

# **SARGOLD RESOURCE CORPORATION**

**Suite 400, 837 West Hastings Street  
Vancouver, British Columbia V6C 3N6**

## **INFORMATION CIRCULAR**

INFORMATION PROVIDED AS AT MAY 18, 2007 (*unless otherwise stated*) FOR THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON **JUNE 22, 2007** (the "MEETING").

### **PERSONS MAKING THE SOLICITATION**

**This Information Circular is furnished in connection with the solicitation of proxies being made by the management of Sargold Resource Corporation (the "Corporation") for use at the Annual and Special Meeting of the Company's shareholders (the "Meeting") to be held on Monday, June 22, 2007 at the time and place and for the purposes set forth in the accompanying Notice of Meeting.** While it is expected that the solicitation will be made primarily by mail, proxies may be solicited personally or by telephone by directors, officers and employees of the Company.

All costs of this solicitation will be borne by the Corporation.

### **APPOINTMENT OF PROXIES**

The individuals named in the accompanying form of proxy (the "Proxy") are directors or officers of the Corporation. **A SHAREHOLDER WISHING TO APPOINT SOME OTHER PERSON (WHO NEED NOT BE A SHAREHOLDER) TO ATTEND AND ACT FOR THE SHAREHOLDER AND ON THE SHAREHOLDER'S BEHALF AT THE MEETING HAS THE RIGHT TO DO SO, EITHER BY INSERTING SUCH PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE PROXY AND STRIKING OUT THE TWO PRINTED NAMES, OR BY COMPLETING ANOTHER PROXY.** A Proxy will not be valid unless it is completed, dated and signed and delivered to Computershare Trust Company of Canada, Proxy Department, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting, or is delivered to the chair of the Meeting prior to the commencement of the Meeting.

### **NON-REGISTERED HOLDERS**

**Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most shareholders of the Corporation are "non-registered" shareholders because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares.** More particularly, a person is not a registered shareholder in respect of shares which are held on behalf of the person (the "Non-Registered Holder") but which are registered either: (a) in the name of an intermediary (an "Intermediary") that the Non-Registered Holder deals with in respect of the shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited ("CDS")) of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Corporation has distributed copies of the Notice of Meeting, this Information Circular and the Proxy (collectively, the "Meeting Materials") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies

to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

- (a) be given a Proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. Because the Intermediary has already signed the Proxy, the Proxy is not required to be signed by the Non-Registered Holder. In this case, the Non-registered Holder who wishes to submit a Proxy should otherwise properly complete the Proxy and **deliver it to Computershare Trust Company of Canada** as provided above; or
- (b) more typically, be given a voting instruction form **which is not signed by the Intermediary**, and which, when properly completed and signed by the Non-Registered Holder and **returned to the Intermediary or its service company**, will constitute voting instructions (often called a “proxy authorization form”) which the Intermediary must follow. Typically, the proxy authorization form will consist of a one page preprinted form. Sometimes, instead of the one page pre-printed form, the proxy authorization form will consist of a regular printed Proxy accompanied by a page of instructions, which contains a removable label containing a bar code and other information. In order for the Proxy to validly constitute a proxy authorization form, the Non-Registered Holder must remove the label from the instructions and affix it to the Proxy, properly complete and sign the Proxy and return it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the shares that they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to vote at the Meeting in person, the Non-Registered Holder should strike out the names of the management proxyholders and insert the Non-Registered Holder’s name in the blank space provided. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the Proxy or proxy authorization form is to be delivered.**

### **REVOCATION OF PROXIES**

A shareholder who has given a Proxy may revoke it 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 a duly authorized officer or attorney of the corporation, and delivered either to the registered office of the Corporation, at Suite 2100, 1075 W. Georgia Street, Vancouver, BC, V6E 3G2, at any time up to and including the last business day preceding the day of the Meeting or any adjournment of it, or to the chair of the Meeting on the day of the Meeting or any adjournment of it. **Only registered shareholders have the right to revoke a Proxy. Non-Registered Holders who wish to change their vote must, at least seven days before the Meeting, arrange for their respective Intermediaries to revoke the Proxy on their behalf.** A revocation of a Proxy does not affect any matter on which a vote has been taken prior to the revocation.

### **EXERCISE OF DISCRETION**

If the instructions in a Proxy are certain, the shares represented thereby will be voted on any poll by the persons named in the Proxy, and, where a choice with respect to any matter to be acted upon has been specified in the Proxy, the shares represented thereby will, on a poll, be voted or withheld from voting in accordance with the specifications so made.

**Where no choice has been specified by the shareholder, such shares will, on a poll, be voted in accordance with the notes to the Proxy.**

The enclosed Proxy, when properly completed and delivered and not revoked, confers discretionary authority upon the persons appointed proxyholders thereunder to vote with respect to any amendments or variations of matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting.

At the time of the printing of this Information Circular, management of the Corporation knows of no such amendment, variation or other matter which may be presented to the Meeting.

### RECORD DATE AND NOTICE

The directors of the Corporation have set May 18, 2007 as the record date for determining which shareholders shall be entitled to receive notice of and to vote at the Meeting.

### VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As at May 18, 2007, there were a total of 63,439,772 common shares (the "common shares") outstanding. Each common share entitles the shareholder(s) thereof to one vote for each common share shown as registered in the shareholders' name on the record date. Only shareholders of record holding common shares at the close of business who either personally attend the meeting or who have completed and delivered a form of proxy in the manner and subject to the provisions described above shall be entitled to vote or to have their shares voted at the Meeting.

The directors and senior officers of the Corporation are not aware of any party(ies) owning, directly or indirectly, or exercising control or direction over, shares carrying more than 10% of the voting rights attached to the issued and outstanding shares of the Corporation.

### ELECTION OF DIRECTORS

There are currently six directors of the Corporation. The present term of office of each of these six directors will expire immediately prior to the election of directors at the Meeting. It is proposed that the six persons named below be nominated for election as directors of the Corporation. Management of the Corporation does not contemplate that any of the nominees will be unable to serve as directors. Each director will hold office until the next annual meeting of the Corporation or until his successor is appointed or elected, unless his office is earlier vacated in accordance with the By-Laws of the Corporation or with the provisions of the *Canada Business Corporations Act*.

In the following table and notes thereto is stated the name of each person proposed to be nominated by management for election as a director, the country in which he is ordinarily resident, all offices of the Corporation now held by him, his principal occupation, the period of time for which he has been a director of the Corporation and the number of common shares beneficially owned by him, directly or indirectly, or over which he exercises control or direction, as at the date hereof.

Name, and Country of Residence	Position with Company and Principal Occupation During the Past Five Years <sup>(1)</sup>	Date Became a Director	Number of common shares beneficially owned or over which control or direction is exercised <sup>(2)</sup>
Donald B. Clark Canada	VP Administration and Director of the Corporation and VP Administration and Director of Augusta Resource Corporation, President and CEO and Director of Wildcat Silver Corporation and Ventana Gold Corp., mineral exploration and development companies.	May 1998	726,700

Name, and Country of Residence	Position with Company and Principal Occupation During the Past Five Years <sup>(1)</sup>	Date Became a Director	Number of common shares beneficially owned or over which control or direction is exercised <sup>(2)</sup>
<b>Gil Clausen</b> USA	<b>Director</b> of the Company; President, CEO and Director of Augusta Resource Corporation since March 2005; Executive VP of Washington Group International, Inc., providers of integrated engineering, construction, and management solutions, between 2001 to March 2005.	July 26, 2005	300,000
<b>Christopher M.H. Jennings</b> <sup>(3)</sup> Cayman Islands, BWI	<b>Director</b> of the Company; Chairman of SouthernEra Diamonds Inc., a company engaged in diamond exploration in Canada, South Africa, Gabon, Australia and the Democratic Republic of Congo, Director of Southern Platinum Corp., a mineral exploration and development company, between September 2004 – June 2005; President and CEO of SouthernEra Resources Limited, a mineral exploration and development company, between April 1992 to April 2001.	March 2003	433,333
<b>Michael A. Steeves</b> <sup>(3)</sup> Canada	<b>Director</b> of the Corporation; Currently a consultant to the base metal industry. VP Investor Relations of Glamis Gold Ltd., a mining company, between June 2002 and August 2005. Director of Investor Relations of Coeur d'Alene Mines Corporation, a mining company, between October 1999 to June 2002.	June 23, 2005	270,000
<b>Robert P. Wares</b> <sup>(3)</sup> Canada	<b>Director</b> of the Company; Chairman, Executive VP and Chief Operating Officer of Osisko Exploration Ltd. ("Osisko") since early 2006. He was President of Osisko from September 1998 to early 2006. Osisko is a Canadian junior exploration company holding interests in several properties located in Quebec, Canada and Brazil, South America.	May 1998	Nil
<b>Richard W. Warke</b> Canada	<b>Chairman, President, CEO and Director</b> of the Company, VP Corporate Development, and Director of Augusta Resource Corporation, a mineral exploration and development company.	May 1998	4,711,790 <sup>(4)</sup>

<sup>(1)</sup> The information as to country of residence and principal occupation, not being within the knowledge of the Corporation has been furnished by the respective directors, individually.

<sup>(2)</sup> The information as to common shares beneficially owned or over which a director exercises control or direction, not being within the knowledge of the Corporation, has been furnished by the respective directors individually and does not include any stock options held by them. For stock options held by Directors that are not the Named Executive Officers (as defined below) please refer to the section entitled Compensation to Directors.

<sup>(3)</sup> Denotes member of Audit Committee.

<sup>(4)</sup> 1,380,666 common shares are held indirectly through Augusta Capital Corporation a company 100% beneficially owned by Richard Warke, and 3,166,666 common shares (of which 1,971,859 common shares are subject to escrow provisions) are held indirectly through 21<sup>st</sup> Century Energy Corp., a company 100% beneficially owned by Richard Warke.

The Corporation does not currently have an executive committee.

## CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES

No director, or proposed management nominee for election as a director of the Corporation is, or has been within the 10 years before the date of this Management Proxy Circular, a director or executive officer of any other company that, while that person was acting in that capacity,

- (a) was the subject of a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except as follows:

Richard W. Warke, the Chairman, President and CEO of the Corporation, is the President and Director of Cybercom Systems Inc. ("Cybercom") and Donald B. Clark, VP Administration of the Corporation, is a Director of Cybercom. Cybercom was issued a cease trade order on October 23, 2002 due to failure to file comparative annual financial statements and quarterly report for the period ended January 31, 2002. Cybercom's failure to filing the financial statements resulted from its inability to pay filing fees associating with such filing due to a lack of funding. Cybercom is currently inactive and remains under cease trade order.

### **Personal Bankruptcies**

Other than as described below, no director of the Corporation, or proposed management nominee for election as a director of the Corporation, or a personal holding company of any such persons has, within the 10 years before the date of this Management Proxy Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual except as follows:

Richard Warke, Chairman of the Corporation, filed a proposal (the "Proposal") with the Official Receiver under the *Bankruptcy and Insolvency Act* on September 15, 1998. Despite filing the Proposal, by letter dated August 7, 2002 the TSX Venture Exchange confirmed that Mr. Warke is acceptable to act as a director of the Corporation.

### **STATEMENT OF EXECUTIVE COMPENSATION**

The following table sets forth all annual and long-term compensation awarded, paid to or earned for services in all capacities to the Corporation for the fiscal year ended December 31, 2006 for the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Corporation, regardless of the amount of compensation paid to those individuals, and each of the Corporation's three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the most recent fiscal year, provided that disclosure is not required for an executive officer whose total salary and bonus does not exceed \$150,000 (the "Named Executive Officer(s)"). During the Corporation's fiscal year ended December 31, 2006, the Corporation had four Named Executive Officers, Richard W. Warke, Chairman, President and CEO, Donald B. Clark, VP Administration and Chief Financial Officer (until August 31, 2006), Bruce Nicol, Chief Financial Officer (since September 2006) and Mike Clarke, VP Exploration of the Corporation.

## Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options/SARS Granted (#)	Shares or Units Subject to Restrictions (\$)	LTIP Payouts (\$)	
Richard W. Warke Chairman, President, CEO and Director	2006	100,000	Nil	Nil	300,000/Nil	N/A	N/A	Nil
	2005	150,000	Nil	Nil	1,250,000/Nil	N/A	N/A	Nil
	2004	150,000	Nil	Nil	Nil/Nil	N/A	N/A	Nil
Donald B. Clark VP Administration, CFO (to Aug. 31/07) and Director	2006	42,500	Nil	Nil	300,000/Nil	N/A	N/A	Nil
	2005	100,000	Nil	Nil	600,000/Nil	N/A	N/A	Nil
	2004	100,000	Nil	Nil	Nil/Nil	N/A	N/A	Nil
Bruce Nicol CFO (since Sept. 1/06)	2006	20,300	Nil	Nil	300,000/Nil	N/A	N/A	Nil
	2005	N/A	Nil	Nil	N/A	N/A	N/A	N/A
	2004	N/A	Nil	Nil	N/A	N/A	N/A	N/A
George Paspalas Chairman of subsidiary <sup>(1)</sup>	2006	149,000	Nil	Nil	1,250,000/Nil	N/A	N/A	N/A
	2005	N/A	Nil	Nil	N/A	N/A	N/A	N/A
	2004	N/A	Nil	Nil	N/A	N/A	N/A	N/A
Mike Clarke VP Exploration	2006	42,300	Nil	Nil	300,000/Nil	N/A	N/A	Nil
	2005	N/A	Nil	Nil	125,000/Nil	N/A	N/A	Nil
	2004	N/A	Nil	Nil	N/A	N/A	N/A	N/A

- (1) Mr. Paspalas was appointed in June 2006, as Chairman of Sardinia Gold Mining S.p.A a 90% owned subsidiary of the Corporation. (He was also President, Chief Operating Officer and Director of the Corporation between January 31, 2007 and May 11, 2007).

## Long Term Incentive Plan Awards

Long term incentive plan awards ("LTIP") means "any plan providing compensation intended to serve as an incentive for performance to occur over a period longer than one financial year whether performance is measured by reference to financial performance of the Corporation or an affiliate, or the price of the Corporation's shares but does not include option or stock appreciation rights plans or plans for compensation through restricted shares or units". The Corporation has not granted any LTIP's to the Named Executive Officers during the past fiscal year.

## Options and Stock Appreciation Rights

During the year ending December 31, 2006, the following stock options were granted to the Named Executive Officers:

Name and Position	Securities Under Options Granted (#)	Percent of Total Options Granted to Employees in Financial Year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options on the Date of the Grant (\$/Security) <sup>(2)</sup>	Expiration Date
Richard W. Warke	300,000 <sup>(1)</sup>	10.8%	\$0.21	\$0.25	August 22, 2011
George Paspalas	750,000 <sup>(1)</sup> 500,000 <sup>(3)</sup>	27.0% 18.0%	\$0.17 \$0.13	\$0.21 \$0.17	December 22, 2011 June 1, 2011
Bruce Nicol	300,000 <sup>(4)</sup>	10.8%	\$0.21	\$0.25	August 22, 2011
Donald B. Clark	300,000 <sup>(1)</sup>	10.8%	\$0.21	\$0.25	August 22, 2011
Mike Clarke	75,000 <sup>(1)</sup>	2.7%	\$0.21	\$0.25	August 22, 2011

- (1) Vesting provisions apply – one-third of the options granted are exercisable on the first anniversary and each subsequent anniversary of the date of grant.  
(2) Based on the closing price of the Corporation's common shares on the day previous to the date of grant.  
(3) Vesting provisions apply – one-quarter vest immediately, one-quarter at 12 months after date of grant, one-quarter at 18 months after date of grant and one-quarter at 24 months after date of grant.  
(4) Vesting provisions apply – one-half at 12 months from date of grant and one-half at 24 months from date of grant.

Stock appreciation rights ("SAR's") means a right, granted by a Corporation or any of its subsidiaries as compensation for services rendered or in connection with office or employment, to receive a payment of cash or an issue or transfer of securities based wholly or in part on changes in the trading price of the Corporation's shares. No SAR's were granted to or exercised by the Named Executive Officers during the past fiscal year.

### **Aggregated Options/SARS Exercises During the Most Recently Completed Financial Year and Financial Year-End Option/SAR Values**

The following table sets forth securities acquired on exercise and the number and value of the options held at December 31, 2006 by the Named Executive Officers.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at Fiscal Year End		Value of Unexercised In-the-Money <sup>(1)</sup> Options at December 31, 2006	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
Richard W. Warke	0	0	1,490,666	300,000	\$99,533	\$0
George Paspalas	0	0	125,000	1,125,000	\$8,750	\$48,750
Bruce Nicol	0	0	0	300,000	\$0	\$0
Donald B. Clark	0	0	1,143,333	300,000	\$49,166	\$0
Mike Clarke	0	0	93,750	106,250	\$0	\$0

(1) In the money options are those where the market value of the underlying securities at the fiscal year-end exceeds the exercise price of the option. The aggregate dollar value of the in-the-money unexercised stock options is based on the closing price of the Corporation's shares on December 29, 2006 of \$0.20 per share and represents the difference between such closing price and the exercise price as if the stock options had been exercised on December 29, 2006.

No incentive stock options were exercised by the Named Executive Officers during the past fiscal year.

### **Options and SARS Repricing**

During the fiscal year ending December 31, 2006, the Corporation did not reprice downward stock options or SARS held by the Named Executive Officers or by any of the Directors, Officers and employees of the Corporation.

### **Pension Plans**

The Corporation does not provide retirement benefits for its directors or executive officers.

### **Termination of Employment, Change in Responsibilities and Employment Contracts**

The Corporation had no plans or arrangements in respect of remuneration received or that may be received by its executive officers in the financial year ended December 31, 2006, or in the current financial year, in view of compensating such officers in the event of termination of their employment (resignation, retirement, change of control) with the Corporation or in the event of a change in their responsibilities following a change in control of the Corporation where, in respect of each executive officer, the value of such compensation exceeds Cdn\$100,000. The Corporation has entered into employment agreements for an indefinite term with each Named Executive Officer. Each contract provides for a base salary (as may be adjusted annually by such amount as the Board determines upon recommendation by the Compensation Committee), grant of stock options, vacation time and various standard benefits including life disability, medical and dental insurance. Each contract further provides for reimbursement of reasonable expenses.

The following describes the employment contracts in place between the Corporation and each of the Named Executive Officers and provides the arrangements in place with respect to remuneration payable to the Named Executive Officer or directors and officers of the Corporation in the event of termination of employment (as a result of resignation, retirement, change of control, etc.) or a change in responsibilities following a change of control, where the value of such compensation exceeds \$100,000 per officer or director. Capitalized terms not otherwise defined herein shall have the

meanings ascribed in the respective employment agreements.

*Richard W. Warke, Chairman, President and CEO*

Employment agreement effective June 1, 2006 for an annual base salary of \$100,000, automobile expenses, club membership fees and the standard employment benefits identified above. If Mr. Warke is terminated by the Corporation without Cause or by Mr. Warke for Good Reason, the Corporation shall pay Mr. Warke, at the date of such termination, in a lump sum, a cash amount equal to two (2) times his Base Salary and target bonus in effect immediately preceding such termination and all non-vested share options granted to him shall immediately and fully vest effective on the date of his termination and be exercisable for 90 days thereafter. Also, in the event that Mr. Warke should resign for Good Reason or the Corporation should terminate his employment without cause within six months after a Change of Control, the Corporation shall compensate Mr. Warke with a lump sum cash amount equal to three (3) times his Base Salary and all non-vested stock options granted to him shall immediately and fully vest on the effective date of such termination and be exercisable for 90 days thereafter.

*Mr. Donald B. Clark, CFO (until August 1, 2006) and VP Administration*

Employment agreement effective June 1, 2006 for an annual base salary of \$100,000. If Mr. Clark is terminated by the Corporation without Cause or by Mr. Clark for Good Reason, the Corporation shall pay Mr. Clark at the date of such termination, in a lump sum, a cash amount equal to two (2) times his Base Salary in effect immediately preceding such termination and all non-vested share options granted to him shall immediately and fully vest effective on the date of his termination and be exercisable for 90 days thereafter. Also, in the event that Mr. Clark should resign for Good Reason or the Corporation should terminate his employment without cause within six months after a Change of Control, the Corporation shall compensate Mr. Clark with a lump sum cash amount equal to two (2) times his Base Salary in effect immediately preceding such termination and all non-vested stock options granted to him shall immediately and fully vest on the effective date of such termination and be exercisable for 90 days thereafter.

*Bruce Nicol, Senior VP and CFO (since September 1, 2006)*

Employment agreement effective June 1, 2006 for an annual base salary of \$200,000 between Sargold Resource Corporation, Augusta Resource Corporation, Wildcat Silver Corporation and Ventana Gold Corp. (the "Companies"). Under terms of this agreement, if Mr. Nicol's employment is terminated during the first year of employment by all Companies without cause or by Mr. Nicol for good reason, the Companies shall pay Mr. Nicol at the time of such termination in a lump sum a cash amount equal to one (1) times his annual salary in effect immediately preceding such termination, if terminated during the first year, or two (2) times his annual salary if terminated after the first year, and all non-vested share options granted to him shall immediately and fully vest effective on the termination date and be exercisable for ninety (90) days thereafter. Neither Company shall be entitled to terminate Mr. Nicol's employment without cause independently of the other Company, except that a Company which has been the subject of a Change of Control shall have the option to do so within six (6) months of such Change of Control. Also, in the event that Mr. Nicol should resign for Good Reason or the Companies should jointly terminate his employment without cause within six months after a Change of Control, the Companies shall compensate Mr. Nicol with a lump sum cash amount equal to three (3) times his base salary in effect immediately preceding such termination and all non-vested stock options granted to him shall immediately and fully vest on the effective date of such termination and be exercisable for 90 days thereafter.

*Mike Clarke, VP Exploration*

Employment agreement effective April 27, 2005 for an annual base salary of US\$135,000 between Sargold Resource Corporation and Augusta Resource Corporation (the "Companies"). Under the terms of this agreement, if after the first year of employment Mr. Clarke's employment is terminated by both Companies without Cause or by Mr. Clarke for Good Reason the Companies shall pay Mr. Clarke at the termination date in a lump sum a cash amount equal to one half (1/2) times his annual salary in effect immediately preceding such termination and all non-vested share options to him shall immediately and fully vest effective on the termination date and be exercisable for ninety (90) days thereafter. If Mr. Clarke's employment should be terminated without cause within six months after a Change of Control, the Companies shall compensate Mr. Clarke with a lump sum cash amount equal to his annual salary and all non-vested stock options granted to him shall immediately and fully vest on the effective date of such termination and be exercisable for 90 days thereafter.



## Compensation of Directors

During the fiscal year ended December 31, 2006, the Corporation paid and accrued \$42,500 to Donald B. Clark as an employee and Chief Financial Officer (until August 31, 2006) of the Corporation and \$100,000 to Richard Warke as an employee and CEO and President of the Corporation. No compensation was paid by the Corporation to directors for their services as directors during the fiscal year ended December 31, 2006, nor are there any arrangements for any such compensation to be paid.

The Corporation has no pension plan and no standard or other arrangement for compensation to the directors of the Corporation except the granting of stock options. The following table sets forth particulars of stock options held by the Corporation's directors that are not the Named Executive Officers during the fiscal year ended December 31, 2006:

Name of Directors	Number of Options Granted	Exercise Price	Expiry Date
Gil Clausen	50,000	\$0.21	August 22, 2011
	100,000	\$0.13	September 26, 2010
Chris Jennings	50,000	\$0.21	August 22, 2011
	100,000	\$0.13	September 26, 2010
	50,000	\$0.45	September 1, 2008
Michael A. Steeves	50,000	\$0.21	August 22, 2011
	100,000	\$0.13	September 26, 2010
Robert P. Wares	50,000	\$0.21	August 22, 2011
	100,000	\$0.13	September 26, 2010
	50,000	\$0.45	September 1, 2008
	56,666	\$0.15	March 5, 2008

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

During the Corporation's past fiscal year, no director, executive officer or senior officer of the Corporation, proposed management nominee for election as a director of the Corporation or associate or affiliate of any such director, executive or senior officer or proposed nominee is or has been indebted to the Corporation or any of its subsidiaries or is or has been indebted to another entity where such indebtedness is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries, other than routine indebtedness.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth above or elsewhere in this Information Circular and other than transactions carried out in the ordinary course of business of the Corporation or any of its subsidiaries, no informed person or proposed director of the Corporation and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which in either of such cases has materially affected or would materially affect the Corporation or any of its subsidiaries.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICE

The British Columbia Securities Commission has issued guidelines on corporate governance disclosure for venture issuers as set out in Form 58-101F2 and requires full and complete annual disclosure of listed companies systems of corporate governance with reference to each of such guidelines (the "Guidelines"). Where a company's corporate governance system differs from the Guidelines, each difference and the reason for the difference is required to be disclosed. The Corporation's approach to corporate governance is set out in the attached Schedule "A".

## **APPOINTMENT OF AUDITORS**

Unless such authority is withheld, the persons named in the accompanying proxy intend to vote for the appointment of Ernst & Young LLP, Chartered Accountants, as auditors of the Corporation and to authorize the directors to fix their remuneration. Ernst & Young LLP were first appointed auditors of the Corporation on January 20, 2006.

## **MANAGEMENT CONTRACTS**

A private British Columbia company, in which the Chairman has a 25% interest, received the sum of \$17,500 in consideration for providing administrative services to the Corporation for the fiscal year ended December 31, 2006.

## **AUDIT COMMITTEE**

Multilateral Instrument 52-110 of the Canadian Securities Administrators (“**MI 52-110**”) requires the Corporation, as a venture issuer, to disclose annually in its Information Circular certain information concerning the constitution of its audit committee and its relationship with its independent auditors, as set forth in the following.

The Corporation’s audit committee is governed by an audit committee charter, the text of which is attached as Schedule “B” to this Circular.

The Corporation’s audit committee is comprised of three directors, Michael Steeves, Robert Wares and Chris Jennings. All are independent and financially literate as defined in Multilateral Instrument 52-110 (“MI 52-110”).

The education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as a member of the Audit Committee are as follows:

Mr. Steeves, the Chairman of the Audit Committee, is a Chartered Financial Analyst, earned at the University of Virginia, and also earned a MSC from the University of Manitoba. He has had a long career in the mining industry as Senior Mining Analyst for Loewen Ondaatje McCutcheon and Scotia McLeod for six years and latterly as VP / Director Investor Relations for various mining/resource companies for fifteen years, including Glamis Gold Ltd. from 2002 to 2005.

Mr. Wares earned a BSC at McGill University and a P. Geo from the Quebec Order of Geologists. He has been Chairman and Executive VP and Chief Operating Officer of Osisko Exploration Ltd. (“Osisko”) since early 2006 prior to which he was President of Osisko since September 1998. Osisko is listed on the TSX Venture Exchange.

Dr. Jennings earned a PhD from Natal University, Durban, Natal, South Africa. He was President, CEO and director, and later Chairman and director of SouthernEra Resources Ltd., a mineral exploration and development company, for more than ten years. Their shares were publicly traded on the Toronto Stock Exchange. He has been the President, Chairman and director of several mining companies in the exploration and development stage. While retired, he continues as Chairman of SouthernEra Diamonds Inc.

Since the commencement of the Corporation’s most recently completed financial year, the Corporation’s Board of Directors has not failed to adopt a recommendation of the audit committee to nominate or compensate an external auditor.

Since the effective date of MI 52-110, the Corporation has not relied on the exemptions contained in sections

2.4 or 8 of MI 52-110. Section 2.4 provides an exemption from the requirement that the audit committee must pre-approve all non-audit services to be provided by the external auditors, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the external auditors in the fiscal year in which the non-audit services were provided. Section 8 permits a Corporation to apply to a securities regulatory authority for an exemption from the requirements of MI 52-110, in whole or in part.

The audit committee must pre-approve any engagement of the external auditors for any non-audit services to the Corporation in accordance with applicable law and policies and procedures to be approved by the Board. The engagement of non-audit services will be considered by the Corporation's Board of Directors, and where applicable the audit committee, on a case-by-case basis.

In the following table, "audit fees" are fees billed by the Corporation's external auditors for services provided in auditing the Corporation's annual financial statements for the subject year. "Audit-related fees" are fees not included in audit fees that are billed by the auditors for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements. "Tax fees" are fees billed by the auditors for professional services rendered for tax compliance, tax advice and tax planning. "All other fees" are fees billed by the auditors for products and services not included in the foregoing categories.

The fees paid by the Corporation to its auditors in each of the last two fiscal years, by category, are as follows:

Financial Year Ending	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
December 31, 2006	\$114,100	Nil	\$36,300	Nil
December 31, 2005	\$140,000	Nil	\$12,000	Nil

The Corporation is relying on the exemption provided by section 6.1 of MI 52-110 which provides that the Corporation, as a Venture Issuer, is not required to comply with Part 5 (Reporting Obligations) of MI 52-110.

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

No person who has been a director or executive officer of the Corporation at any time since the beginning of the last financial year, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any of the foregoing, has any material interest directly or indirectly, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting except with respect to grants of stock options pursuant to the Corporation's stock option plan.

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

##### **Stock Option Plan**

The policies of the TSX Venture Exchange ("Exchange") require that all listed companies adopt either a "rolling" stock option plan or a "fixed number" stock option plan and thereafter grant all stock options pursuant to the plan. On April 22, 2004, the Board adopted a Stock Option Plan (the "Plan") to reflect Exchange policies and general securities laws in other jurisdictions. The Plan was subsequently accepted for filing by the Exchange and approved by the shareholders of the Corporation at every annual meeting since 2004.

The Plan is a "rolling" stock option plan under which options, including any outstanding options, may be granted to a maximum of 10% of the issued capital of the Corporation at the time of the grant of the stock option. Under the policies of the Exchange, "rolling" stock option plans are required to be approved by the

shareholders at each annual general meeting. Accordingly the Corporation is seeking approval by the shareholders of the Plan at the Meeting pursuant to the policies of the Exchange.

#### *Purpose of the Plan*

The purpose of the Plan is to provide an incentive to the Corporation's directors, senior officers, employees and consultants to continue their involvement with the Corporation, to increase their efforts on the Corporation's behalf and to attract qualified new directors, senior officers and employees.

#### *General Description/Exchange Policies*

The following is a brief description of the principal terms of the Plan, which description is qualified in its entirety by the terms of the Plan:

1. The exercise price of the stock options, as determined by the Board or a committee appointed by the Board, in its sole discretion, shall not be less than the minimum price permitted by the policies of the Exchange. The current policies of the Exchange provide that the exercise price for stock options must not be less than the greater of \$0.10 and the last closing price of the Corporation's shares before the date of grant, less a maximum discount of 25% where the closing price was up to \$0.50, 20% where the closing price was \$0.51 to \$2.00 and 15% where the closing price was above \$2.00, subject to adjustment in the event of a recent share consolidation, split or announcement of material information.
2. Stock options under the Plan may be granted by the Board or a committee appointed by the Board to directors, officers, employees and consultants of the Corporation and its subsidiaries or employees of companies providing management or consulting services to the Corporation or its subsidiaries.
3. The aggregate number of Common shares that may be reserved for issuance for a stock option to any one individual in a 12 month period must not exceed 5% of the issued shares of the Corporation at the time of grant of the stock option unless the Corporation has obtained disinterested shareholder approval.
4. The number of stock options granted to a consultant in a 12 month period must not exceed 2% of the issued shares of the Corporation at the time of grant of the stock option.
5. The aggregate number of stock options granted to employees involved in investor relations activities must not exceed 2% of the issued shares of the Corporation in any 12 month period, at the time of grant of the stock option. Stock options issued to consultants performing investor relations activities must vest in stages over 12 months with no more than 1/4 of the options vesting in any three month period.
6. Stock options under the Plan will be granted for a term not to exceed 5 years from the date of their grant. Stock options may only be exercised until the earlier of the expiry date and a period of not more than 90 days after the optionee ceases to be a qualified optionee, except in the case of persons providing investor relations activities to the Corporation where it is limited to the earlier of the expiry date and a period of not more than 30 days after such optionee ceases to be a qualified optionee.
7. All stock options shall be non-assignable and non-transferable except as between an optionee and a wholly owned personal corporation, with the consent of the Exchange provided that they will be exercisable by an option holder's legal heirs, personal representatives or guardians for up to twelve months following the death of a stock option holder.
8. The decrease in the exercise price of stock options previously granted to insiders requires approval by

a “disinterested shareholder vote” prior to exercise of such repriced stock options.

The full text of the Plan will be available for review at the Meeting.

The shareholders of the Corporation will be asked to consider and, if thought appropriate, to approve and adopt an ordinary resolution in substantially the form set out below:

**RESOLVED THAT:**

1. The Corporation’s Stock Option Plan dated April 22, 2004 in the form presented to this Meeting be re-approved and be attached to the Minutes of the Meeting; and
2. Any officer of the Corporation be and is hereby authorized and directed, for and on behalf of the Corporation, to execute and deliver or file such documents and instruments and to do all such other acts and things as are required or as such officer, in such officer’s sole discretion, may deem necessary to give full effect to or carry out the provisions of the above resolutions.”

**The foregoing Resolution will require approval by a majority of votes cast on the matter at the Meeting. Unless otherwise instructed, the management nominees named in the form of Proxy accompanying this Management Proxy Circular will vote “FOR” the Resolution for the adoption of the Plan.**

**Quorum Requirements**

In order to be more in line with other public CBCA Corporations and to provide further flexibility to the holding of Shareholder Meetings, management of the Corporation feels that it is in the best interest of the Corporation to amend item 39 of the By-laws of the Corporation to reduce the quorum requirement for Shareholder Meetings from 10% to 5%. Accordingly, the shareholders of the Corporation will be asked to pass the following resolutions:

**RESOLVED THAT:**

1. Paragraph 39 of By-law No. 1 of the Corporation be deleted in its entirety and replaced by the following:

“39. Quorum: Subject to the Act, a quorum for the transaction of business at any meeting of shareholders shall be two (2) persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxyholder for an absent shareholder so entitled, and together holding or representing by proxy not less than five (5%) percent of the outstanding shares of the Corporation carrying voting rights at the meeting. If a quorum is present at the opening of any meeting of shareholders, the shareholders present or represented by proxy may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of any meeting of shareholders, the shareholders present or represented by proxy may adjourn the meeting to a fixed time and place but may not transact any other business.”

2. Any one Director or officer of the Corporation be and is hereby authorized and directed to execute and deliver to the Director, *Canada Business Corporations Act*, the necessary documents to give effect to this resolution in accordance with the *Canada Business Corporations Act*, including, without limitation, Articles of Amendment.

**Management of the Corporation recommends that shareholders vote in favour of the foregoing resolution, and the persons named in the enclosed form of proxy intend to vote for the approval of the foregoing resolution at the Meeting unless otherwise directed by the shareholders appointing them.**

#### **OTHER MATTERS**

Management of the Corporation knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting accompanying this Information Circular. However, if any other matters that are not known to management should properly come before the Meeting, it is the intention of the persons named in the Form of Proxy accompanying this Information Circular to vote upon such matters in accordance with their best judgement.

#### **GENERAL**

Unless otherwise directed, it is management's intention to vote proxies in favour of the resolutions set forth herein. All ordinary resolutions require, for the passing of the same, a simple majority of the votes cast at the Meeting by the holders of Common shares.

#### **ADDITIONAL INFORMATION**

Additional information concerning the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information concerning the Corporation is provided in the Corporation's comparative financial statements and Management Discussion and Analysis for the financial year ended December 31, 2006.

Shareholders wishing to obtain a copy of the Corporation's financial statements and Management's Discussion and Analysis may contact the Corporation as follows:

Sargold Resource Corporation                      Telephone: (604) 687-1717   Fax: (604) 687-1715  
Suite 400 – 837 West Hastings Street      Email: [info@sargold.com](mailto:info@sargold.com)  
Vancouver, British Columbia V6C 3N6

#### **APPROVAL OF THIS INFORMATION CIRCULAR**

The undersigned certifies that the Board has approved the contents of this Information Circular and the sending, communication and delivery thereof to the shareholders.

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

*“Richard W. Warke”*

RICHARD W. WARKE  
President and CEO

**SCHEDULE “A”**

**SARGOLD RESOURCE CORPORATION**

**STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

<b>Disclosure Requirement</b>	<b>Our Corporate Governance Practices</b>
<p>1. <b><u>Board of Directors</u></b>                      Disclose how the board of directors (the Board) facilitates its exercise of independent supervision over management, including</p> <p>(i) Disclose the identity of directors who are independent.</p> <p>(ii) Disclose the identity of directors who are not independent, and describe the basis for that determination.</p>	<p>The board facilitates its exercise of independent supervision over management by ensuring that a majority of the Corporation’s directors are independent.</p> <p>Robert P. Wares, Michael A. Steeves, Gil Clausen and Christopher M.H. Jennings are independent as that term is defined in section 1.4 of Multilateral Instrument 52-110 <i>Audit Committees</i>.</p> <p>Richard W. Warke, President and Donald B. Clark, Vice President Administration, form the Corporation’s management team and are not independent in their capacities as such.</p>
<p>2. <b><u>Directorships</u></b>                      If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.</p>	<p>The following directors are also directors or trustees of other reporting issuers as indicated beside their names:</p> <p><b>Richard W. Warke:</b> Augusta Resource Corporation;  <b>Donald B. Clark:</b> Augusta Resource Corporation, Wildcat Silver Corporation and Ventana Gold Corp.;  <b>Chris M.H. Jennings:</b> SouthernEra Diamonds Inc., Southern Platinum Corp., Tsodilo Resources Limited and Augusta Resource Corporation;  <b>Robert P. Wares:</b> Osisko Exploration Ltd., Augusta Resource Corporation and Wildcat Silver Corporation  <b>Michael A. Steeves:</b> Augusta Resource Corporation, Wildcat Silver Corporation and Ventana Gold Corp.;  <b>Gil Clausen:</b> Jaguar Mining Inc. and Augusta Resource Corporation</p>
<p>3. <b><u>Orientation and Continuing Education</u></b>                      Describe what steps, if any, the board takes to orient new board members and describe any measures the board takes to provide continuing education for directors.</p>	<p>New directors will be made aware of the nature and operation of the business of the Corporation through interviews with other board members and management during which they are briefed on the Corporation, its current business issues and the business environment and market in which it operates including an understanding of what is expected from the director on appointment in terms of his or her contribution. The Corporate Governance Committee keeps abreast of best corporate governance practices and makes recommendations to the Board on the need, where appropriate, for Board participation in continuing education programs.</p>
<p>4. <b><u>Ethical Business Conduct</u></b>                      Describe what steps, if any, the board takes to promote a culture of ethical business conduct.</p>	<p>Directors must disclose all interests and relationships of which the director is aware which may give rise to a conflict of interest. Directors are also required to disclose any actual potential personal interest in a matter on which the Board is making a decision and withdraw from the deliberations.</p>

Disclosure Requirement	Our Corporate Governance Practices
<p>5. <b><u>Nomination of Directors</u></b>            Disclose what steps, if any, are taken to identify new candidates for board nominations including:</p> <ul style="list-style-type: none"> <li>(i) who identifies new candidates; and</li> <li>(ii) the process of identifying new candidates.</li> </ul>	<p>The Corporation currently does not have a Corporate Governance Committee. Any member of the Board is entitled to propose new nominees to the Board.</p>
<p>6. <b><u>Compensation</u></b>            Disclose what steps, if any, are taken to determine compensation for the directors and CEO, including:</p> <ul style="list-style-type: none"> <li>(i) who determines compensation; and</li> <li>(ii) the process of determining compensation.</li> </ul>	<p>The Corporation currently does not have a Compensation Committee. Management currently proposes compensation to the Board for approval.</p>
<p>7. <b><u>Other Board Committees</u></b>            If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p>Other than the audit committee, there are no other Board committees.</p>
<p>8. <b><u>Assessments</u></b>            Disclose what steps, if any, that the board takes to satisfy itself that the board, its committees, and its individual directors are performing effectively.</p>	<p>The Board conducts an annual review of its effectiveness as well as the effectiveness and contribution of each individual director.</p>



## **SCHEDULE “B”**

### **Sargold Resource Corporation** (the “Corporation”)

### **Audit Committee Charter**

#### **1. OVERALL PURPOSE / OBJECTIVES**

The committee will provide independent review and oversight of the company’s financial reporting process, the system of internal control and management of financial risks, and the audit process, including the selection, recommendation, oversight and compensation of the company’s external auditors. The committee will also assist the Board in fulfilling its responsibilities in reviewing the company’s process for monitoring compliance with laws and regulations and its own code of business conduct. In performing its duties, the committee will maintain effective working relationships with the Board of directors, management, and the external auditors and monitor the independence of those auditors. The committee will also be responsible for reviewing the company’s financial strategies, its financing plans and its use of the equity and debt markets.

To perform his or her role effectively, each committee member will obtain an understanding of the responsibilities of committee membership as well as the company’s business, operations and risks.

#### **2. AUTHORITY**

The Board authorizes the committee, within the scope of its responsibilities, to seek any information it requires from any employee and from external parties, to retain outside legal or professional counsel and other experts and to ensure the attendance of company officers at meetings as appropriate.

#### **3. ORGANIZATION**

##### **3.1 Membership**

- (a) So long as the Corporation is a “Venture Issuer” (as defined in MI 52-110), the Committee shall be comprised of not less than three members of the Board a majority of whom are not officers or employees of the Corporation or any of its affiliates. In the event that the Corporation is no longer a Venture Issuer it must comply with the requirements of MI 52-110 as to the composition of the committee as provided for under Part 3 of MI 52-110.
- (b) Each member of the committee shall be appointed by the Board on annual basis and shall serve at the pleasure of the Board or until the earlier of (a) the close of the next annual meeting of the shareholders of the corporation at which the member’s term of office expires; (b) the death of the member; or (c) the resignation, disqualification or removal of the member from the committee or from the Board. The Board may fill the vacancy in the membership of the Committee.
- (c) All of the members of the committee shall be “financially literate” within the meaning used in MI 52-110 or a member who is not financially literate must become so within a reasonable period of time following his or her appointment.
- (d) The chairman of the audit committee will be nominated by the committee from time to time.
- (e) A quorum for any meeting will be two members.

- (f) The secretary of the committee will be such person as nominated by the Chairman.

### **3.2 Attendance at Meetings**

- (a) The committee may invite such other persons (e.g. the CEO and/or the CFO) to its meetings, as it deems appropriate.
- (b) The external auditors may be present at each audit committee meeting at the request of the Chairman, and be expected to comment on the financial statements in accordance with best practices. The external auditor is entitled to be present and participate at audit committee meetings whose subject is the year end financial statements.
- (c) Meetings shall be held not less than two times a year. Special meetings shall be convened as required. External auditors may convene a meeting if they consider that it is necessary.
- (d) The proceedings of all meetings will be minuted.

## **4. ROLES AND RESPONSIBILITIES**

The committee will:

- (a) Gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.
- (b) Gain an understanding of the current areas of greatest financial risk and whether management is managing these effectively.
- (c) Review the company's strategic and financing plans to assist the Board's understanding of the underlying financial risks and the financing alternatives.
- (d) Review management's plans to access the equity and debt markets and to provide the Board with advice and commentary.
- (e) Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- (f) Review any legal matters which could significantly impact the financial statements as reported on by the general counsel and meet with outside counsel whenever deemed appropriate.
- (g) Review the annual and quarterly financial statements including Management's Discussion and Analysis and determine whether they are complete and consistent with the information known to committee members; determine that the auditors are satisfied that the financial statements have been prepared in accordance with generally accepted accounting principles, and, if appropriate, recommend to the Board that the annual and quarterly financial statements be included in the company's securities filings.
- (h) Pay particular attention to complex and/or unusual transactions such as those involving derivative instruments and consider the adequacy of disclosure thereof.
- (i) Focus on judgmental areas, for example those involving valuation of assets and liabilities and other commitments and contingencies.

- (j)** Review audit issues related to the company's material associated and affiliated companies that may have a significant impact on the company's equity investment.
- (k)** Meet with management and the external auditors to review the annual financial statements and the results of the audit.
- (l)** Assess the fairness of the interim financial statements and disclosures, and obtain explanations from management on whether:
  - (i)** actual financial results for the interim period varied significantly from budgeted or projected results;
  - (ii)** generally accepted accounting principles have been consistently applied;
  - (iii)** there are any actual or proposed changes in accounting or financial reporting practices;
  - (iv)** there are any significant or unusual events or transactions which require disclosure and, if so, consider the adequacy of that disclosure.
- (m)** Review the external auditors' proposed audit scope and approach and ensure no unjustifiable restriction or limitations have been placed on the scope.
- (n)** Review the performance of the external auditors and approve in advance provision of services other than auditing.
- (o)** Consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the company. The committee will obtain from the external auditors, on an annual basis, a formal written statement delineating all relationships between the external auditors and the company.
- (p)** Select, evaluate, recommend, compensate and, if and when appropriate, replace the external auditors, subject to approval of shareholders if required by statute.
- (q)** Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately, including the results of the external auditors' review of the adequacy and effectiveness of the company's accounting and financial controls.
- (r)** Endeavour to cause the receipt and discussion on a timely basis of any significant findings and recommendations made by the external auditors.
- (s)** Obtain regular updates from management and the company's legal counsel regarding compliance matters, as well as certificates from the Chief Financial Officer as to required statutory payments and bank covenant compliance and from senior operating personnel as to permit compliance.
- (t)** Ensure that the Board is aware of matters which may significantly impact the financial condition or affairs of the business.
- (u)** Perform other functions as requested by the full Board.

- (v) If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist.
- (w) Review and update the charter; receive approval of changes from the Board.
- (x) Work with the Board to determine an appropriate annual budget for the committee and its required activities, including but not limited to the compensation of the external auditors and any outside counsel or other experts retained by the committee.
- (y) Create specific procedures for the receipt, retention and treatment of complaints regarding the company's accounting, internal accounting controls and auditing matters. These procedures will include, among other things, provisions for the confidential treatment of complaints and anonymity for employees desiring to make submissions.