure familiarity and proper understanding.

The directors conduct a discussion of the business of the Company at its meetings to ensure that new directors are provided with an overview of the Company's operations. From time to time, corporate officers and legal, financial and other experts are invited to attend Board meetings to describe matters in their areas of expertise. The Board ensures that any new Board member receives a written memorandum (the "**Memorandum**") prepared by the Company's lawyers setting out their responsibilities as a director and ensures that each director is conversant with the regulations relating to any stock exchange on which the Company's shares are traded.

Directors are entitled to attend seminars that they determine necessary to keep themselves up-to-date with current issues relevant to their services as directors of the Company.

### ***Ethical Business Conduct***

All new directors are provided with a copy of the Memorandum setting out their responsibilities and duties, including matters relating to behaviour and business ethics. The Board relies on its executive directors to oversee the implementation of ethical business practices on a day-to-day basis and considers that given the size of the Company and the relatively small number of employees, that the executive directors are well placed to ensure that all staff act in a professional and ethical manner.

The Memorandum provides guidance to all directors in the event of a conflict of interest. In accordance with AIM rules, the Company's nominated adviser is required to provide a formal opinion on any transactions where a director or related party has an interest. Directors are required to disclose their interests to other Board members and are not permitted to participate or vote on any matter in which a director has an interest. A copy of the Memorandum may be obtained by request marked for the attention of the Company Secretary at 30-32 Ludgate Hill, London EC4M 7DR, England.

In fulfilling its mandate and approving various decisions put forth by management, the Board ensures that the measures management take comply with Canadian securities regulations and other applicable legislation. Members of the Board are also keenly aware of their fiduciary role with the Company as well as their individual statutory and fiduciary duties in their role as directors. In exercising their powers and discharging their duties, the Board is required to act honestly and in good faith with a view to the best interests of the Company, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

### ***Nomination of Directors***

The Company does not currently have a nomination committee. The Board as a whole is responsible for identifying and recommending candidates for the Board of the Company. The Board reviews and makes determination with respect to: (i) the size and composition of the Board; (ii) the organization and responsibilities of the appropriate committees of the Board; (iii) the evaluation process for the Board and committees of the Board and the Chairpersons of the Board and such committees; and (iv) creating a desirable balance of expertise and qualifications among Board members. In the nomination process, the Board assesses its current composition and requirements going forward in light of the stage of the Company and the skills required to ensure proper oversight of the Company and its operations.

### **Remuneration Committee**

The Remuneration Committee comprises Messrs. Williams (Chair), Jones and Harvey. Each member is an independent director. The Remuneration Committee is responsible for determining the compensation of the management and executive, including that of the Chief Executive Officer. The Remuneration Committee determines the level of compensation the Chief Executive Officer is to receive on an annual basis and relies on the Company's economic performance and the responsibilities and risks involved in being an effective Chief Executive Officer of an exploration and development resource company. The Remuneration Committee considers the Chief Executive Officer's current compensation to adequately cover such responsibilities and risks.



### **Audit Committee**

Information regarding the Audit Committee is disclosed in the Company's annual information form for the year ended 31 December 2012, (the "AIF"). The AIF is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com). Upon request, the Company will provide a copy of the AIF free of charge to any security-holder of the Company.

### **Assessments**

The Board has determined that it shall itself be responsible for assessing the effectiveness and contributions of the Board as a whole, its committees (which currently comprise the Audit Committee and the Remuneration Committee) and individual directors. The size of the Board allows for open discussion. The Chairman has regular dialogue with the Chief Executive whereby the Board's role and effectiveness can be considered. The Finance Director also has regular dialogue with the Head of the Audit Committee whereby that Committee's effectiveness can be considered.

No formal assessments have been prepared however the Board will keep this matter under review and especially if either the size of the Board or the number of committees increases which in turn may require and more formalised assessment and evaluation process to be established to ensure continued effectiveness.

## EXECUTIVE COMPENSATION

During the most recently completed financial year ended 31 December 2012, the following individuals were the Named Executive Officers of the Company:

- Michael Hodgson was President and Chief Executive Officer;
- Clive Line was Chief Financial Officer; and
- Ulisses Melo was the General Manager Brazil.

Named Executive Officer means each of the following individuals: (a) a Chief Executive Officer; (b) a Chief Financial Officer; (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year whose compensation was, individually, more than \$150,000 for that financial year; and (d) each individual who would have been a Named Executive Officer under (c) but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of that financial year.

### Compensation Discussion and Analysis

The Remuneration Committee of the Board is responsible for ensuring that the Company has in place an appropriate plan for executive compensation and for making recommendations to the Board with respect to the compensation of the Company's executive officers. The Board ensures that total compensation paid to its NEOs is fair and reasonable and is consistent with the Company's compensation philosophy. The Remuneration Committee has expertise, in among other things, evaluating overall compensation policies, plans and practices, as well as setting compensation for executive officers; overseeing and administering equity compensation plans; and establishing employment, retention and severance arrangements for executive officers.

Compensation plays an important role in achieving short and long-term business objectives that ultimately drive business success. The Company's compensation philosophy is to foster entrepreneurship at all levels of the organization by making long-term equity-based incentives, through the granting of stock options, a significant component of executive compensation. This approach is based on the assumption that the performance of the Company's Share price over the long-term is an important indicator of long-term performance.

The Company's compensation philosophy and objectives are based on the following fundamental principles:

1. Compensation programs align with shareholder interests – the Company aligns the goals of executives with maximizing long-term shareholder value;
2. Performance sensitive – compensation for executive officers should be linked to operating and market performance of the Company and fluctuate with the performance; and
3. Offer market competitive compensation to attract and retain talent – the compensation program should provide market competitive pay in terms of value and structure in order to retain existing employees who are performing according to their objectives and to attract new individuals of the highest calibre.

The Company's principal goal is to create value for its shareholders. The Company's compensation philosophy is based on the objectives of linking the interests of the executive officers with both the short and long-term interests of the Company, of linking executive compensation to the performance of the Company and the individual and of compensating executive officers at a level and in manner that ensures the Company is capable of attracting, motivating and retaining individuals with exceptional executive skills. The executive compensation program is designed to encourage, compensate and reward employees on the basis of individual and corporate performance, both in the short and the long-term. Base salaries are aligned with and judged against corporations of a comparable size and stage of development within the mining industry, thereby enabling the Company to compete for and retain executives critical to the Company's long-term

success. Incentive compensation is directly tied to corporate performance. Share ownership opportunities are provided to align the interests of executive officers with the longer term interests of shareholders.

### **Elements of Executive Compensation**

The elements of compensation earned by the NEOs for the financial year ended 31 December 2012 consists of a base salary, along with annual discretionary incentive compensation in the form of a performance based bonus, and a longer term incentive in the form of stock options.

This reflects a package consisting of a mix of compensation elements designed to provide executives with an “at risk” component of total compensation that reflects their ability to influence business outcomes and performance, and fixed elements that provide security and enable the Company to attract and retain key employees.

The following table outlines how each element of compensation aligns with the Company’s compensation philosophy.

<i>Element of compensation</i>	<i>Payment method</i>	<i>Reward objective</i>
Base Salary	Cash	Reward of skills, capabilities, knowledge and experience, reflecting the level of responsibility, as well as the expected level of contribution.
Short-term incentive	Cash	Reflection individual performance and the contribution to Company’s overall performance within the fiscal period under review.
Long-term incentive	Stock options	Alignment of the interests of the executives and shareholders. Reward for contribution to the long-term performance of the Company and demonstrated potential for future contribution by being linked to fundamental measure of the generation of shareholder value.

### **Short-Term Compensation**

#### ***Base Salary***

The Remuneration Committee approves ranges for base salaries for senior management of the Company based on reviews of market data from peer companies in the global mineral exploration industry. The level of base salary for each employee within a specified range is determined by the level of past performance, as well as by the level of responsibility and the importance of the position to the Company. The Remuneration Committee undertakes its peer review using data gathered from publicly available information and compiles the peer group based on criteria such as market capitalisation, stage of development (currently companies already small scale production or at a similar stage of development to the Company), location of operations. The current peer group comprises Orosur Mining Inc, Herencia Resource plc, Mariana Resources Ltd, Minera IRL Limited, Brazilian Gold Corporation and Magellan Minerals Limited.

The Remuneration Committee has approved agreements with respect to the base salary to be paid to the CEO and the CFO. The Remuneration Committee’s recommendations for such base salaries are then submitted for approval by the Board.

#### ***Annual Bonus***

Employees, including executives, are eligible for an annual discretionary incentive award but this is dependent on the financial position of the Company. Corporate performance, as assessed by the Board, determines the aggregate amount of bonus to be paid by the Company to all eligible senior officers in respect of a fiscal year. The aggregate amount of bonus to be paid will vary with the degree to which targeted corporate performance was achieved for the period. The short-term incentive component is structured to reward not only increased value for Shareholders but also performance with respect to key operational factors and non-financial goals important to long-term success.

Individuals are, on an annual basis, set a range of areas in which their performance will be judged. As much as possible measurable criteria are established and each performance area is given a relative weighting. For 2013 performance targets have been set for the specific delivery of matters, *inter alia*, relating to the timing and cost control over the Palito Mine development, compliance with all aspects of regulatory control for the Company and its subsidiaries, development of growth opportunities for the Company and relative shareholder returns.

### ***Other Compensation***

The Company does not provide retirement benefits for its executive directors. Contributions paid are defined contributions to the relevant NEO's personal retirement scheme.

The Company has not placed a restriction on the purchase by its NEOs or other employees of financial instruments (including prepaid variable forward contracts, equity swaps, collars or units of exchange funds) that are designed to hedge or offset a decrease in the market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or employee. To the Company's knowledge, none of the NEOs have purchased any such financial instruments.

### **Long-Term Compensation**

The Company has no long-term incentive plans other than its incentive stock option plan ("Options"). Options are granted to encourage share ownership and entrepreneurship on the part of directors, senior management and other employees. Options are intended to help the Company attract and motivate an energetic, goal driven management team, and to build long-term employee loyalty and retention.

The Company believes that this long-term incentive vehicle aligns executives with Shareholders by driving growth in the share price and increasing long-term value of the Company. This is the high risk, high-return component of the executive total compensation program because stock options deliver value to an executive only if the share price is above the grant price.

Options are determined by the Board. In monitoring or adjusting the option allotments, the Board takes into account the level of options granted for similar levels of responsibility and considers each Participant based on reports received from management, its own observations on individual performance (where possible) and its assessment of individual contribution to Shareholder value, previous option grants and the objectives set for the Participants. The scale of options is generally commensurate to the appropriate level of base compensation for each level of responsibility.

In addition to determining the number of options to be granted pursuant to the methodology outlined above, the Board also makes the following determinations:

- the Participants who are eligible to participate in the Plan;
- the exercise price for each stock option granted, subject to the provision that the exercise price cannot be lower than the market price on the date of grant as determined in accordance with stock exchange policies;
- the date on which each option is granted;
- the vesting period, if any, for each stock option;
- the other material terms and conditions of each stock option grant; and
- any re-pricing or amendment to a stock option grant.

The Board makes these determinations subject to and in accordance with the provisions of the Company's incentive stock option plan. The Board reviews and approves grants of options throughout the year as deemed appropriate. See "*Securities Authorized for Issuance under Equity Compensation Plans – Stock Option Plans*".

## Compensation Risk Management

The Company believes that its executive compensation program does not create risk outside the Company's risk appetite. Some of the risk-management initiatives currently employed by the Company are as follows:

- Appointing a Remuneration Committee comprised of a majority of independent directors to oversee the executive compensation program;
- The use of deferred equity compensation to encourage a focus on long-term corporate performance vs. short-term results;
- Disclosure of executive compensation to stakeholders;
- Use of discretion in adjusting bonus payments up or down as the Remuneration Committee deems appropriate and recommends to the Board; and
- Ultimately complete board accountability.

## Summary Compensation Table

The following table discloses compensation paid to or awarded to the Named Executive Officers for the financial years ended 31 December 2012, 31 December 2011 and 31 December 2010. Securities legislation provides that the Named Executive Officers are determined on the basis of total compensation earned in the 2012 fiscal year. All amounts in the table below are in US dollars.

Name and Principal Position	Year	Salary (US\$)	Share based awards (US\$)	Option based awards (US\$) <sup>(3)</sup>	Non-equity incentive plan compensation		Pension value (US\$)	All other compen- sation (US\$)	Total compen- sation (US\$)
					Annual incentive plans (US\$)	Long- term incentive plans (US\$)			
Michael J Hodgson CEO	2012	211,266	–	42,086	107,460	–	–	10,819 <sup>(3)</sup>	371,631
	2011	211,484	31,921 <sup>(1)</sup>	71,944	–	–	–	9,926 <sup>(3)</sup>	325,275
	2010	143,035	–	31,355	–	–	–	8,151 <sup>(3)</sup>	182,541
Clive M Line CFO and Secretary	2012	205,764	–	40,837	–	–	–	105,092 <sup>(3)</sup>	351,693
	2011	208,277	31,921 <sup>(1)</sup>	71,944	–	–	–	4,086	316,228
	2010	132,151	–	31,355	–	–	–	2,774	166,280
Ulisses M Melo General Manager Brazil	2012	233,922	–	10,962	–	–	–	16,631	261,515
	2011	242,677	–	22,693	–	–	–	12,948	278,318
	2010	213,682	–	10,974	66,261	–	–	10,280	301,197

Notes:

- (1) The share awards were made in lieu of unpaid contractual obligations. The share awards were paid directly by the Company to private pension plans in favour of these individuals.
- (2) Amount is based on the grant date fair value of the award for a financial year using the Black-Scholes option pricing model with the following assumptions (i) expected volatility 50%, (ii) risk free interest rate 1.0%; expected life (in years) 3 to 5; and (iv) expected dividend yield – 0%. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimated, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.
- (3) The amount includes payments by the Company to a private pension plan of the individual.

## Incentive Plan Awards – Outstanding share-based awards and option-based awards

The following table sets forth, for each Named Executive Officer, all awards outstanding as at 31 December 2012 under option-based and share-based incentive plans of the Company.

Name	Number of Securities Underlying Unexercised Options <sup>(1)</sup>	Option Based Award			Share Based Award	
		Option Exercise Price	Option Expiration Date	Value of Unexercised in-the-money options (US\$) <sup>(2)</sup>	Number of Shares or Units of Shares that Have Not Vested (#)	Market or Payout Value of Share-Based Awards that have Not Vested (US\$)
MICHAEL HODGSON Chief Executive Officer and Director	500,000	£0.15	19 Dec. 2019	–	–	–
	600,000	£0.41	28 Jan. 2021	–	–	–
	250,000	C\$0.60	30 May 2014	–	–	–
	275,000	£0.10	20 May 2015	–	–	–
CLIVE LINE Chief Financial Officer and Director	500,000	£0.15	19 Dec. 2019	–	–	–
	600,000	£0.41	28 Jan. 2021	–	–	–
	250,000	C\$0.60	30 May 2014	–	–	–
	225,000	£0.10	20 May 2015	–	–	–
ULISSES MELO General Manager Brazil	175,000	£0.15	19 Dec. 2019	–	–	–
	150,000	£0.37	28 Jan. 2021	–	–	–
	100,000	C\$0.60	30 May 2014	–	–	–

Notes:

- (1) Each option entitles the holder to subscribe for one Ordinary share.
- (2) Based on the closing price of Ordinary Shares on AIM on 31 December 2012 of £0.06 per Ordinary Share and US\$ to £ exchange rate of 1.6189.

In each case, all options granted have vested to the individual except as set out in the table below.

Name	Number of Securities Underlying Unexercised Options <sup>(1)</sup>	Option Based Award	
		Option Exercise Price	Option Expiration Date
MICHAEL HODGSON Chief Executive Officer and Director	83,333	C\$0.60	30 May 2014
	183,333	£0.10	20 May 2015
CLIVE LINE Chief Financial Officer and Director	83,333	C\$0.60	30 May 2014
	150,000	£0.10	20 May 2015
ULISSES MELO General Manager Brazil	33,333	C\$0.60	30 May 2014

Notes:

- (1) Each option entitles the holder to subscribe for one Ordinary share.

Should the individual leave the employment of the Company prior to that date it is at the discretion of the Board and dependent on the circumstances of the departure to permit the remaining options to vest as if the individual had not left the employment of the Company. Further, should any individual leave the employment of the Company it is at the discretion of the Board to permit the individual to retain any options that have already vested and the Board may as its discretion require that the period for the exercise of the options be reduced as they deem appropriate.

## Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth, for each Named Executive Officer, the value of all incentive plan awards issued during the financial year ended 31 December 2011.

<i>Name</i>	<i>Option-Based Awards – Value Vested During the Year (US\$)</i>	<i>Share-Based Awards – Value Vested During the Year (US\$)</i>	<i>Non-Equity Incentive Plan Compensation – Value Earned During the Year (US\$)</i>
MICHAEL HODGSON <i>Chief Executive Officer and Director</i>	42,086	–	–
CLIVE LINE <i>Chief Financial Officer and Director</i>	40,837	–	–
ULISSES MELO <i>General Manager Brazil</i>	10,962	–	–

## TERMINATION AND CHANGE OF CONTROL BENEFITS

### Michael J Hodgson

The Company may terminate the employment contract with Mr. Hodgson by giving him no less than twelve months' notice in writing. During the notice period time he shall be entitled to continue to receive his annual base salary, accrue entitlements to bonuses and receive other fringe benefits. However during all or part of his notice period the Company may require Mr. Hodgson not to attend his normal place of work and/or not to perform normal duties. Mr. Hodgson's service contract with the Company contains no special provisions and grants no additional entitlements, beyond those set out above, or in the event of a change of control. If Mr. Hodgson's employment with the Company was terminated for any such reason as at 31 December 2012, Mr. Hodgson would have received approximately US\$227,000 in total compensation (excluding benefits and any accrued holiday entitlements).

### Clive M Line

The Company may terminate the employment contract with Mr. Line by giving him no less than twelve months' notice in writing. During the notice period time he shall be entitled to continue to receive his annual base salary, accrue entitlements to bonuses and receive other fringe benefits. However during all or part of his notice period the Company may require Mr. Line not to attend his normal place of work and/or not to perform normal duties. Mr. Line's service contract with the Company contains no special provisions and grants no additional entitlements, beyond those set out above, or in the event of a change of control. If Mr. Line's employment with the Company was terminated for any such reason as at 31 December 2012, Mr. Line would have received approximately US\$215,000 in total compensation (excluding benefits and any accrued holiday entitlements).

### Ulisses M Melo

The Company may terminate the employment contract with Mr. Melo by giving him no less than one months' notice in writing. During the notice period time he shall be entitled to continue to receive his annual base salary, accrue entitlements to bonuses and receive other fringe benefits. However during all or part of his notice period the Company may require Mr. Melo not to attend his normal place of work and/or not to perform normal duties. Mr. Melo's service contract with the Company contains no special provisions and grants no additional entitlements, beyond those set out above, or in the event of a change of control. If Mr. Melo's employment with the Company was terminated for any such reason as at 31 December 2012, Mr. Melo would have received approximately US\$70,180 in total compensation (excluding benefits and any accrued holiday entitlements).

## DIRECTOR COMPENSATION

The director compensation programme is designed to enable the Company to attract and retain highly qualified individuals to serve as directors. Directors' compensation, which is paid only to non-employee directors, consisted of (expressed in Canadian dollars):

- An annual retainer of C\$25,000 (C\$35,000 for the Chairman),
- An annual retainer for the Audit Committee chairman of C\$7,500 and additional annual retainer for other committee chairman of C\$5,000, and
- An annual fee of C\$5,000 to members (other than the Chairman) of the Audit Committee and an annual fee of C\$3,000 to members (other than the Chairman) of the Remuneration Committee.

### Directors' compensation table

The following table provides a summary of all amounts of compensation provided to the directors of the Corporation during the fiscal year ended 31 December 2012.

#### DIRECTOR COMPENSATION TABLE FOR FISCAL YEAR 2012

<i>Name</i>	<i>Fee Earned (US\$)</i>	<i>Option based awards (US\$)<sup>(1)</sup></i>	<i>Non equity incentive plan compensation (US\$)</i>	<i>All other compensation (US\$)</i>	<i>Total (US\$)</i>
T Sean Harvey	43,123	8,235	–	–	51,358
Melvyn Williams	35,693	8,235	–	–	43,928
Dr. Doug Jones	31,401	8,235	–	–	39,636
Christopher Kingsman	–	–	–	–	–
Eduardo Rosselot <sup>(2)</sup>	8,058	–	–	–	8,058

Notes:

(1) Amount is based on the grant date fair value of the award for a financial year using the Black-Scholes option pricing model with the following assumptions (i) expected volatility 50%, (ii) risk free interest rate 1.0%; expected life (in years) 3; and (iv) expected dividend yield – 0%. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimated, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

(2) Mr. Rosselot was appointed to the board on 2 October 2012.

### Directors' outstanding option based awards

The table below reflects all option based awards for each serving director of the Company as at 31 December 2012.

#### DIRECTOR OPTION-BASED AWARDS OUTSTANDING AS AT 31 DECEMBER 2012

<i>Name of Director</i>	<i>Number of Securities Underlying Unexercised Options<sup>(1)</sup></i>	<i>Option Exercise Price</i>	<i>Option Expiration Date</i>	<i>Value of Unexercised in- the-money options (US\$)<sup>(2)</sup></i>
T Sean Harvey	200,000	C\$0.60	20 May 2014	–
Melvyn Williams	200,000	C\$0.60	20 May 2014	–
Dr. Doug Jones	200,000	C\$0.60	20 May 2014	–
Christopher Kingsman	–	–	–	–
Eduardo Rosselot	–	–	–	–

Notes:

(1) Each option entitles the holder to subscribe for one Ordinary share.

(2) Based on the closing price of Ordinary Shares on AIM on 31 December 2012 of £0.06 per Ordinary Share and US\$ to £ exchange rate of 1.6189.



## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

### Equity Compensation Plan Information

The following table sets out information as at 31 December 2012 with respect to option plans operated by the Company up to that date. The Company's 2011 Option Plan (as hereinafter defined) adopted on 28 January 2011, is the only compensation plan under which equity securities of the Company are currently authorized for issuance to employees or non-employees such as directors and consultants.

<i>Plan Category</i>	<i>Number of Securities to be issued upon the exercise of outstanding options, warrants and rights (a)</i>	<i>Weighted-average exercise price of outstanding options, warrants and rights (b)</i>	<i>Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</i>
Equity compensation plans approved by security holders <sup>(1)</sup>	25,000	£2.64	Nil
Equity compensation plans not approved by security holders <sup>(2)</sup>			
Pre IPO Options Awards	553,285	£2.25	Nil
2009 Options Awards	1,700,000	£0.15	Nil
2011 Option Awards	2,235,000	£0.33	3,591,852
2011 Option Awards	1,600,000	C\$0.60	–
<b>Total</b>	<b><u>6,113,285</u></b>	<b><u>£0.47<sup>(3)</sup></u></b>	<b><u>3,591,852</u></b>

Notes:

- (1) Issued under the 2005 Option Plan (as hereinafter defined).
- (2) Issued under the 2011 Option Plan (as hereinafter defined), the 2009 Option Awards (as hereinafter defined) and the Pre IPO Option Awards (as hereinafter defined).
- (3) Based on a £:C\$ exchange rate of 1.6111 as of 31 December 2012.

On 26 January 2013, the Company issued 14,750,000 options (representing 3.76 per cent. of the Ordinary Shares in issue at the date of this Circular) under the 2011 Option Plan (as hereinafter defined).

As of the date of this Circular a total of 20,863,285 options are in issue representing 5.78 per cent. of the Ordinary Shares in issue.

### Stock Option Plans

#### *The 2011 Option Plan*

On 28 January 2011, the Company adopted the Serabi Mining 2011 Share Option Plan (the “**2011 Option Plan**”) that reserves for issuance, pursuant to its terms, up to 10 per cent. of the number of Ordinary Shares issued or issuable and outstanding from time to time. Under the terms of the 2011 Option Plan all the options issued under the 2009 Option Awards are aggregated with all options issued under the 2011 Option Plan for the purpose of computing the 10 per cent. limit on the options that may be issued pursuant to the 2011 Option Plan.

The purpose of the 2011 Option Plan is to attract, retain and motivate directors, officers, employees and other service providers by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and to benefit from its growth. Pursuant to the terms of the 2011 Option Plan, options may be granted based upon recommendations of the Board or a committee appointed thereby to

administer the 2011 Option Plan. Options may not be transferred or charged (and any purported transfer or charge will cause the option to lapse forthwith) except, and subject also to applicable securities laws and the policies of any stock exchange upon which the Ordinary Shares may be listed or may trade from time to time: (i) on death where the personal representatives of an option holder shall be entitled to exercise the options to the extent that they had vested at the date of death prior to the first anniversary of the death of the holder, or (ii) where, subject to the approval of the Board which shall not be unreasonably withheld, such assignment is to their spouse or their children or to a trust or settlement set up for the benefit of the holder or their spouse or children. Options may be granted for a term not exceeding ten years. No person may be granted Options that under or pursuant to the 2011 Option Plan shall exceed 4 per cent. of the Ordinary Shares in issue at the date of grant. The Ordinary Shares to be purchased upon exercise of each option must be paid for in full by the grantee at the time of exercise and the 2011 Option Plan makes no provision for the Company to provide any financial assistance to the grantee to facilitate such exercise Unless otherwise directed by the Board at the date of the grant, each award shall vest as to one third on the date of grant, one third on the first anniversary of grant and the balance vesting on the second anniversary of the date of grant. The Board shall also be entitled to establish performance criteria, which may affect the vesting of the options or the rights of the holder to exercise the options.

Options may be granted under the 2011 Option Plan only to directors, officers, employees and consultants of the Company or to their permitted assigns, subject to the rules and regulations of applicable regulatory authorities and any stock exchange upon which the Ordinary Shares may be listed or may trade from time to time.

Options whether vested or not, will otherwise lapse on the tenth anniversary of the date of grant, or if the option holder is a bad leaver (as determined by the Board) on the date that the option holder becomes a bad leaver. If an option holder who is not a bad leaver is no longer a director, officer, employee and other service provider prior to the vesting of any option, such option shall also lapse save that, at the sole discretion of the Board, the Board may determine that such options have not lapsed and shall vest and be exercised within such period as the Board may determine. Any option that has already vested as of the date that an option holder who is not a bad leaver ceases to be a director, officer, employee and other service provider shall remain exercisable within the terms of the agreement, for a period of 120 days (or such longer period as the Board at its discretion may determine) from the date that the option holder ceases to be a director, officer, employee and other service provider.

The exercise price of options issued is to be determined by the Board but shall not be lower than the volume weighted average market price in the five day period preceding the date of grant. Upon exercise in accordance with the terms thereof, each option entitles the holder thereof to acquire one Ordinary Share. No option may be exercised unless the Company has sufficient authorized but unissued share capital and the directors have the relevant authority to allot shares free of any pre-emption rights.

Subject to the approval of any regulatory authority, if required, the Board may terminate, suspend or discontinue the 2011 Option Plan at any time and may make the following amendments or revisions to the terms of the 2011 Option Plan or an option without the approval of the Company's Shareholders:

- (a) amendments of a "housekeeping" nature;
- (b) a change to the vesting provisions of an option or the 2011 Option Plan;
- (c) a change to the termination provisions of an option or the 2011 Option Plan that does not entail an extension beyond the dates on which an option shall lapse;
- (d) the addition of, and any subsequent amendment to, a conditional exercise;
- (e) a modification of the requirements as to eligibility for participation in the 2011 Option Plan;
- (f) the addition of, and any subsequent amendment to, a financial assistance provision; and
- (g) amendments to the terms and conditions of the 2011 Option Plan necessary to ensure that the 2011 Option Plan complies with the applicable laws and regulatory requirements, including the rules of the exchange(s) on which the Ordinary Shares are listed and the rules of any applicable taxation authority, in place from time to time.

No option that has already been granted shall be amended in a manner that might be prejudicial to the option holder without the express written approval of the option holder.

The Board must seek the approval by the Company's Shareholders at a meeting duly held in accordance with applicable corporate laws before making any increase in the maximum percentage of options which may be granted under the 2011 Option Plan, or effecting any amendments that may lead to a significant or unreasonable dilution in the issued Shares or may provide additional benefits to participants, especially insiders of the Company, at the expense of the Company and/or its Shareholders.

### ***2009 Share Option Awards***

In December 2009, the Company issued options to directors and employees of the Company to acquire up to 1,900,000 Ordinary Shares representing 2.97 per cent. of the Ordinary Shares in issue at the date of this Circular exercisable at 15 pence per Ordinary Share (the "**2009 Option Awards**"). Such awards were made under individual share option agreements. All of the agreements were identical with respect to the terms and conditions of the awards.

Options may not be transferred or charged (and any purported transfer or charge will cause the option to lapse forthwith) except, and subject also to applicable securities laws and the policies of any stock exchange upon which the Ordinary Shares may be listed or may trade from time to time, (i) on death where the personal representatives of an option holder shall be entitled to exercise the options to the extent that they had vested at the date of death prior to the first anniversary of the death of the holder; or (ii) to any person nominated by him on written notification of the same to the Company Secretary. Options were granted for a term not exceeding 10 years. The Ordinary Shares to be purchased upon exercise of each option must be paid for in full by the grantee at the time of exercise. Each award shall vest as to one third on the date of grant, one third on the first anniversary of grant and the balance vesting on the second anniversary of the date of grant.

Options whether vested or not, will otherwise lapse on the tenth anniversary of the date of grant, or if the option holder is a bad leaver (as determined by the Board) on the date that the option holder becomes a bad leaver. If an option holder who is not a bad leaver is no longer a director, officer, employee and other service provider prior to the vesting of any option, such option shall also lapse save that, at the sole discretion of the Board, the Board may determine that such options have not lapsed and shall vest and be exercised within such period as the Board may determine. Any option that has already vested as of the date that an option holder who is not a bad leaver ceases to be a director, officer, employee and other service provider shall remain exercisable within the terms of the agreement.

### ***Pre IPO Option Awards***

Prior to the Company's shares being admitted to trading in AIM in May 2005, the Company had granted options to various directors and employees at that time (the "**pre IPO Option Awards**"). As of the date of this Circular, a total of 278,360 options exercisable at a price of £1.50 on or before 1 April 2016 and a total of 274,925 options exercisable at a price of £3.00 on or before 1 April 2016 remain outstanding under these arrangements representing 0.86 per cent. of the Ordinary Shares in issue at the date of this Circular. These awards were made under individual share option agreements and all of the agreements were identical with respect to the terms and conditions of the awards.

All of the options have vested to the holders none of whom are current employees or directors of the Company and may now be exercised at any time up to their expiry.

### ***2005 Serabi Share Option Plan***

In February 2006, the Board adopted a share option plan (the "**2005 Option Plan**") and made certain awards to employees and directors. As of the date of this Circular, 7,500 options exercisable at a price of £3.84 on or before 17 January 2017 and 25,000 options exercisable at a price of £26.40 on or before 14 November 2017 remain outstanding under these arrangements representing 0.05 per cent. of the Ordinary Shares in issue at the date of this Circular.

All of the options have vested to the holders none of whom are current employees or directors of the Company and may now be exercised at any time up to their expiry.

The Company has determined that certain terms of the 2005 Option Plan were no longer appropriate and would not assist in attracting, retaining and motivating future option holders. The Company has terminated the 2005 Option Plan and no further awards will be made under the 2005 Option Plan.

## **DIRECTORS' AND OFFICERS LIABILITY INSURANCE**

The Company has directors' and officers' liability insurance for directors and officers of the Corporation and its subsidiaries. The annual premium for the current policy which runs from 15 May 2012 to 14 May 2013 is £11,200. The annual insurance coverage under the policy is limited to £5,000,000 per policy year. There is a US\$25,000 deductible provision for all claims made by the Company relating to matters arising in the United States. The Company has a further Prospectus and Offering of Securities insurance policy for which the premium was C\$25,000. The policy is for a term of six years commencing 23 March 2011. There is no deductible provision for any claims made by the Company and the coverage is up to C\$10,000,000 in any one claim and in aggregate over the policy life.

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

The Board is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities of the Company or otherwise, of any director or executive officer, or anyone who held office as such since the beginning of the Company's last financial year, each proposed nominee for election as a director of the Company, or of any associate or affiliate of any of the foregoing persons, in any matter to be acted upon at the Meeting, other than the election of directors, the appointment of auditors and the amendments to the Articles.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

To the knowledge of the Company, no director, officer or insider of the Company, or any associate or affiliate of any of these persons, has any material interest, direct or indirect, in any transaction or in any proposed transaction since 1 January 2010 that has materially affected or would materially affect the Company or any of its subsidiaries.

## **ADDITIONAL INFORMATION**

Financial information about the Company is provided in its financial statements for the year ended 31 December 2012 and related management's discussion and analysis. You may also obtain a copy of the Company's annual report for fiscal 2012, containing the Company's financial statements and management's discussion and analysis for fiscal 2012, as well as a copy of the Company's most recent financial statements and its AIF, by contacting the Company Secretary (Mr. Clive Line) or through e-mail to [contact@serabigold.com](mailto:contact@serabigold.com).

All of these above mentioned documents as well as additional information relating to the Company are all available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

## **BOARD APPROVAL**

The contents and the distribution of this Circular have been approved by the Board.

Dated at London, England on the 14th day of May, 2013

### **BY ORDER OF THE BOARD**

(Signed) "*T Sean Harvey*"

T Sean Harvey  
Chairman of the Board

# SCHEDULE “A”

## SERABI GOLD PLC

### MANDATE OF THE BOARD

#### Introduction

The term “**Company**” herein shall refer to Serabi Gold plc and the term “**Board**” shall refer to the board of directors of the Company. The Board is elected by the Shareholders and is responsible for the stewardship of the business and affairs of the Company. The Board seeks to discharge such responsibility by reviewing, discussing and approving the Company’s strategic planning and organizational structure and supervising management to ensure that the foregoing enhance and preserve the underlying value of the Company.

Although directors may be elected by the Shareholders to bring special expertise or a point of view to Board deliberations, they are not chosen to represent a particular constituency. The best interests of the Company as a whole must be paramount at all times.

#### Chairman and Composition and Quorum

1. The Board will be comprised of a minimum of one member and a maximum of ten members, the majority of which shall be, in the determination of the Board, “independent” for the purposes of National Instrument 58-101 Disclosure of Corporate Governance Practices. Each Board member shall satisfy the independence and experience requirements, if any, imposed by applicable securities laws, rules or guidelines, any applicable stock exchange requirements or guidelines and any other applicable regulatory rules.
2. The chairman of the Board will be elected by vote of a majority of the full Board membership, on the recommendation of the Corporate Governance and Nominating Committee. The chairman of the Board with the assistance of the lead director (who shall be an independent director), if any, will chair Board meetings and shall be responsible for overseeing the performance by the Board of its duties, for setting the agenda of each Board meeting (in consultation with the Chief Executive Officer (the “CEO”)), for communicating periodically with committee chairs regarding the activities of their respective committees, for assessing the effectiveness of the Board as a whole as well as individual Board members and for ensuring the Board works as a cohesive team and providing the leadership essential to achieve this.

#### Meetings

3. Meetings will be scheduled to facilitate the Board carrying out its responsibilities. Additional meetings will be held as deemed necessary by the Chairman of the Board. The independent directors of the Board shall hold regularly scheduled meetings at which non-independent directors and management are not in attendance. Any director of the Company may request the Chairman of the Board to call a meeting of the Board.
4. Meetings of the Board shall be validly constituted if a majority of the members of the Board is present in person or by telephone conference. A resolution in writing signed by all the members of the Board entitled to vote on that resolution at a meeting of the Board is as valid as if it had been passed at a meeting of the Board.

#### Board Charter and Performance

5. The Board shall have a written charter that sets out its mandate and responsibilities and the Board shall review and assess the adequacy of such charter and the effectiveness of the Board at least annually or otherwise, as it deems appropriate, and make any necessary changes. Unless and until replaced or amended, this mandate constitutes that charter. The Board will ensure that this mandate or a summary that has been approved by the Board is disclosed in accordance with all applicable

securities laws or regulatory requirements in the Company's annual management information circular or such other annual filing as may be permitted or required by applicable securities regulatory authorities.

### **Duties of Directors**

6. The Board discharges its responsibility for overseeing the management of the Company's business by delegating to the Company's senior officers the responsibility for day-to-day management of the Company. The Board discharges its responsibilities both directly and through its committees. In addition to these regular committees, the Board may appoint *ad hoc* committees periodically to address certain issues of a more short-term nature. In addition to the Board's primary roles of overseeing corporate performance and providing quality, depth and continuity of management to meet the Company's strategic objectives, principal duties include the following:

#### ***Appointment of Management***

- (a) The Board has the responsibility for approving the appointment of the CEO and all other senior management, and approving their compensation, following a review of the recommendations of the Compensation Committee. To the extent feasible, the Board shall satisfy itself as to the integrity of the CEO and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the Company.
- (b) The Board from time to time delegates to senior management the authority to enter into certain types of transactions, including financial transactions, subject to specified limits. Investments and other expenditures above the specified limits and material transactions outside the ordinary course of business are reviewed by and subject to the prior approval of the Board.
- (c) The Board oversees that succession planning programs are in place, including programs to appoint, train, develop and monitor management.

#### ***Board Organization***

- (d) The Board will respond to recommendations received from the Corporate Governance and Nominating Committee and the Compensation Committee, but retains the responsibility for managing its own affairs by giving its approval for its composition and size, the selection of the Chair of the Board, candidates nominated for election to the Board, committee and committee chair appointments, committee charters and director compensation.
- (e) The Board may delegate to Board committees matters it is responsible for, including the approval of compensation of the Board and management, the conduct of performance evaluations and oversight of internal controls systems and health, safety and environmental policies, but the Board retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities.

#### ***Strategic Planning***

- (f) The Board has oversight responsibility to participate directly, and through its committees, in reviewing, questioning and approving the mission of the business and its objectives and goals.
- (g) The Board is responsible for adopting a strategic planning process and approving and reviewing, on at least an annual basis, the business, financial and strategic plans by which it is proposed that the Company may reach those goals, and such strategic plans will take into account, among other things, the opportunities and risk of the business.
- (h) The Board has the responsibility to provide input to management on emerging trends and issues and on strategic plans, objectives and goals that management develops.

### ***Monitoring of Financial Performance and Other Financial Reporting Matters***

- (i) The Board is responsible for enhancing congruence between shareholder expectations, corporate plans and management performance.
- (j) The Board is responsible for:
  - (i) adopting processes for monitoring the Company's progress toward its strategic and operational goals, and to revise and alter its direction to management in light of changing circumstances affecting the Company; and
  - (ii) taking action when Company performance falls short of its goals or other special circumstances warrant.
- (k) The Board is responsible for approving the audited financial statements, interim financial statements and the notes and Management's Discussion and Analysis accompanying such financial statements.
- (l) The Board is responsible for reviewing and approving the Company's annual budget, if any, presented by management.
- (m) The Board is responsible for reviewing and approving material transactions outside the ordinary course of business and those matters which the Board is required to approve under the Company's governing statute, including the payment of dividends, issuance, purchase and redemptions of securities, acquisitions and dispositions of material capital assets and material capital expenditures.

### ***Environmental Matters***

- (n) The Board is responsible for overseeing, with the assistance of relevant board committees, if any, the establishment of health, safety and environmental policies for its operations that are consistent with accepted industry practice and comply with applicable laws and regulatory requirements.

### ***Risk Management***

- (o) The Board has responsibility for the identification of the principal risks of the Company's business and ensuring the implementation of appropriate systems to effectively monitor and manage such risks with a view to the long-term viability of the Company and achieving a proper balance between the risks incurred and the potential return to the Company's shareholders.
- (p) The Board is responsible for the Company's internal control and management information systems.

### ***Policies and Procedures***

- (q) The Board is responsible for:
  - (i) developing the Company's approach to corporate governance, including developing a set of corporate governance principles and guidelines for the Company and approving and monitoring compliance with all significant policies and procedures related to corporate governance; and
  - (ii) approving policies and procedures designed to ensure that the Company operates at all times within applicable laws and regulations and to the highest ethical and moral standards and, in particular, adopting a written code of business conduct and ethics which is applicable to directors, officers and employees of the Company and which constitutes written standards that are reasonably designed to promote integrity and to deter wrongdoing.

- (r) The Board enforces its policy respecting confidential treatment of the Company's proprietary information and Board deliberations.

#### ***Communications and Reporting***

- (s) The Board is responsible for approving and revising from time to time as circumstances warrant a disclosure policy to address communications with shareholders, employees, financial analysts, the media and such other outside parties as may be appropriate.
- (t) The Board is responsible for:
  - (i) overseeing the accurate reporting of the financial performance of the Company to shareholders, other security holders and regulators on a timely and regular basis;
  - (ii) overseeing that the financial results are reported fairly and in accordance with generally accepted accounting standards and related legal disclosure requirements;
  - (iii) taking steps to enhance the timely disclosure of any other developments that have a significant and material impact on the Company;
  - (iv) reporting annually to shareholders on its stewardship for the preceding year; and
  - (v) overseeing the Company's implementation of systems which accommodate feedback from stakeholders.

#### ***Position Descriptions***

- (u) The Board is responsible for:
  - (i) developing position descriptions for the Chairman of the Board, the lead director, if applicable, the chair of each Board committee and, together with the CEO, the CEO (which will include delineating management's responsibilities);
  - (ii) developing and approving the corporate goals and objectives that the CEO is responsible for meeting; and
  - (iii) developing a description of the expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials.

#### ***Orientation and Continuing Education***

- (v) The Board is responsible for:
  - (i) ensuring that all new directors receive a comprehensive orientation, that they fully understand the role of the Board and its committees, as well as the contribution individual directors are expected to make (including the commitment of time and resources that the Company expects from its directors) and that they understand the nature and operation of the Company's business; and
  - (ii) providing continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure that their knowledge and understanding of the Company's business remains current.

#### ***Nomination of Directors***

- (w) In connection with the nomination or appointment of individuals as directors, the Board is responsible for:
  - (i) considering what competencies and skills the Board, as a whole, should possess;
  - (ii) assessing what competencies and skills each existing director possesses; and



- (iii) considering the appropriate size of the Board, with a view to facilitating effective decision making.

In carrying out each of these responsibilities, the Board will consider the advice and input of with the assistance of the relevant board committee, if any.

- (x) Director nominees shall be selected by a majority of the independent directors.

***Board Evaluation***

- (y) The Board is responsible for ensuring that the Board, its committees and each individual director are regularly assessed regarding his, her or its effectiveness and contribution. An assessment will consider, in the case of the Board or a Board committee, its mandate or charter and in the case of an individual director, any applicable position description, as well as the competencies and skills each individual director is expected to bring to the Board.

**Authority to engage outside advisors**

7. The Board has the authority to engage independent counsel and other outside advisors as it determines necessary to carry out its duties including, but not limited to, identifying and reviewing candidates to serve as directors or officers, and to set and pay the compensation for any such advisors employed by the Board.
8. The Company shall provide appropriate funding, as determined by the Board, for payment (a) of compensation to any advisors engaged by the Board, and (b) of ordinary administrative expenses of the Board that are necessary or appropriate in carrying out its duties.

