



**ERDENE RESOURCE
DEVELOPMENT CORPORATION**

**Notice of Annual Meeting of Shareholders
and
Management Information Circular**

Meeting Date: Wednesday, June 27, 2012 at 5:30 p.m.

Purdy's Wharf Tower II
1969 Upper Water Street, Suite 1300
Halifax, Nova Scotia

May 23, 2012

ERDENE RESOURCE DEVELOPMENT CORPORATION
Metropolitan Place
99 Wyse Road, Suite 1480
Dartmouth NS B3A 4S5

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT:

The annual meeting ("**Meeting**") of the shareholders of Erdene Resource Development Corporation ("**Corporation**") will be held at Purdy's Wharf Tower II, 1969 Upper Water Street, Suite 1300, Halifax, Nova Scotia, on Wednesday, June 27, 2012 at 5:30 p.m. (Atlantic Time) for the following purposes:

- (a) to receive the financial statements of the Corporation for the year ended December 31, 2011, together with the report of the auditor thereon, copies of which were mailed to Shareholders;
- (b) to elect directors of the Corporation for the forthcoming year;
- (c) to appoint the auditor of the Corporation for the forthcoming year and to authorize the directors to fix the auditor's remuneration; and
- (d) to transact such further and other business as may properly come before the Meeting or any adjournment thereof.

Details of the matters proposed to be put before the Meeting are set forth in the management information circular ("**Circular**") accompanying and forming part of this notice of meeting ("**Notice of Meeting**").

Only Shareholders of record as of the close of business on May 23, 2012 are entitled to receive notice of the Meeting and, except as noted in the attached Circular, to vote at the Meeting.

To assure your representation at the Meeting as a **Registered Shareholder**, please complete, sign, date and return the enclosed proxy, whether or not you plan to personally attend. Sending your proxy will not prevent you from voting in person at the Meeting. All proxies completed by Registered Shareholders must be received by the Corporation's transfer agent, **Computershare Investor Services Inc.**, not later than **Monday, June 25, 2012 at 5:30 p.m.** (Atlantic Time). A Registered Shareholder must return the completed proxy to Computershare Investor Services Inc., as follows:

- (a) by **mail** in the enclosed envelope;
- (b) by the **Internet** or **telephone** as described on the enclosed proxy; or
- (c) by **registered mail**, by **hand** or by **courier** to the attention of Computershare Proxy Department, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1.

Non-Registered Shareholders whose shares are registered in the name of an intermediary should carefully follow voting instructions provided by the intermediary. A more detailed description on returning proxies by Non-Registered Shareholders can be found on page 2 of the attached Circular.

If you receive more than one proxy or voting instruction form, as the case may be, for the Meeting, it is because your shares are registered in more than one name. To ensure that all of your shares are voted, you must sign and return all proxies and voting instruction forms that you receive.

DATED at Dartmouth, in the Halifax Regional Municipality, Nova Scotia, this 23rd day of May, 2012.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) Peter C. Akerley
President and Chief Executive Officer

ERDENE RESOURCE DEVELOPMENT CORPORATION

MANAGEMENT INFORMATION CIRCULAR

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ERDENE RESOURCE DEVELOPMENT CORPORATION
MANAGEMENT INFORMATION CIRCULAR
(As at May 23, 2012, except as indicated)

INFORMATION REGARDING ORGANIZATION AND CONDUCT OF MEETING

THIS MANAGEMENT INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY OR ON BEHALF OF THE MANAGEMENT OF ERDENE RESOURCE DEVELOPMENT CORPORATION ("Corporation") for use at the annual meeting of shareholders of the Corporation ("**Shareholders**") to be held at Purdy's Wharf Tower II, 1969 Upper Water Street, Suite 1300, Halifax, Nova Scotia, on Wednesday, June 27, 2012 at 5:30 p.m. (Atlantic Time), or at any adjournment thereof ("**Meeting**"), for the purposes set forth in the accompanying notice of meeting ("**Notice of Meeting**").

Solicitation of Proxies

Solicitation of proxies will be primarily by mail, but may also be by telephone or other means of communication by the directors, officers, employees or agents of the Corporation at nominal cost. All costs of solicitation will be paid by the Corporation. The Corporation will also pay the fees and costs of intermediaries for their services in transmitting proxy-related material in accordance with National Instrument 54-101, *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**").

Appointment and Revocation of Proxies

General

Shareholders may be "**Registered Shareholders**" or "**Non-Registered Shareholders**". If common shares of the Corporation ("**Common Shares**") are registered in the name of an intermediary and not registered in the Shareholder's name, they are said to be owned by a "**Non-Registered Shareholder**". An intermediary is usually a bank, trust company, securities dealer or broker, or a clearing agency in which an intermediary participates. The instructions provided below set forth the different procedures for voting Common Shares at the Meeting to be followed by Registered Shareholders and Non-Registered Shareholders.

The persons named in the enclosed instrument appointing proxy are officers and directors of the Corporation. **Each Shareholder has the right to appoint a person or company (who need not be a Shareholder) to attend and act for him at the Meeting other than the persons designated in the enclosed form of proxy.** Shareholders who have given a proxy also have the right to revoke it insofar as it has not been exercised. The right to appoint an alternate proxyholder and the right to revoke a proxy may be exercised by following the procedures set out below under "*Registered Shareholders*" or "*Non-Registered Shareholders*", as applicable.

If any Shareholder receives more than one proxy or voting instruction form, it is because that Shareholder's shares are registered in more than one form. In such cases, Shareholders should sign and submit all proxies or voting instruction forms received by them in accordance with the instructions provided.

Registered Shareholders

Registered Shareholders have two methods by which they can vote their Common Shares at the Meeting; namely in person or by proxy. To assure representation at the Meeting, Registered Shareholders are encouraged to return the proxy included with this management information circular ("**Circular**"). Sending in a proxy will not prevent a Registered Shareholder from voting in person at the Meeting. The vote will be taken and counted at the Meeting. Registered Shareholders who do not plan to attend the Meeting or do not wish to vote in person can vote by proxy.

Proxies must be received by the Corporation's transfer agent, **Computershare Investor Services Inc.**, not later than **Monday, June 25, 2012 at 5:30 p.m. (Atlantic Time)**. A Registered Shareholder must return the completed proxy to Computershare Investor Services Inc., as follows:

- (a) by **mail** in the enclosed envelope; or
- (b) by the **Internet** or **telephone** as described on the enclosed proxy; or
- (c) by **registered mail**, by **hand** or by **courier** to the attention of Computershare Proxy Department, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1.

To exercise the right to appoint a person or company to attend and act for a Registered Shareholder at the Meeting, such Shareholder must strike out the names of the persons designated on the enclosed instrument appointing a proxy and insert the name of the alternate appointee in the blank space provided for that purpose.

To exercise the right to revoke a proxy, in addition to any other manner permitted by law, a Shareholder who has given a proxy may revoke it by instrument in writing, executed by the Shareholder or his attorney authorized in writing, or if the Shareholder is a corporation, by a duly authorized officer or attorney thereof, and deposited: (i) at the registered office of the Corporation, 1300-1969 Upper Water Street, Purdy's Tower II, PO Box 730, Halifax, Nova Scotia B3J 2V1, Attention: D. Suzan Frazer, at any time up to and including the last business day preceding the Meeting at which the proxy is to be used, or at any adjournment thereof, or (ii) with the chairman of the Meeting on the date of the Meeting, or at any adjournment thereof, and upon either of such deposits the proxy is revoked.

Non-Registered Shareholders

Non-Registered Shareholders who have not objected to their intermediary disclosing certain ownership information about themselves to the Corporation are referred to as "**NOBOs**". Non-Registered Shareholders who have objected to their intermediary disclosing the ownership information about themselves to the Corporation are referred to as "**OBOs**".

In accordance with the requirements of NI 54-101, the Corporation is sending the Notice of Meeting, this Circular, a voting instruction form ("**VIF**") or a form of proxy, as applicable (collectively, the "**Meeting Materials**") directly to the NOBOs and, indirectly, through intermediaries to the OBOs.

Meeting Materials Received by OBOs from Intermediaries

The Corporation has distributed copies of the Meeting Materials to intermediaries for distribution to OBOs. Intermediaries are required to deliver these materials to all OBOs of the Corporation who have not waived their right to receive these materials, and to seek instructions as to how to vote Common Shares. Often, intermediaries will use a service company (such as Broadridge Financial Solutions, Inc.) to forward the Meeting Materials to OBOs.

OBOs who receive Meeting Materials will typically be given the ability to provide voting instructions in one of two ways:

- (a) Usually, an OBO will be given a VIF which must be completed and signed by the OBO in accordance with the instructions provided by the intermediary. In this case, the mechanisms described above for Registered Shareholders cannot be used and the instructions provided by the intermediary must be followed.
- (b) Occasionally, however, an OBO may be given a proxy that has already been signed by the intermediary. This form of proxy is restricted to the number of Common Shares owned by the OBO but is otherwise not completed. This form of proxy does not need to be signed by the OBO but must be completed by the OBO and returned to Computershare Investor Services Inc. ("**Computershare**") in the manner described above for Registered Shareholders.

The purpose of these procedures is to allow OBOs to direct the proxy voting of the Common Shares that they own but that are not registered in their name. Should an OBO who receives either a form of proxy or a VIF wish to attend and vote at the Meeting in person (or have another person attend and vote on their behalf), the OBO should strike out the persons named in the form of proxy as the proxy holder and insert the OBOs (or such other person's)

name in the blank space provided or, in the case of a VIF, follow the corresponding instructions provided by the intermediary. **In either case, OBOs who received Meeting Materials from their intermediary should carefully follow the instructions provided by the intermediary.**

To exercise the right to revoke a proxy, an OBO who has completed a proxy (or a VIF, as applicable) should carefully follow the instructions provided by the intermediary.

Proxies returned by intermediaries as "non-votes" because the intermediary has not received instructions from the OBO with respect to the voting of certain shares or, under applicable stock exchange or other rules, the intermediary does not have the discretion to vote those shares on one or more of the matters that come before the Meeting, will be treated as not entitled to vote on any such matter and will not be counted as having been voted in respect of any such matter. Common Shares represented by such "non-votes" will, however, be counted in determining whether there is a quorum.

Meeting Materials Received by NOBOs from the Corporation

As permitted under NI 54-101, the Corporation has used a NOBO list to send the Meeting Materials directly to the NOBOs whose names appear on that list. If you are a NOBO and the Corporation's transfer agent, Computershare, has sent these materials directly to you, your name and address and information about your holdings of Common Shares have been obtained from the intermediary holding such shares on your behalf in accordance with applicable securities regulatory requirements.

As a result, any NOBO of the Corporation can expect to receive a scannable VIF from Computershare. Please complete and return the VIF to Computershare in the envelope provided. In addition, telephone voting and internet voting are available, as further described in the VIF. Instructions in respect of the procedure for telephone and internet voting can be found in the VIF. Computershare will tabulate the results of the VIFs received from the Corporation's NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by the VIFs received by Computershare.

By choosing to send these materials to you directly, the Corporation (and not the intermediary holding Common Shares on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. The intermediary holding Common Shares on your behalf has appointed you as the proxyholder of such shares, and therefore you can provide your voting instructions by completing the proxy included with this Circular in the same way as a Registered Shareholder. Please refer to the information under the heading "*Registered Shareholders*" for a description of the procedure to return a proxy, your right to appoint another person or company to attend the meeting, and your right to revoke the proxy.

Although a Non-Registered Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker, a Non-Registered Shareholder may attend the Meeting as proxyholder for the Registered Shareholder and vote the Common Shares in that capacity. Non-Registered Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the Registered Shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.

Exercise of Proxies

Where a choice is specified, the Common Shares represented by proxy will be voted for, withheld from voting or voted against, as directed, on any poll or ballot that may be called. **Where no choice is specified, the proxy will confer discretionary authority and will be voted in favour of all matters referred to on the form of proxy. The proxy also confers discretionary authority to vote for, withhold from voting, or vote against amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters not specifically mentioned in the Notice of Meeting but which may properly come before the Meeting.**

Management has no present knowledge of any amendments or variations to matters identified in the Notice of Meeting or any business that will be presented at the Meeting other than that referred to in the Notice of Meeting. However, if any other matters properly come before the Meeting, it is the intention of the persons named in the enclosed instrument appointing proxy to vote in accordance with the recommendations of management of the Corporation.

Voting Shares

The authorized capital of the Corporation consists of an unlimited number of Common Shares, of which 95,802,901 are issued and outstanding as of the date hereof.

The board of directors of the Corporation ("**Board of Directors**") has fixed the record date for the Meeting as the close of business on May 23, 2012 ("**Record Date**"). Only Shareholders as of the close of business on the Record Date will be entitled to vote at the Meeting. Shareholders entitled to vote shall have one vote each on a show of hands and one vote per Common Share on a poll.

Two or more persons present in person representing at least 5% of the Common Shares entitled to be voted at the Meeting will constitute a quorum at the Meeting.

Principal Shareholders

As of the date hereof, to the knowledge of the directors and officers of the Corporation, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, Common Shares carrying more than 10% of the voting rights attaching to all outstanding Common Shares of the Corporation.

BUSINESS TO BE TRANSACTED AT THE MEETING

Financial Statements

The financial statements of the Corporation, the auditor's report thereon and management's discussion and analysis for the financial year ended December 31, 2011 will be presented to the Shareholders at the Meeting.

Election of Directors

The Articles of Incorporation of the Corporation provide that the size of the Board of Directors must consist of not less than three directors and not more than ten directors to be elected annually. The Corporation's by-laws provide that the size of the Board of Directors is to be determined by the Board of Directors and it is fixed at nine directors, beginning at the conclusion of the Meeting.

Each of the persons named in the list which follows is currently a director of the Corporation and all are, in the opinion of management, well qualified to direct the Corporation's activities for the ensuing year. They have all confirmed their willingness to serve as directors, if elected. The term of office of each director elected will be until the next annual meeting of the Shareholders or until the position is otherwise vacated.

Unless the proxy specifically instructs the proxyholder to withhold such vote, Common Shares represented by the proxies hereby solicited shall be voted for the election of the nominees whose names are set forth below. Management does not contemplate that any of these proposed nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the Common Shares represented by the properly executed proxies given in favour of nominees of management named in the enclosed form of proxy may be voted for another nominee at such proxyholder's discretion.

Name, Province and Country of Residence	Principal Occupation ⁽¹⁾	Director Since	Position(s) with the Corporation	Common Shares Owned, Controlled or Directed ⁽⁷⁾
Peter C. Akerley ⁽⁵⁾⁽⁶⁾ Nova Scotia, Canada	President and Chief Executive Officer, Erdene Resource Development Corporation	February 25, 2003	President, Chief Executive Officer and Director, and Co-Managing Director of a Subsidiary	568,150
John P.A. Budreski Ontario, Canada	Independent businessman and advisor on capital markets matters	January 18, 2012	Director	60,000

Name, Province and Country of Residence	Principal Occupation⁽¹⁾	Director Since	Position(s) with the Corporation	Common Shares Owned, Controlled or Directed⁽⁷⁾
William B. Burton ⁽³⁾⁽⁶⁾ Ontario, Canada	Retired; director of two public companies	February 25, 2003	Director	141,000
John P. Byrne ⁽²⁾⁽³⁾⁽⁴⁾ Ontario, Canada	President, Petroleum Corporation of Canada Exploration Ltd.	August 25, 2004	Director	2,034,500
David S.B. Carnell ⁽²⁾ Nova Scotia, Canada	Retired	November 18, 2003	Director	440,900
J.C. (Chris) Cowan ⁽⁵⁾⁽⁶⁾ Ontario, Canada	Vice-President Asia, Erdene Resource Development Corporation	February 25, 2003	Vice-President (Asia), Director and a Managing Director of the Corporation's Mongolian Subsidiaries	599,500
Ken W. MacDonald ⁽⁵⁾ Nova Scotia, Canada	President and CEO, Advanced Primary Minerals Corporation (a mineral exploration and development company)	February 25, 2003	Vice-President (Business Strategy), Chief Financial Officer and Director	578,600
Stuart P. Rath ⁽²⁾ Nova Scotia, Canada	President, Stuco Holdings Limited (an investment holding company)	June 14, 2006	Director	836,637
Philip L. Webster ⁽⁴⁾ Quebec, Canada	President, Imperial Windsor Group Inc. (an investment holding company)	June 14, 2006	Director	1,084,000

Notes:

- (1) See biographical summaries below for descriptions of the occupations of the above noted individuals within the past five years and for prior periods.
- (2) Member of the Audit Committee.
- (3) Member of the Compensation Committee.
- (4) Member of the Corporate Governance and Disclosure Policy Committee.
- (5) Member of the Pre-Clearance Committee.
- (6) Member of the Technical Committee.
- (7) The information as to security holdings was provided by the nominees as of May 23, 2012.

Peter C. Akerley - Mr. Akerley has been the Corporation's President and Chief Executive Officer since March 2003. Mr. Akerley is a geologist who previously provided corporate development, exploration and managerial services for projects in Canada, Guyana, Mexico, the Philippines, the United States of America and Mongolia to junior and senior exploration and mining companies. Mr. Akerley has a BSc (1988) from Saint Mary's University in Halifax. He is also a director of Temex Resources Corporation, a company listed on the TSX Venture Exchange.

John P. A. Budreski – Mr. Budreski has a Bachelor of Engineering from Dalhousie /TUNS University, Halifax, N.S. and an MBA from the University of Calgary, Alberta. Mr. Budreski was formerly a Vice Chairman of Cormark Securities Inc. and prior to that, President and CEO of Orion Securities Inc. which was sold to Macquarie Group in 2007. He has over 25 years of broad experience in the resource and resource financing industries. Mr. Budreski is also a Director of Sandstorm Gold Ltd., Sandstorm Metals & Energy Ltd., and Alaris Royalty Corp.

William B. Burton – Mr. Burton is a director of two public corporations. He was the President and Chief Executive Officer of MagIndustries Corp., a TSX listed resource company, from 1997 to 2010. Mr. Burton was Vice-President of Exploration for International Pursuit Corporation (1996-1998), evaluating gold properties in Asia, including Mongolia and was President of Mongolian Goldfields Corporation from 1996 to 1997. He has been a director of Adex Mining Inc. (TSX-V), a mineral exploration company, since January 2007 and also served as a director of

Adex Mining Inc. from December 1992 to March 2000. He has been a director of the Corporation since February 2003. He is a geoscientist with over 40 years experience in mineral exploration, corporate financing and management of junior resource companies.

John P. Byrne – Mr. Byrne has more than 30 years of investment banking and corporate finance experience. He is President of Petroleum Corporation of Canada Exploration Limited ("**Petrex**"), an oil and gas exploration and development company, and has held that position since 1976. Petrex helped establish and finance Enerplus Energy Services Limited for which Mr. Byrne served as Vice-Chairman (1986-2000). He was a director of FW Omnimedia (2000-2004). He also served in senior executive roles with Levesque Beaubien Geoffrion Inc. (now National Bank Financial), A.E. Ames & Company Ltd./Dominion Securities Ames Ltd. and The First Boston Corporation. Mr. Byrne graduated from McGill University with a BA and from the University of Toronto Law School with a LLB. He is also a Chartered Financial Analyst.

David S.B. Carnell - Mr. Carnell retired in 2000 from a bank-owned investment dealer after a 32-year career in sales and management and is the President of Bedford Capital Group Inc. (an investment holding company) based in Halifax, Nova Scotia. From 1987 to 1989, Mr. Carnell was a director of AquaGold Resources Inc. (now Atlantic Industrial Minerals Inc.).

J.C. (Chris) Cowan - Mr. Cowan, MSc (Geology), P. Eng. (Ontario), is a minerals consultant providing services to exploration and mining companies world-wide since 1990. Prior to that, he spent 28 years with Falconbridge Limited in a variety of senior management and board positions. Mr. Cowan has also been responsible for technical direction of Falconbridge's world-wide exploration as well as activities exploration manager in Southeast Asia and Chief Geologist for Sudbury Operations. Mr. Cowan is a Managing Director of Erdene Mongol XXK and Anian Resources XXK, wholly-owned subsidiaries of the Corporation. Mr. Cowan has served as a director for a number of publicly listed companies, including Unigold Inc. (2003-2006) and Preston Resources Inc. (1997-2001). Mr. Cowan was appointed Vice-President (Asia) of the Corporation in June 2006 and is a director of Advanced Primary Minerals Corporation, listed on the TSX Venture Exchange.

Kenneth W. MacDonald - From September 1992 to present, Mr. MacDonald has been the President and owner of Fisher Transport Limited, a specialized transport company. Mr. MacDonald was Vice-President of Finance and CFO for Kaoclay Resources Inc. from 1996 until it was acquired by the Corporation. From 1985 to September 1992, he was involved as Vice-President Finance with public and private corporations in the resource sector. Prior to 1985, Mr. MacDonald, a chartered accountant, was a senior manager with one of Canada's major accounting firms. Mr. MacDonald has been Vice-President and Chief Financial Officer of the Corporation since March 2003. Mr. MacDonald was appointed Vice-President Business Strategy in 2007. On February 27, 2009 Mr. MacDonald was appointed President and CEO of Advanced Primary Minerals Corporation (TSX-V) pursuant to the reverse takeover of Beta Minerals Inc. (See "*General Development of the Business – History - Reverse Takeover of Beta Minerals Inc.*")

Stuart P. Rath - Stu Rath is President and Director of Stuco Holdings Ltd., a private investment company. From 1985 to 1995, he was President and Chief Operating Officer of Halifax Cablevision Ltd., a cable television business with systems in Halifax, Yarmouth, Liverpool and Shelburne. From 1976 to 1985 he was the President and General Manager of Eastern Cablevision Ltd. and from 1960 to 1976 he was employed by the Bank of Montreal serving in the capacity of Manager, Commercial Credit from 1975 to 1976.

Philip L. Webster – Since 1998 Philip Webster's principal occupation has been as President of Imperial Windsor Group Inc., a private investment holding company. From 1984 to 1990 he was an adjunct professor at McGill's School of Architecture and a designer with Anderson Architects. From 1977 to 1982 he was Executive Assistant to the President of Imperial Trust Company. Mr. Webster is presently also a director of Advanced Primary Minerals Corporation (TSX Venture Exchange listed) and Imperial Windsor Group Inc., Kinmont Canada Inc., Wuswig Inc., Autoparc Stanley and Webridge Donnacona, all private companies. He is a Trustee of the R. Howard Webster Foundation, the Zellers Family Foundation and the Constance Lethbridge. He is a Trustee and former Chairman of Stanstead College and President of its Red and White Foundation. He has an A.B. (Hon.) degree from Princeton University and a Master of Architecture from the Graduate School of Design at Harvard University.

Corporate Cease Trade Orders and Bankruptcies

No director or executive officer of the Corporation is, or within ten years prior to the date of this Circular has been, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

- (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

- (i) is, or within ten years prior to the date of this Circular has been, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than John P.A. Budreski, who was a director of EarthFirst Canada Inc., a company engaged in the development of wind power and related generated facilities, when it obtained creditor protection under the *Companies' Creditor Arrangement Act* (Canada) (the "CCAA") on November 4, 2008. The CCAA process has now been completed and EarthFirst Canada Inc. has been amalgamated with another company and no longer exists as a separate entity; or
- (ii) has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties and Sanctions

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to (i) 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 authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Appointment of Auditor

KPMG LLP, Chartered Accountants, has been the auditor of the Corporation since its incorporation. Management recommends the re-appointment of KPMG LLP. At the Meeting, Shareholders will be asked to vote for the appointment of KPMG LLP as auditor of the Corporation until the next annual meeting of the Shareholders, at a remuneration to be fixed by the Board of Directors.

It is intended that all proxies received will be voted in favour of the appointment of KPMG LLP as auditor of the Corporation, unless a proxy contains instructions to withhold the same from voting.

EXECUTIVE COMPENSATION

Compensation Discussion & Analysis

Named Executive Officers

Applicable securities regulations require that the Corporation give details of the compensation paid to the Corporation's "named executive officers" who are defined as follows:

- (a) the chief executive officer;
- (b) the chief financial officer;
- (c) each of the three most highly compensated executive officers, or the three mostly highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose compensation was, individually, more than \$150,000 for that financial year; and
- (d) any individual who would be a named executive officer under paragraph (c) but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of that financial year.

As at December 31, 2011, the end of the most recently completed financial year of the Corporation, the Corporation had five named executive officers, namely, the president and chief executive officer ("CEO"), the chief financial officer and vice-president business strategy ("CFO"), the Vice-President Asia, the director of finance and the director of operations, Mongolia (collectively, the "Named Executives").

Role of Compensation Committee

The compensation committee of the Corporation ("**Compensation Committee**") has been assigned the responsibility of reviewing the remuneration package for the CEO and for senior executives and to recommend changes, if any, to the Board. In making its recommendations, the Compensation Committee considers each individual's performance and remuneration and incentives paid to senior executives of comparable companies. The Compensation Committee also seeks the views of the CEO when reviewing compensation for other executive officers because of his day-to-day involvement with these officers. It is also the responsibility of the Compensation Committee to review any proposals concerning the Plan or any other equity compensation plans including grant proposals for approval by the Board.

The Compensation Committee currently consists of John P. Byrne (Chair), William B. Burton and Malcolm F. Cox, who is not standing for re-election to the Board, each of whom qualifies as an independent director within the meaning of National Instrument 58-101 - *Disclosure of Corporate Governance Practices*. Each member of the Compensation Committee has more than 35 years of experience in their respective field and, during that time, each has been closely involved with implementing and reviewing compensation policies at their respective organizations. Each of John P. Byrne, William B. Burton and Malcolm F. Cox have held senior roles with public and/or private companies directly related to the mining industry.

Currency

All references to "\$" or "dollars" set forth in this Circular are in Canadian dollars, except where otherwise indicated.

Objectives of the Compensation Program

The general objectives of the Corporation's compensation strategy are to:

- (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long term shareholder value;
- (b) align management's interests with the long term interests of shareholders;
- (c) provide a compensation package that is commensurate with other comparable mineral exploration companies to enable the Corporation to attract and retain talent; and

- (d) ensure that the total compensation package is designed in a manner that takes into account the Corporation's present stage of development and its available financial resources. The Corporation's compensation packages have been designed to provide a blend of non-cash stock option component in a reasonable salary and benefits component based on industry comparable with companies at similar levels of development. In addition, extraordinary efforts which enhance shareholder value are rewarded with cash bonuses.

Salaries for the CEO, CFO and the Vice-President Asia are determined by evaluating the responsibilities inherent in the position held, and the individual's experience and past performance, as well as by reference to the competitive marketplace for management talent at other mining companies. Following the end of each year, the Compensation Committee reviews actual performance for the Corporation and the employee for such year, including the quality and measured progress of the Corporation's exploration projects, raising of capital, corporate alliances and similar achievements. The salary for the director of finance and director of operations, Mongolia is determined by executive management by evaluating the responsibilities held, experience, past performance and by reference to the competitive marketplace for management talent.

The Corporation does not currently have a policy which provides that Named Executives or directors of the Corporation are not permitted to purchase financial instruments, including for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executives or director. However, none of the Named Executives or directors of the Corporation have purchased these types of financial instruments.

Overview of Elements of Compensation

The Corporation's executive compensation program is comprised of five components: (i) base salary; (ii) a stock option plan; (iii) a bonus plan; (iv) perquisites, and (v) benefits. The elements of compensation are described in detail below.

Component of Total Direct Compensation	Type of Compensation	Element	Form	Performance Period
FIXED	Annual	Base Salary	Cash	1 year
	Annual	Short-term Incentive	Annual cash bonus	1 year
VARIABLE	Longer-term	Long-term Incentive	Stock Options	1 year (or more)
	Annual or Longer-Term	Benefits	Corporate benefits plan`	1 year (or more)
	Annual	Perquisites	Cash	1 year

Base Salary

Salaries of the Named Executives are based on a comparison with competitive positions, taking into account the size and sector, as well as the level of activity, of the group. Individual circumstances are also taken into consideration including the scope and geographic location of a Named Executive's position, the Named Executive's relevant competencies or experience and retention risk. The financial performance of the Corporation is also a factor as is the individual performance of the Named Executive. The base salary for each of the CEO, the CFO and the Vice-President Asia is reviewed by the Compensation Committee each year in consultation with the CEO. Base salaries may be adjusted as appropriate, based on any change in the Named Executive's role within the Corporation, performance of the Named Executive, performance of the Corporation or general change in market salary levels. The salaries for the director of finance and director of operations, Mongolia are reviewed annually by executive management and adjusted based on market conditions, experience and past performance.

In 2009, management conducted a survey of a peer group comprised of Entree Gold Inc., Linear Gold Corp., Etruscan Resources Inc., Temex Resources Corp. and Merrex Gold Inc. In 2010, the peer group surveyed by management was Entree Gold Inc., Merrex Gold Inc., Khan Resources Inc., Moly Mines Limited, Fronteer Gold Inc., Eurasian Minerals Inc. and East Asia Minerals Corporation. The Compensation Committee reviewed actual 2009 salaries reported in 2010 in determining the 2011 total executive compensation for the CEO, the CFO and the Vice-President Asia. Backward looking peer bench marking is and will continue to be a determining factor in total compensation.

Performance Bonus

The Corporation does not have an annual incentive program. However, annually, the Compensation Committee considers whether it is appropriate and in the best interest of the Corporation to award a discretionary cash bonus to any of the Named Executives. A cash bonus may be awarded to reward extraordinary performance that has led to increased value for shareholders through property acquisitions or divestitures, the formation of new strategic or joint venture relationships and/or capital raising efforts. Demonstrations of extraordinary personal commitment to the Corporation's interests, the community and the industry may also be rewarded through a cash bonus.

In 2009, the Corporation paid a bonus of \$25,000 to the CEO and a bonus of \$15,000 to each of the CFO and the Vice-President Asia for their extraordinary efforts in 2008. In 2010, the Corporation also paid a bonus of \$25,000 to the CEO, and \$15,000 to each of the CFO and the Vice-President Asia for their extraordinary efforts in 2009. \$9,000 of this was reimbursed by Advanced Primary Minerals Corporation. In 2011, the Corporation paid a bonus of \$50,000 to the CEO and a bonus of \$25,000 to each of the CFO and the Vice-President Asia for their extraordinary efforts in 2010. The Director of Finance and Director of Operations, Mongolia each received a bonus of \$10,000 in each of the past three years in recognition of their extraordinary efforts. See "*Executive Compensation – Summary Compensation Table – Notes 1 and 4*."

Option-based Awards

The strategic use of incentive stock options is a cornerstone of the Corporation's compensation plan. The purpose of the Plan is to advance the interests of the Corporation and its affiliates by encouraging the directors, officers, employees, and consultants of the Corporation to acquire Common Shares, thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation, rewarding significant performance achievements and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of their affairs. The Plan continues to be an important tool for attracting, motivating and retaining qualified employees, which is critical to the Corporation's success. For more information on the Plan, see "*Incentive Stock Option Plan*".

All grants of stock options to the Named Executives are reviewed and approved by the Compensation Committee and the Board of Directors. The process is initiated by management recommending a grant of option-based awards to the Compensation Committee. The Compensation Committee reviews these recommendations and, if they are approved, recommends them to the Board of Directors. In evaluating option grants to the Named Executives, the Compensation Committee and the Board of Directors evaluate a number of factors including, but not limited to: (i) the number of options already held by such Named Executive; (ii) a fair balance between the number of options held by the Named Executive concerned and the other executives of the Corporation, in light of their responsibilities and objectives; and (iii) the value of the options as a component in the Named Executive's overall compensation package. Three of the Named Executives are directors of the Corporation and each director declares his interest in any resolution involving the grant of options to him and refrains from voting thereon.

Benefits

The CEO participates in a corporate benefits program including medical, dental and life insurance in line with organizations of a similar size. In 2009, the CFO and Vice-President Asia provided services through consulting arrangements and did not participate in the Corporation's benefit plans. Effective January 1, 2010, the CFO and the Vice-President Asia, became employees of the Corporation. The CFO now participates in a corporate benefits program and the Vice-President Asia is entitled to do so. The director of finance and director of operations, Mongolia both participate in a corporate benefits program.

Perquisites

The Corporation provides a limited number of perquisites to its Named Executives which vary by title but do not account for a material portion of the overall compensation of the Named Executives. For example, the Corporation offers paid parking and memberships in industry-related organizations. The Corporation awards these perquisites as tools for attraction, retention and motivation.

Other Factors for Understanding Compensation

On March 2, 2009, the Corporation announced the closing of its reverse takeover of Advanced Primary Minerals Corporation ("**APM**") (TSXV:APD) (formerly known as Beta Minerals Inc.). In 2011, Kenneth W. MacDonald,

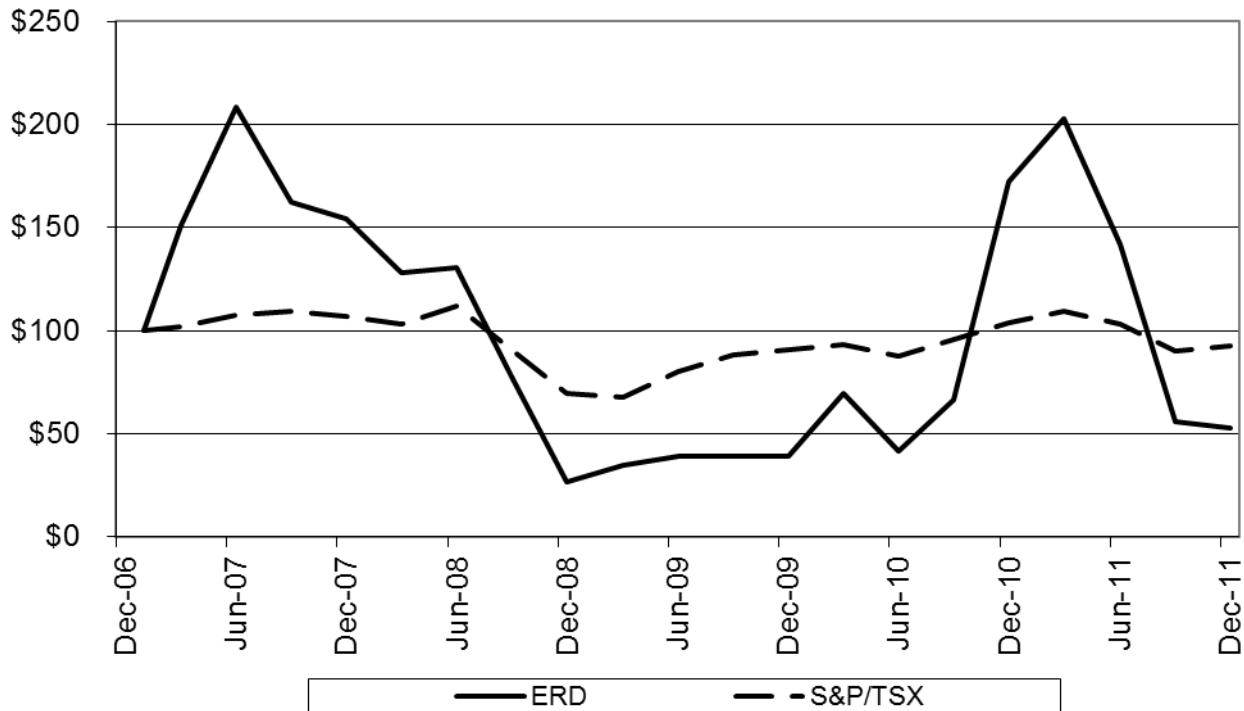
CFO of the Corporation, devoted approximately 40% of his time to the business and affairs of APM as its president and chief executive officer. This amounted to \$126,000 for services rendered to the Corporation and \$84,000 for services rendered to APM. In 2010, Kenneth W. MacDonald, CFO of the Corporation, devoted approximately 60% of his time to the business and affairs of APM as its president and chief executive officer. This amounted to \$74,000 for services rendered to the Corporation and \$126,000 for services rendered to APM. The allocation of Mr. MacDonald's time is reviewed periodically and is adjusted based on the demands of each company. In 2009, the Corporation paid Fisher Transport Limited, a company owned by Mr. MacDonald, \$94,760 for services provided by Mr. MacDonald to the Corporation and APM paid Fisher Transport Limited \$105,000 for services rendered by Mr. MacDonald to APM.

In 2011 and 2010, Michael A. O'Keefe, director of finance of the Corporation devoted approximately 25% of his time to the business and affairs of APM as its chief financial officer. In 2011, this amounted to \$99,225 for services rendered to the Corporation and \$33,075 for services rendered to APM; in 2010, this amounted to \$94,500 for services rendered to the Corporation and \$31,500 for services rendered to APM. In 2009, Mr. O'Keefe devoted approximately 21% of his time to the business and affairs of APM as its chief financial officer. In 2009, this amounted to \$95,000 for services rendered to the Corporation and \$25,000 for services rendered to APM.

Performance Graph

The following line graph depicts the Corporation's cumulative total shareholder return by quarter since January 1, 2007, the date the Corporation completed its initial public offering of Common Shares, assuming a \$100 investment in the Common Shares on such date, compared to an equal investment in the S&P/TSX Composite Total Return Index shares.

Comparison of Total Common Shareholder Return since January 1, 2007



As noted above, a number of factors and performance elements are taken into account when determining compensation for the Named Executives. Although total cumulative shareholder return is one performance measure that is reviewed, it is not a significant consideration in executive compensation deliberations. As a result, a direct correlation between total cumulative Shareholder return over a given period and executive compensation levels is not anticipated.

Assessment of Risks Associated with the Corporation's Compensation Policies and Practices

The Compensation Committee has assessed the Corporation's compensation plans and programs for its executive officers to ensure alignment with the Corporation's business plan and to evaluate the potential risks associated with those plans and programs. The Compensation Committee has concluded that the compensation policies and practices do not create any risks that are reasonably likely to have a material adverse effect on the Corporation.

The Compensation Committee considers the risks associated with executive compensation and corporate incentive plans when designing and reviewing such plans and programs have generally been implemented by or at the direction of the Compensation Committee.

Summary Compensation Table

The following table sets forth information regarding compensation paid to the Named Executives for the financial years ended December 31, 2009, 2010 and 2011.

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards ⁽²⁾ (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation ⁽⁵⁾ (\$)	Total Compensation (\$)
					Annual incentive plans ⁽⁴⁾	Long-term incentive plans			
Peter C. Akerley, President & CEO	2011	250,000	Nil	517,000 ⁽³⁾	50,000	Nil	N/A	8,392	825,392
	2010	210,000	Nil	97,344	25,000	Nil	N/A	8,192	340,536
	2009	210,000	Nil	28,320	25,000	Nil	N/A	8,327	271,647
Ken W. MacDonald, Vice-President, Business Strategy & CFO ⁽¹⁾	2011	210,000	Nil	423,000 ⁽³⁾	25,000	Nil	N/A	6,306	664,306
	2010	200,000	Nil	30,420	15,000	Nil	N/A	5,842	261,262
	2009	Nil	Nil	28,320	15,000	Nil	N/A	94,760	138,080
J.C. Cowan (Chris), Vice-President (Asia)	2011	210,000	Nil	423,000 ⁽³⁾	25,000	Nil	N/A	Nil	658,000
	2010	185,000	Nil	75,036	15,000	Nil	N/A	Nil	275,036
	2009	Nil	Nil	28,320	15,000	Nil	N/A	185,000	228,320
Michael A. O'Keefe Director of Finance	2011	132,300	Nil	112,800 ⁽³⁾	10,000	Nil	N/A	6,037	261,137
	2010	126,000	Nil	20,280	10,000	Nil	N/A	5,861	162,141
	2009	120,000	Nil	19,000	10,000	Nil	N/A	5,690	163,085
Michael X. Gillis Director of Operations, Mongolia	2011	132,068	Nil	112,800 ⁽³⁾	10,000	Nil	N/A	3,968	258,836
	2010	125,779	Nil	20,280	10,000	Nil	N/A	3,853	159,912
	2009	119,790	Nil	19,000	10,000	Nil	N/A	3,740	152,530

Notes:

- Effective January 1, 2010, Mr. MacDonald became an employee of the Corporation. Pursuant to a management arrangement with APM, the Corporation provides APM with certain management, financial, administrative and regulatory services, including the services of Mr. MacDonald as president and CEO of APM. In return, APM pays the Corporation a flat monthly fee. In 2011, the monthly fee was \$13,555, \$7,000 of which was attributed to the services of Mr. MacDonald who devoted approximately 40% of his time to the affairs of APM. In 2010, the monthly fee was \$18,058, \$10,500 of which was attributed to the services of Mr. MacDonald who devoted approximately 60% of his time to the affairs of APM. Prior to January 1, 2010, Mr. MacDonald was compensated pursuant to a consulting arrangement whereby Fisher Transport Limited, a company owned by Mr. MacDonald, was paid a monthly rate for services provided by Mr. MacDonald which aggregated \$92,500 for 2009. Fisher Transport Limited was paid an additional \$105,000 for the services Mr. MacDonald provided to APM in 2009.
- This column shows the total compensation value of stock options granted to the Named Executives in 2009, 2010 and 2011. Option based awards are valued using the Black-Scholes method in accordance with the Corporation's accounting policies and using the following assumptions: For 2011: No dividends are to be paid, risk-free interest rate of 2.0%, expected volatility of 98%, and an expected life of 4.3 years. For 2010: No dividends are to be paid, risk-free interest rate of 3.00%, expected volatility of 88%, and an expected life of 5 years. For 2009: No dividends are to be paid, risk-free interest rate of 2.40%, expected volatility of 77%, and an expected life of 5 years. All options granted had an exercise price equal to the market price of the Common Share at the time of the grant. The fair value of the options issued in 2009, on the date granted, was \$0.24 per option. The fair value of the options issued in 2010, on the date granted, was \$0.58 per option. The fair value of the options issued in 2011, on the date granted, was \$0.94 per option. 65,000 options were exercised by Named Executives in 2011.
- The 2011 year-end closing price on the Toronto Stock Exchange for Common Shares was \$0.375 and the value of the options on that date using the Black-Scholes method described in note (2) was \$0.2086 per option. Therefore, as at the 2011 year-end, the option-based awards granted the Named Executives had the following values: Mr. Akerley: \$114,730 (as opposed to \$517,000 on the grant date); Mr. MacDonald: \$93,870 (as opposed to \$423,000 on the grant date); Mr. Cowan : \$93,870 (as opposed to \$423,000 on the grant date); Mr. O'Keefe: \$25,032 (as opposed to \$112,800 on the grant date); and Mr. Gillis: \$25,032 (as opposed to \$112,800 on the grant date).
- In June, 2009, Mr. Akerley was paid a cash bonus of \$25,000 and Messrs. Cowan and MacDonald were each paid a cash bonus of \$15,000 for their extraordinary services in 2008. In May, 2010, Mr. Akerley was paid a cash bonus of \$25,000, and Mr. Cowan and Mr. MacDonald were each paid a cash bonus of \$15,000 for their extraordinary services in 2009. APM reimbursed the Corporation \$9000 of the amount paid to Mr. MacDonald. In April 2011, Mr. Akerley was paid a cash bonus of \$50,000 and Messrs. Cowan and MacDonald were each paid a cash bonus of \$25,000 for their extraordinary services in 2010. APM reimbursed the Corporation \$9000 of the amount paid to Mr. MacDonald. The director of finance and director of operations, Mongolia each received a bonus of \$10,000 in each of the past three years in recognition of their extraordinary efforts
- Includes perquisites, benefits package and, in the case of Mr. Akerley, taxable benefit on loans.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

The following table presents details of all outstanding option-based awards and outstanding unvested share-based awards to Named Executives as at December 31, 2011.

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Peter C. Akerley President & CEO	550,000	1.26	22-March-2016	N/A	N/A	N/A
	240,000	0.58	15-April-2015	N/A	N/A	N/A
	200,000	0.30	25-June-2014	15,000	N/A	N/A
Ken W. MacDonald Vice-President Business Strategy & CFO	450,000	1.26	22-March-2016	N/A	N/A	N/A
	75,000	0.58	15-April-2015	N/A	N/A	N/A
	200,000	0.30	25-June-2014	15,000	N/A	N/A
J.C. (Chris) Cowan, Vice-President (Asia)	450,000	1.26	22-March-2016	N/A	N/A	N/A
	185,000	0.58	15-April-2015	N/A	N/A	N/A
	200,000	0.30	25-June-2014	15,000	N/A	N/A
Michael A. O'Keefe Director of Finance	120,000	1.26	22-March-2016	N/A	N/A	N/A
	50,000	0.58	15-April-2015	N/A	N/A	N/A
	5,000	0.35	10-October-2013	125	N/A	N/A
	35,000	0.91	4-April-2013	N/A	N/A	N/A
Michael X. Gillis Director of Operations, Mongolia	120,000	1.26	22-March-2016	N/A	N/A	N/A
	50,000	0.58	15-April-2015	N/A	N/A	N/A
	100,000	0.30	21-September-2014	7,500	N/A	N/A
	5,000	0.35	10-October-2013	125	N/A	N/A
	35,000	0.91	4-April-2013	N/A	N/A	N/A

Notes:

- (1) The value of unexercised in-the-money options is the difference between the 2011 year-end closing price on the Toronto Stock Exchange for Common Shares, which was \$0.375, and the exercise price of the options.
- (2) During the financial year ended December 31, 2009, no options were exercised by Named Executives. During the financial year ended December 31, 2010, 100,000 options were exercised by the Named Executives. During the financial year ended December 31, 2011, 65,000 options were exercised by Named Executives.

Termination and Change of Control Benefits

The Corporation has not entered into any compensatory plan, contract or arrangement where a Named Executive is entitled to receive compensation in the event of resignation, retirement or any other termination, a change of control of the Corporation or a change in the Named Executive's responsibilities following a change of control, except that:

- (a) under the terms of the employment agreement with Mr. Akerley, Mr. MacDonald and Mr. Cowan:
 - (i) if their employment is terminated by the Corporation without cause, they will receive their then current annual base salary and the Corporation shall continue their group insurance benefits, if any, for 6 months after the date of termination;

- (ii) in the event of a change of control of the Corporation, each may terminate their respective agreements with the Corporation. If they do so, the Corporation is required to pay their then current annual base salary and continue their group insurance benefits, if any, for 6 months after the date of termination;
 - (iii) if their employment is terminated by the Corporation as a result of death or disability, they shall receive an amount equal to their then current annual base salary; and
 - (iv) if their employment is terminated for cause, the Corporation is required to pay each of them their then current salary accrued pursuant to their respective employment agreements.
- (b) under the terms of the employment agreement with Mr. O’Keefe and Mr. Gillis:
- (i) if they resign, Messrs. O’Keefe and Gillis are required to provide three months written notice. The Corporation may waive the notice requirements and if, it does so, Messrs. O’Keefe and Gillis are entitled to an amount equal to three months’ lump sum (less any salary earned and received after Messrs. O’Keefe and Gillis give such notice);
 - (ii) if their employment is terminated by the Corporation without cause, they will receive their then current annual base salary, any expenses properly incurred before the date of termination and any benefits payable; and
 - (iii) if their employment is terminated for cause, the Corporation is required to pay each of them their then current salary accrued pursuant to their respective employment agreements, any expenses properly incurred before the date of termination, any benefits payable and any payments due in lieu of notice.

If Messrs. Akerley, MacDonald, Cowan, O’Keefe and Gillis’ employment had been terminated effective December 31, 2011, it is the Corporation’s interpretation that the following amounts would have been payable as of the effective date of the termination, in addition to the salary accrued to the termination date:

Total Compensation	Type of Termination				
	<i>Resignation</i>	<i>Termination without Cause</i>	<i>Termination with Cause</i>	<i>Death/Disability</i>	<i>Change of Control</i>
Peter Akerley	Nil	\$250,000 ⁽¹⁾	Accrued Current Annual Salary	\$250,000	\$250,000 ⁽¹⁾
Ken W. MacDonald	Nil	\$210,000 ⁽¹⁾	Accrued Current Annual Salary	\$210,000	\$210,000 ⁽¹⁾
J. C. (Chris) Cowan	Nil	\$210,000 ⁽¹⁾	Accrued Current Annual Salary	\$210,000	\$210,000 ⁽¹⁾
Michael A. O’Keefe	\$33,075 ⁽²⁾	\$73,536 ⁽³⁾	Accrued Current Salary ⁽⁴⁾	Nil	Nil
Michael X. Gillis	\$33,018 ⁽²⁾	\$99,054 ⁽³⁾	Accrued Current Salary ⁽⁴⁾	Nil	Nil

Notes:

- (1) In the event of termination without cause or upon change of control, the Corporation shall continue the Messrs. Akerley, MacDonald and Cowan group insurance benefits, if any, for 6 months after the date of termination; provided that if the Corporation is unable to continue any such benefits by reason of their termination of employment, the Corporation is not required to pay the Messrs. Akerley, MacDonald and Cowan any amounts in lieu thereof.
- (2) Messrs. O’Keefe and Gillis’ may terminate their obligations under at any time upon providing three (3) months’ notice in writing to the Corporation. The Corporation may waive the notice requirements in whole or in part and if, it does so, Messrs. O’Keefe and Gillis’ shall be entitled to an amount equal to three (3) months’ lump sum salary (less any salary earned and received after Messrs. O’Keefe and Gillis’ gave such notice).
- (3) The Corporation may termination Messrs. O’Keefe and Gillis’ at any time upon providing to Messrs. O’Keefe and Gillis’ the greater of three (3) month’s notice and one (1) month’s notice for every year of employment with the Corporation or, in lieu of notice, the greater of three (3) month’s base salary and one (1) month’s base salary for every year of employment with the Corporation, at Messrs. O’Keefe and

Gillis' then current annual salary rate. Mr. O'Keefe commenced employment with the Corporation on April 8, 2005 and Mr. Gillis commenced employment with the Corporation on January 1, 2003.

- (4) In the event of termination with cause, the Corporation is required to pay to Messrs. O'Keefe and Gillis any expenses properly incurred before the date of termination and any benefits payable under their respective employment agreements.

Director Compensation

The following table sets forth amounts of compensation provided to members of the Board of Directors other than Named Executives for the financial year ended December 31, 2011:

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$) ⁽²⁾	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
William B. Burton	7,000	Nil	235,000 ⁽⁴⁾	Nil	N/A	Nil	242,000
John P. Byrne	12,000 ⁽¹⁾	Nil	235,000 ⁽⁴⁾	Nil	N/A	Nil	247,000
David S.B. Carnell	13,000	Nil	235,000 ⁽⁴⁾	Nil	N/A	Nil	248,000
Malcolm F. Cox ⁽³⁾	6,000	Nil	235,000 ⁽⁴⁾	Nil	N/A	Nil	241,000
Stuart P. Rath	10,000	Nil	235,000 ⁽⁴⁾	Nil	N/A	Nil	245,000
Philip L. Webster	7,000	Nil	235,000 ⁽⁴⁾	Nil	N/A	Nil	242,000
John P.A. Budreski ⁽⁵⁾	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Director's fees earned are paid to Mr. Byrne's consulting company Byrne & Co. Inc.
- (2) All options had a 5 year term and were fully vested at the time of grant. The fair value of the options on the date granted was \$1.30 per option. The Corporation values the stock based incentives using the Black-Scholes method using the following assumptions: no dividend yield, risk-free interest of 2.00%, expected volatility of 98% and an expected life of 4.3 years. Options to acquire Common Shares are issued with an exercise price equal to the market price at the date the options are granted. The fair value of the options issued in 2011, on the date granted, was \$0.94 per option. No options were exercised by Named Executives in 2011.
- (3) Director's fees earned are paid to Mr. Cox's employer, Xstrata Coal. Mr. Cox is not standing for re-election to the Board of Directors at the Meeting.
- (4) The 2011 year-end closing price on the Toronto Stock Exchange for Common Shares was \$0.375 and the value of the options on that date, using the Black-Scholes method described in note (2) to the table shown in "Executive Compensation - Summary Compensation Table", was \$0.2086 per option. Therefore, as at the 2011 year-end, the option-based awards granted to each of the directors had a value of \$52,150 (as opposed to \$235,000 on the grant date).
- (5) Mr. Budreski was appointed to the Board of Directors effective January 19, 2012.

Prior to March 2004, non-management directors of the Corporation did not receive fees or other such compensation in their capacities as directors, other than stock options pursuant to the Corporation's incentive stock option plan. Following the Corporation's initial public offering in March 2004, the Corporation began to pay its non-management directors, who are not executive officers, an honorarium of \$500 per meeting of the Board or any committee of the Board. This amount was increased to \$1,000 per meeting effective March, 2008. Directors are not paid a second fee for concurrent meetings. The aggregate amount earned by the directors in 2011 based upon their meeting attendance was \$55,000. Directors are also entitled to be reimbursed for travel and other out-of-pocket expenses incurred for attendance at directors' meetings.

Outstanding Share-Based Awards and Option-Based Awards

The following table presents details of all outstanding option-based awards and outstanding unvested share-based awards to members of the Board of Directors other than Named Executives as at December 31, 2011.

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
William B. Burton	50,000	0.30	25-June-2014	3,750	N/A	N/A
	100,000	0.58	08-Oct-2015	N/A	N/A	N/A
	250,000	1.26	22-March-2016	N/A	N/A	N/A
John P. Byrne	50,000	0.30	25-June-2014	3,750	N/A	N/A
	100,000	0.58	08-Oct-2015	N/A	N/A	N/A
	250,000	1.26	22-March-2016	N/A	N/A	N/A
David S.B. Carnell	50,000	0.30	25-June-2014	3,750	N/A	N/A
	100,000	0.58	08-Oct-2015	N/A	N/A	N/A
	250,000	1.26	22-March-2016	N/A	N/A	N/A
Malcolm F. Cox	100,000	0.58	08-Oct-2015	N/A	N/A	N/A
	250,000	1.26	22-March-2016	N/A	N/A	N/A
Stuart P. Rath	50,000	0.30	25-June-2014	3,750	N/A	N/A
	100,000	0.58	08-Oct-2015	N/A	N/A	N/A
	250,000	1.26	22-March-2016	N/A	N/A	N/A
Philip L. Webster	50,000	0.30	25-June-2014	3,750	N/A	N/A
	100,000	0.58	08-Oct-2015	N/A	N/A	N/A
	250,000	1.26	22-March-2016	N/A	N/A	N/A

Note:

(1) The value of unexercised in-the-money options is the difference between the 2011 year-end closing price on the Toronto Stock Exchange for Common Shares, which was \$0.375, and the exercise price of the options.

During the financial year ended December 31, 2011, no options were exercised by members of the Board of Directors.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Equity Compensation Plan

The following table sets out information as of December 31, 2011, the Corporation's most recently completed financial year, with regard to outstanding options exercisable into Common Shares under the Plan and outstanding warrants exercisable into Common Shares under individual compensation arrangements.

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	7,608,000	\$0.95	1,972,290 ⁽¹⁾
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
Total	7,608,000	\$0.95	1,972,290

Note:

(1) This number equals 10% of the total issued and outstanding Common Shares of the Corporation on December 31, 2011, which was 95,802,901, less the number of Common Shares reported under column (a) above.

Incentive Stock Option Plan

Introduction

At the annual and special meeting of Shareholders held on May 10, 2007, the Shareholders adopted a 10% "rolling" stock option plan (the "**Plan**"). The Plan replaced the stock option plan approved by Shareholders on November 18, 2003 and re-affirmed on June 24, 2004 and June 25, 2005, as required by the policies of the TSX Venture Exchange, the stock exchange upon which the Corporation's Common Shares were listed at the time. Shareholders approved all unallocated options issuable under the Plan at the annual and special meeting held on May 20, 2010, as required by the rules of the Toronto Stock Exchange ("**TSX**"). The purpose of the Plan is to attract and retain directors, officers, employees and service providers to the Corporation and to motivate them to advance the interests of the Corporation by affording them with the opportunity to acquire an equity interest in the Corporation through option.

The following information is intended as a summary of the Plan, and is qualified in its entirety by reference to the Plan in the form attached as Appendix A to the Corporation's management information circular dated April 9, 2007.

"Rolling" Maximum Reserve

The Plan provides that the number of Common Shares reserved for issuance upon the exercise of options is a rolling maximum number that shall not be greater than 10% of the outstanding Common Shares at any point in time.

Other Terms

The Plan authorizes the Board of Directors (or a Committee of the Board of Directors if so authorized by the Board) ("**Board**") to grant options to acquire Common Shares in favour of "**Eligible Persons**". Eligible Persons are directors, officers, employees, consultants, management company employees or any other service providers of the Corporation or its affiliates.

The aggregate number of Common Shares issued to insiders of the Corporation within any one year period under the Plan, together with any other security based compensation arrangement cannot exceed 10% of the outstanding Common Shares. In addition, the aggregate number of Common Shares issuable to insiders of the Corporation at any time under the Plan together with any other security based compensation arrangement cannot exceed 10% of the outstanding Common Shares.

The date of grant, the number of Common Shares, the vesting period and any other terms and conditions of options granted pursuant to the Plan are determined by the Board, subject to the express provisions of the Plan.

Unless otherwise specified by the Board at the time an option is granted under the Plan:

- (a) the exercise price of the option will be the volume weighted average trading price of the Shares on the TSX for the five trading days immediately preceding the date of the grant;
- (b) the term of the option will be 10 years from the date of the grant (which is the maximum allowable term under the Plan), unless the expiry of the term falls during a black-out (or within ten days from the end of blackout) from trading in the securities of the Corporation imposed on certain persons including the optionee pursuant to any policies of the Corporation, and where such black-out applies, the expiry of the term of the option shall automatically be extended to 10 business days following the end of the black-out;
- (c) the option will vest immediately upon grant; and
- (d) if before the expiry of the option, the optionee ceases to be an Eligible Person for any reason other than termination by the Corporation for cause, the option will terminate within ninety days of the date the optionee ceases to be an Eligible Person; provided however, in the event of the death of the optionee, the option continues to be exercisable for a period up to twelve months from the date of such event.

In the event an offer is made for the Common Shares which would result in the offeror exercising control of the Corporation within the meaning of applicable securities laws, any options then outstanding may be exercised so as to allow the optionee to tender the Common Shares received upon such an exercise to the offer; provided however, if the offer is not completed or the Common Shares tendered to the offeror are not taken up and paid for by the offeror, then such Common Shares must be returned to the Corporation by the optionee and the terms of the option applicable prior to the offer will again apply to the options.

The options are non-assignable and non-transferable and there is no ability under the Plan to transform an option granted under the Plan into a stock appreciation right.

The Board may, in its discretion, but subject to applicable law, authorize the Corporation to make loans to Eligible Persons to assist them in exercising their options. The terms and conditions of such loans are determined by the Board, and must include interest at prevailing market rates, a term not in excess of one year, and security in favour of the Corporation represented by that number of Common Shares received on exercise which equals the loaned amount divided by the market price of the Common Shares on the date of such exercise, or equivalent security, which security may be granted on a non-recourse basis.

As a result of amendments to the Income Tax Act (Canada), the Corporation's Board of Directors approved an amendment to the Plan to deal with the employer tax withholding and remittance requirements for stock option benefits.

The Plan contains a formal amendment procedure which sets forth a list of amendments that can be made to the Plan by the Board without requiring the approval of Shareholders unless specifically required by the TSX. These amendments include, without limitation:

- (a) altering, extending or accelerating option vesting terms and conditions;
- (b) amending the termination provisions of an option;
- (c) accelerating the expiry date of an option;
- (d) determining adjustments pursuant to the provisions of the Plan concerning corporate changes;
- (e) amending the definitions contained in the Plan;
- (f) amending or modifying the mechanics of exercising options;

- (g) adding, amending or removing any provisions for financial assistance provided by the Corporation to purchase Common Shares under the Plan;
- (h) amending provisions relating to the administration of the Plan;
- (i) making "housekeeping" amendments, such as those necessary to cure errors or ambiguities contained in the Plan;
- (j) effecting amendments necessary to comply with the provisions of applicable laws; and
- (k) suspending or terminating the Plan.

The Plan specifically provides that the following amendments, among others, require shareholder approval:

- (a) increasing the number of Common Shares issuable under the Plan, except by operation of the "rolling" maximum reserve;
- (b) amending the Plan which amendment could result in the aggregate number of Common Shares issued to insiders within any one-year period or issuable to insiders at any time under the Plan, together with any other security based compensation arrangement, exceeding 10% of the issued and outstanding Common Shares;
- (c) extending the period of time during which options may be exercised;
- (d) reducing the option price;
- (e) amending the class of Eligible Persons which would have the potential of broadening or increasing participation in the Plan by insiders;
- (f) amending the formal amendment procedures; and
- (g) making any amendments required to be approved by the Shareholders under applicable law.

Existing Stock Options and Shares Reserved

As of the date hereof:

- (a) the total number of Common Shares issued upon exercise of options granted under the Plan is 2,235,000 which represents 2.33% of the outstanding Common Shares; and
- (b) the total number of Common Shares which remain reserved for issuance pursuant to currently outstanding options is 7,608,000 (7.94% of the issued and outstanding Common Shares) and pursuant to options available to be granted is 1,972,290, (2.06% of the issued and outstanding Common Shares), which represents in aggregate 10% of the outstanding Common Shares.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

None of the current or former directors, executive officers or employees of the Corporation, or associates or affiliates of a director or executive officer of the Corporation, have been indebted to the Corporation or its subsidiaries at any time since the beginning of the last completed financial year of the Corporation, other than "routine indebtedness" as that term is defined in applicable securities legislation, except for: (a) a loan in the amount of \$98,175 to Peter Akerley, president and chief executive officer of the Corporation, to exercise 231,000 warrants of the Corporation having an aggregate exercise price of \$98,175 (\$0.425 per warrant), which warrants had an expiry date of January 23, 2008. The loan is non-interest bearing and is payable in full in March, 2013. As of May 23, 2012, the balance of the loan was \$73,675; (b) a non-interest bearing housing loan to Peter Akerley, with a balance owing of \$31,800, payable 60 days after demand.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

None of the directors or executive officers of the Corporation, or associates or affiliates of any of these persons, had any material interest, direct or indirect, in any transaction since January 1, 2011, or in any proposed transaction which, in either case, has materially affected or would materially affect the Corporation or its subsidiaries.

CORPORATE GOVERNANCE

The Corporation is required to include disclosure of its corporate governance practices in this Circular in accordance with National Instrument 58-101, *Disclosure of Corporate Governance Practices* ("**Instrument**"). The Instrument has been adopted by the securities commissions or similar regulatory authorities across Canada ("**Canadian Securities Administrators**").

The Board endorses the efforts of the Canadian Securities Administrators in continuing the evolution of good corporate governance practices. The Board is committed to adhering to the highest standards in all aspects of its activities.

The corporate governance practices described below are subject to change as the Corporation evolves. The Board shall remain sensitive to corporate governance issues and shall continuously seek to set up the necessary measures, control mechanisms and structures to ensure an effective discharge of its responsibilities without creating additional overhead costs and reducing the return on Shareholders' equity.

Board of Directors

The Board of Directors is currently comprised of ten directors, five of whom are "independent" within the meaning of applicable securities legislation. An independent director is defined to be a director who has no direct or indirect relationship with the Corporation which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of a member's independent judgement.

The five independent directors are William Burton, John Byrne, David Carnell, Stuart Rath and Philip Webster. The remaining five directors are not considered independent for the following reasons:

- (a) Peter C. Akerley is the President and Chief Executive Officer of the Corporation;
- (b) J.C. (Chris) Cowan is the Vice-President (Asia) and a Managing Director of subsidiaries of the Corporation;
- (c) Ken W. MacDonald is the Vice-President, Business Strategy and Chief Financial Officer of the Corporation;
- (d) Malcolm F. Cox is an employee of Xstrata Coal, an affiliate of Xstrata Coal Donkin Ltd. (with whom the Corporation is a joint venture partner in connection with the Donkin Coal Project in Cape Breton, Nova Scotia), Donkin Coal Management Limited (which manages the Donkin Coal Project) and Xstrata Coal Canada Limited (with whom the Corporation has an alliance agreement). Mr. Cox is not seeking reappointment to the Board of Directors at the Meeting; and
- (e) John Budreski is a consultant to the Corporation.

The Board of Directors meets at least once each calendar quarter and following the annual meeting of Shareholders. The frequency of the meetings and the nature of the meeting agendas are dependent on the nature of the business and affairs which the Corporation faces from time to time.

To facilitate the franchising of the Board of Directors independently of management the Board of Directors recently implemented a practice whereby the independent directors are given the opportunity to meet at the end of each Board of Directors meeting without the non-independent members of the Board to discuss matters independently of

Management. In addition, each of the Audit Committee, the Compensation Committee and the Corporate Governance and Disclosure Policy Committee are comprised only of independent directors.

The following directors of the Corporation are also directors of other reporting issuers:

Director	Name of Other Reporting Issuer
Peter C. Akerley	Temex Ressources Corp. (TSX-V)
William B. Burton	Adex Mining Inc. (TSX-V)
J.C. (Chris) Cowan	Advanced Primary Minerals Corporation (TSX-V)
Ken W. MacDonald	Advanced Primary Minerals Corporation (TSX-V)
Philip L. Webster	Advanced Primary Minerals Corporation (TSX-V)
John P.A. Budreski	Sandstorm Gold Ltd. (TSX-V) Sandstorm Metals & Energy Ltd. (TSX-V) Alaris Royalty Corp. (TSX)

There were 7 formal Board meetings during the year ended December 31, 2011. The attendance record of each director at such meetings is as follows:

Director	Number of Meetings Attended/Number of Board Meetings in the Year When the Individual Was a Director
Peter C. Akerley	7 / 7
William B. Burton	6 / 7
John P. Byrne	6 / 7
David S.B. Carnell	7 / 7
J.C. (Chris) Cowan	7 / 7
Malcolm F. Cox	6 / 7
Ken W. MacDonald	7 / 7
Stuart P. Rath	6 / 7
Philip L. Webster	7 / 7

Note: Mr. Budreski was appointed to the Board of Directors effective January 19, 2012.

In addition, certain of the decisions of the Board of Directors since January 1, 2011, were passed by way of written consent following informal discussions among the directors and Management.

Board Mandate

The Board of Directors is responsible for the stewardship of the Corporation through the supervision of the business and management of the Corporation. This mandate is accomplished directly and through five committees:

- (i) the Audit Committee
- (ii) the Compensation Committee;
- (iii) the Pre-Clearance Committee;
- (iv) the Corporate Governance and Disclosure Policy Committee; and
- (v) the Technical Committee.

The Board of Directors remains committed to ensuring the long-term viability and profitability of the Corporation, as well as the well-being of its employees and of the communities in which it operates. The strategic planning and business objectives developed by management are submitted to and reviewed by the full Board of Directors, both on a formal annual basis and on an on-going basis through regular interim reports from management. The Board of Directors also works with management to identify principal risks, to select and assess senior management and to review significant operational and financial matters. The Board of Directors reviews and approves the annual audited financial statements, the annual report, the annual budget and changes thereto, management proxy

information circulars, material press releases, annual management discussion and analysis, decisions as to material acquisitions not within the budget and the grant of stock options. The Board of Directors does not have a written mandate.

Position Descriptions

The position descriptions for the chairs of each board committee are contained in the charters for the committee. The Board of Directors has five committees noted above. The chair of each of the Audit Committee, Compensation Committee and Corporate Governance and Disclosure Policy Committee is required to ensure that the committee meets regularly and performs its duties as set forth in the charter, and to report to the Board of Directors on the activities of the committee. The Pre-Clearance Committee and the Technical Committee meet as required.

The Board of Directors has not developed a written position description for the chairman of the Board of Directors as this position is presently held by the CEO. The Board of Directors has not developed a written position description for the CEO. Given the relatively small size of the Corporation and the length of time Mr. Akerley and the majority of the Board of Directors members have served in such capacities, the Board of Directors believes that the role and responsibilities have been appropriately communicated through board meetings and in the form of communications between the Board of Directors and Mr. Akerley.

Orientation and Continuing Education

Given the size and relative stability of the Board of Directors, there is no formal program for the orientation and education of new recruits to the Board of Directors. The Corporation does, however, ensure that all new directors receive a complete package outlining the securities law obligations and restrictions on members of the Board of Directors and the Corporation, as well as a copy of all of the Corporation's policies. In addition, the Board of Directors believes that the past and continuing experiences of each director resulting from their past experience and current positions as detailed in this Circular ensure they have the skills and knowledge necessary to serve the Corporation as a member of the Board of Directors on an ongoing basis.

Ethical Business Conduct

In March 2006, the Board of Directors adopted a formal Code of Business Conduct and Ethics ("**Code**") and expects each of its directors, officers and employees to adhere to the standards set forth in the Code. The Board of Directors does not intend to monitor compliance with the Code; however, a copy of the Code is provided to each director, officer and employee, and such person is required to sign an acknowledgement form under which they agree to adhere to the standards set forth in the Code. A copy of the Code is available on SEDAR at www.sedar.com. The Code specifically addresses, among other things, conflicts of interest, confidentiality, compliance with laws, the reporting of unethical behaviour and the reporting of accounting irregularities. Any submission received by the Audit Committee pursuant to the provisions of the Code must be reviewed by the Audit Committee. The Audit Committee will then determine whether an investigation is appropriate. The Committee and/or management will promptly investigate such submission and record the results in writing. All submissions must be treated confidentially to every extent possible, and the Audit Committee and any outside counsel must not reveal the identity of any person who makes the submission and asks that his or her identity remain confidential. The Code specifically provides that any submission may be made without fear of dismissal, disciplinary action or retaliation of any kind.

The Board of Directors believes that the Corporation's size also facilitates informal review of and discussions with its officers and employees to promote ethical business conduct.

In addition, the Pre-Clearance Committee is responsible for pre-clearing trades in the Corporation's securities by the officers and directors of the Corporation, and members of their families who reside with them, in accordance with the Corporation's Pre-Clearance Policy.

Nomination of Directors

The responsibility for proposing new nominees to the Board of Directors and for assessing directors on an ongoing basis is assumed by the full Board of Directors and every director is entitled to bring the matter to the Board of Directors. While it is open to any one director to propose new nominees to the Board of Directors for consideration by the Board of Directors as a whole, the Corporate Governance and Disclosure Policy Committee reviews the qualifications of candidates for Board of Directors membership and the slate of candidates for directors to be nominated for election by Shareholders at the annual general meeting of Shareholders.

Compensation Committee

The mandate of the Compensation Committee is to review the performance, compensation and succession planning of the executive officers of the Corporation and to ensure the proper administration of the Plan. This committee is also responsible to review and recommend all executive benefits plans and executive prerequisites for approval by the Board of Directors. The Compensation Committee generally meets twice a year.

The Compensation Committee presently consists of three directors, Messrs. Burton, Byrne and Cox, all of whom are independent as that term is defined in National Instrument 52-11 - *Audit Committees* ("NI 52-110").

Audit Committee

Information concerning the Corporation's Audit Committee is provided in the Corporation's annual information form ("AIF") for the year ended December 31, 2011, under the section entitled "Audit Committee". A copy of the AIF may be obtained from the Corporation's public disclosure documents found on the SEDAR website at www.sedar.com.

The Audit Committee generally meets four times a year. The Audit Committee presently consists of three directors, Messrs. Byrne, Carnell and Rath, all of whom are independent as that term is defined in NI 52-110.

Pre-Clearance Committee

The Pre-Clearance Committee is responsible for pre-clearing trades in the Corporation's securities by the officers and directors of the Corporation, and members of their families who reside with them, in accordance with the Corporation's Pre-Clearance Policy.

The Pre-Clearance Committee responds to requests for approval to trade. The Pre-Clearance Committee is presently comprised of three directors, Messrs. Akerley, Cowan and MacDonald, all of whom are members of management.

Corporate Governance and Disclosure Policy Committee

The Corporate Governance and Disclosure Policy Committee oversee all regulatory disclosure requirements and the Corporation's disclosure practices, including its Insider Trading Policy. This Committee is responsible to ensure that appropriate systems, processes and controls for disclosure are in place and to review all news releases and core disclosure documents before their release or filing.

The Corporate Governance and Disclosure Policy Committee generally meets once a year. The Corporate Governance and Disclosure Policy Committee presently consists of two directors, Messrs. Byrne and Webster, both of whom are independent as that term is defined in NI 52-110.

Assessments

The Corporate Governance and Disclosure Policy Committee is responsible to oversee the development and implementation of a process for assessing the effectiveness of the Board, its size and composition and its committees. The assessment process is initiated by the Governance Committee which reports to the full Board which then deals with any issues raised. In addition, without convening a special meeting for this purpose, the Board periodically performs an assessment exercise addressing its effectiveness, with input from Management. Also, every director is entitled to bring any matter to the Corporate Governance and Disclosure Policy Committee or to the Board of Directors.

Technical Committee

The Technical Committee assists management in identifying and reviewing any acquisitions, joint ventures or similar opportunities before they are submitted to the Board of Directors.

The Technical Committee presently consists of three directors, Messrs. Akerley, Burton and Cowan.

Other Board Committees

The Board of Directors may, from time to time, create new committees or establish ad hoc committees to address special business issues.

PROPOSALS BY SHAREHOLDERS

Pursuant to the *Canada Business Corporations Act* (the "**Act**"), resolutions intended to be presented by Shareholders for action at the next annual meeting must comply with the provisions of the Act and be deposited at the Corporation's head office not later than March 8, 2013, in order to be included in the management information circular relating to the next annual meeting.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information is provided in the Corporation's comparative financial statements and management discussion & analysis ("**MD&A**") for its most recently completed financial year. To request copies of the Corporation's financial statements and MD&A, Shareholders should contact Megan Jeffries at Erdene Resource Development Corporation, Suite 1480, 99 Wyse Road, Dartmouth, Nova Scotia, B3A 4S5, Telephone (902) 423-6419, Fax (902) 423-6432. The financial statements and MD&A are also available on SEDAR at www.sedar.com.

APPROVAL OF CIRCULAR

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

Dated at Halifax, Nova Scotia, this 23rd day of May, 2012.

(signed) Peter C. Akerley
President and Chief Executive Officer